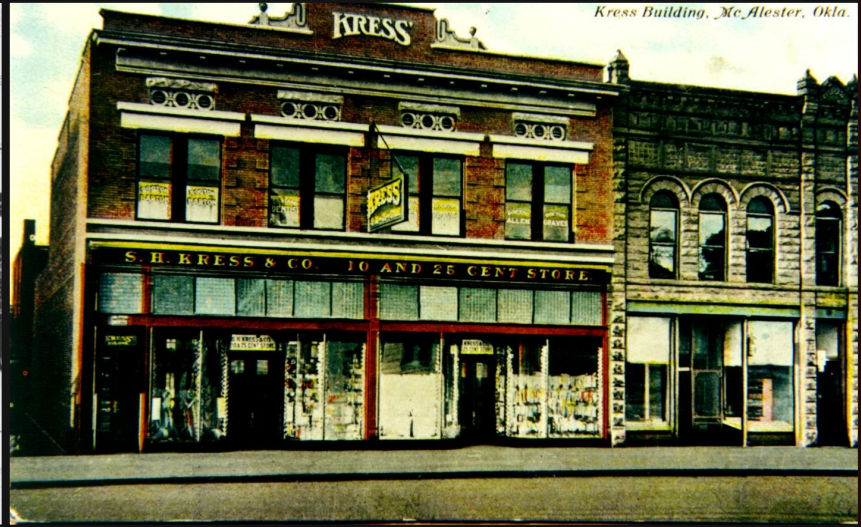


City of McAlester, Oklahoma



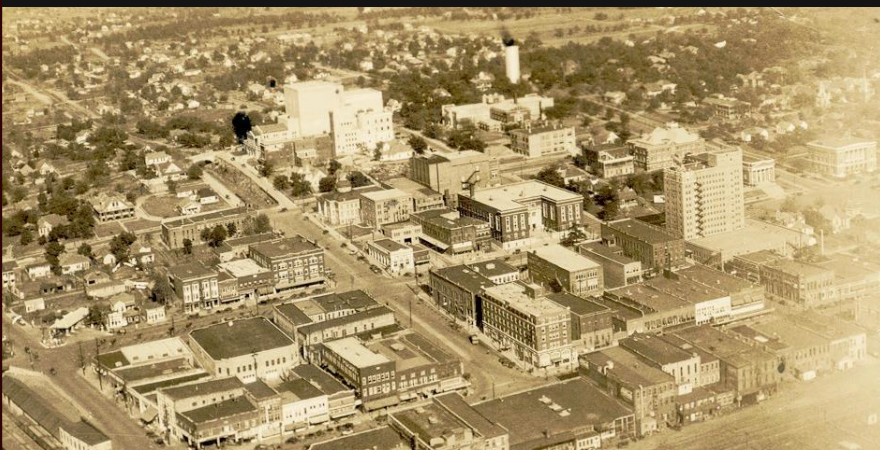
COMPREHENSIVE ANNUAL FINANCIAL AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDING JUNE 30, 2016



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THE CITY OF MCALESTER, OKLAHOMA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

**Prepared By:
City of McAlester Department of Finance
Toni Ervin, Chief Financial Officer**

**CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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Introduction Section



City of McAlester

PO BOX 578 - 28 EAST WASHINGTON - MCALESTER, OKLAHOMA 74502-0578 (918)423-9300 FAX (918)421-4971

December 22, 2016

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

As mandated by the city charter and state statutes, the Comprehensive Annual Financial Report of the City of McAlester for the year ended June 30, 2016, is hereby submitted to fulfill those requirements. The City is required to publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes the responsibility for the completeness and reliability of the information contained in this report. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the City are protected from loss, theft or misuse in order to ensure that adequate accounting data is compiled to allow for the preparation of the financial statements that are free from material misstatements. Due to cost, internal controls should not exceed the anticipated benefits of providing the control. The objective is designed to provide reasonable, but not absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Finley and Cook, a firm of licensed certified public accountants. The independent audit was conducted to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2016. The independent auditor's report is presented as the first component of the financial section of this report.

Management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis

(MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City is governed by the Council-Manager form of government. This form of government most closely resembles the private sector with the Manager serving as the Chief Executive Officer, the Mayor as the Chairman of the Board, and the Council as the Board of Directors. The City Council is the legislative body for the City of McAlester. It is comprised of the Mayor, Vice-Mayor, and five council members who are elected to serve four-year terms. The seven members represent each of the City's six wards.

The City of McAlester provides a variety of municipal services to 18,000+ residents, including police and fire protection, planning and zoning services, parks and recreational activities, and the construction and maintenance of streets, and other infrastructure. The City also provides water, wastewater, storm water, and solid waste to its residents under the legal entity of (MPWA) McAlester Public Works Authority.

The City reports on a fiscal year basis, beginning July 1st and ending June 30th. All funds of the City with revenues and expenditures are required to have annual budgets. The City Manager's proposed operating budget for the fiscal year commencing the following July 1 is submitted to the City Council prior to June 1. A public hearing is held prior to June 15 to obtain citizen comments. Subsequent to the public hearing, but not later than seven days prior to July 1, the budget is adopted by Ordinance of the City Council. The adopted budget is filed with the Office of State Auditor and Inspector. The appropriated budget is prepared by fund, function and department. All supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments without City Council approval up to \$25,000. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

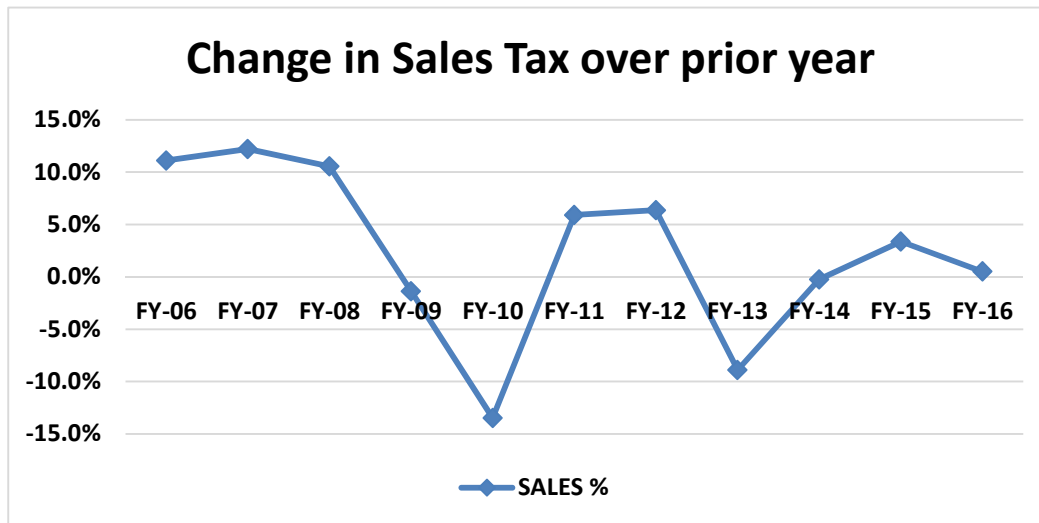
Local Economy

The City of McAlester is the largest community within the Choctaw Nation with a trade area of more than 70,000 people since we are brilliantly positioned in the center of Southeast Oklahoma. The City serves as a thriving regional hub for industry, tourism, retail, and healthcare. As the regional population trends upwards, there is an increasing dependency upon the McAlester community.

McAlester continues to be a focal point of investment, leading to a robust and prosperous economy. New and upcoming industrial expansions and commercial developments are paving the way for future opportunities and growth, creating an economic outlook that is overwhelmingly positive.

Our municipality, like most in the State of Oklahoma, relies on sales tax. These revenue streams are sometimes volatile and, consequently, the City's finances are directly impacted by economic conditions. Our local economy shows signs of optimistic indicators. Sales tax represents 58% of the City's total General Fund Revenue. Overall sales tax collections in fiscal year 2016 increased slightly over the previous fiscal year 2015. Our local economy has demonstrated stability and strength.

Therefore, the economic outlook remains positive. Annual trends in City sales tax are illustrated below:



Major Initiatives

With the cooperation and leadership from the Mayor and Council, City management and staff, many major projects were successful in fiscal year 2015-16. The 9th & Illinois Drainage project was completed, as well as, the 20" Waterline relocate under the lake. We have continued our dedication to major street improvements projects. With the new 2013 and 2014 Street bond construction funds, we have completed the process of reconstructing several of the high traffic streets with only Washington Street project remaining to be complete. CIP#1 was located on 17th Street and has been completed. Street project CIP#2 contains portions of both A Street and Sixth Street. CIP#3 is a project located on Second Street. And, CIP#4 contains additional portions of Sixth Street and along South Avenue. In total these Street Projects will represent a \$12.2 million investment in the betterment of our community infrastructure.

Grant funding allowed us to continue with our CDBG water improvement projects and our Airport runway improvements. We were able to replace 8 police vehicles, 7 work vehicles, in addition to purchasing a new gator for Parks, 1 small dump truck, 1 Flush Trailer, and 1 Truck for fire. We added a new 911 Generator, made improvements at the gun range, and we were able to purchase a K-9 unit for a police officer. A larger, brighter sign at the Expo for those entering our community from the west will provide better visibility of the upcoming activities we have to offer.

Interest in our quality of life projects continues to grow. With the sponsorship of the McGowan donations, we were able to add the new exercise equipment and benches at Mike Deak field. They are a nice addition for our community to exercise and enjoy for years to come. Partnering with McAlester Main Street, we added an award winning Pocket Park that can be used every day and will be a fun addition for the events and festivals held in North Town. With a Grant, we now have an Archery Park that people of all ages and experiences, whether experts or amateur, can enjoy and improve their skills.

The preparation of this Comprehensive Annual Financial Report is a combined effort of the Finance Department and the professional assistance of Crawford & Associates, P.C. Our sincere appreciation is extended to all who contributed to its preparation.

Finally, we would like to thank the Mayor, the members of the City Council, and the members of the Audit and Finance Committee for their policy guidance which is contained in this document. As the governing body, we appreciate their leadership, encouragement and support in strengthening and improving the fiscal policies of the City of McAlester.

Respectfully Submitted,



Peter Stasiak
City Manager



Toni Ervin
Chief Finance Officer

CITY OF MCALESTER, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2016

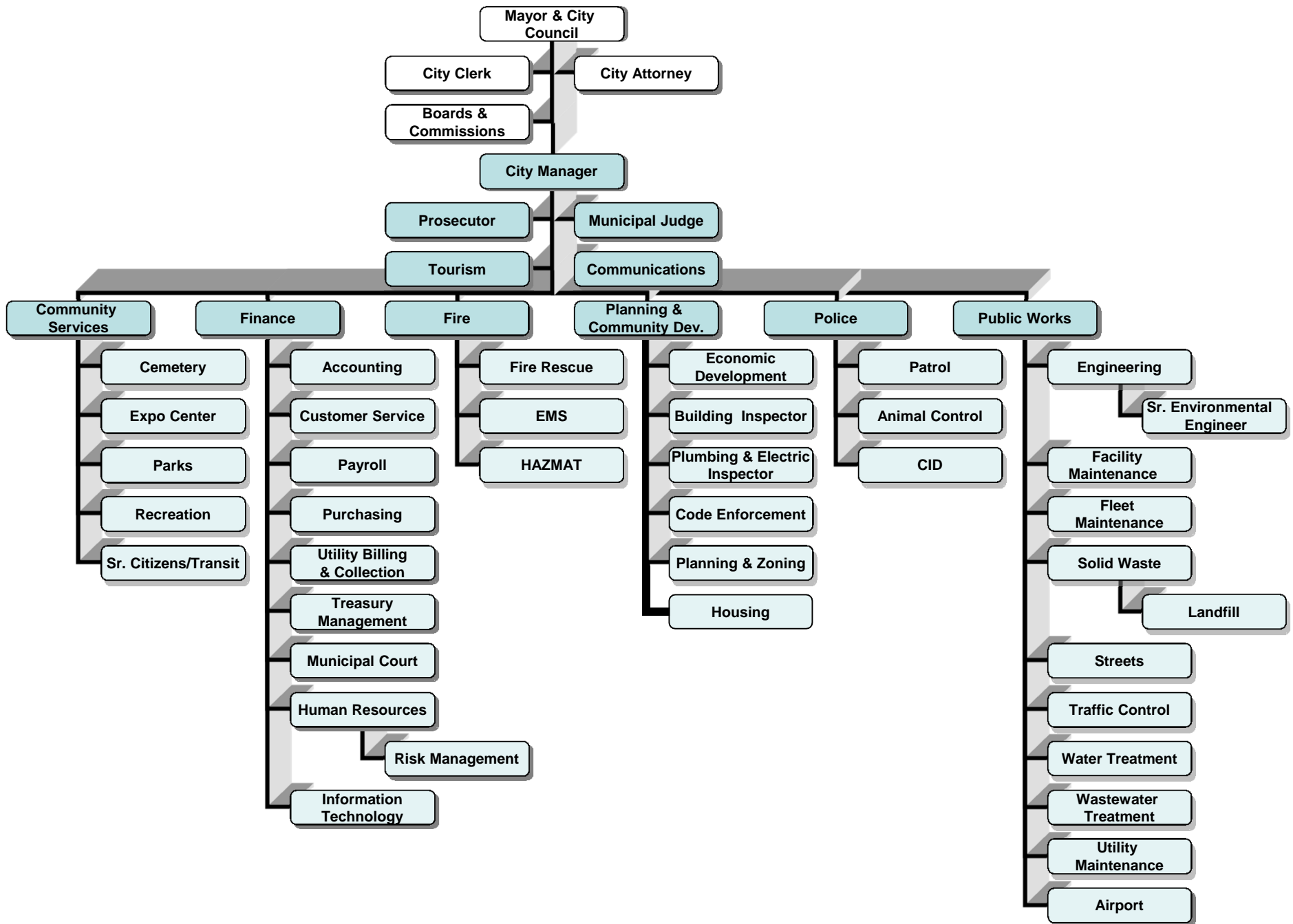
City Council

John Browne, Mayor
Weldon Smith, Member Ward 1
Cully Stevens, Member Ward 2
Travis Read, Member Ward 3
Robert Karr, Member Ward 4
Buddy Garvin, Member Ward 5
Jason Barnett, Member Ward 6

Administration

Peter J. Stasiak	City Manager
Cora Middleton	City Clerk
Toni Ervin	Chief Financial Officer

City of McAlester Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of McAlester
Oklahoma**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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Financial Section



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of McAlester
McAlester, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McAlester Regional Health Center Authority (the "Authority"), which represents 99.9% of the total assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2016 the City adopted new accounting guidance, Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application* (GASB 72). Adoption of this statement resulted in revised disclosures related to the financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in net pension liability and related ratios, the schedule of employer contributions, the schedule of investment returns, the schedule of proportionate share of net pension liability—Oklahoma Firefighters Pension and Retirement System, the schedule of City contributions—Oklahoma Firefighters Pension and Retirement System, the schedule of proportionate share of net pension liability (asset)—Oklahoma Police Pension and Retirement System, and the schedule of City contributions—Oklahoma Police Pension and Retirement System, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters, Continued

Other 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 and individual nonmajor fund financial statements and other supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory and statistical sections, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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 the results of that testing, and not to provide an opinion on 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.



Shawnee, Oklahoma
December 21, 2016

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As management of the City of McAlester, we offer readers this narrative overview and analysis of the financial activities of the City of McAlester for the fiscal year ended June 30, 2016. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's overall net position improved during the year ended June 30, 2016. Total net position increased by \$6,631,992 with the City's total government-wide assets and deferred outflows continuing to exceed its total liabilities and deferred inflows at June 30, 2016, by \$23,862,382 which represents its total government-wide net position.
- The City's governmental activities experienced a current year increase in net position of \$5,050,197, while business-type activities experienced a current year increase in net position of \$1,581,795. However, while overall net position did improve from the prior year, there are still several areas of concern and conditions that are worth noting in terms of the City's financial condition. These concerns or conditions include the following:
 - While the City has total government-wide net position amounting to \$23,862,382, it is segregated by \$21,730,794 in a net investment in capital assets and \$10,794,136 of net position restricted for various purposes, thus leaving the City with (\$8,662,548) in a total unrestricted net position (deficit), with (\$9,827,102) of the unrestricted net position (deficit) located in the City's governmental activities and \$1,164,554 of the unrestricted net position in the City's business-type activities. This total unrestricted net position (deficit) is indicative of the McAlester Public Works Authority (MPWA) issuing revenue bonded indebtedness (reported in the governmental activities in the government-wide financial statements) for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. The capital assets related to the debt for the school system improvements and economic development are not shown in these financial statements, but rather in each of those entities separate financial statements. Most of this debt is expected to be retired from future dedicated sales tax collections. The result of reporting the long-term debt without corresponding capital assets is to report an unrestricted net position (deficit). In addition, due to the implementation of new accounting standards in the prior year, the City's net pension liabilities are now being reported in the amounts of \$10,431,758 for governmental activities and \$1,004,267 for business-type activities.
 - At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$23,034,611. That net amount is the result of \$2,520 of non-spendable fund balance, \$18,544,395 of restricted fund balance, \$3,604,856 of assigned fund balance, and \$882,840 of unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the financial reporting entity of the City of McAlester (the "City"). The financial reporting entity consists of the following separate legal entities:

- The Primary Government
 - City of McAlester
 - McAlester Public Works Authority
 - McAlester Airport Authority
 - McAlester Municipal Improvement Authority (currently inactive)
- Discretely Presented Component Units
 - McAlester Regional Health Center
 - McAlester Parking Authority

The entities included as part of the primary government are included in this report within the governmental-wide statements in either of two categories of activities – governmental and business-type. The discretely presented component units are combined and reported in a single column labeled Component Units. This management discussion and analysis focuses on the primary government as defined above.

The governmental-wide financial statements present the complete financial picture of the City's reporting entity from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined, with a separate column for the aggregate discretely-presented component units. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City of McAlester's basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 22 & 23, respectively) report information about the City as a whole and about its activities in a way that helps answer questions. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues, expenses and deferrals are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position from the prior year. You can think of the City's net position – the difference between assets, deferred outflows, liabilities and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads and other infrastructure, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into three types of activities:

- Governmental activities -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities -- The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, and solid waste collections utilities, along with its airport activities, are reported here.
- Discretely-presented component units -- These account for activities of the City's reporting entity that do not meet the criteria for blending, and include the Regional Health Center Authority and the Parking Authority.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City of McAlester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of McAlester can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds -- When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and solid waste collection, disposal services, and airport services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds - When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or other parties, such as the City's single employer Defined Benefit Retirement Plan and Trust Fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2016, net position for the governmental activities and business-type activities totaled \$23,862,382, which was an increase of \$6,631,992. The results indicate the City, as a whole, improved its financial position from the prior year.

The City of McAlester's Change in Net Position

	Governmental Activities	Business-type Activities	Total
Beginning net position (deficit)	\$ (9,229,048)	\$ 26,459,438	\$ 17,230,390
Increase in net position	5,050,197	1,581,795	6,631,992
Ending net position (deficit)	\$ (4,178,851)	\$ 28,041,233	\$ 23,862,382

Following is a summary comparison of change in net position from last year for the City of McAlester.

The City of McAlester's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 26,160,795	\$ 33,767,905	\$ 5,862,878	\$ 6,151,558	\$ 32,023,673	\$ 39,919,463
Capital assets	42,344,477	34,280,741	27,636,792	28,016,483	69,981,269	62,297,224
Total assets	68,505,272	68,048,646	33,499,670	34,168,041	102,004,942	102,216,687
Deferred Outflows of Resources:						
Deferred amounts related to pensions	1,378,021	1,361,764	295,114	208,652	1,673,135	1,570,416
Deferred outflow on refunding	1,158,817	890,747	-	-	1,158,817	890,747
Liabilities:						
Long-term liabilities	67,411,329	74,000,501	4,756,042	6,798,818	72,167,371	80,799,319
Other liabilities	6,412,408	2,370,533	928,167	793,390	7,340,575	3,163,923
Total liabilities	73,823,737	76,371,034	5,684,209	7,592,208	79,507,946	83,963,242
Deferred Inflows of Resources:						
Deferred amounts related to pensions	1,397,224	3,159,171	69,342	325,047	1,466,566	3,484,218
Net position:						
Net investment in capital assets	(5,145,885)	(8,435,552)	26,876,679	26,970,248	21,730,794	18,534,696
Restricted	10,794,136	10,300,783	-	-	10,794,136	10,300,783
Unrestricted (deficit)	(9,827,102)	(11,094,279)	1,164,554	(510,810)	(8,662,548)	(11,605,089)
Total net position	\$ (4,178,851)	\$ (9,229,048)	\$ 28,041,233	\$ 26,459,438	\$ 23,862,382	\$ 17,230,390

The significant decline in the amount of current and other assets is directly related to the increase in capital assets during the current year. Significant purchases were made in the current year out of the 2013 and 2014 project trustee accounts.

**MANAGEMENT'S DISCUSSION & ANALYSIS
CITY OF MCALESTER, OKLAHOMA
JUNE 30, 2016**

The significant decline in the size of the governmental activity unrestricted net position (deficit) is primarily the result of a decrease in revenue bonds outstanding of \$1,320,000 related to non-capital school and economic development debt retirements.

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the net investment in capital assets amounted to approximately \$21.7 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position, approximately \$10.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is generally considered to be available to be used to meet the government's ongoing obligations to citizens and creditors. For the current year, this unrestricted net position amounted to an \$8,662,548 deficit. The governmental activities deficit balance of \$9,827,102 is indicative of the McAlester Public Works Authority (MPWA) issuing revenue bonded indebtedness for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. Most of this debt is expected to be retired from future dedicated sales tax collections. However, the result of reporting the long-term debt without corresponding capital assets is to report an unrestricted net position (deficit). In addition, net pension liability and related deferred outflows and inflows are reported as a component of unrestricted net position.

The City of McAlester's Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for Services	\$ 3,186,949	\$ 3,260,514	\$ 9,315,775	\$ 9,013,737	\$ 12,502,724	\$ 12,274,251
Grants & Contributions	1,899,430	1,247,032	-	-	1,899,430	1,247,032
Capital Grants & Contributions	3,047,836	635,498	365,848	1,587,745	3,413,684	2,223,243
General Revenues:						
Sales & Use Tax	14,601,333	14,416,789	-	-	14,601,333	14,416,789
Other Taxes	1,896,444	1,829,806	-	-	1,896,444	1,829,806
Other General Revenues	821,288	707,044	130,534	45,868	951,822	752,912
Total Revenues	25,453,280	22,096,683	9,812,157	10,647,350	35,265,437	32,744,033
Program Expenses:						
Legislature	128,178	118,144	-	-	128,178	118,144
Administration	3,075,900	3,016,773	-	-	3,075,900	3,016,773
Public safety	8,002,184	7,742,108	-	-	8,002,184	7,742,108
Community services	2,162,321	1,964,414	-	-	2,162,321	1,964,414
Administration services	1,164,926	1,280,079	-	-	1,164,926	1,280,079
Health and welfare	255,471	245,481	-	-	255,471	245,481
Public works	3,347,597	2,640,537	-	-	3,347,597	2,640,537
Economic development	557,723	237,615	-	-	557,723	237,615
Interest on long-term debt	2,504,399	2,938,799	-	-	2,504,399	2,938,799
Water	-	-	3,835,928	3,636,153	3,835,928	3,636,153
Sewer	-	-	2,016,793	1,833,574	2,016,793	1,833,574
Sanitation	-	-	911,299	2,454,195	911,299	2,454,195
Airport	-	-	670,726	324,411	670,726	324,411
Total Expenses	21,198,699	20,183,950	7,434,746	8,248,333	28,633,445	28,432,283
Revenues in excess of expenses	4,254,581	1,912,733	2,377,411	2,399,017	6,631,992	4,311,750
Net Transfers	795,616	1,075,317	(795,616)	(1,075,317)	-	-
Increase in Net Position	\$ 5,050,197	\$ 2,988,050	\$ 1,581,795	\$ 1,323,700	\$ 6,631,992	\$ 4,311,750

For the year ended June 30, 2016, on a government-wide basis, the City experienced an improvement in its financial condition resulting in an increase in total net position of \$6,631,992. The increase in the change in net position can be attributable to an increase in operating and capital grants and contributions of \$652,398 and \$1,190,441, respectively.

The City's current year governmental activities increase in net position of \$5,050,197 represents an increase from the increase in net position of \$2,988,050 experienced in the prior year. This year's increase in the change in net position from the prior year change can be attributable in large part to an increase in capital grants and contributions of \$2,412,338 from prior year, an increase in operating grants and contributions of \$652,398 from prior year, offset by an increase in expense of \$1,014,749 in the current year.

The business-type activities experienced a current year increase in net position of \$1,581,795, which represents a slight change from the increase in net position of \$1,323,700 experienced in the prior year. This year's increase in the change in net position from the prior year change can be attributable in large part to a decrease in capital grants and contributions of \$1,221,897, offset by a decrease in current year sanitation expenses of \$1,542,896 related to the change in calculation of landfill closure and post-closure liability in the current year.

In reviewing the activity net (expense)/revenue, all business-type functions with the exception of sewer and airport, (water and sanitation) charges for services more than covered all related expenses.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$23,034,611. However, that net amount is the result of \$2,520 of non-spendable fund balance, \$18,544,395 of restricted fund balance, \$3,604,856 of assigned fund balance, and \$882,840 of unassigned fund balance.

For the reasons discussed previously in regards to business-type activities, the enterprise funds reported combined net position of approximately \$28 million.

The General Fund's total fund balance decreased by \$1,229,281, or 56.7%, which is a decrease from the change in fund balance of prior year. This is in large part due to an increase in net transfers out and an increase in expenditures.

The McAlester Public Works Authority enterprise fund reported an increase in net position, after transfers and capital contributions of \$1,709,761 for the year.

General Fund Budgetary Highlights

For the year ended June 30, 2016, the General Fund reported actual budgetary basis amounts available for appropriations above final estimates by \$75,306 or a 0.5% positive variance. General Fund actual expenditures were under final appropriations by \$869,561 or a 5.4% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the City had approximately \$70.0 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of \$7,684,045 from last year.

Below are details regarding the City's capital assets for the years ended June 30, 2016 and 2015.¹

The City of McAlester's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 677,291	\$ 677,291	\$ 212,571	\$ 212,571	\$ 889,862	\$ 889,862
Buildings and Improvements	10,339,189	7,486,267	8,121,865	6,058,074	18,461,054	13,544,341
Machinery and Equipment	11,601,212	11,108,293	3,809,707	3,644,905	15,410,919	14,753,198
Infrastructure	76,269,555	63,678,024	-	-	76,269,555	63,678,024
Utility Property	-	-	47,418,474	46,382,405	47,418,474	46,382,405
Water rights contracts	-	-	719,075	719,075	719,075	719,075
Construction-in-progress	340,742	5,689,263	360,798	2,152,947	701,540	7,842,210
Totals	99,227,989	88,639,138	60,642,490	59,169,977	159,870,479	147,809,115
Less Depreciation	(56,883,512)	(54,358,397)	(33,005,698)	(31,153,494)	(89,889,210)	(85,511,891)
Totals, Net	\$ 42,344,477	\$ 34,280,741	\$ 27,636,792	\$ 28,016,483	\$ 69,981,269	\$ 62,297,224

This year's more significant capital asset additions include \$548,331 for a 20" Waterline Relocation, \$194,958 for 2014 CDBG Water Improvement Project, \$2,036,478 for Airport Improvements, \$221,005 for Airport Rehab Taxiway Drainage Project, \$2,513,890 for Armory Buildings, \$92,000 for Playground Equipment at Mullen Park, \$310,810 for 9th & Illinois Drainage Project, \$384,484 for Sandy Creek Canal Repair Project, \$833,257 for 17th Street Project, \$3,181,637 for "A" Street Project, \$3,432,255 for South Street Project, \$1,160,757 for 6th Street Project and \$3,057,207 for 2nd Street Project.

Debt Administration

At year-end, the City had \$65.5 million in long-term debt outstanding, which represents a \$4,268,524 decrease from the prior year.²

¹ For more detailed information on capital asset activity please refer to page 47-48, Note 5. Capital Assets and Depreciation
² For more detailed information on long-term debt activity please refer to page 49-56, Note 7. Long-Term Debt and Debt Service Requirements

The City of McAlester's Long-term Debt

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Capital leases payable	\$ 632,393	\$ 626,709	\$ -	\$ -	\$ 632,393	\$ 626,709
Claims liability	250,356	379,150	-	-	250,356	379,150
Accrued compensation	2,411,244	2,304,372	178,798	164,551	2,590,042	2,468,923
Notes Payable	-	-	263,441	332,987	263,441	332,987
Revenue Bonds Payable	57,945,932	60,798,769	-	-	57,945,932	60,798,769
Landfill Closure and Post-Closure	-	-	2,831,021	3,977,782	2,831,021	3,977,782
Contract obligation	-	-	377,081	565,623	377,081	565,623
Water contract obligations	-	-	119,591	147,625	119,591	147,625
Deposits subject to refund	-	-	483,734	464,547	483,734	464,547
Totals	\$ 61,239,925	\$ 64,109,000	\$ 4,253,666	\$ 5,653,115	\$ 65,493,591	\$ 69,762,115

The 2002 Revenue Bonds contain \$746,818, \$704,610, \$664,799, and \$920,949 (par value) of capital appreciation bonds. The accreted value of the first three bonds is \$3,930,000 each, and will require three separate \$3,930,000 payments maturing February 1, 2031, February 1, 2032 and February 1, 2033. The fourth bond will mature on February 1, 2034 and require a payment of \$5,770,000. No payments are required to be made on these bonds until maturity.

ECONOMIC OUTLOOK

One of the best indicators of the economic condition of the City is the evaluation of some key factors. Sales tax is the City's largest revenue. With sales tax increasing this 2015-2016 fiscal year over the last 2 previous fiscal years, it is a positive economic impact for the City. As another optimistic key factor, use tax revenue continues its upward trend year after year.

McAlester's local economy has demonstrated positive stability in negative statewide economic conditions. The City of McAlester has a strong foundation of employers that contribute to our economic success, including the McAlester Army Ammunition Plant, Spirit Aerosystems, Berry Plastics, Choctaw Defense, McAlester Regional Health Center, Warren Clinic, National Oilwell Varco, the Oklahoma State Penitentiary, Wal-Mart, Lowes, and Big V Feeds. With solid employers who have plans of expansion and growth, our economic outlook remains optimistic. The City of McAlester is the largest economy within the Choctaw Nation and serves the entire region in industry, tourism, retail, and healthcare. With a trade area of 70,000 people, McAlester's economy is expanding and offering new business opportunities, as well as existing business expansion opportunities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 1st and Washington, McAlester, Oklahoma or phone at (918) 423-9300.

BASIC FINANCIAL STATEMENTS

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Government-Wide Statement of Net Position– June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 20,560,659	\$ 2,746,495	\$ 23,307,154	\$ 30,853,804
Investments	1,742,569	-	1,742,569	12,476,245
Accounts receivable, net of allowance	47,874	1,144,460	1,192,334	11,457,976
Franchise tax receivable	26,439	-	26,439	-
Ambulance receivable, net of allowance	80,021	-	80,021	-
Court fines receivable, net of allowance	1,471,785	-	1,471,785	-
Due from other governments	2,059,174	67,542	2,126,716	-
Prepaid items	2,520	-	2,520	2,296,618
Other receivables	50,530	-	50,530	-
Internal balances	50,561	(50,561)	-	-
Inventory	-	-	-	2,461,261
Investment in joint venture	-	1,954,942	1,954,942	4,843,506
Restitution receivable:				
Due within one year	5,541	-	5,541	-
Due in more than one year	63,122	-	63,122	-
Capital assets:				
Land, improvements, and construction in progress	1,018,033	1,292,444	2,310,477	2,592,877
Other capital assets, net of depreciation	41,326,444	26,344,348	67,670,792	23,575,185
Total assets	<u>68,505,272</u>	<u>33,499,670</u>	<u>102,004,942</u>	<u>90,557,472</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amounts related to pensions	1,378,021	295,114	1,673,135	-
Deferred amount on refunding	1,158,817	-	1,158,817	-
Total deferred outflows of resources	<u>2,536,838</u>	<u>295,114</u>	<u>2,831,952</u>	<u>-</u>
LIABILITIES:				
Accounts payable	806,933	309,417	1,116,350	2,638,341
Accrued payroll liabilities	427,964	61,333	489,297	4,193,996
Accrued interest payable	929,506	1,973	931,479	-
Estimated amounts due to third-party payers	-	-	-	343,247
Unearned revenue	1,651	53,553	55,204	80
Long-term liabilities:				
Due within one year	4,246,354	501,891	4,748,245	709,511
Due in more than one year	67,411,329	4,756,042	72,167,371	9,806,408
Total liabilities	<u>73,823,737</u>	<u>5,684,209</u>	<u>79,507,946</u>	<u>17,691,583</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred amounts related to pensions	1,397,224	69,342	1,466,566	-
NET POSITION:				
Net investment in capital assets	(5,145,885)	26,876,679	21,730,794	14,325,630
Restricted for emergencies	3,677,040	-	3,677,040	-
Restricted for economic development-bonds	800,000	-	800,000	-
Restricted for economic development	1,542,048	-	1,542,048	-
Restricted for E911	983,697	-	983,697	-
Restricted for debt service	2,464,955	-	2,464,955	-
Restricted for stormwater	265,732	-	265,732	-
Restricted for other	1,060,664	-	1,060,664	9,468,973
Unrestricted (deficit)	(9,827,102)	1,164,554	(8,662,548)	49,071,286
Total net position	<u>\$ (4,178,851)</u>	<u>\$ 28,041,233</u>	<u>\$ 23,862,382</u>	<u>\$ 72,865,889</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Government-Wide Statement of Activities –Year Ended June 30, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
Legislature	\$ 128,178	\$ -	\$ -	\$ -	\$ (128,178)	\$ -	\$ (128,178)	\$ -
Administration	3,075,900	642,554	6,243	2,513,890	86,787	-	86,787	-
Public safety	8,002,184	1,819,380	1,136,198	42,774	(5,003,832)	-	(5,003,832)	-
Community services	2,162,321	115,062	13,338	297,915	(1,736,006)	-	(1,736,006)	-
Administration services	1,164,926	275,793	-	-	(889,133)	-	(889,133)	-
Health and welfare	255,471	-	61,160	-	(194,311)	-	(194,311)	-
Public Works	3,347,597	12	167,999	-	(3,179,586)	-	(3,179,586)	-
Economic development	557,723	-	514,492	193,257	150,026	-	150,026	-
Stormwater	-	334,148	-	-	334,148	-	334,148	-
Interest on long-term debt	2,504,399	-	-	-	(2,504,399)	-	(2,504,399)	-
Total governmental activities	<u>21,198,699</u>	<u>3,186,949</u>	<u>1,899,430</u>	<u>3,047,836</u>	<u>(13,064,484)</u>	<u>-</u>	<u>(13,064,484)</u>	<u>-</u>
Business-type activities:								
Water	3,835,928	4,257,391	-	97,473	-	518,936	518,936	-
Sewer	2,016,793	1,852,998	-	-	-	(163,795)	(163,795)	-
Sanitation	911,299	3,096,508	-	-	-	2,185,209	2,185,209	-
Airport	670,726	108,878	-	268,375	-	(293,473)	(293,473)	-
Total business-type activities	<u>7,434,746</u>	<u>9,315,775</u>	<u>-</u>	<u>365,848</u>	<u>-</u>	<u>2,246,877</u>	<u>2,246,877</u>	<u>-</u>
Total primary government	<u>28,633,445</u>	<u>12,502,724</u>	<u>1,899,430</u>	<u>3,413,684</u>	<u>(13,064,484)</u>	<u>2,246,877</u>	<u>(10,817,607)</u>	<u>-</u>
Component Units:								
Parking	\$ 1,520	\$ 5,140	-	-				3,620
Hospital	83,867,893	89,506,067	317,575	250,000				6,205,749
Total component units	<u>\$ 83,869,413</u>	<u>\$ 89,511,207</u>	<u>\$ 317,575</u>	<u>\$ 250,000</u>				<u>\$ 6,209,369</u>
General revenues:								
Taxes:								
Sales and use taxes					\$ 14,601,333	\$ -	\$ 14,601,333	\$ -
Franchise and public service taxes					552,316	-	552,316	-
Hotel/motel taxes					759,410	-	759,410	-
E-911 taxes					584,718	-	584,718	-
Invergovernmental revenue not restricted to specific programs					302,608	-	302,608	-
Investment income					71,856	13,601	85,457	183,390
Miscellaneous					446,824	116,933	563,757	-
Transfers - internal activity					795,616	(795,616)	-	-
Total general revenues and transfers					<u>18,114,681</u>	<u>(665,082)</u>	<u>17,449,599</u>	<u>183,390</u>
Change in net position					5,050,197	1,581,795	6,631,992	6,392,759
Net position - beginning					(9,229,048)	26,459,438	17,230,390	66,473,130
Net position - ending					<u>\$ (4,178,851)</u>	<u>\$ 28,041,233</u>	<u>\$ 23,862,382</u>	<u>\$ 72,865,889</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Balance Sheet - June 30, 2016

	Special Revenue			Debt Service		Other Governmental Funds	Total Governmental Funds
	General Fund	Reserve Fund	Economic Development Fund	Dedicated Sales Tax - MPWA	Bond Trustee Fund		
ASSETS							
Cash and cash equivalents	\$ 1,254,205	\$ 2,803,305	\$ 2,912,599	\$ 102,632	\$ 7,912,437	\$ 5,496,288	\$ 20,481,466
Investments	-	873,735	546,084	-	-	322,750	1,742,569
Receivables:							
Accounts receivable, net of allowance	-	-	-	-	-	47,874	47,874
Due from other funds	-	-	-	-	-	800,000	800,000
Due from other governments	1,178,467	-	120,116	480,462	-	280,129	2,059,174
Franchise tax receivable	26,439	-	-	-	-	-	26,439
Court fines receivable, net of allowance	1,471,785	-	-	-	-	-	1,471,785
Ambulance receivable, net of allowance	80,021	-	-	-	-	-	80,021
Other receivables	3,913	-	-	-	-	46,617	50,530
Prepaid items	2,520	-	-	-	-	-	2,520
Total assets	\$ 4,017,350	\$ 3,677,040	\$ 3,578,799	\$ 583,094	\$ 7,912,437	\$ 6,993,658	\$ 26,762,378
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 259,950	\$ -	\$ 38,726	\$ -	\$ 162,178	\$ 327,301	\$ 788,155
Accrued payroll liabilities	386,841	-	3,564	-	-	28,194	418,599
Due to other funds	981,626	-	-	-	-	-	981,626
Unearned revenue	1,651	-	-	-	-	-	1,651
Total liabilities	1,630,068	-	42,290	-	162,178	355,495	2,190,031
Deferred Inflows of Resources:							
Deferred revenue	1,449,687	-	-	-	-	88,049	1,537,736
Fund balances:							
Nonspendable	2,520	-	-	-	-	-	2,520
Restricted	-	3,677,040	1,542,048	583,094	7,750,259	4,991,954	18,544,395
Assigned	52,235	-	1,994,461	-	-	1,558,160	3,604,856
Unassigned	882,840	-	-	-	-	-	882,840
Total fund balances	937,595	3,677,040	3,536,509	583,094	7,750,259	6,550,114	23,034,611
Total liabilities, deferred inflows and fund balances	\$ 4,017,350	\$ 3,677,040	\$ 3,578,799	\$ 583,094	\$ 7,912,437	\$ 6,993,658	\$ 26,762,378

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	23,034,611
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$56,883,512		42,344,477
Certain other long-term assets and deferred outflows are not available to pay current period expenditures and therefore are deferred in the funds:		
Grants receivable		105,807
Court fines receivable, net of allowance for doubtful accounts \$724,910		1,387,842
Ambulance receivable, net of allowance for doubtful accounts \$1,845,561		44,087
Pension related deferred outflows		1,378,021
Deferred outflow on refunding		1,158,817
		4,074,574
Certain long-term assets are not a current financial resource and, therefore, are not reported in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:		
Restitution receivable		68,663
		68,663
Certain long-term liabilities and related accounts and deferred inflows, are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Accrued interest payable		(929,506)
Capital lease obligations payable		(632,393)
Revenue bonds payable, net of discount of \$14,000		(57,931,932)
Accrued compensated absences		(2,378,363)
Net pension liability		(10,431,758)
Pension related deferred inflows		(1,397,224)
		(73,701,176)
Net Position of Governmental Activities in the Statement of Net Position	\$	(4,178,851)

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2016

	Special Revenue			Debt Service		Other Governmental Funds	Total Governmental Funds
	General Fund	Reserve Fund	Economic Development Fund	Dedicated Sales Tax - MPWA	Bond Trustee Fund		
REVENUES							
Taxes	\$ 9,221,077	\$ -	\$ 988,762	\$ 3,955,048	\$ -	\$ 2,332,890	\$ 16,497,777
Intergovernmental	1,747,149	-	193,257	-	-	306,354	2,246,760
Charges for services	1,397,264	-	-	-	-	1,029,195	2,426,459
Fines and forfeitures	895,397	-	-	-	-	-	895,397
Licenses and permits	128,069	-	-	-	-	-	128,069
Investment earnings	20,423	16,507	16,961	448	1,585	15,932	71,856
Miscellaneous	178,483	-	517,747	-	36,659	319,836	1,052,725
Total revenues	<u>13,587,862</u>	<u>16,507</u>	<u>1,716,727</u>	<u>3,955,496</u>	<u>38,244</u>	<u>4,004,207</u>	<u>23,319,043</u>
EXPENDITURES							
Current:							
Legislature	128,178	-	-	-	-	-	128,178
Administration	2,922,389	-	-	2,000	-	16,724	2,941,113
Public safety	7,620,552	-	-	-	-	804,024	8,424,576
Community services	1,728,163	-	-	-	-	129,814	1,857,977
Administrative services	478,189	-	-	-	-	705,091	1,183,280
Health and welfare	261,585	-	-	-	-	-	261,585
Public works	941,827	-	-	-	-	-	941,827
Economic development	-	-	562,710	-	-	-	562,710
Capital Outlay	429,432	-	-	-	6,204,728	3,090,397	9,724,557
Debt Service:							
Principal	-	-	-	-	3,570,000	132,267	3,702,267
Interest and other charges	-	-	-	-	2,055,869	21,399	2,077,268
Total expenditures	<u>14,510,315</u>	<u>-</u>	<u>562,710</u>	<u>2,000</u>	<u>11,830,597</u>	<u>4,899,716</u>	<u>31,805,338</u>
Excess (deficiency) of revenues over (under) expenditures	(922,453)	16,507	1,154,017	3,953,496	(11,792,353)	(895,509)	(8,486,295)
OTHER FINANCING SOURCES (USES)							
Transfers in	1,436,168	-	-	353,448	5,867,775	1,760,522	9,417,913
Transfers out	(1,742,996)	-	(902,989)	(4,320,050)	-	(972,877)	(7,938,912)
Payment to escrow-refunding	-	-	-	-	(12,581,463)	-	(12,581,463)
Debt issuance costs	-	-	-	-	(363,725)	-	(363,725)
Proceeds from debt	-	-	-	-	12,615,000	137,951	12,752,951
Total other financing sources and uses	<u>(306,828)</u>	<u>-</u>	<u>(902,989)</u>	<u>(3,966,602)</u>	<u>5,537,587</u>	<u>925,596</u>	<u>1,286,764</u>
Net change in fund balances	(1,229,281)	16,507	251,028	(13,106)	(6,254,766)	30,087	(7,199,531)
Fund balances - beginning	<u>2,166,876</u>	<u>3,660,533</u>	<u>3,285,481</u>	<u>596,200</u>	<u>14,005,025</u>	<u>6,520,027</u>	<u>30,234,142</u>
Fund balances - ending	<u>\$ 937,595</u>	<u>\$ 3,677,040</u>	<u>\$ 3,536,509</u>	<u>\$ 583,094</u>	<u>\$ 7,750,259</u>	<u>\$ 6,550,114</u>	<u>\$ 23,034,611</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ (7,199,531)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	9,569,719
Capital assets purchased for business-type activities	(1,102,216)
Capital assets contributed	2,513,890
Depreciation expense	<u>(2,917,657)</u>
	<u>8,063,736</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in restitution revenue	(5,664)
Change in deferred revenue	<u>92,659</u>
	<u>86,995</u>

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.

1,097,932

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Debt proceeds	(12,752,951)
Revenue bond principal payments	3,570,000
Accretion of capital appreciation revenue bonds	(377,163)
Payment to escrow for refunding of revenue bonds	12,581,463
Capital lease obligation principal payments	<u>132,267</u>
	<u>3,153,616</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in accrued interest expense	101,799
Amortization of deferred outflow on refunding	(151,767)
Change in accrued compensated absences expenses	<u>(102,583)</u>
	<u>(152,551)</u>

Change in net position of governmental activities \$ 5,050,197

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Proprietary Funds Statement of Net Position - June 30, 2016

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>McAlester Public Works Authority</u>	<u>McAlester Airport Authority</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,175,388	\$ 87,373	\$ 2,262,761	\$ 79,193
Restricted cash and cash equivalents	483,734	-	483,734	-
Due from other funds	-	-	-	232,187
Accounts receivable, net	1,129,060	15,400	1,144,460	-
Due from other governments	-	67,542	67,542	-
Total current assets	<u>3,788,182</u>	<u>170,315</u>	<u>3,958,497</u>	<u>311,380</u>
Noncurrent assets:				
Investment in joint venture	1,954,942	-	1,954,942	-
Capital assets:				
Land and other non-depreciable assets	1,250,080	42,364	1,292,444	-
Other capital assets, net of depreciation	22,014,633	4,329,715	26,344,348	-
Total noncurrent assets	<u>25,219,655</u>	<u>4,372,079</u>	<u>29,591,734</u>	<u>-</u>
Total assets	<u>29,007,837</u>	<u>4,542,394</u>	<u>33,550,231</u>	<u>311,380</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to pensions	279,824	15,290	295,114	-
LIABILITIES				
Current liabilities:				
Accounts payable	307,265	2,152	309,417	18,778
Accrued payroll liabilities	56,902	4,431	61,333	9,365
Due to other funds	50,561	-	50,561	-
Interest payable	1,703	270	1,973	-
Unearned revenue	53,553	-	53,553	-
Due to depositors	96,747	-	96,747	-
Notes payable	17,140	152,802	169,942	-
Contract obligation	188,542	-	188,542	-
Water rights contract obligation	28,780	-	28,780	-
Accrued compensated absences	15,265	2,615	17,880	3,288
Total current liabilities	<u>816,458</u>	<u>162,270</u>	<u>978,728</u>	<u>31,431</u>
Noncurrent liabilities:				
Claims liability	-	-	-	250,356
Landfill closure and postclosure liability	2,831,021	-	2,831,021	-
Due to depositors	386,987	-	386,987	-
Notes payable	93,499	-	93,499	-
Contract obligation	188,539	-	188,539	-
Water rights contract obligation	90,811	-	90,811	-
Accrued compensated absences	137,388	23,530	160,918	29,593
Net pension liability	939,221	65,046	1,004,267	-
Total non-current liabilities	<u>4,667,466</u>	<u>88,576</u>	<u>4,756,042</u>	<u>279,949</u>
Total liabilities	<u>5,483,924</u>	<u>250,846</u>	<u>5,734,770</u>	<u>311,380</u>
DEFERRED INFLOW OF RESOURCES				
Deferred amounts related to pensions	64,447	4,895	69,342	-
NET POSITION				
Net investment in capital assets	22,657,402	4,219,277	26,876,679	-
Unrestricted	1,081,888	82,666	1,164,554	-
Total net position	<u>\$ 23,739,290</u>	<u>\$ 4,301,943</u>	<u>\$ 28,041,233</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2016

	Enterprise Funds			Internal Service Funds
	McAlester Public Works Authority	McAlester Airport Authority	Total	
OPERATING REVENUES				
Charges for services:				
Water	\$ 2,959,575	\$ -	\$ 2,959,575	\$ -
Sewer	1,707,851	-	1,707,851	-
Sanitation	2,710,113	-	2,710,113	-
Water taps	11,340	-	11,340	-
Sewer taps	11,100	-	11,100	-
Water districts	1,054,175	-	1,054,175	-
Landfill	2,704	-	2,704	-
Penalties	7,956	-	7,956	-
Recycle fees	36,893	-	36,893	-
Subtitle "D" fees	383,691	-	383,691	-
Airport rents and fees	-	108,878	108,878	-
Self insurance charges	-	-	-	913,707
Miscellaneous	-	-	-	12,366
Total operating revenues	<u>8,885,398</u>	<u>108,878</u>	<u>8,994,276</u>	<u>926,073</u>
OPERATING EXPENSES				
Utility office	515,822	-	515,822	-
Interdepartmental	665,282	-	665,282	-
Sanitation	1,846,524	-	1,846,524	-
Engineering	365,053	-	365,053	-
Sewer	720,194	-	720,194	-
Water	1,348,717	-	1,348,717	-
Utility maintenance	909,723	-	909,723	-
Landfill	(901,084)	-	(901,084)	-
Airport	-	166,194	166,194	-
Fleet maintenance	-	-	-	545,008
Claims expense	-	-	-	381,065
Depreciation expense	1,405,928	496,791	1,902,719	-
Total operating expenses	<u>6,876,159</u>	<u>662,985</u>	<u>7,539,144</u>	<u>926,073</u>
Operating income (loss)	2,009,239	(554,107)	1,455,132	-
NON-OPERATING REVENUES (EXPENSES)				
Investment income	13,601	-	13,601	-
Interest expense and fiscal charges	(3,426)	(7,741)	(11,167)	-
Miscellaneous revenue	115,599	1,334	116,933	-
Gain on joint venture	115,706	-	115,706	-
Total non-operating revenue (expenses)	<u>241,480</u>	<u>(6,407)</u>	<u>235,073</u>	<u>-</u>
Income (loss) before contributions and transfers	2,250,719	(560,514)	1,690,205	-
Capital contributions	1,102,216	268,375	1,370,591	-
Transfers in	328,141	164,173	492,314	-
Transfers out	(1,971,315)	-	(1,971,315)	-
Change in net position	1,709,761	(127,966)	1,581,795	-
Total net position - beginning	22,029,529	4,429,909	26,459,438	-
Total net position - ending	<u>\$ 23,739,290</u>	<u>\$ 4,301,943</u>	<u>\$ 28,041,233</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2016

	Enterprise Funds			Internal Service Funds
	McAlester Public Works Authority	McAlester Airport Authority	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 8,308,098	\$ 103,458	\$ 8,411,556	\$ -
Payments to suppliers	(5,075,509)	(269,729)	(5,345,238)	(754,197)
Payments to employees	(1,761,291)	(132,151)	(1,893,442)	(289,081)
Receipts of customer meter deposits	127,426	-	127,426	-
Refund of customer meter deposits	(108,239)	-	(108,239)	-
Other receipts	178,842	-	178,842	1,089,669
Other payments	-	(333,711)	(333,711)	-
Net Cash Provided by (Used in) Operating Activities	<u>1,669,327</u>	<u>(632,133)</u>	<u>1,037,194</u>	<u>46,391</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	328,141	164,173	492,314	-
Transfers to other funds	(1,971,315)	-	(1,971,315)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,643,174)</u>	<u>164,173</u>	<u>(1,479,001)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(120,283)	(300,529)	(420,812)	-
Proceeds from capital grant	-	777,508	777,508	-
Principal payment of capital debt	(233,716)	(52,406)	(286,122)	-
Interest and fiscal charges paid on capital debt	(3,825)	(7,834)	(11,659)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(357,824)</u>	<u>416,739</u>	<u>58,915</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	13,601	-	13,601	-
Net Cash Provided by Investing Activities	<u>13,601</u>	<u>-</u>	<u>13,601</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(318,070)	(51,221)	(369,291)	46,391
Balances - beginning of the year	2,977,192	138,594	3,115,786	32,802
Balances - end of the year	<u>\$ 2,659,122</u>	<u>\$ 87,373</u>	<u>\$ 2,746,495</u>	<u>\$ 79,193</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 2,009,239	\$ (554,107)	\$ 1,455,132	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,405,928	496,791	1,902,719	-
Other non-operating revenues	231,305	1,334	232,639	-
Change in assets and liabilities:				
Receivables, net	(64,998)	(5,420)	(70,418)	-
Due from other funds	-	-	-	163,596
Investment in joint venture	(131,818)	-	(131,818)	-
Accounts payable	(42,165)	(232,398)	(274,563)	4,167
Accrued payroll liabilities	20,952	1,513	22,465	3,133
Due to other funds	(52,463)	(335,045)	(387,508)	-
Escrow deposit liability	(511,404)	-	(511,404)	-
Claims liability	-	-	-	(128,794)
Unearned revenue	(898)	-	(898)	-
Due to depositors	19,187	-	19,187	-
Landfill closure liability	(1,146,761)	-	(1,146,761)	-
Net pension liability	(79,109)	(6,716)	(85,825)	-
Accrued compensated absences	12,332	1,915	14,247	4,289
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,669,327</u>	<u>\$ (632,133)</u>	<u>\$ 1,037,194</u>	<u>\$ 46,391</u>
Noncash capital and related financing activities:				
Capital assets contributed from governmental funds	<u>\$ 1,102,216</u>	<u>\$ -</u>	<u>\$ 1,102,216</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Statement of Fiduciary Net Position – Pension Trust Fund - June 30, 2016

	<u>Defined Benefit Retirement Plan and Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 258,624
Investments:	
Corporate bonds	656,057
Exchange-traded closed-end funds	946,862
Mortgage and asset backed securities	191,709
Government treasury securities	1,338,477
Mutual funds	694,605
Preferred stocks	94,288
Common stocks	8,301,255
Interest receivable	14,159
Contributions receivable	50,774
Other receivable	271
Total assets	<u>12,547,081</u>
 NET POSITION	
Net position restricted for pensions	<u><u>\$ 12,547,081</u></u>

Statement of Changes in Fiduciary Net Position – Pension Trust Fund - Year Ended June 30, 2016

	<u>Defined Benefit Retirement Plan and Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 618,056
Total contributions	<u>618,056</u>
Investment income:	
Interest income	298,515
Less realized and unrealized loss on investments	<u>(538,902)</u>
Net investment income (loss)	<u>(240,387)</u>
Total additions	<u>377,669</u>
 DEDUCTIONS	
Benefits paid to participants or beneficiaries	1,024,826
Administrative expenses	<u>124,062</u>
Total deductions	<u>1,148,888</u>
Change in net position held in trust for employees' pension benefits	(771,219)
Net position - beginning	13,318,300
Net position - ending	<u><u>\$ 12,547,081</u></u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Discretely Presented Component Units Combining Statement of Net Position - June 30, 2016

	<u>Component Units</u>		
	<u>McAlester Regional Health Center Authority</u>	<u>McAlester Parking Authority</u>	<u>Total Component Units</u>
ASSETS:			
Cash and cash equivalents	\$ 30,792,053	\$ 61,751	\$ 30,853,804
Investments	12,476,245	-	12,476,245
Accounts receivable, net	11,457,956	20	11,457,976
Inventories	2,461,261	-	2,461,261
Investment in joint ventures	4,843,506	-	4,843,506
Prepaid expenses	2,296,618	-	2,296,618
Capital assets:			
Land and construction in progress	2,592,877	-	2,592,877
Other capital assets, net of depreciation	23,575,185	-	23,575,185
Total assets	<u>90,495,701</u>	<u>61,771</u>	<u>90,557,472</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	2,638,227	114	2,638,341
Accrued payroll payable	4,193,996	-	4,193,996
Estimated amounts due to third-party payers	343,247	-	343,247
Unearned revenue	-	80	80
Long-term liabilities:			
Due within one year	709,511	-	709,511
Due in more than one year	9,806,408	-	9,806,408
Total liabilities	<u>17,691,389</u>	<u>194</u>	<u>17,691,583</u>
NET POSITION:			
Net investment in capital assets	14,325,630	-	14,325,630
Restricted for capital acquisitions and debt service	8,970,227	-	8,970,227
Restricted for workers' compensation claims	473,746	-	473,746
Restricted for specific operating activities	25,000	-	25,000
Unrestricted	49,009,709	61,577	49,071,286
Total net position	<u>\$ 72,804,312</u>	<u>\$ 61,577</u>	<u>\$ 72,865,889</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Discretely Presented Component Units Combining Statement of Activities - Year Ended June 30, 2016

	<u>Component Units</u>		
	<u>McAlester Regional Health Center Authority</u>	<u>McAlester Parking Authority</u>	<u>Total Component Units</u>
OPERATING REVENUES:			
Charges for services	\$ -	\$ 5,140	\$ 5,140
Net patient service revenue	83,646,754	-	83,646,754
Miscellaneous	5,143,815	-	5,143,815
Total operating revenues	<u>88,790,569</u>	<u>5,140</u>	<u>88,795,709</u>
OPERATING EXPENSES:			
Parking	-	1,520	1,520
Health and welfare	83,761,203	-	83,761,203
Total operating expenses	<u>83,761,203</u>	<u>1,520</u>	<u>83,762,723</u>
Net operating income	5,029,366	3,620	5,032,986
NON-OPERATING REVENUES (EXPENSES):			
Investment income	183,390	-	183,390
Income from joint ventures	715,498	-	715,498
Interest expense and fiscal agent fees	(106,690)	-	(106,690)
Noncapital grants and gifts	317,575	-	317,575
Total non-operating revenue (expenses)	<u>1,109,773</u>	<u>-</u>	<u>1,109,773</u>
Net income before capital contributions	6,139,139	3,620	6,142,759
Contributed capital revenue	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Change in net position	6,389,139	3,620	6,392,759
Total net position - beginning	66,415,173	57,957	66,473,130
Total net position - ending	<u>\$ 72,804,312</u>	<u>\$ 61,577</u>	<u>\$ 72,865,889</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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**CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of McAlester), three blended component units, and two discretely presented component units as noted below.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statement No. 61, "The Financial Reporting Entity" and includes all component units for which the City is financially accountable.

The City of McAlester – that operates the public safety, health and welfare, streets and highways, parks and recreation, stormwater and administrative activities.

The City of McAlester is an incorporated municipality with a population of approximately 18,400 located in southeast Oklahoma. The City operates under the Council-Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a seven-member governing body. Mayor is elected by the citizens at large and other six members are elected by ward.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager, confirmed by the City Council.

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, economic development, certain utility services including water, wastewater, sanitation, and airport activities.

Component Units:

Because the component units are financially accountable to the City, the City's governing body serves as the trustees for these public trusts, and they are all managed by the same management team of the City, when active, the following component units are blended into the City's primary government presentation as funds of the primary government for reporting purposes:

The McAlester Public Works Authority – that operates the water, wastewater, and sanitation/landfill activities of the City, with the McAlester City Council serving as trustees of the Authority.

The McAlester Airport Authority – that develops and operates the airport with the McAlester City Council serving as trustees of the Authority.

The McAlester Municipal Improvement Authority – an inactive trust that promotes the development of industry and culture and industrial, manufacturing, cultural and education activities. There is no activity reported in the City's basic financial statements since the trust is inactive.

CITY OF MCALESTER, OKLAHOMA
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Component units that are discretely presented in the City's report in a separate column are presented below:

The McAlester Regional Health Center Authority – that operates to finance and develop the health center facilities of the City. Separate audited component unit financial statements are issued by the Regional Health Center Authority and may be obtained at their administrative offices.

The McAlester Parking Authority (MPA) – that operates to furnish and supply public off-street parking services and facilities. The MPA does not issue separate audited component unit financial statements.

All 5 of the above component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City may have also leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

Joint Venture:

Association for Landfill Financial Assurance (ALFA) – A non-profit Oklahoma corporation organized for the exclusive benefit of cities, towns, counties, solid waste districts and public trusts within the State of Oklahoma that own and/or operate municipal solid waste landfills within the jurisdiction of the State of Oklahoma, including the making and management of investments on behalf of such public entities in order to provide the financial assurances as required by Subtitle D of the Resource Conservation and Recovery Act of 1976.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used. In accordance with the economic resources measurement focus, all assets and liabilities, both current and noncurrent are reported, along with any related deferred outflows and deferred inflows.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- Administration – oil and gas leases, rent, hotel/motel charges for services, and capital and operating grants and contributions
- Public safety – Fire and Police – fines and forfeitures, fire run charges, ambulance revenue, and capital and operating grants and contributions
- Community services – cemetery openings and closings, swimming pool revenues, complex concessions and rentals, and capital and operating grants and contributions
- Administration services – abatements and licenses and permits

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- Health and welfare – nutrition operating grant
- Public works – gas excise and vehicle tax shared by the State and street cuts
- Economic development – operating and capital grants and contributions
- Stormwater – stormwater fees

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for general operations of the City including: public safety, parks, public facilities, and street maintenance.
- Reserve Fund – special revenue fund that maintains 10% of the total operating budget including capital improvements to be used for emergencies as determined by council.
- Economic Development Fund – special revenue fund that accounts for revenue received from sales tax (1/4 of one-cent) approved by the voters to be used for financing debt related to economic development and for future economic development projects.
- Dedicated Sales Tax MPWA – debt service fund that accounts for revenue received from sales tax (one-cent) approved by the voters to be used for financing debt related to capital improvements.
- Bond Trustee Fund – debt service fund that accounts for transfers received from other funds to be used for financing non business-type activity revenue bond debt.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

- Juvenile Fine Fund – accounts for revenues from fines restricted by state for juvenile programs.
- Tourism / SE Expo Fund – accounts for revenues of a hotel/motel tax levy and rentals/concessions to be expended for promotion of tourism.
- E-911 Fund – accounts for E-911 revenues legally restricted for E-911 services.
- Gifts & Contributions Fund – accounts for revenues and expenditures of donor restricted monies.
- Stormwater Fund – accounts for revenues of a stormwater fee to be expended solely for stormwater projects.

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Capital Project Funds:

- Police Equipment Fund – accounts for revenues and capital expenditures related to Local Law Enforcement Block Grants.
- State Forfeiture Fund – accounts for revenues received from state drug forfeitures restricted for equipment purchases.
- Cemetery Perpetual Care – accounts for 12.5% of all cemetery revenues which are legally restricted for cemetery capital outlay.
- CDBG Grants Fund – accounts for revenues and capital expenditures related to CDBG grants.
- Federal Forfeiture Fund – Accounts for revenues received from federal drug forfeitures restricted for equipment purchases.
- Fire Improvement Grant Fund – accounts for revenues and capital expenditures related to fire grants.
- Capital Improvement Plan Fund – capital project fund that accounts for monies initially set aside by City Council for repayment of previously determined unsupported bond activity.
- Technology Fund – accounts for revenues received from a technology fee restricted for technology capital purchases and upgrades.

Debt Service Fund:

- Sales Tax Schools Fund – accounts for revenue received from sales tax (1/4 of one-cent) approved by the voters to be used for acquisition and financing of educational facilities and equipment.

The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-type activities provided within the government. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

The City's enterprise funds include the following major funds:

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- McAlester Public Works Authority Fund - that accounts for the activities of the McAlester Public Works Authority public trust in providing water, sewer, and sanitation services to the public.
- McAlester Airport Authority Fund - that currently accounts for airport fees and grants used in providing airport services.

The City's internal service funds include the following:

- Worker's Compensation Fund – that accounts for the activities of providing worker's compensation to the employees of the City.
- FLEET Maintenance Fund – that accounts for the activities of providing FLEET maintenance to the City.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Fiduciary Fund:

The City has one fiduciary fund - the City of McAlester Defined Benefit Retirement Plan and Trust Fund. The pension trust fund accounts for retirement contributions and investment income for the direct benefit of employees other than those employees covered by the statewide fire and police cost-sharing pension plans, or those covered by the City's defined contribution agent multi-employer OMRP pension plan. The pension trust fund is reported on the accrual basis of accounting and economic resources measurement focus.

C. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less, and money market investments. Investments consist of long-term time deposits, and U.S. agency bonds and notes. Certificates of deposit are reported at cost while investments in the U.S. agency bonds and notes and other marketable investments are reported at fair value.

D. Inventories

Inventories of goods and supplies on hand at year end are not material for the primary government. Therefore purchases of inventory type items are recorded as expenditures or expenses at the time purchased, and no balances for such inventories on hand are reported.

For the Regional Health Center Authority component unit reported inventories are reported on the lower of cost (first-in, first-out) or market.

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E. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$2,500 is used for additions, other than land, to report capital assets. Capital assets are reported at actual or estimated historical cost. Prior to July 1, 2001, governmental activities' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost. Donated assets are recorded at their fair value at the date of donation.

Depreciable capital assets are depreciated on a straight-line basis over useful lives. The range of estimated useful lives by type of asset is as follows:

- | | |
|-------------------------------------|----------------|
| • Buildings | 20 – 100 years |
| • Improvements other than buildings | 20 - 100 years |
| • Equipment and vehicles | 3 - 25 years |
| • Infrastructure | 15 - 50 years |

F. Long-Term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities, proprietary fund and component unit resources are reported as liabilities as incurred. The long-term debt consists primarily of accrued compensated absences, capital leases payable, and revenue bonds payable. This long-term debt is reported net of unamortized premiums and discounts.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

G. Compensated Absences

Under terms of union contracts and City personnel policies, City employees are granted comp time, vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and comp time. The estimated liabilities for vested benefits also include salary-related payments such as employment taxes. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary and component unit financial statements. Governmental funds report only the matured compensated absences payable to currently terminating or retiring employees.

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H. Fund Balances and Net Position

Net Position:

Net position reported in the government-wide, proprietary fund and fiduciary fund financial statements are displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. **Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. **Restricted** – consists of fund balance with constraints place on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.
- d. **Assigned** – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Currently, the city council has delegated that authority to the city manager. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. **Unassigned** – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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It is the City's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund. In those funds, interest income is used first before other revenues. Proprietary fund and fiduciary fund equity is classified the same as in the government-wide statements.

I. Interfund Activities and Balances

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements

J. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

2. Deposits and Investments

Primary Government Deposits and Investments:

The City implemented GASB Statement No. 72, Fair Value Measurement and Application, during the fiscal year ended June 30, 2016. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets identical assets; Level 2 inputs are significant other observable inputs; Level 3; inputs are significant unobservable inputs.

At June 30, 2016, the primary government held the following deposits and investments:

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Type of Deposits and Investments - Primary Government	Carrying Value	Maturities in Years			
		On Demand	Less Than One	1 - 5	6 - 10
Deposits:					
Petty Cash	\$ 4,860	\$ 4,860	\$ -	\$ -	\$ -
Demand deposits	15,389,857	15,389,857	-	-	-
Demand deposits - pension trust funds	258,624	258,624	-	-	-
Time deposits	1,742,569	-	1,742,569	-	-
	<u>17,395,910</u>	<u>15,653,341</u>	<u>1,742,569</u>	<u>-</u>	<u>-</u>
	Credit Rating	Fair Value Categories			
Investments:					
Bond Trustee Accounts:					
Federated Treasury Obligations Inst Money Market Fund	N/A	N/A	1,124,713	1,124,713	-
Federated Treasury Obligations Svc Money Market Fund	N/A	N/A	1,491,167	1,491,167	-
Federated Government Obligations Tax Managed Svc	N/A	N/A	1,714,807	1,714,807	-
Goldman Sachs Financial Square Federal Fund Admin Shares #521	AAAm	N/A	3,581,750	3,581,750	-
Pension Trust Fund:					
Allianz Fix Inc Shrs: Series M (FXIMX) - Money Market	N/A	N/A	224,516	224,516	-
Allianz Fix Inc Shrs: Series C (FXICX) - Money Market	N/A	N/A	227,934	227,934	-
Invesco Premier Ptf Instl (PPXX) - Money Market	N/A	N/A	233,205	233,205	-
Legg Mason WA Inst Liquid Res A -Money Market	N/A	N/A	8,950	8,950	-
Corporate Bonds	AA+	Level II	16,332	-	16,332
Corporate Bonds	AA-	Level II	16,493	-	-
Corporate Bonds	A+	Level II	16,330	-	16,330
Corporate Bonds	A	Level II	47,813	-	32,902
Corporate Bonds	A-	Level II	99,401	-	16,592
Corporate Bonds	BBB+	Level II	75,125	-	16,157
Corporate Bonds	BBB	Level II	184,932	-	31,102
Corporate Bonds	BBB-	Level II	65,068	-	16,304
Corporate Bonds	BB	Level II	84,250	-	-
Corporate Bonds	BB+	Level II	50,313	-	50,313
Vanguard Short Term Bond	N/A	Level I	946,862	946,862	-
United States Treasury Bonds/Notes	AAA	Level I	1,338,477	-	483,270
Mortgage and asset backed securities	N/A	Level II	191,709	-	-
Preferred Stocks	N/A	Level I	32,128	32,128	-
Preferred Stocks	BB	Level I	62,160	62,160	-
Common Stocks	N/A	Level I	8,301,255	8,301,255	-
			<u>20,135,690</u>	<u>17,949,447</u>	<u>547,294</u>
Total Deposits and Investments			<u>\$ 37,531,600</u>	<u>\$ 33,602,788</u>	<u>\$ 1,742,569</u>
				<u>\$ 547,294</u>	<u>\$ 884,647</u>
Reconciliation to Statement of Net Position:					
Cash and cash equivalents			\$ 23,307,154		
Investments			1,742,569		
Add: Fiduciary Fund cash and cash equivalents			258,624		
Add: Fiduciary Fund investments			12,223,253		
			<u>\$ 37,531,600</u>		

Deposit and Investment Risks

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City does not have a formal investment policy as it relates to custodial credit risk. Acceptable collateral is limited to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2016, the City was not exposed to custodial credit risk as defined above.

Investment Credit Risk – State law limits the investments available to the City and is described below.

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

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end in the schedule above. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Retirement Plan Investments:

The Plan’s investment policies provide for investment in a diversified portfolio, consisting primarily of common stocks, mutual funds, bonds, cash equivalents, and other investments. General asset allocation guidelines for the Plan are as follows:

Class	Maximum Percent	Minimum Percent	Target Percent
Domestic Equities	44.00	30.00	42.00
International Equities	16.00	0.00	8.00
Fixed Income	70.00	40.00	N/A
Cash	30.00	0.00	N/A

However, Morgan Stanley, the portfolio manager, has discretion in the actual allocation of assets within the retirement plan portfolio.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy to manage exposure to fair value losses arising from increasing interest rates. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments in the schedule above.

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Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City's investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, there was no single issuer investment with more than 5% of total investments.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of the following:

	Current Cash and cash Equivalents
Utility Deposits	\$ 483,734
Total Restricted Assets	\$ 483,734

Component Units Deposits and Investments:

McAlester Regional Health Center Authority

Deposits

At June 30, 2016, approximately \$30,702,000 of the Authority's bank balances were uninsured with collateral held by the pledging financial institution and \$1,420,000 of the Authority's bank balances were uninsured and uncollateralized.

3. Investment in Joint Venture

As discussed in Note 1A, the City participates (with equity interest) in the Association for Landfill Financial Assurance (ALFA). ALFA has been approved by the ODEQ as an allowable financial assurance mechanism under existing federal and state laws and regulations. As a member of ALFA, the City is required to deposit certain amounts on an annual basis into an escrow fund to be pooled with other ALFA members. The annual amount due from each member is based on the members' total estimated current cost of closure and post-closure care of the landfill, including adjustments due to inflation or resulting from any changes in the closure or the required 30 year post-closure care plan, plus any additional amount for contingencies as determined by ALFA. For the year ended June 30, 2016, the "Investment in joint venture" balance changed as follows:

Beginning Investment in Joint Venture	\$ 1,823,124
Current Year Contributions	1,000
Gain from Joint Venture	130,818
Ending Investment in Joint Venture	\$ 1,954,942

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

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4. Receivables

Primary Government Accounts Receivables:

Accounts receivable of the business-type activities consists of customers utilities, airport rental accounts receivable, and airport grant receivable. Accounts receivable of the governmental activities consists of franchise tax, police fines and ambulance receivables. Receivables detail at June 30, 2016, is as follows:

	<u>General Fund</u>		<u>Stormwater</u>		
	<u>Ambulance</u>	<u>Court</u>	<u>Fund</u>	<u>MPWA</u>	<u>Airport</u>
Accounts receivable	\$ 1,925,582	\$ 2,196,695	\$ 49,047	\$ 3,241,930	\$ 15,400
Allowance for doubtful accounts	<u>(1,845,561)</u>	<u>(724,910)</u>	<u>(1,173)</u>	<u>(2,112,870)</u>	<u>-</u>
Accounts receivable, net	<u>\$ 80,021</u>	<u>\$ 1,471,785</u>	<u>\$ 47,874</u>	<u>\$ 1,129,060</u>	<u>\$ 15,400</u>

Component Units:

McAlester Regional Health Center Authority

Patient receivable balances at June 30, 2016 were as follows:

	<u>MRHCA</u>
Medicare	\$ 3,512,818
Medicaid	2,444,150
Other third-party payers	6,558,549
Patients	13,625,691
Allowance for doubtful accounts	<u>(14,683,252)</u>
Accounts receivable, net	<u>\$ 11,457,956</u>

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5. Capital Assets and Depreciation

For the year ended June 30, 2016, capital assets balances changed as follows:

	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Governmental activities:				
Non-depreciable:				
Land	\$ 677,291	\$ -	\$ -	\$ 677,291
Construction-in-progress	5,689,263	6,380,914	(11,729,435)	340,742
Total non-depreciable assets at historical cost	<u>6,366,554</u>	<u>6,380,914</u>	<u>(11,729,435)</u>	<u>1,018,033</u>
Depreciable:				
Buildings	5,350,398	2,513,890	-	7,864,288
Other improvements	2,135,869	339,032	-	2,474,901
Machinery and equipment	11,108,293	885,461	(392,542)	11,601,212
Infrastructure	63,678,024	12,591,531	-	76,269,555
Total depreciable assets at historical cost	<u>82,272,584</u>	<u>16,329,914</u>	<u>(392,542)</u>	<u>98,209,956</u>
Less accumulated depreciation				
Buildings	(3,396,066)	(134,627)	-	(3,530,693)
Other improvements	(1,276,070)	(130,964)	-	(1,407,034)
Machinery and equipment	(7,982,199)	(745,009)	392,542	(8,334,666)
Infrastructure	(41,704,062)	(1,907,057)	-	(43,611,119)
Total accumulated depreciation	<u>(54,358,397)</u>	<u>(2,917,657)</u>	<u>392,542</u>	<u>(56,883,512)</u>
Net depreciable assets	<u>27,914,187</u>	<u>13,412,257</u>	<u>-</u>	<u>41,326,444</u>
Governmental activities capital assets, net	<u>\$ 34,280,741</u>	<u>\$ 19,793,171</u>	<u>\$ (11,729,435)</u>	<u>\$ 42,344,477</u>
Business-type activities				
Non-depreciable:				
Land	\$ 212,571	\$ -	\$ -	\$ 212,571
Water rights contracts	719,075	-	-	719,075
Construction-in-progress	2,152,947	1,528,343	(3,320,492)	360,798
Total non-depreciable assets at historical cost	<u>3,084,593</u>	<u>1,528,343</u>	<u>(3,320,492)</u>	<u>1,292,444</u>
Depreciable:				
Buildings	2,773,061	-	-	2,773,061
Other improvements	3,285,013	2,063,791	-	5,348,804
Machinery and equipment	3,644,905	215,317	(50,515)	3,809,707
Utility property	46,382,405	1,036,069	-	47,418,474
Total depreciable assets at historical cost	<u>56,085,384</u>	<u>3,315,177</u>	<u>(50,515)</u>	<u>59,350,046</u>
Less accumulated depreciation				
Buildings	(1,587,221)	(68,846)	-	(1,656,067)
Other improvements	(1,930,086)	(437,887)	-	(2,367,973)
Machinery and equipment	(2,433,504)	(309,599)	50,515	(2,692,588)
Utility property	(25,202,683)	(1,086,387)	-	(26,289,070)
Total accumulated depreciation	<u>(31,153,494)</u>	<u>(1,902,719)</u>	<u>50,515</u>	<u>(33,005,698)</u>
Net depreciable assets	<u>24,931,890</u>	<u>1,412,458</u>	<u>-</u>	<u>26,344,348</u>
Business-type capital assets, net	<u>\$ 28,016,483</u>	<u>\$ 2,940,801</u>	<u>\$ (3,320,492)</u>	<u>\$ 27,636,792</u>

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	Balance at June 30, 2015	Additions	Transfers	Disposals	Balance at June 30, 2016
Component Unit (MRHCA):					
Non-depreciable:					
Land	\$ 1,059,793	\$ -	\$ -	\$ -	\$ 1,059,793
Construction-in-progress	1,333,020	1,455,577	(1,255,513)	-	1,533,084
Total non-depreciable assets at historical cost	<u>2,392,813</u>	<u>1,455,577</u>	<u>(1,255,513)</u>	<u>-</u>	<u>2,592,877</u>
Depreciable:					
Land improvements	1,458,936	-	136,468	-	1,595,404
Buildings and improvements	42,405,551	372,247	4,093,251	-	46,871,049
Machinery and equipment	32,012,077	2,559,995	(2,974,206)	(5,885)	31,591,981
Total depreciable assets at historical cost	<u>75,876,564</u>	<u>2,932,242</u>	<u>1,255,513</u>	<u>(5,885)</u>	<u>80,058,434</u>
Less accumulated depreciation					
Land improvements	(1,116,212)	(44,037)	(102,904)	-	(1,263,153)
Buildings and improvements	(27,892,939)	(1,533,564)	(2,190,821)	-	(31,617,324)
Machinery and equipment	(24,108,639)	(1,793,743)	2,293,725	5,885	(23,602,772)
Total accumulated depreciation	<u>(53,117,790)</u>	<u>(3,371,344)</u>	<u>-</u>	<u>5,885</u>	<u>(56,483,249)</u>
Net depreciable assets	<u>22,758,774</u>	<u>(439,102)</u>	<u>1,255,513</u>	<u>-</u>	<u>23,575,185</u>
Component Unit (MRHCA) capital assets, net	<u>\$ 25,151,587</u>	<u>\$ 1,016,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,168,062</u>

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Depreciation expense charged to governmental activities:

Administration	\$ 204,886
Public safety	407,054
Community services	349,079
Public works	1,956,638
Total governmental activities depreciation expense	<u>\$ 2,917,657</u>

Depreciation expense charged to business-type activities:

Water	\$ 926,511
Sewer	397,852
Sanitation	81,565
Airport	496,791
Total business-type activities depreciation expense	<u>\$ 1,902,719</u>

6. Economic Development Liabilities

Economic Development Agreement – Lowe’s

On October 12, 2004, the City entered into an economic development agreement with Lowe’s Home Centers, Inc. to provide economic development incentives to insure the construction of a Lowe’s Home Improvement Warehouse in the City. The agreement requires the City to deliver incentives in the amount of \$2,000,000 to Lowe’s Home Centers, Inc. with \$1,000,000 to be deposited into an escrow account and approximately \$1,000,000 to be paid to Lowe’s Home Centers, Inc. on opening day for reimbursement of infrastructure expenses of up to \$800,000 and \$200,000 for the initial annual economic incentive payment. The City will then pay Lowe’s Home Centers, Inc. \$200,000 each year on the anniversary of the opening date from the escrow account until all economic development incentives paid to Lowe’s Home Centers, Inc. equals \$2,000,000. The annual economic incentive payment will be subject to a

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minimum gross sales increase of \$1,000,000 each year and the maintenance of at least 100 employees for the agreement term of 10 years.

The agreement states that the City will reimburse Lowe's Home Centers, Inc. for the public infrastructure improvements (estimated at an amount up to \$800,000) and the initial economic development incentive payment of \$200,000 on the opening date. The City made a payment to Lowe's Home Centers, Inc. during fiscal year 07-08, related to the opening day agreement, in the amount of \$597,651 (due to Lowe's not meeting certain requirements for the full estimate).

No payments were made to Lowe's out of the escrow account during fiscal year 08-09. \$200,000 was paid to Lowe's in March 2010. In addition, \$400,000 was paid to Lowe's in FY 10-11. No payments were made to Lowe's out of the escrow account during fiscal year 11-12, fiscal year 12-13, fiscal year 13-14, fiscal year 14-15 or fiscal year 15-16. Lowe's forfeited their rights to this escrow deposit during FY 15-16 and after the trustee's review of the agreement the City received the \$511,484.75 in November 2015, which the City deposited in the pooled cash account in the Economic Development Fund.

7. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2016, the reporting entity's long-term debt changed as follows:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Capital Lease Obligations	\$ 626,709	\$ 137,951	\$ 132,267	\$ 632,393	\$ 135,230
Revenue Bonds Payable	60,798,769	12,992,163	15,845,000	57,945,932	3,870,000
Accrued Compensated Absences	2,304,372	235,439	128,567	2,411,244	241,124
Claims Liability	379,150	381,065	509,859	250,356	-
Total Governmental Long-Term Debt	<u>\$ 64,109,000</u>	<u>\$ 13,746,618</u>	<u>\$ 16,615,693</u>	\$ 61,239,925	<u>\$ 4,246,354</u>
			Net pension liability	10,431,758	
			Less: Unamortized Discount	(14,000)	
				<u>\$ 71,657,683</u>	
Business-type Activities:					
Landfill Closure and Post-closure Liability	\$ 3,977,782	\$ -	\$ 1,146,761	\$ 2,831,021	\$ -
Due to Depositors	464,547	127,426	108,239	483,734	96,747
Notes Payable	332,987	-	69,546	263,441	169,942
Contract Obligations	565,623	-	188,542	377,081	188,542
Water Contract Obligations	147,625	-	28,034	119,591	28,780
Accrued Compensated Absences	164,551	29,904	15,657	178,798	17,880
Total Business-type Long-Term Debt	<u>\$ 5,653,115</u>	<u>\$ 157,330</u>	<u>\$ 1,556,779</u>	\$ 4,253,666	<u>\$ 501,891</u>
			Net pension liability	1,004,267	
				<u>\$ 5,257,933</u>	

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Governmental activities long-term debt:

Unless otherwise indicated, the governmental activities long-term debt obligations are generally paid from the General Fund.

Capital Lease Obligations:

\$137,951 capital lease with Arvest Bank for six vehicles, payable in monthly installments of \$2,486, final payment due July 31, 2020, with interest at 3.11%, paid from the Capital Improvement Plan Fund	\$114,237
\$73,361 capital lease with John Deere Financial for mini excavator, payable in monthly installments of \$1,140, final payment of \$37,439 due November 10, 2017, with interest at 3.10%, paid from the Capital Improvement Plan Fund	53,679
\$181,068 capital lease with John Deere Financial for loader, payable in monthly installments of \$1,822, final payment of \$92,804 due January 10, 2020, with interest at 3.0%, paid from the Capital Improvement Plan Fund	155,897
\$84,299 capital lease with Welch State Bank for 2015 dump truck, payable in monthly installments of \$1,518, final payment due March 24, 2020, with interest at 3.08%, paid from the Capital Improvement Plan Fund	64,385
\$141,910 capital lease with Welch State Bank for 2015 dump truck, payable in monthly installments of \$2,556, final payment due April 6, 2020, with interest at 3.08%, paid from the Capital Improvement Plan Fund	110,867
\$178,167 capital lease with Arvest Bank for seven vehicles, payable in monthly installments of \$3,210, final payment due March 1, 2020, with interest at 3.11%, paid from the Capital Improvement Plan Fund	<u>133,328</u>
	<u>\$ 632,393</u>

Capital Lease Obligations:

Current portion	\$ 135,230
Noncurrent portion	<u>497,163</u>
Total Capital Lease Obligations	<u>\$ 632,393</u>

Revenue Bonds Payable:

2002 Series Utility System Revenue Bonds:

Capital appreciation bonds in the face amount of \$3,037,176 dated July 1, 2003, issued by McAlester Public Works Authority and used for streets, secured by utility revenue and pledged sales tax, principal maturing at the accreted value of \$17,560,000, interest rate at 4.30%, final maturity February 1, 2034. Interest is accreted (or added to the principal balance) until maturity, at which time, the entire principal balance of \$17,560,000 will be due and payable.

	17,560,000
Less: Unaccreted portion	<u>(10,879,068)</u>
Principal outstanding at year end	<u>6,680,932</u>

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2003A Series Sales Tax Revenue Bonds:	
Term Bonds in the amount of \$7,000,000 dated July 1, 2003, issued by McAlester Public Works Authority and used for education, secured by pledged sales tax, total principal due at maturity, initial interest rate at 2.10% increasing to 5.50%, final maturity September 1, 2018, paid from Bond Trustee Fund.	2,295,000
2011 Taxable Series Sales Tax Revenue Refunding Bonds:	
Serial Bonds in the amount of \$5,490,000 dated December 1, 2011, issued by McAlester Public Works Authority and used for economic development, secured by pledged sales tax, principal maturing annually ranging from \$180,000 to \$445,000, interest rate at 2.695%, final maturity September 1, 2018, paid from Bond Trustee Fund	2,165,000
2012 Taxable Series Utility System & Sales Tax Revenue Refunding Notes:	
Serial Bonds in the amount of \$26,120,000 dated December 28, 2012, issued by McAlester Public Works Authority and used for streets, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$85,000 to \$1,275,000, interest rate at 3.8%, final maturity February 1, 2027, paid from Bond Trustee Fund	21,920,000
2013 Series Utility System & Sales Tax Revenue Notes:	
Serial Bonds in the amount of \$8,890,000 dated June 1, 2013, issued by McAlester Public Works Authority and used for streets, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$125,000 to \$1,205,000, interest rate at 3.53%, final maturity February 1, 2028, paid from Bond Trustee Fund	7,990,000
2014 Series Utility System & Sales Tax Revenue Notes:	
Serial Bonds in the amount of \$4,910,000 dated May 20, 2014, issued by McAlester Public Works Authority and used for streets, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$95,000 to \$435,000, interest rate at 3.40%, final maturity February 1, 2029, paid from Bond Trustee Fund	4,530,000
2015 Taxable Series Sales Tax Revenue Refunding Notes:	
Serial Bonds in the amount of \$12,615,000 dated September 3, 2015, issued by McAlester Public Works Authority and used for streets, secured by pledged sales tax, principal maturing semi-annually ranging from \$200,000 to \$820,000, interest rate at 3.68%, final maturity February 1, 2028, paid from Bond Trustee Fund	<u>12,365,000</u>
Total Revenue Bonds Payable	<u>\$ 57,945,932</u>
Current portion	\$ 3,870,000
Noncurrent portion	<u>54,075,932</u>
Total Revenue Bonds Payable	<u>\$ 57,945,932</u>
Unamortized bond discount	<u>(14,000)</u>
Total Revenue Bonds Payable, net	<u>\$ 57,931,932</u>
Accrued Compensated Absences:	
Current portion	\$ 241,124
Noncurrent portion	<u>2,170,120</u>
Total Accrued Compensated Absences	<u>\$ 2,411,244</u>

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Claims Liability:	
Current portion	\$ -
Non-current portion	<u>250,356</u>
Total Claims Liability	<u>\$ 250,356</u>

Business-type activities long-term debt:

Notes Payable:

1999 CDBG-EDIF Promissory Note with Oklahoma Department of Commerce dated September 19, 2000, original amount of \$275,000 with an annual interest rate of 0.00%, due in monthly installments of \$1,146, final installment November 1, 2021. \$ 74,479

2006 CDBG-ED Promissory Note with Oklahoma Department of Commerce dated October 1, 2006, original amount of \$125,000, reduced to \$67,800, with an annual interest rate of 0.00%, due in monthly installments of \$282.50, final installment October 1, 2026. 36,160

MAA Note Payable with First National Bank and used for airport, renewed on August 15, 2013, original line of credit amount of \$405,325, with an annual interest rate of 4.25%, due in monthly installments of \$5,020, final balloon installment August 15, 2016. 152,802

Total Notes Payable \$ 263,441

Current portion \$ 169,942

Non-current portion 93,499

Total Notes Payable \$ 263,441

Water Rights Contract:

1987 contract with U.S. Army Corps of Engineers for water rights dated December 11, 1987, original amount of \$719,075 with an annual interest rate of 2.59% due in annual installments of \$31,859, final installment December 12, 2019. \$ 119,591

Current portion \$ 28,780

Non-current portion 90,811

Total Water Rights Contract \$ 119,591

Contract Obligation:

2011 contract with Utility Service Co., Inc. for renovation of water storage tanks dated January 17, 2011, original amount of \$1,456,000 with an annual interest rate of 0%, due in annual installments of \$188,542, final installment January 17, 2018. \$ 377,081

Current portion \$ 188,542

Non-current portion 188,539

Total Water Rights Contract \$ 377,081

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Landfill Closure and Post-Closure Liability:

A \$2,831,021 accrued liability has been recognized in the McAlester Public Works Authority to represent the total estimated amount owed by the Authority for closure and postclosure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations and represented the cumulative amount of such costs reported to date based on the use of approximately 54.81% of the estimated capacity of the landfill. It is estimated that an additional \$2,334,133 will be recognized as closure and postclosure expense between the current statement of net position date and the date the landfill is expected to be filled to capacity. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulation. The restricted use of the landfill has extended its life. The estimated remaining landfill life is now 36 years.

Current portion	\$ 283,102
Noncurrent portion	<u>2,547,919</u>
Total Landfill Closure and Postclosure Liability	<u>\$ 2,831,021</u>

Accrued Compensated Absences:

Current portion	\$ 17,880
Noncurrent portion	<u>160,918</u>
Total Accrued Compensated Absences	<u>\$ 178,798</u>

Deposits Subject to Refund:

Current portion	\$ 96,747
Noncurrent portion	<u>386,987</u>
Total Deposits Subject to Refund	<u>\$ 483,734</u>

Debt Service Requirements to Maturity

Long-term debt service requirements to maturity of the primary government are as follows:

Year Ended June 30,	<u>Governmental Activity Debt</u>			
	<u>Capital Lease Obligations Payable</u>		<u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 135,230	\$ 17,454	\$ 3,870,000	\$ 1,870,795
2018	168,383	12,710	4,145,000	1,724,357
2019	130,862	8,230	4,660,000	1,548,238
2020	195,439	3,106	3,145,000	1,395,633
2021	2,479	7	3,305,000	1,276,895
2022-2026	-	-	19,270,000	4,376,069
2027-2031	-	-	16,800,000	587,902
2032-2034	-	-	<u>13,630,000</u>	<u>-</u>
Total	<u>\$ 632,393</u>	<u>\$ 41,507</u>	68,825,000	12,779,889
Less: Unaccrued Portion of Debt			<u>(10,879,068)</u>	<u>10,879,068</u>
			<u>\$ 57,945,932</u>	<u>\$ 23,658,957</u>

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Year Ended June 30,	<u>Business-Type Activity Debt</u>			
	<u>Notes Payable</u>		<u>Contract Obligation Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 169,942	\$ 1,065	\$ 188,541	\$ -
2018	17,140	-	188,540	-
2019	17,140	-	-	-
2020	17,140	-	-	-
2021	17,140	-	-	-
2022-2026	22,679	-	-	-
2027	2,260	-	-	-
Total	\$ 263,441	\$ 1,065	\$ 377,081	\$ -

Year Ended June 30,	<u>Water Rights Contract Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 28,780	\$ 3,139
2018	29,534	2,385
2019	30,308	1,610
2020	30,969	934
Total	\$ 119,591	\$ 8,068

Component Units have the following long-term debt at June 30, 2016:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
Component Unit Activities (MRHCA):					
Capital Lease Obligations	\$ 92,806	\$ 293,025	\$ 164,821	\$ 221,010	\$ 97,585
Notes Payable to Banks	1,467,319	9,099,045	271,455	10,294,909	611,926
Total Component Unit Debt	\$ 1,560,125	\$ 9,392,070	\$ 436,276	\$ 10,515,919	\$ 709,511

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Notes Payable to Banks (MRHCA):

The notes payable to banks are due between December 2017 and June 2036, payable monthly, including interest at rates of 2.55% to 5.15%. The notes are secured by real estate and certain capital assets. The debt service requirements as of June 30, 2016, are as follows:

Year Ended June 30,	<u>Discretely Presented Component Unit</u>	
	<u>Notes Payable to Banks</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 611,926	\$ 286,081
2018	625,992	257,617
2019	519,310	240,092
2020	722,537	219,412
2021	505,520	199,720
2022-2026	2,459,457	781,496
2027-2031	2,270,467	479,138
2032-2036	<u>2,579,700</u>	<u>170,737</u>
Total	<u>\$ 10,294,909</u>	<u>\$ 2,634,293</u>

Capital Lease Obligations (MRHCA):

The McAlester Regional Health Center Authority is obligated under leases for equipment that are accounted for as capital leases. The following is a schedule by year of future minimum lease payments under the capital leases, including interest at a rate of 1.96% with the present value of the future minimum lease payments as of June 30, 2016:

Year Ended June 30,	<u>Capital Lease Obligations Payable</u>
2017	\$ 100,487
2018	100,488
2019	<u>25,119</u>
Total minimum lease payments	226,094
Less amount representing interest	<u>5,084</u>
Present value of future minimum lease payments	<u>\$ 221,010</u>

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8. Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	General Fund	Reserve Fund	Economic Development Fund	Dedicated Sales Tax - MPWA	Bond Trustee Fund	Other Governmental Funds	Total
Fund Balance:							
Nonspendable:							
Prepaid items	\$ 2,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,520
Restricted For:							
Grant purposes	-	-	-	-	-	191,636	191,636
Juvenile programs	-	-	-	-	-	4,430	4,430
E911	-	-	-	-	-	983,697	983,697
Economic development	-	-	1,542,048	-	-	-	1,542,048
Other	-	-	-	-	-	106,890	106,890
Stormwater	-	-	-	-	-	265,732	265,732
Police capital outlay	-	-	-	-	-	34,227	34,227
Cemetery	-	-	-	-	-	340,535	340,535
Technology improvements	-	-	-	-	-	382,946	382,946
Emergencies	-	3,677,040	-	-	-	-	3,677,040
Capital improvements:							
Economic development-bond repayment	-	-	-	-	-	800,000	800,000
Economic development - trustee accounts	-	-	-	-	29,650	-	29,650
Streets - trustee accounts	-	-	-	-	715,518	-	715,518
Debt Service	-	-	-	583,094	7,005,091	1,881,861	9,470,046
Sub-total Restricted	-	3,677,040	1,542,048	583,094	7,750,259	4,991,954	18,544,395
Assigned to:							
Tourism	-	-	-	-	-	751,688	751,688
Economic development	-	-	1,994,461	-	-	-	1,994,461
Other	-	-	-	-	-	32,744	32,744
Capital improvements	-	-	-	-	-	773,728	773,728
Nutrition services	52,235	-	-	-	-	-	52,235
Sub-total Assigned	52,235	-	1,994,461	-	-	1,558,160	3,604,856
Unassigned	882,840	-	-	-	-	-	882,840
Total Fund Balance	\$ 937,595	\$ 3,677,040	\$ 3,536,509	\$ 583,094	\$ 7,750,259	\$ 6,550,114	\$ 23,034,611

Restricted Net Position – Governmental Activities

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

Fund	Restricted By	Amount
Juvenile Fine Fund	State statutes and/or debt indentures	\$ 4,430
State Forfeiture Fund	State statutes and/or debt indentures	4,726
Cemetery Perpetual Care Fund	State statutes and/or debt indentures	340,535
Federal Forfeiture Fund	State statutes and/or debt indentures	16,223
Capital Improvement Plan Fund	State statutes and/or debt indentures	800,000
		<u>\$ 1,165,914</u>
Dedicated Sales Tax - MPWA	External parties (voters)	\$ 583,094
E911 Fund	External parties (voters)	983,697
Reserve Fund	External parties (voters)	3,677,040
Economic Development Fund	External parties (voters)	1,542,048
Gifts & Contributions Fund	External parties (donors)	106,890
Stormwater Fund	External parties (voters)	265,732
Sales Tax - Schools Fund	External parties (voters)	1,881,861
Fire Improvement Grant Fund	External parties (grantors)	260
Police Equipment Fund	External parties (grantors)	13,278
CDBG Fund	External parties (grantors)	191,376
Technology Fund	External parties (voters)	382,946
		<u>\$ 9,628,222</u>

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9. Dedicated Tax Revenues and Pledges of Future Revenues

Sales and Use Tax

Sales and use tax revenue represents a 3.50 cents tax on each dollar of taxable sales which is recorded as revenue within the respective funds. Upon receipt, the sales tax is recorded as follows:

- 2 cents is recorded in the General Fund.
- 1 cent recorded in the Dedicated Sales Tax Fund MPWA and then transferred to the McAlester Public Works Authority Fund for the payment of debt service restricted by voter approval.
- ¼ cent recorded in the Sales Tax Schools Fund for the acquisition, construction, equipment and financing of education facilities and the payment of debt service for such purpose restricted by voter approval (effective April 1, 2003).
- ¼ cent recorded in the Economic Development Fund for economic development and the payment of debt service for such purpose restricted by voter approval (effective April 1, 2003).

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one and one-half cents (or 42.86%) of future sales tax revenues to repay \$57,945,932 of Series 2002, 2003, 2011, 2012, 2013, 2014 and 2015 Sales Tax and Utility System Bonds. Proceeds from the bonds provided financing for capital assets, economic development, and school related capital contributions. The 2003A, 2011 and 2015 bonds are payable solely from pledged sales tax revenues. The 2002, 2012, 2013 and 2014 bonds and the 1999 loan are payable from pledged sales tax revenues and further secured by net water, wastewater, and sanitation revenues. The bonds are payable anywhere from 2018 through 2034. The total principal and interest payable for the remainder of the life of these bonds is \$81,604,889, which includes \$17,560,000 of accreted bonds. Pledged sales taxes transferred in the current year were \$5,867,775 and the net utility revenues were \$3,415,167. Debt service payments of \$5,625,868, excluding accreted interest, for the current fiscal year were 95.9% of the pledged and transferred sales taxes and 60.6% of both pledged and transferred sales taxes and utility revenues.

10. Internal and Interfund Balances and Transfers

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2016, were as follows:

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Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	McAlester Airport Authority	\$ 134,965	Operating transfer
General Fund	McAlester Airport Authority	29,208	Transfer of donations
General Fund	Capital Improvement Plan Fund	1,578,823	Transfer for capital improvements
Capital Improvement Plan Fund	MPWA	188,542	Debt service payments
Capital Improvement Plan Fund	MPWA	136,209	Operating transfer-O&M expense
Dedicated Sales Tax Fund	Bond Trustee Fund	4,320,050	Debt payments to trustee bank
Sales Tax - Schools Fund	Bond Trustee Fund	648,126	Debt payments to trustee bank
Economic Development Fund	Bond Trustee Fund	899,599	Debt payments to trustee bank
Economic Development Fund	MPWA	3,390	Debt service payments
MPWA	General Fund	1,436,168	Operating transfer
MPWA	CDBG Grants Fund	86,699	Matching grant monies
MPWA	Capital Improvement Plan Fund	95,000	Transfer for capital improvements
MPWA	Dedicated Sales Tax Fund	353,448	Operating transfer
		\$ 9,910,227	

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers/ Internal Activity</u>
Reconciliation to Fund Financial Statements:			
Governmental Funds	\$ 9,417,913	\$ (7,938,912)	\$ 1,479,001
Enterprise Funds	492,314	(1,971,315)	(1,479,001)
Total Transfers	\$ 9,910,227	\$ (9,910,227)	\$ -

	<u>Governmental</u>	<u>Business-Type</u>
Reconciliation to statement of activities:		
Net transfers	\$ 1,479,001	\$ (1,479,001)
Reclassification of charges for services revenue between activities	418,972	(418,972)
Reclassification of capital asset purchases between activities	(1,102,357)	1,102,357
Total Transfers - Internal Activity	\$ 795,616	\$ (795,616)

Balances:

Interfund receivables and payables at June 30, 2016, were as follows:

Due From	Due To	Amount	Nature of Interfund Balance	
General Fund	Capital Improvement Plan Fund	\$ 800,000	Bond related issues	
General Fund	Workers Compensation Fund	181,626	GF share of claims liability	
MPWA	Workers Compensation Fund	50,561	GF share of claims liability	
		\$ 1,032,187		
<u>Due From Other Fund</u>	<u>Due To Other Funds</u>		<u>Internal Service Funds Reconciliation</u>	<u>Net Activity/ Internal Balances</u>
Reconciliation to Fund Financial Statements:				
Governmental Funds	\$ 800,000	\$ (981,626)	\$ 232,187	\$ 50,561
Enterprise Funds	-	(50,561)	-	(50,561)
Total Interfund Balances	\$ 800,000	\$ (1,032,187)	\$ 232,187	\$ -

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The City continues to report an interfund receivable/payable in the original amount of \$3,291,826 between the General Fund and the Capital Improvement Plan Fund (MPWA). This interfund receivable/payable is the result of questions raised in a forensic audit dealing with questioned transfers made in prior years from the MPWA to the General Fund. At the current time, the City has developed a schedule of annual reimbursements to be made by the General Fund to the Capital Improvement Plan Fund(MPWA) until the interfund payable is deemed to be satisfied. The current balance of this interfund receivable/payable is \$800,000.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property – Purchased commercial insurance with no risk of loss retained.
- Workers’ Compensation – Self- insured up to \$250,000 per occurrence. Additional coverage is maintained with a reinsurance policy up to a \$5,000,000 limit. The reinsurance policy also covers aggregate losses exceeding \$800,000 with a limit of \$1,000,000 during the two year policy period.
- Dental Insurance – Self- insured.
- Employee’s Group Medical – Covered through purchased commercial insurance with no risk of loss retained.

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. There were no significant changes in coverage in the current year and settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Claims Liability Analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For workers’ compensation, changes in the claims liability for the City from July 1, 2013 to June 30, 2016 are as follows:

	<u>Total Claims Liability</u>
Claims liability, July 1, 2013	\$ 555,221
Claims incurred	651,263
Claims paid	<u>(702,843)</u>
Claims liability, June 30, 2014	503,641
Claims incurred	621,507
Claims paid	<u>(745,998)</u>
Claims liability, June 30, 2015	379,150
Claims incurred	381,065
Claims paid	<u>(509,859)</u>
Claims liability, June 30, 2016	<u><u>\$ 250,356</u></u>

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12. Contingencies

Litigation:

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of McAlester participates in various federal or state grant/loan programs from year to year. In 2016, the City's involvement in federal and state award programs was significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

ODEQ Consent Orders:

The City of McAlester is currently under two Consent Orders from the Oklahoma Department of Environmental Quality (ODEQ) related to the water treatment plant: Case No. 07-233 and Case 09-241.

Case 07-233 relates to Stage 2 Disinfection Byproducts (DBP) rule. In brief summary, the Stage 2 DBP rule applies to 4 different locations across the City and you have to be in compliance with DBP's at all locations. Previous rules allowed the four sites to be averaged, but new rule requires compliance at every site. As of 06/30/2016, three of the four sites were in compliance with the fourth only just a few percentage points out of compliance. The City continues to work towards compliance on this Consent Order a expect to be in compliance by the next Quarter. (Note: As of 12/01/2016, The City is now in compliance and the Consent Order being closed)

Case 09-241 relates to the discharge from the plant's backwash lagoons, specifically exceedance of Total Suspended Solids, Manganese and Aluminum. The problem is the backwash ponds are full of settled solids from the water treatment processes, specifically sedimentation and removal of turbidity from the raw water treated.

As of 06/30/2016 the City is working on the Residuals Management Plan for DEQ approval of the removal of the accumulated solids in the backwash ponds and plan on handling ongoing solids generated at the facility. The City began the residuals removal process in January 2016. The plan of action was to utilize the on-site drying beds and haul the dried residuals to the landfill per our previously approved Residuals Management Plan. The City hired a local contractor to haul the residuals already in the drying beds to the landfill. That same month, our City Fleet Maintenance got the tractor operational and the PTO powered pump was used to remove residuals from Lagoon # 2 and pumped up to the drying beds. City

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personnel operated this pump for approximately one month until the drying beds were full. The plan is to repeat this operation until the residuals are removed. We anticipate it will take us another 12-15 months to have all the residuals removed with repeated pump, dry and haul cycles. We anticipate completion next summer. The one time cleaning showed positive results in the discharge. The City will continue to work closely with DEQ to get into compliance and close the Consent Order.

13. Pension Plan Participation

The City of McAlester participates in four pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. City of McAlester Employee’s Retirement System – a single-employer defined benefit plan
4. City of McAlester Employee’s Retirement System – a single-employer defined contribution plan

City of McAlester Employee’s Retirement System Defined Benefit Plan:

The City contributes to the City of McAlester Employees’ Retirement System (the “System”), which is a single employer defined benefit pension plan administered by the City of McAlester City Council. All non-union full-time City employees that were employed prior to July 1, 2013 participate in the System. The City’s retirement ordinance requires that actuarial valuations be performed annually to determine if the City’s fixed contribution rate is adequate to fund the actuarially determined contribution requirement. The System does not issue separate annual financial statements. On June 30, 2013 the Defined Benefit Pension Plan was frozen for all non-uniform active participants.

The following is a summary of funding policies, contribution methods, and benefit provisions:

Year established and governing authority	1995 by City Council Ordinance
Determination of Contribution requirements	Actuarially determined
Employer	12.3% of Payroll (\$458,246 annual required contribution)
Plan members	None required
Funding of administrative costs	Investment earnings
Period required to vest	10 years
Eligibility for distribution	Age 55 with ten years credited service. Annual rate of retirement starts at 5% at age 56.
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - Disclosures of the System's financial condition are prepared using the accrual basis of accounting. Employer contributions are recognized as System revenues in the period in which employee services are performed.

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B. Employees Covered by Benefit Terms

Active Employees	77
Terminated Vested Employees	34
Retirees or Retiree Beneficiaries	<u>78</u>
Total	<u>189</u>

C. Changes in Net Pension Liability

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

	Schedule of Changes in Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2014	\$ 16,614,604	\$ 13,809,560	\$ 2,805,044
Changes for the Year:			
Service Cost	-	-	-
Interest	1,159,854	-	1,159,854
Difference between expected and actual experience	4,086	-	4,086
Changes of assumptions	-	-	-
Benefit changes	-	-	-
Benefit payments	(992,553)	(992,553)	-
Net investment income	-	132,780	(132,780)
City contributions	-	495,901	(495,901)
Plan administrative expenses	-	(127,870)	127,870
Other changes	-	481	(481)
Net Changes	<u>171,387</u>	<u>(491,261)</u>	<u>662,648</u>
Balances at 6/30/15	<u>\$ 16,785,991</u>	<u>\$ 13,318,299</u>	<u>\$ 3,467,692</u>

The City reported \$242,456 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 221,605	\$ -
Net difference between projected and actual earnings on pension plan investments	-	237,946
Changes in proportion and differences between City contributions and change in proportion share of contributions	59,051	59,051
City contributions subsequent to the measurement date	593,512	-
Total	<u>\$ 874,168</u>	<u>\$ 296,997</u>

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\$593,512 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	\$	(66,564)	
2018		(66,564)	
2019		(66,563)	
2020		<u>183,350</u>	
	<u>\$</u>	<u>(16,341)</u>	

GASB 67 Pension Disclosures

Since the System does not issue separate financial statements, note disclosures required to be presented in accordance with GASB 67 are being reported in the City’s notes to the financial statements. Additional disclosures required by GASB 67 follow.

Additional Accounting Policies, Actuarial Assumptions and Methods (GASB 67)

For GASB Statement 67 purposes, the method used to value investments is the market value (fair value).

GASB Statement 67 also requires the use of the Entry Age Normal actuarial cost method. Since this plan has been frozen, the method used for funding shown on page 57 (Projected Unit Credit) generates the same pension liability as the Entry Age Normal method.

The plan’s policy in regard to the allocation of invested assets is established by the City Council. The current asset allocation policy is 70% equity investments, 25% fixed income investments, and 5% cash. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimate of geometric real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	4.9%
International equity	1.2%
Fixed income	1.0%
Cash	0.1%
Total	7.2%

The discount rate used to measure the total pension liability was 7.20%. The City has, on average, made contributions that exceed the ADEC over the past five years. If the City continues to contribute in this fashion, the plan will always be sufficiently funded to pay benefits due. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The annual money-weighted rate of return, net of expenses paid from the trust, was 0.24%.

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The following presents the net pension liability calculated using the discount rate of 7.20 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.20 percent) or 1% point higher (8.20 percent) than the current rate:

City's Total Pension Liability	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase (8.20%)</u>
City's Net Pension Liability - 2015	\$ 5,363,470	\$ 3,467,692	\$ 1,869,784
City's Net Pension Liability - 2016	\$ 6,255,984	\$ 4,409,793	\$ 2,849,437

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

	<u>2015</u>	<u>2016</u>
Total Pension Liability	\$ 16,785,991	\$ 16,956,873
Plan Fiduciary Net Position	<u>13,318,299</u>	<u>12,547,080</u>
Net Pension Liability	<u>\$ 3,467,692</u>	<u>\$ 4,409,793</u>
Plan Fiduciary Net Position as a percentage of the total pension liability	79.3%	74.0%

Firefighter Pension System:

Plan Summary Information. The City of McAlester, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$297,937. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$732,075 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$682,057. These on-behalf payments did not meet the criteria of a special funding situation.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 6601 Broadway Ext. #100, Oklahoma City, OK 73116.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a net pension liability of \$7,934,836 for its proportionate share of the total net pension liability. The net pension liability was

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measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.7476 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$624,312. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 156,767	\$ -
Net difference between projected and actual earnings on pension plan investments	-	591,486
Changes in proportion	-	260,057
Differences between City contributions and proportionate share of contributions	-	3,905
City contributions subsequent to the measurement date	297,938	-
Total	\$ 454,705	\$ 855,448

\$297,938 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	\$ (233,256)
2018	(233,256)
2019	(233,256)
2020	57,670
2021	(41,618)
Thereafter	(14,965)
Total	\$ (698,681)

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

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Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	5.13%
Domestic equity	37%	8.02%
International equity	20%	9.94%
Real estate	10%	7.47%
Other assets	13%	6.25%

Discount Rate- The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability	\$ 10,302,550	\$ 7,934,836	\$ 5,949,020

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.

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Police Pension System:

Plan Summary Information. Pursuant to the requirements of Title 11, section 22-102, the City of McAlester participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% 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 \$316,663. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$289,219 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$291,561. These on-behalf payments did not meet the criteria of a special funding situation.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a net pension liability of \$33,497 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.8215 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$131,205. 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	\$ -	\$ 185,227
Net difference between projected and actual earnings on pension plan investments	-	128,895
Changes in proportion	22,569	-
Differences between City contributions and proportionate share of contributions	5,030	-
City contributions subsequent to the measurement date	316,663	-
Total	<u>\$ 344,262</u>	<u>\$ 314,122</u>

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\$316,663 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	\$	(131,102)
2018		(131,102)
2019		(131,102)
2020		116,322
2021		<u>(9,539)</u>
Total	\$	<u>(286,523)</u>

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

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

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

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability (asset)	\$ 2,012,754	\$ 33,497	\$(1,635,155)

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.

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Summary of Contributions:

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2014	289,425	100%	2014	288,315	100%
2015	285,987	100%	2015	312,194	100%
2016	297,937	100%	2016	316,663	100%

OMRF Defined Contribution Plan:

Effective July 1, 2013, the City has also provided a defined contribution plan and trust known as the City of McAlester Plan and Trust (the "Plan") in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JPMorgan Chase Bank. The defined contribution plan is available to all full-time employees except those participating in state fire or police programs. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment. By City ordinance, the City, as employer, shall contribute to the Fund an amount equal to 50% of the Participant's contributions under the City's Deferred Compensation Plan 457. The Employer match shall be limited to 6.00% of these Participant's earnings effective July 1, 2013. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 100% after 7 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting shall reduce the Employer contribution. The authority to establish and amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2016, the City contributed \$176,315 to the plan.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

14. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – GASB No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for

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fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement is for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. . The City has not yet determined the impact that implementation of GASB 73 will have on its net position.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - GASB No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City has not yet determined the impact that implementation of GASB 74 will have on its net position.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – GASB No., 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position.

GASB Statement No. 77, *Tax Abatement Disclosures* - GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City has not yet determined the impact that implementation of GASB 77 will have on its net position.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* - GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the System's financial statements.

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GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* - GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the System is unknown.

GASB Statement No. 80, *Blending Requirements for Certain Component Units* - An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the System is unknown.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The System does not believe that GASB No. 81 will have significant impact on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2016

	GENERAL FUND (BUDGETARY BASIS)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ 1,010,198	\$ 2,279,605	\$ 1,269,407
Resources (Inflows):				
TAXES:				
Sales tax	8,178,924	8,178,924	7,935,538	(243,386)
Use tax	698,219	698,219	705,448	7,229
Franchise tax	607,747	607,747	554,703	(53,044)
Total Taxes	<u>9,484,890</u>	<u>9,484,890</u>	<u>9,195,689</u>	<u>(289,201)</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	138,800	138,800	136,599	(2,201)
Tobacco/cigarette tax	160,143	160,143	165,530	5,387
Gas excise tax	34,749	34,749	34,359	(390)
Vehicle tax	144,488	144,488	133,222	(11,266)
Grant revenue	175,220	175,220	156,017	(19,203)
Total Intergovernmental	<u>653,400</u>	<u>653,400</u>	<u>625,727</u>	<u>(27,673)</u>
CHARGES FOR SERVICES:				
Court costs	338,600	338,600	372,236	33,636
Cemetery opening/closing	27,563	27,563	33,535	5,972
Incarceration fee	13,435	13,435	36,373	22,938
Cemetery fees	16,000	16,000	15,550	(450)
Swimming pool revenue	18,500	18,500	34,536	16,036
Ambulance revenue	548,000	548,000	429,621	(118,379)
Street cuts	5,000	5,000	12	(4,988)
Recreation fees	3,600	3,600	2,080	(1,520)
Oil and gas leases	840,500	840,500	420,915	(419,585)
Abatements	35,100	35,100	13,587	(21,513)
Rental rooms	4,500	4,500	6,240	1,740
Burgular alarms	6,400	6,400	14,105	7,705
Complex concessions	18,545	18,545	12,221	(6,324)
Complex rental	15,706	15,706	9,450	(6,256)
Total Charges for Services	<u>1,891,449</u>	<u>1,891,449</u>	<u>1,400,461</u>	<u>(490,988)</u>
FINES AND FORFEITURES	<u>888,465</u>	<u>888,465</u>	<u>898,116</u>	<u>9,651</u>
LICENSES AND PERMITS	<u>98,705</u>	<u>98,705</u>	<u>128,069</u>	<u>29,364</u>
INVESTMENT INCOME	<u>20,955</u>	<u>20,955</u>	<u>20,423</u>	<u>(532)</u>
MISCELLANEOUS:				
Auctions	500	500	-	(500)
Hay sales	750	750	10	(740)
Vendors	200	200	101	(99)
Cemetery lots	12,535	12,535	20,300	7,765
Demolitions	9,800	9,800	770	(9,030)
Court admin fee	5,086	5,086	3,045	(2,041)
Miscellaneous	13,200	13,200	19,155	5,955
Credit card payment fees	8,930	8,930	13,984	5,054
Education & training revenue	-	-	1,775	1,775
Restitution reimbursements	5,541	5,541	5,664	123
Reimbursements	31,272	31,272	113,679	82,407
Total Miscellaneous	<u>87,814</u>	<u>87,814</u>	<u>178,483</u>	<u>90,669</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	2,061,559	1,951,559	1,436,168	(515,391)
Total Other Financing Sources	<u>2,061,559</u>	<u>1,951,559</u>	<u>1,436,168</u>	<u>(515,391)</u>
Amounts available for appropriation	<u>15,187,237</u>	<u>16,087,435</u>	<u>16,162,741</u>	<u>75,306</u>

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(Continued)

	GENERAL FUND (BUDGETARY BASIS)			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Charges to Appropriations (Outflows):				
LEGISLATURE:				
Mayor and Council:				
Personal services	4,889	4,889	4,737	152
Materials and supplies	3,000	3,000	2,334	666
Other services and charges	115,500	127,221	121,099	6,122
TOTAL LEGISLATURE	123,389	135,110	128,170	6,940
ADMINISTRATION:				
City Manager:				
Personal services	279,848	271,146	263,459	7,687
Materials and supplies	2,750	2,500	1,460	1,040
Other services and charges	55,300	79,613	76,821	2,792
Capital outlay	25,000	25,000	18,269	6,731
Total City Manager	362,898	378,259	360,009	18,250
Finance:				
Personal services	329,158	314,232	306,715	7,517
Materials and supplies	2,625	2,000	1,997	3
Other services and charges	7,200	7,200	4,280	2,920
Total Finance	338,983	323,432	312,992	10,440
City Clerk:				
Personal services	112,477	107,630	106,672	958
Materials and supplies	1,100	850	659	191
Other services and charges	22,545	24,653	22,504	2,149
Total City Clerk	136,122	133,133	129,835	3,298
City Attorney:				
Personal services	23,944	28,892	28,811	81
Materials and supplies	200	200	-	200
Other services and charges	115,600	87,422	86,016	1,406
Total City Attorney	139,744	116,514	114,827	1,687
Court:				
Personal services	156,768	153,417	141,529	11,888
Materials and supplies	875	1,381	1,381	-
Other services and charges	36,300	139,013	135,955	3,058
Total Court	193,943	293,811	278,865	14,946
Interdepartmental:				
Personal services	318,960	211,511	159,783	51,728
Materials and supplies	65,000	52,941	49,267	3,674
Other services and charges	820,614	730,369	682,238	48,131
Total Interdepartmental	1,204,574	994,821	891,288	103,533
Information Services:				
Personal services	76,313	75,195	74,695	500
Materials and supplies	3,005	2,918	2,580	338
Other services and charges	79,000	77,991	73,764	4,227
Total Information Services	158,318	156,104	151,039	5,065

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(Continued)

	GENERAL FUND (BUDGETARY BASIS)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
ADMINISTRATION, (Continued):				
CID:				
Personal services	649,879	700,833	690,295	10,538
Materials and supplies	9,005	9,005	7,857	1,148
Other services and charges	8,500	8,500	2,530	5,970
Total CID	<u>667,384</u>	<u>718,338</u>	<u>700,682</u>	<u>17,656</u>
TOTAL ADMINISTRATION	<u>3,201,966</u>	<u>3,114,412</u>	<u>2,939,537</u>	<u>174,875</u>
PUBLIC SAFETY:				
Patrol:				
Personal services	2,812,822	2,839,759	2,767,719	72,040
Materials and supplies	159,685	132,677	122,273	10,404
Other services and charges	141,975	142,875	129,166	13,709
Total Patrol	<u>3,114,482</u>	<u>3,115,311</u>	<u>3,019,158</u>	<u>96,153</u>
Animal Control:				
Personal services	41,420	41,218	40,005	1,213
Materials and supplies	6,145	4,488	4,247	241
Other services and charges	1,750	3,634	3,634	-
Total Animal Control	<u>49,315</u>	<u>49,340</u>	<u>47,886</u>	<u>1,454</u>
Communications:				
Personal services	203,338	193,926	180,770	13,156
Materials and supplies	2,000	2,000	995	1,005
Other services and charges	2,000	2,000	1,118	882
Total Communications	<u>207,338</u>	<u>197,926</u>	<u>182,883</u>	<u>15,043</u>
Fire:				
Personal services	3,008,339	3,208,013	3,087,314	120,699
Materials and supplies	72,025	77,025	61,273	15,752
Other services and charges	91,200	152,005	138,123	13,882
Total Fire	<u>3,171,564</u>	<u>3,437,043</u>	<u>3,286,710</u>	<u>150,333</u>
EMS:				
Materials and supplies	50,474	50,474	40,418	10,056
Other services and charges	65,500	81,348	65,999	15,349
Total EMS	<u>115,974</u>	<u>131,822</u>	<u>106,417</u>	<u>25,405</u>
TOTAL PUBLIC SAFETY	<u>6,658,673</u>	<u>6,931,442</u>	<u>6,643,054</u>	<u>288,388</u>
COMMUNITY SERVICES:				
Parks:				
Personal services	593,912	589,070	588,385	685
Materials and supplies	93,320	89,301	84,388	4,913
Other services and charges	92,820	103,714	103,714	-
Total Parks	<u>780,052</u>	<u>782,085</u>	<u>776,487</u>	<u>5,598</u>
Swimming Pools:				
Personal services	89,775	91,706	85,735	5,971
Materials and supplies	39,000	40,174	35,043	5,131
Other services and charges	10,000	10,000	3,365	6,635
Total Swimming Pools	<u>138,775</u>	<u>141,880</u>	<u>124,143</u>	<u>17,737</u>

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(Continued)

	GENERAL FUND (BUDGETARY BASIS)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
COMMUNITY SERVICES, (Continued):				
Recreation:				
Personal services	227,318	226,277	211,738	14,539
Materials and supplies	44,995	43,070	27,039	16,031
Other services and charges	28,638	30,382	18,046	12,336
Total Recreation	<u>300,951</u>	<u>299,729</u>	<u>256,823</u>	<u>42,906</u>
Cemetery:				
Personal services	309,477	307,085	303,074	4,011
Materials and supplies	22,393	18,469	16,413	2,056
Other services and charges	16,350	18,749	18,749	-
Total Cemetery	<u>348,220</u>	<u>344,303</u>	<u>338,236</u>	<u>6,067</u>
Facility Maintenance:				
Personal services	157,501	153,980	152,779	1,201
Materials and supplies	60,680	54,759	43,414	11,345
Other services and charges	76,082	79,233	72,636	6,597
Total Facility Maintenance	<u>294,263</u>	<u>287,972</u>	<u>268,829</u>	<u>19,143</u>
TOTAL COMMUNITY SERVICES	<u>1,862,261</u>	<u>1,855,969</u>	<u>1,764,518</u>	<u>91,451</u>
ADMINISTRATIVE SERVICES:				
Planning & Community Development:				
Personal services	293,847	260,980	253,988	6,992
Materials and supplies	6,825	7,375	5,449	1,926
Other services and charges	102,800	122,027	37,362	84,665
Total Planning & Community Development	<u>403,472</u>	<u>390,382</u>	<u>296,799</u>	<u>93,583</u>
Human Resources/Risk Management:				
Personal services	152,441	141,745	132,746	8,999
Materials and supplies	37,305	38,776	36,397	2,379
Other services and charges	22,250	26,370	19,712	6,658
Total Human Resources/Risk Management	<u>211,996</u>	<u>206,891</u>	<u>188,855</u>	<u>18,036</u>
TOTAL ADMINISTRATIVE SERVICES	<u>615,468</u>	<u>597,273</u>	<u>485,654</u>	<u>111,619</u>
PUBLIC WORKS:				
Streets:				
Personal services	721,504	713,903	632,462	81,441
Materials and supplies	335,744	351,806	328,357	23,449
Other services and charges	145,420	145,510	110,160	35,350
Capital outlay	180,000	293,500	237,452	56,048
Total Streets	<u>1,382,668</u>	<u>1,504,719</u>	<u>1,308,431</u>	<u>196,288</u>
TOTAL PUBLIC WORKS	<u>1,382,668</u>	<u>1,504,719</u>	<u>1,308,431</u>	<u>196,288</u>
OTHER FINANCING USES:				
Transfers to other funds	1,342,812	1,948,510	1,948,510	-
Total Charges to Appropriations	<u>15,187,237</u>	<u>16,087,435</u>	<u>15,217,874</u>	<u>869,561</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 944,867</u>	<u>\$ 944,867</u>

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Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2016, (Continued)

SPECIAL REVENUE - RESERVE FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 3,660,533	\$ 3,660,533
Resources (Inflows):				
Investment income	35,000	35,000	16,507	(18,493)
Amounts available for appropriation	<u>35,000</u>	<u>35,000</u>	<u>3,677,040</u>	<u>3,642,040</u>
Charges to appropriations (outflows):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 3,677,040</u>	<u>\$ 3,642,040</u>

SPECIAL REVENUE - ECONOMIC DEVELOPMENT FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 313,847	\$ 995,018	\$ 3,163,676	\$ 2,168,658
Resources (Inflows):				
Taxes	1,017,280	1,017,280	991,942	(25,338)
Intergovernmental	-	193,257	193,257	-
Investment income	13,000	13,000	16,961	3,961
Miscellaneous	-	-	517,747	517,747
Amounts available for appropriation	<u>1,344,127</u>	<u>2,218,555</u>	<u>4,883,583</u>	<u>2,665,028</u>
Charges to appropriations (outflows):				
Finance	86,235	91,235	77,288	13,947
Planning and community development	362,481	1,227,720	488,333	739,387
Transfers out	<u>895,411</u>	<u>899,600</u>	<u>899,599</u>	<u>1</u>
Total Charges to Appropriations	<u>1,344,127</u>	<u>2,218,555</u>	<u>1,465,220</u>	<u>753,335</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,418,363</u>	<u>\$ 3,418,363</u>

Footnotes to Budgetary Comparison Schedules:

- The City prepares its budgets for all funds on the cash basis of accounting for all revenues except for on-behalf payments made, and those that are billed by the City (i.e., misc receivables). The modified accrual basis of accounting is used for budgeting of expenditures with the exception of on-behalf payments made, the net effect of certain year-end payroll accruals, and outstanding encumbrances related to capital items. The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding and their related appropriations are lapsed at year end and are re-appropriated and re-encumbered in the subsequent fiscal year.
- The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager, subject to a dollar limitation of \$25,000. All transfers of appropriation above this limitation and all supplemental appropriations

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require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	<u>General Fund</u>
Sources/Inflows of resources	
Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule	\$16,162,741
Differences – budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(2,279,605)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,436,168)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted.	1,021,294
The City reports the Nutrition Account as part of the General Fund in the fund financial statements, but are not included in the budget to actual.	66,425
The City budgets for revenues on the modified cash basis of accounting, rather than on the modified accrual basis.	<u>53,175</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$13,587,862</u>
Uses/Outflows of resources	
Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$15,217,874
Differences – budget to GAAP:	
The City budgets for payroll and miscellaneous accrued liabilities on the modified cash basis, rather than on the modified accrual basis.	(41,928)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted.	1,021,294
The City reports the Nutrition Account as part of the General Fund in the fund financial statements, but are not included in the budget to actual.	261,585
Transfers to other funds and component units are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,948,510)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$14,510,315</u>
<u>Reserve Fund</u>	
Sources/Inflows of resources	
Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule	\$3,677,040

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Differences – budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(3,660,533)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$16,507</u>
	<u>Economic Development Fund</u>
Sources/Inflows of resources	
Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule	\$4,883,583
Differences – budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(3,163,676)
The City budgets for revenues on the modified cash basis of accounting, rather than on the modified accrual basis.	<u>(3,180)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$1,716,727</u>
Uses/Outflows of resources	
Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$1,465,220
Differences – budget to GAAP:	
The City budgets for payroll and miscellaneous accrued liabilities on the modified cash basis, rather than on the modified accrual basis.	479
The City reports transfers of debt payments in the fund financial statements, but are reported as expenditures in the budget to actual.	(3,390)
Transfers to other funds and component units are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(899,599)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$562,710</u>

4. For the year ended June 30, 2016, the City complied, in all material respects, with the applicable budget laws.

CITY OF MCALESTER, OKLAHOMA
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Required Supplementary Information
City of McAlester Employee's Retirement System

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years*

	2014	2015	2016
Total pension liability			
Service cost	\$ -	\$ -	\$ -
Interest	1,125,249	1,159,854	1,170,468
Changes of benefit terms	-	-	-
Differences between expected and actual experience	354,880	4,086	25,240
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(992,995)	(992,553)	(1,024,826)
Net change in total pension liability	<u>487,134</u>	<u>171,387</u>	<u>170,882</u>
Total pension liability - beginning	<u>16,127,470</u>	<u>16,614,604</u>	<u>16,785,991</u>
Total pension liability - ending (a)	<u>\$ 16,614,604</u>	<u>\$ 16,785,991</u>	<u>\$ 16,956,873</u>
Plan fiduciary net position			
Contributions - employer	\$ 580,226	\$ 495,901	\$ 618,056
Contributions - member	-	-	-
Net investment income	2,444,464	132,780	(240,387)
Benefit payments, including refunds of member contributions	(992,995)	(992,553)	(1,024,826)
Administrative expense	(148,960)	(127,870)	(124,062)
Other	71,351	481	-
Net change in plan fiduciary net position	<u>1,954,086</u>	<u>(491,261)</u>	<u>(771,219)</u>
Plan fiduciary net position - beginning	<u>11,855,474</u>	<u>13,809,560</u>	<u>13,318,299</u>
Plan fiduciary net position - ending (b)	<u>\$ 13,809,560</u>	<u>\$ 13,318,299</u>	<u>\$ 12,547,080</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,805,044</u>	<u>\$ 3,467,692</u>	<u>\$ 4,409,793</u>
Plan fiduciary net position as a percentage of the total pension liability	83.12%	79.3%	74.0%
Covered employee payroll	\$ 4,097,667	\$ 3,714,076	N/A (4)
Net pension liability as a percentage of covered-employee payroll	68.5%	93.4%	N/A (4)

Notes to Schedule:

*Only three years are presented because 10-year data is not yet available. In addition the plan was frozen on July 1, 2013.

4. Since the plan's benefits were frozen as of July 1, 2013, payroll information is no longer being collected because it is no longer needed to perform the actuarial evaluation

**CITY OF MCALESTER, OKLAHOMA
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**Required Supplementary Information
City of McAlester Employee's Retirement System**

Schedule of Employer Contributions	Last 10 Fiscal Years*	
	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 489,408	\$ 458,246
Contributions in relation to the actuarially determined contribution	495,901	593,512
Contribution deficiency (excess)	<u>\$ (6,493)</u>	<u>\$ (135,266)</u>
Covered employee payroll	N/A (Note 4)	N/A (Note 4)
Contributions as a percentage of covered-employee payroll	N/A (Note 4)	N/A (Note 4)

Notes to Schedule:

1. *Only two years are presented because 10-year data is not yet available; plan frozen on July 1, 2013.
2. Latest Valuation Date: July 1, 2015
3. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Projected Unit Credit
 - Amortization method - Level dollar, post 2009 liabilities open, pre 2009 liabilities closed
 - Remaining amortization period - Closed part = 11 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 5 years
 - Salary increases - Frozen at this time
 - Investment rate of return - 7.20%, net of pension plan investment expense
4. Since the plan's benefits were frozen as of July 1, 2013, payroll information is no longer being collected because it is no longer needed to perform the actuarial valuation.

Required Supplementary Information

Schedule of Investment Returns	Last Ten Fiscal Years*	
	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	0.2%	0.24%

Note to Schedule:

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

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**Schedules of Required Supplementary Information
SCHEDULE OF THE CITY OF MCALESTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	0.774228%	0.747576%
City's proportionate share of the net pension liability	\$ 7,961,756	\$ 7,934,836
City's covered-employee payroll	\$ 2,067,321	\$ 2,042,764
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	385%	388%
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 two years are presented because 10-year data is not yet available.
Current year measurement date is June 30, 2015.

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

	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 285,987	\$ 297,937
Contributions in relation to the statutorily required contribution	<u>285,987</u>	<u>297,937</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,042,764	2,128,125
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Notes to Schedule:

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

CITY OF MCALESTER, OKLAHOMA
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Schedules of Required Supplementary Information
SCHEDULE OF THE CITY OF MCALESTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.7942%	0.8215%
City's proportionate share of the net pension liability (asset)	\$ (267,389)	\$ 33,497
City's covered-employee payroll	\$ 2,217,808	\$ 2,401,492
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.06%	1.39%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%

Notes to Schedule:

*Only two years are presented because 10-year data is not yet available.
Current year measurement date is June 30, 2015.

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

	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 312,194	\$ 316,663
Contributions in relation to the statutorily required contribution	<u>312,194</u>	<u>316,663</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,401,492	\$ 2,435,869
Contributions as a percentage of covered-employee payroll	13.00%	13.00%

Notes to Schedule:

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF MCALESTER, OKLAHOMA
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Combining Balance Sheet, General Fund Accounts – June 30, 2016

	<u>General Fund</u>	<u>Nutrition Account</u>	<u>Total General Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,198,788	\$ 55,417	\$ 1,254,205
Receivables:			
Due from other governments	1,173,867	4,600	1,178,467
Franchise tax receivable	26,439	-	26,439
Court fines receivable, net of allowance	1,471,785	-	1,471,785
Ambulance receivable, net of allowance	80,021	-	80,021
Other receivables, net of allowance	3,913	-	3,913
Prepaid items	2,520	-	2,520
	<u>\$ 3,957,333</u>	<u>\$ 60,017</u>	<u>\$ 4,017,350</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 258,703	\$ 1,247	\$ 259,950
Accrued payroll liabilities	380,306	6,535	386,841
Due to other funds	981,626	-	981,626
Unearned revenue	1,651	-	1,651
	<u>1,622,286</u>	<u>7,782</u>	<u>1,630,068</u>
Deferred inflows of resources:			
Deferred revenue	<u>1,449,687</u>	<u>-</u>	<u>1,449,687</u>
Fund balances:			
Nonspendable	2,520	-	2,520
Assigned	-	52,235	52,235
Unassigned	<u>882,840</u>	<u>-</u>	<u>882,840</u>
	<u>885,360</u>	<u>52,235</u>	<u>937,595</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,957,333</u>	<u>\$ 60,017</u>	<u>\$ 4,017,350</u>

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances, General Fund
Accounts – Year Ended June 30, 2016

	<u>General Fund</u>	<u>Nutrition Account</u>	<u>Total General Fund</u>
REVENUES			
Taxes	\$ 9,221,077	\$ -	\$ 9,221,077
Intergovernmental	1,680,724	66,425	1,747,149
Charges for services	1,397,264	-	1,397,264
Fines and forfeitures	895,397	-	895,397
Licenses and permits	128,069	-	128,069
Investment earnings	20,423	-	20,423
Miscellaneous	178,483	-	178,483
 Total revenues	 <u>13,521,437</u>	 <u>66,425</u>	 <u>13,587,862</u>
EXPENDITURES			
Current:			
Legislative	128,178	-	128,178
Administration	2,922,389	-	2,922,389
Public safety	7,620,552	-	7,620,552
Community services	1,728,163	-	1,728,163
Administrative services	478,189	-	478,189
Health and welfare	-	261,585	261,585
Public works	941,827	-	941,827
Capital Outlay	429,432	-	429,432
 Total expenditures	 <u>14,248,730</u>	 <u>261,585</u>	 <u>14,510,315</u>
 Excess (deficiency) of revenues over expenditures	 <u>(727,293)</u>	 <u>(195,160)</u>	 <u>(922,453)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,436,168	-	1,436,168
Transfers out	(1,742,996)	-	(1,742,996)
Interaccount transfers	(205,514)	205,514	-
 Total other financing sources and uses	 <u>(512,342)</u>	 <u>205,514</u>	 <u>(306,828)</u>
 Net change in fund balances	 <u>(1,239,635)</u>	 <u>10,354</u>	 <u>(1,229,281)</u>
 Fund balances - beginning	 <u>2,124,995</u>	 <u>41,881</u>	 <u>2,166,876</u>
Fund balances - ending	<u>\$ 885,360</u>	<u>\$ 52,235</u>	<u>\$ 937,595</u>

**CITY OF MCALESTER, OKLAHOMA
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Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2016

	SPECIAL REVENUE FUNDS				
	Juvenile Fine Fund	Tourism/SE Expo Fund	E-911 Fund	Gifts & Contributions Fund	Stormwater Fund
ASSETS					
Cash and cash equivalents	\$ 4,430	\$ 701,904	\$ 960,777	\$ 141,384	\$ 272,774
Investments	-	-	-	-	-
Accounts receivable, net of allowance	-	-	-	-	47,874
Due from other funds	-	-	-	-	-
Due from other governments	-	68,325	-	-	-
Other receivables	-	-	46,617	-	-
Total assets	<u>\$ 4,430</u>	<u>\$ 770,229</u>	<u>\$ 1,007,394</u>	<u>\$ 141,384</u>	<u>\$ 320,648</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 8,755	\$ 5,289	\$ 1,750	\$ 54,916
Accrued payroll liabilities	-	9,786	18,408	-	-
Total liabilities	<u>-</u>	<u>18,541</u>	<u>23,697</u>	<u>1,750</u>	<u>54,916</u>
Deferred Inflows of Resources:					
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	4,430	-	983,697	106,890	265,732
Assigned	-	751,688	-	32,744	-
Total fund balances	<u>4,430</u>	<u>751,688</u>	<u>983,697</u>	<u>139,634</u>	<u>265,732</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,430</u>	<u>\$ 770,229</u>	<u>\$ 1,007,394</u>	<u>\$ 141,384</u>	<u>\$ 320,648</u>

(Continued)

**CITY OF MCALESTER, OKLAHOMA
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Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2016, Continued

	CAPITAL PROJECT FUNDS				
	Police Equipment Fund	State Forfeiture Fund	Cemetery Perpetual Care Fund	CDBG Grants Fund	Federal Forfeiture Fund
ASSETS					
Cash and cash equivalents	\$ 9,639	\$ 4,726	\$ 340,535	\$ 191,376	\$ 16,223
Investments	-	-	-	-	-
Accounts receivable, net of allowance	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	3,639	-	-	-	-
Other receivables	-	-	-	-	-
Total assets	<u>\$ 13,278</u>	<u>\$ 4,726</u>	<u>\$ 340,535</u>	<u>\$ 191,376</u>	<u>\$ 16,223</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	-	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:					
Deferred revenue	-	-	-	-	-
Fund Balances:					
Restricted	13,278	4,726	340,535	191,376	16,223
Assigned	-	-	-	-	-
Total fund balances	<u>13,278</u>	<u>4,726</u>	<u>340,535</u>	<u>191,376</u>	<u>16,223</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 13,278</u>	<u>\$ 4,726</u>	<u>\$ 340,535</u>	<u>\$ 191,376</u>	<u>\$ 16,223</u>

(Continued)

**CITY OF MCALESTER, OKLAHOMA
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Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2016, Continued

	CAPITAL PROJECT FUNDS			DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	Fire Improvement Grant Fund	Capital Improvement Plan Fund	Technology Fund	Sales Tax - Schools Fund	
ASSETS					
Cash and cash equivalents	\$ 260	\$ 701,366	\$ 389,149	\$ 1,761,745	\$ 5,496,288
Investments	-	322,750	-	-	322,750
Accounts receivable, net of allowance	-	-	-	-	47,874
Due from other funds	-	800,000	-	-	800,000
Due from other governments	-	88,049	-	120,116	280,129
Other receivables	-	-	-	-	46,617
Total assets	<u>\$ 260</u>	<u>\$ 1,912,165</u>	<u>\$ 389,149</u>	<u>\$ 1,881,861</u>	<u>\$ 6,993,658</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 250,388	\$ 6,203	\$ -	\$ 327,301
Accrued payroll liabilities	-	-	-	-	28,194
Total liabilities	<u>-</u>	<u>250,388</u>	<u>6,203</u>	<u>-</u>	<u>355,495</u>
Deferred Inflows of Resources:					
Deferred revenue	-	88,049	-	-	88,049
Fund Balances:					
Restricted	260	800,000	382,946	1,881,861	4,991,954
Assigned	-	773,728	-	-	1,558,160
Total fund balances	<u>260</u>	<u>1,573,728</u>	<u>382,946</u>	<u>1,881,861</u>	<u>6,550,114</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 260</u>	<u>\$ 1,912,165</u>	<u>\$ 389,149</u>	<u>\$ 1,881,861</u>	<u>\$ 6,993,658</u>

CITY OF MCALESTER, OKLAHOMA
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Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2016

	SPECIAL REVENUE FUNDS				
	Juvenile Fine Fund	Tourism/SE Expo Fund	E-911 Fund	Gifts & Contributions Fund	Stormwater Fund
REVENUES					
Taxes	\$ -	\$ 759,410	\$ 584,718	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	20,321	130,138	-	-	334,148
Investment earnings	-	-	5,559	5	-
Miscellaneous	-	6,499	-	81,666	-
Total revenues	<u>20,321</u>	<u>896,047</u>	<u>590,277</u>	<u>81,671</u>	<u>334,148</u>
EXPENDITURES					
Current:					
Administration	-	-	-	16,724	-
Public safety	19,212	-	784,812	-	-
Community services	-	-	-	-	-
Administrative services	-	705,091	-	-	-
Capital Outlay	-	162,200	75,215	155,101	68,416
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	<u>19,212</u>	<u>867,291</u>	<u>860,027</u>	<u>171,825</u>	<u>68,416</u>
Excess (deficiency) of revenues over expenditures	1,109	28,756	(269,750)	(90,154)	265,732
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Proceeds from long-term debt	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,109	28,756	(269,750)	(90,154)	265,732
Fund balances - beginning	3,321	722,932	1,253,447	229,788	-
Fund balances - ending	<u>\$ 4,430</u>	<u>\$ 751,688</u>	<u>\$ 983,697</u>	<u>\$ 139,634</u>	<u>\$ 265,732</u>

(Continued)

**CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2016 (Continued)

	CAPITAL PROJECT FUNDS				
	Police Equipment Fund	State Forfeiture Fund	Cemetery Perpetual Care Fund	CDBG Grants Fund	Federal Forfeiture Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,639	33,670	-	97,473	5,465
Charges for services	-	-	7,690	-	-
Investment earnings	-	256	391	-	142
Miscellaneous	-	80	-	-	-
Total revenues	<u>3,639</u>	<u>34,006</u>	<u>8,081</u>	<u>97,473</u>	<u>5,607</u>
EXPENDITURES					
Current:					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Community services	-	-	-	-	-
Administrative services	-	-	-	-	-
Capital Outlay	-	36,693	-	204,556	34,000
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>36,693</u>	<u>-</u>	<u>204,556</u>	<u>34,000</u>
Excess (deficiency) of revenues over expenditures	3,639	(2,687)	8,081	(107,083)	(28,393)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	86,699	-
Transfers out	-	-	-	-	-
Proceeds from long-term debt	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,699</u>	<u>-</u>
Net change in fund balances	3,639	(2,687)	8,081	(20,384)	(28,393)
Fund balances - beginning	9,639	7,413	332,454	211,760	44,616
Fund balances - ending	<u>\$ 13,278</u>	<u>\$ 4,726</u>	<u>\$ 340,535</u>	<u>\$ 191,376</u>	<u>\$ 16,223</u>

(Continued)

**CITY OF MCALESTER, OKLAHOMA
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**Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor
Governmental Funds – Year Ended June 30, 2016 (Continued)**

	CAPITAL PROJECT FUNDS			DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	Fire Improvement Grant Fund	Capital Improvement Plan Fund	Technology Fund	Sales Tax - Schools Fund	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 988,762	\$ 2,332,890
Intergovernmental	-	166,107	-	-	306,354
Charges for services	-	321,499	215,399	-	1,029,195
Investment earnings	-	636	-	8,943	15,932
Miscellaneous	-	231,591	-	-	319,836
Total revenues	-	719,833	215,399	997,705	4,004,207
EXPENDITURES					
Current:					
Administration	-	-	-	-	16,724
Public safety	-	-	-	-	804,024
Community services	-	-	-	129,814	129,814
Administrative services	-	-	-	-	705,091
Capital Outlay	-	2,290,376	63,840	-	3,090,397
Debt Service:					
Principal	-	132,267	-	-	132,267
Interest and other charges	-	21,399	-	-	21,399
Total expenditures	-	2,444,042	63,840	129,814	4,899,716
Excess (deficiency) of revenues over expenditures	-	(1,724,209)	151,559	867,891	(895,509)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,673,823	-	-	1,760,522
Transfers out	-	(324,751)	-	(648,126)	(972,877)
Proceeds from long-term debt	-	137,951	-	-	137,951
Total other financing sources and uses	-	1,487,023	-	(648,126)	925,596
Net change in fund balances	-	(237,186)	151,559	219,765	30,087
Fund balances - beginning	260	1,810,914	231,387	1,662,096	6,520,027
Fund balances - ending	\$ 260	\$ 1,573,728	\$ 382,946	\$ 1,881,861	\$ 6,550,114

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Combining Schedule of Net Position, MPWA Accounts – June 30, 2016

	Enterprise Fund - MPWA		
	McAlester Public Works Authority Operating Account	Landfill Reserve Account	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 411,642	\$ 1,763,746	\$ 2,175,388
Restricted cash and cash equivalents	483,734	-	483,734
Accounts receivable, net of allowance	1,098,586	30,474	1,129,060
Total current assets	<u>1,993,962</u>	<u>1,794,220</u>	<u>3,788,182</u>
Non-current assets:			
Investment in joint venture	1,954,942	-	1,954,942
Capital Assets:			
Land and improvements	1,250,080	-	1,250,080
Other capital assets, net of depreciation	22,014,633	-	22,014,633
Total non-current assets	<u>25,219,655</u>	<u>-</u>	<u>25,219,655</u>
Total assets	<u>27,213,617</u>	<u>1,794,220</u>	<u>29,007,837</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>279,824</u>	<u>-</u>	<u>279,824</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	296,825	10,440	307,265
Accrued payroll liabilities	56,902	-	56,902
Due to other funds	50,561	-	50,561
Accrued interest payable	1,703	-	1,703
Unearned revenue	53,553	-	53,553
Due to depositors	96,747	-	96,747
Notes payable	17,140	-	17,140
Contract obligation	188,542	-	188,542
Water rights contract obligation	28,780	-	28,780
Accrued compensated absences	15,265	-	15,265
Total current liabilities	<u>806,018</u>	<u>10,440</u>	<u>816,458</u>
Non-current liabilities:			
Landfill closure and postclosure liability	2,831,021	-	2,831,021
Due to depositors	386,987	-	386,987
Notes payable	93,499	-	93,499
Contract obligation	188,539	-	188,539
Water rights contract obligation	90,811	-	90,811
Accrued compensated absences	137,388	-	137,388
Net pension liability	939,221	-	939,221
Total non-current liabilities	<u>4,667,466</u>	<u>-</u>	<u>4,667,466</u>
Total liabilities	<u>5,473,484</u>	<u>10,440</u>	<u>5,483,924</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>64,447</u>	<u>-</u>	<u>64,447</u>
NET POSITION			
Net investment in capital assets	22,657,402	-	22,657,402
Unrestricted (deficit)	(701,892)	1,783,780	1,081,888
Total net position	<u>\$ 21,955,510</u>	<u>\$ 1,783,780</u>	<u>\$ 23,739,290</u>

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Combining Schedule of Revenues, Expenses, and Changes in Net Position, MPWA Accounts – Year Ended June 30, 2016

	Enterprise Fund - MPWA		
	McAlester Public Works Authority Operating Account	Landfill Reserve Account	Total
OPERATING REVENUES			
Charges for services:			
Water	\$ 2,959,575	\$ -	\$ 2,959,575
Sewer	1,707,851	-	1,707,851
Sanitation	2,710,113	-	2,710,113
Water taps	11,340	-	11,340
Sewer taps	11,100	-	11,100
Water districts	1,054,175	-	1,054,175
Landfill	2,704	-	2,704
Penalties	-	7,956	7,956
Recycle fees	36,893	-	36,893
Subtitle "D" fees	-	383,691	383,691
Total operating revenues	<u>8,493,751</u>	<u>391,647</u>	<u>8,885,398</u>
OPERATING EXPENSES			
Utility office	515,822	-	515,822
Interdepartmental	665,282	-	665,282
Sanitation	1,846,524	-	1,846,524
Engineering	365,053	-	365,053
Sewer	720,194	-	720,194
Water	1,348,717	-	1,348,717
Utility maintenance	909,723	-	909,723
Landfill	(1,001,997)	100,913	(901,084)
Depreciation	1,405,928	-	1,405,928
Total Operating Expenses	<u>6,775,246</u>	<u>100,913</u>	<u>6,876,159</u>
Operating income	<u>1,718,505</u>	<u>290,734</u>	<u>2,009,239</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	4,897	8,704	13,601
Interest expense	(3,426)	-	(3,426)
Miscellaneous revenue	115,599	-	115,599
Gain on joint venture	115,706	-	115,706
Total non-operating revenue (expenses)	<u>232,776</u>	<u>8,704</u>	<u>241,480</u>
Income before contributions and transfers	1,951,281	299,438	2,250,719
Capital contributions	1,102,216	-	1,102,216
Transfers in	328,141	-	328,141
Transfers out	(1,971,315)	-	(1,971,315)
Interaccount transfers	16,112	(16,112)	-
Change in net position	1,426,435	283,326	1,709,761
Total net position - beginning	20,529,075	1,500,454	22,029,529
Total net position - ending	<u>\$ 21,955,510</u>	<u>\$ 1,783,780</u>	<u>\$ 23,739,290</u>

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Combining Schedule of Net Position, MAA Accounts – June 30, 2016

	McAlester Airport Authority			Total
	McAlester Airport Authority Operating Account	Airport Grant Account	Airport Hanger Account	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 50,613	\$ -	\$ 36,760	\$ 87,373
Accounts receivable, net of allowance	15,400	-	-	15,400
Due from (to) other accounts	57,505	(57,505)	-	-
Due from other governments	-	67,542	-	67,542
Total current assets	123,518	10,037	36,760	170,315
Non-current assets:				
Capital Assets:				
Land and improvements	42,364	-	-	42,364
Other capital assets, net of depreciation	4,329,715	-	-	4,329,715
Total non-current assets	4,372,079	-	-	4,372,079
Total assets	4,495,597	10,037	36,760	4,542,394
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to pensions	15,290	-	-	15,290
LIABILITIES				
Current Liabilities:				
Accounts payable	2,152	-	-	2,152
Accrued payroll liabilities	4,431	-	-	4,431
Accrued interest payable	270	-	-	270
Notes payable	152,802	-	-	152,802
Accrued compensated absences	2,615	-	-	2,615
Total current liabilities	162,270	-	-	162,270
Non-current liabilities:				
Accrued compensated absences	23,530	-	-	23,530
Net pension liability	65,046	-	-	65,046
Total non-current liabilities	88,576	-	-	88,576
Total liabilities	250,846	-	-	250,846
DEFERRED INFLOW OF RESOURCES				
Deferred amounts related to pensions	4,895	-	-	4,895
NET POSITION				
Net investment in capital assets	4,219,277	-	-	4,219,277
Unrestricted	35,869	10,037	36,760	82,666
Total net position	\$ 4,255,146	\$ 10,037	\$ 36,760	\$ 4,301,943

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Combining Schedule of Revenues, Expenses, and Changes in Net Position, MAA Accounts – Year Ended June 30, 2016

	McAlester Airport Authority			Total
	McAlester Airport Authority Operating Account	Airport Grant Account	Airport Hanger Account	
OPERATING REVENUES				
Charges for services:				
Rents and fees	\$ 108,878	\$ -	\$ -	\$ 108,878
Total operating revenues	<u>108,878</u>	<u>-</u>	<u>-</u>	<u>108,878</u>
OPERATING EXPENSES				
Airport	166,194	-	-	166,194
Depreciation	496,791	-	-	496,791
Total Operating Expenses	<u>662,985</u>	<u>-</u>	<u>-</u>	<u>662,985</u>
Operating income (loss)	<u>(554,107)</u>	<u>-</u>	<u>-</u>	<u>(554,107)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(7,741)	-	-	(7,741)
Miscellaneous revenue	-	1,334	-	1,334
Total non-operating revenue (expenses)	<u>(7,741)</u>	<u>1,334</u>	<u>-</u>	<u>(6,407)</u>
Income (loss) before contributions and transfers	(561,848)	1,334	-	(560,514)
Capital contributions	-	268,375	-	268,375
Transfers in	134,965	29,208	-	164,173
Interaccount transfers	297,890	(297,890)	-	-
Change in net position	(128,993)	1,027	-	(127,966)
Total net position - beginning	4,384,139	9,010	36,760	4,429,909
Total net position - ending	<u>\$ 4,255,146</u>	<u>\$ 10,037</u>	<u>\$ 36,760</u>	<u>\$ 4,301,943</u>

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Combining Statement of Net Position, Internal Service Funds – June 30, 2016

	Internal Service Funds		
	Worker's Compensation Fund	FLEET Maintenance Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 18,169	\$ 61,024	\$ 79,193
Due from other funds	232,187	-	232,187
Total assets	<u>250,356</u>	<u>61,024</u>	<u>311,380</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	-	18,778	18,778
Accrued payroll liabilities	-	9,365	9,365
Compensated absences	-	3,288	3,288
Total current liabilities	<u>-</u>	<u>31,431</u>	<u>31,431</u>
Non-current liabilities:			
Estimated liability for claims	250,356	-	250,356
Compensated absences	-	29,593	29,593
Total non-current liabilities	<u>250,356</u>	<u>29,593</u>	<u>279,949</u>
Total liabilities	<u>250,356</u>	<u>61,024</u>	<u>311,380</u>
NET POSITION			
Unrestricted	-	-	-
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Revenues, Expenses, and Changes in Net Position, Internal Service Funds
– Year Ended June 30, 2016

	Internal Service Funds		
	Worker's Compensation Fund	FLEET Maintenance Fund	Total
OPERATING REVENUES			
Self insurance charges	\$ 380,610	\$ 533,097	\$ 913,707
Miscellaneous	455	11,911	12,366
Total operating revenues	<u>381,065</u>	<u>545,008</u>	<u>926,073</u>
OPERATING EXPENSES			
FLEET maintenance expense	-	545,008	545,008
Claims expense	381,065	-	381,065
Total operating expenses	<u>381,065</u>	<u>545,008</u>	<u>926,073</u>
Operating income	-	-	-
Total net position - beginning	-	-	-
Total net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Combining Statement of Cash Flows, Internal Service Funds – Year Ended June 30, 2016

	Internal Service Funds		
	Worker's Compensation Fund	FLEET Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers	\$ (509,859)	\$ (244,338)	\$ (754,197)
Payments to employees	-	(289,081)	(289,081)
Other receipts	509,859	579,810	1,089,669
Net Cash Provided by Operating Activities	<u>-</u>	<u>46,391</u>	<u>46,391</u>
Net Increase in Cash and Cash Equivalents	-	46,391	46,391
Balances - beginning of the year	<u>18,169</u>	<u>14,633</u>	<u>32,802</u>
Balances - end of the year	<u>\$ 18,169</u>	<u>\$ 61,024</u>	<u>\$ 79,193</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ -	\$ -	\$ -
Change in assets and liabilities:			
Due from other funds	128,794	34,802	163,596
Accounts payables	-	4,167	4,167
Accrued payroll liabilities	-	3,133	3,133
Claims liability	(128,794)	-	(128,794)
Accrued compensated absences	<u>-</u>	<u>4,289</u>	<u>4,289</u>
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ 46,391</u>	<u>\$ 46,391</u>

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Budgetary Comparison Schedules – Major Debt Service Governmental Funds – Year Ended June 30, 2016

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 103,017	\$ 103,017
Resources (Inflows):				
Taxes	4,144,248	4,144,248	3,967,769	(176,479)
Investment income	500	500	448	(52)
Transfers in	353,448	353,448	353,448	-
Amounts available for appropriation	<u>4,498,196</u>	<u>4,498,196</u>	<u>4,424,682</u>	<u>(73,514)</u>
Charges to appropriations (outflows):				
Administration	15,000	15,000	2,000	13,000
Transfers out	4,483,196	4,483,196	4,320,050	163,146
Total Charges to Appropriations	<u>4,498,196</u>	<u>4,498,196</u>	<u>4,322,050</u>	<u>176,146</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,632</u>	<u>\$ 102,632</u>

DEBT SERVICE - BOND TRUSTEE FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ 7,255,996	\$ 14,005,025	\$ 6,749,029
Resources (Inflows):				
Investment income	-	-	1,585	1,585
Bond proceeds	-	12,615,000	12,615,000	-
Miscellaneous	-	129,814	36,659	(93,155)
Transfers in	6,019,607	5,836,513	5,867,775	31,262
Amounts available for appropriation	<u>6,019,607</u>	<u>25,837,323</u>	<u>32,526,044</u>	<u>6,688,721</u>
Charges to appropriations (outflows):				
Finance	6,019,607	13,244,510	12,182,972	1,061,538
Transfer to escrow	-	12,581,463	12,581,463	-
Transfers out	-	11,350	11,350	-
Total Charges to Appropriations	<u>6,019,607</u>	<u>25,837,323</u>	<u>24,775,785</u>	<u>1,061,538</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,750,259</u>	<u>\$ 7,750,259</u>

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Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2016

SPECIAL REVENUE - JUVENILE FINE FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 3,321	\$ 3,321
Resources (Inflows):				
Charges for services	30,051	30,051	20,321	(9,730)
Amounts available for appropriation	<u>30,051</u>	<u>30,051</u>	<u>23,642</u>	<u>(6,409)</u>
Charges to appropriations (outflows):				
Public safety	30,051	30,051	19,212	10,839
Total Charges to Appropriations	<u>30,051</u>	<u>30,051</u>	<u>19,212</u>	<u>10,839</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,430</u>	<u>\$ 4,430</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ 122,871	\$ 653,461	\$ 530,590
Resources (Inflows):				
Taxes	631,200	651,700	766,788	115,088
Charges for services	151,000	151,000	130,138	(20,862)
Miscellaneous	100	100	6,499	6,399
Amounts available for appropriation	<u>782,300</u>	<u>925,671</u>	<u>1,556,886</u>	<u>631,215</u>
Charges to appropriations (outflows):				
Administrative services	778,528	921,899	865,344	56,555
Total Charges to Appropriations	<u>778,528</u>	<u>921,899</u>	<u>865,344</u>	<u>56,555</u>
Ending Budgetary Fund Balance	<u>\$ 3,772</u>	<u>\$ 3,772</u>	<u>\$ 691,542</u>	<u>\$ 687,770</u>

SPECIAL REVENUE - E-911 FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 126,700	\$ 262,765	\$ 1,215,893	\$ 953,128
Resources (Inflows):				
Taxes	613,100	613,100	587,428	(25,672)
Investment income	-	-	5,559	5,559
Amounts available for appropriation	<u>739,800</u>	<u>875,865</u>	<u>1,808,880</u>	<u>933,015</u>
Charges to appropriations (outflows):				
Public safety	739,800	875,865	857,283	18,582
Total Charges to Appropriations	<u>739,800</u>	<u>875,865</u>	<u>857,283</u>	<u>18,582</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 951,597</u>	<u>\$ 951,597</u>

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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2016
(Continued)**

SPECIAL REVENUE - GIFTS & CONTRIBUTIONS FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 145,870	\$ 229,788	\$ 83,918
Resources (Inflows):				
Investment income	-	-	5	5
Miscellaneous	-	80,032	81,666	1,634
Amounts available for appropriation	<u>-</u>	<u>225,902</u>	<u>311,459</u>	<u>85,557</u>
Charges to appropriations (outflows):				
Administration	<u>-</u>	<u>225,902</u>	<u>171,825</u>	<u>54,077</u>
Total Charges to Appropriations	<u>-</u>	<u>225,902</u>	<u>171,825</u>	<u>54,077</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,634</u>	<u>\$ 139,634</u>

SPECIAL REVENUE - STORMWATER FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Charges for services	-	207,000	334,148	127,148
Amounts available for appropriation	<u>-</u>	<u>207,000</u>	<u>334,148</u>	<u>127,148</u>
Charges to appropriations (outflows):				
Stormwater	<u>-</u>	<u>207,000</u>	<u>68,416</u>	<u>138,584</u>
Total Charges to Appropriations	<u>-</u>	<u>207,000</u>	<u>68,416</u>	<u>138,584</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,732</u>	<u>\$ 265,732</u>

CAPITAL PROJECT - POLICE EQUIPMENT FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 9,639	\$ 9,639
Resources (Inflows):				
Intergovernmental	-	-	-	-
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>9,639</u>	<u>9,639</u>
Charges to appropriations (outflows):				
Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,639</u>	<u>\$ 9,639</u>

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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2016
(Continued)**

CAPITAL PROJECT - STATE FORFEITURE FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 7,413	\$ 7,413
Resources (Inflows):				
Intergovernmental	-	37,375	33,670	(3,705)
Investment income	-	-	256	256
Miscellaneous	-	-	80	80
Amounts available for appropriation	<u>-</u>	<u>37,375</u>	<u>41,419</u>	<u>4,044</u>
Charges to appropriations (outflows):				
Public safety	<u>-</u>	<u>37,375</u>	<u>36,693</u>	<u>682</u>
Total Charges to Appropriations	<u>-</u>	<u>37,375</u>	<u>36,693</u>	<u>682</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,726</u>	<u>\$ 4,726</u>

CAPITAL PROJECT - CEMETERY PERPETUAL CARE FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 26,982	\$ 26,982	\$ 332,454	\$ 305,472
Resources (Inflows):				
Charges for services	6,050	6,050	7,690	1,640
Investment income	1,000	1,000	391	(609)
Amounts available for appropriation	<u>34,032</u>	<u>34,032</u>	<u>340,535</u>	<u>306,503</u>
Charges to appropriations (outflows):				
Community services	<u>34,032</u>	<u>34,032</u>	<u>-</u>	<u>34,032</u>
Total Charges to Appropriations	<u>34,032</u>	<u>34,032</u>	<u>-</u>	<u>34,032</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,535</u>	<u>\$ 340,535</u>

CAPITAL PROJECT - CDBG GRANTS FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 438,238	\$ 211,760	\$ (226,478)
Resources (Inflows):				
Intergovernmental	-	86,699	97,473	10,774
Transfers in	-	86,699	86,699	-
Amounts available for appropriation	<u>-</u>	<u>611,636</u>	<u>395,932</u>	<u>(215,704)</u>
Charges to appropriations (outflows):				
Engineering	<u>-</u>	<u>611,636</u>	<u>204,556</u>	<u>407,080</u>
Total Charges to Appropriations	<u>-</u>	<u>611,636</u>	<u>204,556</u>	<u>407,080</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,376</u>	<u>\$ 191,376</u>

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2016
(Continued)

CAPITAL PROJECT - FEDERAL FORFEITURE FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 5,000	\$ 44,616	\$ 39,616
Resources (Inflows):				
Intergovernmental	33,000	33,000	5,465	(27,535)
Investment income	-	-	142	142
Amounts available for appropriation	<u>33,000</u>	<u>38,000</u>	<u>50,223</u>	<u>12,223</u>
Charges to appropriations (outflows):				
Public safety	<u>33,000</u>	<u>38,000</u>	<u>34,000</u>	<u>4,000</u>
Total Charges to Appropriations	<u>33,000</u>	<u>38,000</u>	<u>34,000</u>	<u>4,000</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,223</u>	<u>\$ 16,223</u>

CAPITAL PROJECT - FIRE IMPROVEMENT GRANT FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 260	\$ 260
Resources (Inflows):				
Intergovernmental	-	-	-	-
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>260</u>	<u>260</u>
Charges to appropriations (outflows):				
Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ 260</u>

CAPITAL PROJECT - TECHNOLOGY FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 21,236	\$ 231,387	\$ 210,151
Resources (Inflows):				
Charges for services	187,900	187,900	215,399	27,499
Amounts available for appropriation	<u>187,900</u>	<u>209,136</u>	<u>446,786</u>	<u>237,650</u>
Charges to appropriations (outflows):				
Administration	<u>187,500</u>	<u>208,736</u>	<u>63,840</u>	<u>144,896</u>
Total Charges to Appropriations	<u>187,500</u>	<u>208,736</u>	<u>63,840</u>	<u>144,896</u>
Ending Budgetary Fund Balance	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 382,946</u>	<u>\$ 382,546</u>

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2016
(Continued)

CAPITAL PROJECT - CAPITAL IMPROVEMENT PLAN FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 1,859,278	\$ 1,810,914	\$ (48,364)
Resources (Inflows):				
Intergovernmental	-	-	166,107	166,107
Charges for services	242,454	242,454	321,499	79,045
Investment income	-	-	636	636
Miscellaneous	60,000	293,110	222,650	(70,460)
Transfers in	1,002,333	1,673,823	1,673,823	-
Amounts available for appropriation	<u>1,304,787</u>	<u>4,068,665</u>	<u>4,195,629</u>	<u>126,964</u>
Charges to appropriations (outflows):				
City manager	75,000	139,426	139,426	-
Patrol	-	208,045	207,860	185
Fire	-	29,555	29,555	-
Parks	-	25,000	-	25,000
Facility Maintenance	50,000	50,000	48,743	1,257
Planning & Comm Dev	-	197,375	120,146	77,229
Fleet Maintenance	66,983	66,983	65,863	1,120
Traffic Control	-	175,000	-	175,000
Streets	587,804	1,032,615	437,911	594,704
Engineering	-	418,785	418,446	339
Wastewater Treatment	-	25,258	22,329	2,929
Water Treatment	200,000	1,040,635	666,123	374,512
Utility maintenance	325,000	659,988	465,499	194,489
Total Charges to Appropriations	<u>1,304,787</u>	<u>4,068,665</u>	<u>2,621,901</u>	<u>1,446,764</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,573,728</u>	<u>\$ 1,573,728</u>

DEBT SERVICE - SALES TAX - SCHOOLS FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 129,814	\$ 1,538,800	\$ 1,408,986
Resources (Inflows):				
Taxes	1,017,280	1,017,280	991,942	(25,338)
Investment income	6,000	6,000	8,943	2,943
Amounts available for appropriation	<u>1,023,280</u>	<u>1,153,094</u>	<u>2,539,685</u>	<u>1,386,591</u>
Charges to appropriations (outflows):				
Community services	31,008	23,881	-	23,881
Transfers out	641,000	777,941	777,940	1
Total Charges to Appropriations	<u>672,008</u>	<u>801,822</u>	<u>777,940</u>	<u>23,882</u>
Ending Budgetary Fund Balance	<u>\$ 351,272</u>	<u>\$ 351,272</u>	<u>\$ 1,761,745</u>	<u>\$ 1,410,473</u>

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Schedule of Revenue Bond Coverage – Year Ended June 30, 2016

		Series 2015, 2014, 2013, 2012, 2002 Bonds & 1999 Loan
Gross Revenue Available for Debt Service:		
Charges for services	\$	8,885,398
Sales tax pledged and transferred		5,867,775
		14,753,173
Total Gross Revenues Available		14,753,173
Operating Expenses:		
Water, Sewer and Sanitation		5,470,231
		5,470,231
Total Operating Expenses		5,470,231
Net Revenues Available for Debt Service	\$	9,282,942
Debt Service Requirements:		
Average annual principal and interest requirements on bonds and subordinate debt:		
Series 2015 Utility System Revenue Bonds	\$	1,294,116
Series 2014 Utility System Revenue Bonds		437,483
Series 2013 Tax Exempt Debt		814,290
Series 2012 Utility System Revenue Bonds		2,331,476
Series 2002 Utility System Revenue Bonds		975,555
1999 CDBG Loan		13,750
		13,750
Total average annual debt service	\$	5,866,670
Computed Coverage		158%
Coverage Requirement		125%

NOTE: The above gross revenue and operating expenses only include the activities of the Authority related to water, sewer and sanitation services, excluding depreciation

Statistical Section

STATISTICAL SECTION

The STATISTICAL SECTION presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue sources, sales tax and property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

FINANCIAL TRENDS

CITY OF MCALESTER, OKLAHOMA
NET ASSETS/POSITION BY COMPONENT
Last Ten Fiscal Years
TABLE 1

	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014 ^(A)	2015	2016
Governmental activities										
Net investment in capital assets	\$ 38,654,990	\$ 36,913,324	\$ 35,524,842	\$ 34,617,252	\$ 33,224,076	\$ 32,432,860	\$ 30,765,320	\$ (9,351,998)	\$ (8,435,552)	\$ (5,145,885)
Restricted	4,294,900	6,315,262	10,901,873	10,879,639	15,583,329	12,528,800	9,774,023	9,671,931	10,300,783	10,794,136
Unrestricted	<u>(2,581,600)</u>	<u>(1,351,655)</u>	<u>127,348</u>	<u>3,528,189</u>	<u>713,466</u>	<u>3,619,246</u>	<u>3,327,652</u>	<u>(331,766)</u>	<u>(11,094,279)</u>	<u>(9,827,102)</u>
Total governmental activities net assets	\$ 40,368,290	\$ 41,876,931	\$ 46,554,063	\$ 49,025,080	\$ 49,520,871	\$ 48,580,906	\$ 43,866,995	\$ (11,833)	\$ (9,229,048)	\$ (4,178,851)
Business-type activities										
Net investment in capital assets	\$ 25,671,073	\$ 22,794,648	\$ 23,500,930	\$ 22,543,574	\$ 22,155,024	\$ 24,511,925	\$ 25,309,905	\$ 25,468,139	\$ 26,970,248	\$ 26,876,679
Restricted	7,858,811	8,222,759	3,962,096	3,841,946	669,133	185,867	7,907,391	-	-	-
Unrestricted	<u>(64,100,578)</u>	<u>(59,681,074)</u>	<u>(57,385,625)</u>	<u>(57,691,240)</u>	<u>(52,715,442)</u>	<u>(51,414,376)</u>	<u>(54,744,596)</u>	<u>556,515</u>	<u>(510,810)</u>	<u>1,164,554</u>
Total business-type activities net assets	\$ (30,570,694)	\$ (28,663,667)	\$ (29,922,599)	\$ (31,305,720)	\$ (29,891,285)	\$ (26,716,584)	\$ (21,527,300)	\$ 26,024,654	\$ 26,459,438	\$ 28,041,233
Primary government										
Net investment in capital assets	\$ 64,326,063	\$ 59,707,972	\$ 59,025,772	\$ 57,160,826	\$ 55,379,100	\$ 56,944,785	\$ 56,075,225	\$ 16,116,141	\$ 18,534,696	\$ 21,730,794
Restricted	12,153,711	14,538,021	14,863,969	14,721,585	16,252,462	12,714,667	17,681,414	9,671,931	10,300,783	10,794,136
Unrestricted	<u>(66,682,178)</u>	<u>(61,032,729)</u>	<u>(57,258,277)</u>	<u>(54,163,051)</u>	<u>(52,001,976)</u>	<u>(47,795,130)</u>	<u>(51,416,944)</u>	<u>224,749</u>	<u>(11,605,089)</u>	<u>(8,662,548)</u>
Total primary government net assets	\$ 9,797,596	\$ 13,213,264	\$ 16,631,464	\$ 17,719,360	\$ 19,629,586	\$ 21,864,322	\$ 22,339,695	\$ 26,012,821	\$ 17,230,390	\$ 23,862,382

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

CITY OF MCALESTER, OKLAHOMA
CHANGES IN NET ASSETS/POSITION
Last Ten Fiscal Years
TABLE 2

	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses								(A)		
Governmental activities:										
Legislature	\$ 14,693	\$ 72,611	\$ 32,311	\$ 126,666	\$ 97,162	\$ 119,262	\$ 119,631	\$ 92,698	\$ 118,144	\$ 128,178
Administration	2,702,333	2,262,740	3,077,346	2,523,930	2,652,254	2,605,293	2,593,075	2,633,457	3,016,773	3,075,900
Public safety	7,769,476	8,376,584	7,348,140	7,375,334	8,001,693	8,346,194	8,398,927	8,269,035	7,742,108	8,002,184
Community service	1,894,270	2,126,035	2,111,274	2,018,764	2,190,693	2,965,005	2,692,851	2,176,495	1,964,414	2,162,321
Administration services	795,739	907,937	980,172	881,082	1,073,608	1,057,394	1,073,174	1,011,076	1,280,079	1,164,926
Health and welfare	176,400	124,894	257,350	229,776	285,502	290,065	277,730	256,902	245,481	255,471
Public works	3,462,056	3,500,144	3,536,482	3,160,982	2,616,066	2,635,362	2,641,505	2,764,212	2,640,537	3,347,597
Economic development	145,000	166,887	214,845	287,955	250,974	257,449	334,831	243,467	237,615	557,723
Payment to Health Center Authority	918,638	1,017,568	362,398	-	-	-	-	-	-	-
Interest on long-term debt	45,573	32,684	16,574	25,826	23,099	16,019	10,781	2,603,604	2,938,799	2,504,399
Total governmental activities expenses	17,924,178	18,588,084	17,936,892	16,630,315	17,191,051	18,292,043	18,142,505	20,050,946	20,183,950	21,198,699
Business-type activities:										
Water operations	2,353,292	2,512,766	2,702,777	2,693,090	2,586,210	2,826,263	2,699,541	2,504,280	3,636,153	3,835,928
Sewer operations	1,267,846	1,453,532	1,497,767	1,478,020	1,501,178	1,574,716	1,633,520	1,534,532	1,833,574	2,016,793
Sanitation operations	2,383,201	2,225,325	1,875,151	2,525,570	3,727,028	4,132,892	3,836,266	3,291,636	2,454,195	911,299
Airport	264,030	155,347	346,238	353,265	335,902	336,310	322,386	330,132	324,411	670,726
Governmental interest & amortization	3,670,685	3,728,898	3,587,968	3,642,316	3,550,238	3,153,918	2,354,536	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	9,939,054	10,075,868	10,009,901	10,692,261	11,700,556	12,024,099	10,846,249	7,660,580	8,248,333	7,434,746
Total primary government expenses	\$ 27,863,232	\$ 28,663,952	\$ 27,946,793	\$ 27,322,576	\$ 28,891,607	\$ 30,316,142	\$ 28,988,754	\$ 27,711,526	\$ 28,432,283	\$ 28,633,445
Program Revenues										
Governmental activities:										
Legislature	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administration	487,861	1,936,658	268,950	338,951	650,556	1,130,512	1,089,491	1,394,521	1,044,682	3,162,687
Public safety	995,571	1,093,278	1,814,780	1,771,953	1,578,883	1,305,145	1,429,987	2,741,229	2,894,702	2,998,352
Community service	95,778	108,311	98,857	105,014	127,156	121,072	113,606	143,735	295,130	426,315
Administration services	286,098	291,165	282,857	287,636	336,545	285,993	268,606	284,712	253,325	275,793
Health and welfare	-	-	-	-	-	-	-	61,870	60,942	61,160
Public works	201	263	299	3,781	3,789	3,794	3,797	185,838	173,759	168,011
Economic development	-	-	-	-	-	-	-	260,000	420,504	707,749
Stormwater	-	-	-	-	-	-	-	-	-	334,148
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	1,865,509	3,429,675	2,465,743	2,507,335	2,696,929	2,846,516	2,905,487	5,071,905	5,143,044	8,134,215

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

(Continued)

TABLE 2
(Continued)

	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	(A) 2014	2015	2016
Business-type activities:										
Water operations	4,090,771	3,849,884	4,137,356	4,067,745	4,497,227	5,171,920	4,592,465	4,174,878	4,144,455	4,354,864
Sewer operations	1,448,440	1,396,625	1,456,628	1,475,284	1,740,561	1,748,119	1,802,899	1,633,623	1,718,541	1,852,998
Sanitation operations	2,496,883	2,984,600	3,135,166	3,046,992	3,330,969	3,285,025	3,229,695	2,918,401	3,055,264	3,096,508
Airport	178,856	201,113	128,937	110,415	123,874	111,902	94,250	92,304	1,683,222	377,253
Total business-type activities program revenues	8,214,950	8,432,222	8,858,087	8,700,436	9,692,631	10,316,966	9,719,309	8,819,206	10,601,482	9,681,623
Total primary government program revenues	\$ 10,080,459	\$ 11,861,897	\$ 11,323,830	\$ 11,207,771	\$ 12,389,560	\$ 13,163,482	\$ 12,624,796	\$ 13,891,111	\$ 15,744,526	\$ 17,815,838
Net (Expense)/Revenue										
Governmental activities:	\$ (16,058,669)	\$ (15,158,409)	\$ (15,471,149)	\$ (14,122,980)	\$ (14,494,122)	\$ (15,445,527)	\$ (15,237,018)	\$ (14,979,041)	\$ (15,040,906)	\$ (13,064,484)
Business-type activities:	(1,724,104)	(1,643,646)	(1,151,814)	(1,991,825)	(2,007,925)	(1,707,133)	(1,126,940)	1,158,626	2,353,149	2,246,877
Total primary government net expense	\$ (17,782,773)	\$ (16,802,055)	\$ (16,622,963)	\$ (16,114,805)	\$ (16,502,047)	\$ (17,152,660)	\$ (16,363,958)	\$ (13,820,415)	\$ (12,687,757)	\$ (10,817,607)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Sales and use taxes	\$ 14,282,289	\$ 15,824,676	\$ 15,629,476	\$ 13,701,860	\$ 14,342,476	\$ 15,256,164	\$ 14,056,846	\$ 13,950,434	\$ 14,416,789	\$ 14,601,333
Franchise and public service taxes	607,212	643,484	729,844	567,852	687,905	584,264	552,713	607,578	577,352	552,316
Hotel/motel taxes	489,872	666,372	583,258	426,662	507,415	549,088	471,081	447,768	652,340	759,410
E-911 taxes	133,287	782,094	714,832	653,841	677,966	650,409	668,209	630,849	600,114	584,718
Intergovernmental revenue not restricted to specific programs	294,200	318,855	321,874	302,480	317,934	332,365	305,734	291,828	301,603	302,608
Investment income	61,193	130,804	193,521	186,899	178,656	139,075	90,143	69,007	64,026	71,856
Miscellaneous	369,061	308,902	216,558	257,635	178,678	198,423	116,579	1,436,459	341,415	446,824
Transfers-Internal activity	(1,379,933)	(3,314,213)	(2,637,696)	(748,161)	(3,356,890)	(4,477,786)	(7,180,863)	1,030,202	1,075,317	795,616
Transfers from component unit	813,946	-	-	-	-	-	-	-	-	-
Total governmental activities	15,671,127	15,360,974	15,751,667	15,349,068	13,534,140	13,232,002	9,080,442	18,464,125	18,028,956	18,114,681
Business-type activities:										
Investment income	256,907	173,077	32,956	2,185	17,248	11,717	16,700	13,945	12,432	13,601
Miscellaneous	41,579	6,464	19,439	35,406	20,367	25,795	116,389	45,673	33,436	116,933
Transfers - Internal activity	1,379,933	3,314,213	2,637,696	748,161	3,356,890	4,477,786	7,180,863	(1,030,202)	(1,075,317)	(795,616)
Total business-type activities	1,678,419	3,493,754	2,690,091	785,752	3,394,505	4,515,298	7,313,952	(970,584)	(1,029,449)	(665,082)
Total primary government	\$ 17,349,546	\$ 18,854,728	\$ 18,441,758	\$ 16,134,820	\$ 16,928,645	\$ 17,747,300	\$ 16,394,394	\$ 17,493,541	\$ 16,999,507	\$ 17,449,599
Change in Net Assets										
Governmental activities	\$ (387,542)	\$ 202,565	\$ 280,518	\$ 1,226,088	\$ (959,982)	\$ (2,213,525)	\$ (6,156,576)	\$ 3,485,084	\$ 2,988,050	\$ 5,050,197
Business-type activities	(45,685)	1,850,108	1,538,277	(1,206,073)	1,386,580	2,808,165	6,187,012	188,042	1,323,700	1,581,795
Total primary government	\$ (433,227)	\$ 2,052,673	\$ 1,818,795	\$ 20,015	\$ 426,598	\$ 594,640	\$ 30,436	\$ 3,673,126	\$ 4,311,750	\$ 6,631,992

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

CITY OF MCALESTER, OKLAHOMA
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
TABLE 3

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014 ^(A)	2015	2016
General Fund										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(2,007,545)	(2,412,174)	(1,404,008)	972,696	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	5,987	2,053	2,520
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	59,263	61,353	6,143	48,842	41,881	52,235
Unassigned	-	-	-	-	1,153,793	1,872,415	2,348,271	2,612,033	2,122,942	882,840
Total General Fund	<u>\$ (2,007,545)</u>	<u>\$ (2,412,174)</u>	<u>\$ (1,404,008)</u>	<u>\$ 994,496</u>	<u>\$ 1,213,056</u>	<u>\$ 1,933,768</u>	<u>\$ 2,354,414</u>	<u>\$ 2,666,862</u>	<u>\$ 2,166,876</u>	<u>\$ 937,595</u>
All Other Governmental Funds										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ 85,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	5,810,149	9,758,315	14,373,107	14,848,434	-	-	-	-	-	-
Restricted	-	-	-	-	15,583,329	12,528,800	9,774,023	28,542,781	24,305,808	18,544,395
Assigned	-	-	-	-	473,187	2,965,222	2,202,832	3,461,487	3,761,458	3,552,621
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 5,810,149</u>	<u>\$ 9,758,315</u>	<u>\$ 14,373,107</u>	<u>\$ 14,933,801</u>	<u>\$ 16,056,516</u>	<u>\$ 15,494,022</u>	<u>\$ 11,976,855</u>	<u>\$ 32,004,268</u>	<u>\$ 28,067,266</u>	<u>\$ 22,097,016</u>
GRAND TOTAL	<u>\$ 3,802,604</u>	<u>\$ 7,346,141</u>	<u>\$ 12,969,099</u>	<u>\$ 15,928,297</u>	<u>\$ 17,269,572</u>	<u>\$ 17,427,790</u>	<u>\$ 14,331,269</u>	<u>\$ 34,671,130</u>	<u>\$ 30,234,142</u>	<u>\$ 23,034,611</u>

NOTE: GASB 54 was implemented in fiscal year 2011. Years prior to implementation of GASB 54 have not been restated.
(A) - City began reporting revenue bond debt activity previously reported in the proprietary funds in the governmental funds.

CITY OF MCALESTER, OKLAHOMA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
TABLE 4

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	(A) 2014	2015	2016
Revenues										
Sales and use taxes	\$ 14,282,289	\$ 15,824,676	\$ 15,629,476	\$ 13,701,860	\$ 14,342,476	\$ 15,256,164	\$ 14,056,846	\$ 13,950,434	\$ 14,416,789	\$ 14,601,333
Franchise and public service taxes	607,212	643,484	729,844	567,852	687,905	584,264	552,713	607,578	577,352	552,316
E-911 taxes	133,287	782,094	714,832	653,841	677,966	650,409	668,209	630,849	600,114	584,718
Hotel/motel taxes	489,872	666,372	583,258	426,662	507,415	549,088	471,081	447,768	652,340	759,410
Intergovernmental	2,221,441	1,587,064	1,440,136	1,316,273	1,707,380	1,676,580	2,300,455	1,833,809	2,234,251	2,246,760
Charges for services	1,229,522	2,517,390	1,105,891	1,398,636	1,784,835	2,150,778	2,131,082	2,695,476	2,414,327	2,426,459
Fines and forfeitures	494,537	764,178	856,251	845,289	757,186	634,183	610,803	787,160	899,885	895,397
Licenses and permits	135,792	105,543	112,865	101,359	159,227	92,307	111,896	141,489	102,207	128,069
Investment income	61,193	130,804	193,521	186,899	178,656	139,075	90,143	69,007	64,026	71,856
Miscellaneous	564,620	360,916	229,540	341,266	260,565	272,927	228,241	133,871	381,449	1,052,725
Total Revenues	20,219,765	23,382,521	21,595,614	19,539,937	21,063,611	22,005,775	21,221,469	21,297,441	22,342,740	23,319,043
Expenditures:										
Legislature	8,045	71,201	30,901	125,066	95,728	118,071	117,769	92,698	118,144	128,178
Administration	2,732,232	2,272,374	2,990,279	2,599,423	2,403,037	2,378,667	2,355,933	2,475,490	2,693,127	2,941,113
Public safety	7,202,270	7,640,579	7,157,681	7,024,496	7,994,007	7,598,168	7,789,438	7,861,764	8,042,126	8,424,576
Community services	1,751,641	1,861,844	1,918,841	1,769,825	1,931,979	2,687,709	2,374,036	1,862,157	1,725,163	1,857,977
Administration services	853,406	890,722	920,474	879,398	1,092,842	1,041,293	1,097,904	1,010,714	1,301,925	1,183,280
Health and welfare	176,530	116,992	249,118	227,694	288,913	293,906	282,311	254,596	255,044	261,585
Public works	1,803,459	1,682,994	1,976,844	1,545,718	1,234,246	1,136,893	1,064,904	1,169,200	1,029,679	941,827
Economic Development	145,000	137,650	214,845	287,955	250,974	257,449	313,870	217,067	237,615	562,710
Payment to McAlester Regional Health Center Authori	-	-	-	-	-	-	-	-	-	-
Capital outlay	461,585	459,726	501,346	1,689,725	1,301,384	4,489,791	1,929,581	2,508,114	7,725,006	9,724,557
Debt service:										
Principal retirement	416,214	348,262	335,186	162,286	343,619	109,304	201,674	3,207,664	3,754,875	3,702,267
Interest and fiscal charges	55,373	37,583	23,736	26,738	29,198	16,126	11,025	2,148,216	2,267,239	2,077,268
Total Expenditures	15,605,755	15,519,927	16,319,251	16,338,324	16,965,927	20,127,377	17,538,445	22,807,680	29,149,943	31,805,338
Excess of revenues over(under) expenditures	4,614,010	7,862,594	5,276,363	3,201,613	4,097,684	1,878,398	3,683,024	(1,510,239)	(6,807,203)	(8,486,295)
Other financing sources(uses) and special item:										
Transfers in	4,880,600	3,319,441	2,911,291	5,122,922	2,107,823	5,125,820	2,288,687	8,121,706	9,926,637	9,417,913
Transfers in- McAlester Economic Development Servic	813,946	-	-	-	-	-	-	-	-	-
Debt Proceeds	-	-	-	-	180,987	-	-	4,910,000	658,805	12,752,951
Bond issue costs	-	-	-	-	-	-	-	(83,603)	-	(363,725)
Proceeds from sales of capital assets	-	-	-	-	-	-	-	1,350,000	-	-
Payment to escrow-refunding	-	-	-	-	-	-	-	-	-	(12,581,463)
Transfers out	(6,260,533)	(6,620,930)	(5,494,124)	(5,810,078)	(5,045,219)	(6,846,000)	(9,068,232)	(6,709,096)	(8,215,227)	(7,938,912)
Transferout- McAlester Regional Health Center Author	(918,638)	(1,017,568)	(362,398)	444,741	-	-	-	-	-	-
Total other financing sources(uses) and special item	(1,484,625)	(4,319,057)	(2,945,231)	(242,415)	(2,756,409)	(1,720,180)	(6,779,545)	7,589,007	2,370,215	1,286,764
Net change in fund balances	\$ 3,129,385	\$ 3,543,537	\$ 2,331,132	\$ 2,959,198	\$ 1,341,275	\$ 158,218	\$ (3,096,521)	\$ 6,078,768	\$ (4,436,988)	\$ (7,199,531)
Debt service as a percentage of noncapital expenditures	3.1%	2.6%	2.3%	1.3%	2.4%	0.8%	1.4%	26.4%	28.1%	26.2%

(A) - City began reporting revenue bond debt activity previously reported in the proprietary funds in the governmental funds.

CITY OF MCALESTER, OKLAHOMA
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 Last Ten Fiscal Years
 TABLE 5

<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>Use Tax</u>	<u>Franchise Tax</u>	<u>Hotel/ Motel Tax</u>	<u>E-911 Tax</u>	<u>Totals</u>
2007	13,803,068	479,221	607,212	489,872	133,287	15,512,660
2008	15,259,877	564,799	643,484	666,372	782,094	17,916,626
2009	15,049,535	579,941	729,844	583,258	714,832	17,657,410
2010	13,020,433	681,427	567,852	426,662	653,841	15,350,215
2011	13,787,766	554,710	687,905	507,415	677,966	16,215,762
2012	14,663,740	592,424	584,264	549,088	650,409	17,039,925
2013	13,357,829	699,017	552,713	471,081	668,209	15,748,849
2014	13,325,717	624,717	607,578	447,768	630,849	15,636,629
2015	13,775,363	641,426	577,352	652,340	600,114	16,246,595
2016	13,842,667	758,666	552,316	759,410	584,718	16,497,777

REVENUE CAPACITY

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City of McAlester	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Pittsburg County	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.50%
State of Oklahoma	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Total	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.50%

City-Nov 2008 changed to 3.5% dropped .25% for Hospital
County - Jan 2006 .75% for remodel
County-Jan 2009 added .25% FireFighters
County-Oct 2015 decreased 0.50%
County-Jan 2016 added 1.0% for streets

CITY OF MCALESTER, OKLAHOMA
TAXABLE SALES BY CATEGORY
Last Ten Fiscal Years
TABLE 7

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture, forestry, and fishing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191	\$ -	\$ 2	\$ 1,538
Mining Quarrying, and Oil and Gas Extraction	-	-	-	-	-	-	11,948	703	5,878	4,360
Utilities	-	-	-	-	-	-	476,905	785,842	800,800	775,938
Construction	-	-	-	-	-	-	15,998	34,043	37,205	79,462
Manufacturing	-	-	-	-	-	-	177,865	262,981	309,241	377,581
Transportation and Warehousing	-	-	-	-	-	-	7,011	12,982	17,130	9,746
Information	-	-	-	-	-	-	267,476	401,979	416,476	409,791
Wholesale trade	-	-	-	-	-	-	638,228	856,848	875,118	888,427
Retail trade	-	-	-	-	-	-	5,605,712	8,236,655	8,496,420	8,401,248
Finance, insurance,	-	-	-	-	-	-	11,473	27,697	3,574	3,065
Real Estate and Rental and Leasing	-	-	-	-	-	-	107,370	286,863	218,093	190,121
Professional, Scientific, and Technical Services	-	-	-	-	-	-	44,289	52,484	28,232	27,981
Administrative and Support and Waste Management and Remediation	-	-	-	-	-	-	4,785	3,996	2,720	2,302
Educational Services	-	-	-	-	-	-	1,559	1,365	115	14
Health Care and Social Assistance	-	-	-	-	-	-	176	1,227	2,159	828
Arts, Entertainment, and Recreation	-	-	-	-	-	-	31,980	46,204	59,278	50,014
Accommodation and Food Services	-	-	-	-	-	-	1,380,169	2,069,055	2,187,338	2,326,704
Other services (except Public Administration)	-	-	-	-	-	-	160,057	246,998	261,812	250,894
Public Administration	-	-	-	-	-	-	(194)	27	(328)	(96)
Nonclassifiable establishments	-	-	-	-	-	-	(17,661)	105,270	128,590	106,515
Agriculture	1,409	905	909	2,078	3,398	4,275	1,466	-	-	-
Mining	11,937	1,465	6,930	5,591	1,274	(239)	91	-	-	-
Construction	31,371	17,511	22,931	23,677	15,167	20,018	5,468	-	-	-
Manufacturing	317,257	580,848	521,840	267,462	630,929	895,821	196,585	-	-	-
Transportation	5,325	3,699	5,882	4,800	5,750	8,573	3,983	-	-	-
Communications and utilities:										
Communications	485,634	439,785	436,570	427,119	458,645	590,649	193,928	-	-	-
Electric, gas, and sanitary services	823,742	822,175	834,988	637,879	710,258	811,074	233,346	-	-	-
Wholesale trade	874,569	1,076,478	1,052,140	1,070,343	1,228,276	1,295,467	340,798	-	-	-
Retail trade:										
Building materials, hardware, garden supply and mobile home dealer	1,216,956	1,316,453	1,380,133	1,128,403	1,154,230	1,086,353	324,535	-	-	-
General merchandise stores	4,682,087	4,826,444	4,769,157	4,047,802	3,968,778	4,174,660	1,259,759	-	-	-
Food stores	614,118	618,067	673,347	616,485	665,075	650,225	221,670	-	-	-
Automotive dealers and gasoline service stations	562,565	631,001	615,026	551,224	571,892	629,373	219,764	-	-	-
Apparel and accessory stores	358,799	389,014	325,459	270,969	311,810	320,656	109,347	-	-	-
Furniture, home furnishings and equipment stores	600,555	689,073	727,104	588,948	545,530	447,391	142,865	-	-	-
Eating and drinking places	1,284,409	1,541,012	1,531,678	1,444,859	1,547,300	1,661,899	553,320	-	-	-
Miscellaneous retail	884,302	1,007,022	996,220	910,622	960,451	1,010,940	299,524	-	-	-
Finance, insurance, and real estate	1,159	2,353	1,244	1,624	2,278	1,986	2,028	-	-	-
Services:										
Hotels and motels	483,810	651,891	550,515	324,879	387,153	489,648	155,914	-	-	-
Personal services	74,426	79,420	82,852	69,019	72,171	75,481	23,034	-	-	-
Business services	206,526	212,416	233,328	214,812	156,993	249,457	61,222	-	-	-
Automotive repair services and garages	84,231	94,509	128,352	127,101	142,361	150,875	61,066	-	-	-
Miscellaneous repair services	35,105	39,911	30,413	20,149	15,658	25,366	8,775	-	-	-
Motion pictures	95,002	94,389	87,033	89,170	86,782	83,227	27,111	-	-	-
Other services	63,878	68,839	91,402	84,084	76,184	100,108	20,819	-	-	-
Nonclassifiable establishments	37,418	101,435	208,106	167,216	193,282	40,595	8,764	-	-	-
	\$ 13,836,589	\$ 15,306,114	\$ 15,313,560	\$ 13,096,315	\$ 13,911,625	\$ 14,823,880	\$ 13,400,517	\$ 13,433,218	\$ 13,849,853	\$ 13,906,433

Note: In November 2012 the classifications were change from SIC code to NAICS

Information obtained from the Oklahoma Tax Commission website.

DEBT CAPACITY

**CITY OF MCALESTER, OKLAHOMA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
TABLE 8**

<u>Jurisdiction</u>	<u>Net (1) Debt Outstanding</u>	<u>Percentage (2) Applicable to City of McAlester</u>	<u>Amount Applicable to City of McAlester</u>
Direct - City of McAlester	\$ 58,578,325	100.00%	\$58,578,325
Overlapping: McAlester School District	\$ -	100.00% (3)	-
Pittsburg County	<u>\$ 3,575,000</u>	47%	<u>1,691,646</u>
Total	<u><u>\$62,153,325</u></u>		<u><u>\$60,269,971</u></u>

Outstanding bond debt : 06-30-16

- (1) Gross general bonded debt outstanding less debt service reserves.
- (2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City of McAlester.
- (3) Only 74% of City residents would be responsible for the debt.

**CITY OF MCALESTER, OKLAHOMA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
TABLE 9**

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 5,692,619	\$ 6,069,063	\$ 6,554,315	\$ 6,841,533	\$ 7,109,639	\$ 7,331,792	\$ 7,555,257	\$ 7,755,946	\$ 8,065,312	\$ 8,131,853
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 5,692,619</u>	<u>\$ 6,069,063</u>	<u>\$ 6,554,315</u>	<u>\$ 6,841,533</u>	<u>\$ 7,109,639</u>	<u>\$ 7,331,792</u>	<u>\$ 7,555,257</u>	<u>\$ 7,755,946</u>	<u>\$ 8,065,312</u>	<u>\$ 8,131,853</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2016

Net assessed valuation	\$ 81,318,528
Debt limit (10% of total assessed value)	8,131,853
Debt applicable to limit:	
General obligation bonds	-
Less: Street or utility bonds outstanding	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 8,131,853</u>

Note: Article 10, Section 26 of the Constitution of the State of Oklahoma limits municipal debt to 10% of net assessed valuation.
Article 10, Section 27 of the Constitution of the State of Oklahoma limits municipal debt to non-utility or non-street purposes.

**CITY OF MCALESTER, OKLAHOMA
UTILITY SYSTEMS DIVISION
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years
TABLE 10**

		<u>Eligible Revenues</u>	<u>Eligible Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Average Annual/ Annual Debt Service</u>	<u>Revenue Bond Coverage</u>
2007	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	13,294,128	5,189,715	8,104,413	5,528,300	1.47
2008	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	12,847,465	5,249,150	7,598,315	5,528,300	1.37
2009	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	13,420,246	5,234,856	8,185,390	5,528,300	1.48
2010	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	11,497,861	5,788,341	5,709,520	3,968,564	1.44
2011	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	12,910,132	6,753,690	6,156,442	3,968,564	1.55
2012	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	13,573,172	7,533,575	6,039,597	3,968,564	1.52
2013	Series 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan	13,065,325	6,879,431	6,185,894	4,099,959	1.51
2014	Series 2014, 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan	12,503,686	6,117,823	6,385,863	4,537,442	1.41
2015	Series 2014, 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan	13,147,686	6,724,078	6,423,608	4,537,442	1.42
2016	Series 2015, 2014, 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan	14,753,173	5,470,231	9,282,942	5,866,670	1.58

(1) Excludes depreciation and amortization expense.

CITY OF MCALESTER, OKLAHOMA
RATIO FOR OUTSTANDING DEBT BY TYPE
Last Nine Fiscal Years
TABLE 11

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	% of Total Debt to Personal Income	Per Capita
	Revenue Bonds Payable	Notes Payable	Capital Leases Payable	Revenue Bonds Payable	Notes Payable	Water Contract Obligations	Settlement/ Contract Obligation			
2008	-	-	606,784	62,514,230	632,887	325,009	386,970	64,465,880	4.28%	3,509
2009	-	-	271,598	61,057,126	798,420	301,571	263,714	62,692,429	4.30%	3,410
2010	-	-	554,053	60,037,888	1,201,574	277,525	125,001	62,196,041	4.09%	3,383
2011	-	-	391,421	58,586,519	1,000,251	252,857	-	60,231,048	3.79%	3,252
2012	-	-	282,117	55,895,942	810,602	227,550	1,131,249	58,347,460	3.57%	3,188
2013	-	-	80,443	62,046,923	613,683	201,587	942,707	63,885,343	3.91%	3,490
Note 2014	64,122,887	-	42,779	-	450,905	174,951	754,165	65,545,687	4.02%	3,581
2015	60,798,769	-	626,709	-	332,987	147,625	565,623	62,471,713	3.83%	3,413
2016	57,945,932	-	632,393	-	263,441	119,591	377,081	59,338,438	3.64%	3,241

Note - City began reporting revenue bonds payable as governmental activities in fiscal year 2014.

Note: Information only available for last nine years.

DEMOGRAPHIC AND ECONOMIC INFORMATION

**CITY OF MCALESTER, OKLAHOMA
PRINCIPAL EMPLOYERS
Current and Eight Years Ago
TABLE 12**

Employer	Product/Business	2008		2016	
		Employees	% of Total City Employment	Employees	% of Total City Employment
McAlester Army Ammunition Plant	Ammunition	1,821	8.2%	1,784	9.1%
McAlester Regional Health Center	Health Care	919	4.1%	850	4.3%
McAlester Public Schools	Education	390	1.8%	364	1.9%
Wal Mart	Retail Sales	389	1.8%	240	1.2%
Oklahoma State Penitentiary	Corrections	283	1.3%	285	1.5%
Spirit Aerospace, Inc.	Manufacturing/Assembling	234	1.1%	300	1.5%
City of McAlester (full time only)	Municipality	198	0.9%	207	1.1%
Choctaw Casino	Gaming	98	0.4%	160	0.8%
Berry Plastics	Manufacturing	175	0.8%	240	1.2%
Totals		4,507	20.3%	4,430	22.6%

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

**CITY OF MCALESTER, OKLAHOMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
TABLE 13**

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age of Population (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2007	18,369	556,011	30,269	38.0	3,242	3.9%
2008	18,369	608,271	33,114	38.0	2,819	3.2%
2009	18,383	584,745	31,809	38.0	3,825	6.4%
2010	18,384	610,753	33,222	37.1	3,737	6.6%
2011	18,522	644,714	34,808	39.0	3,547	5.8%
2012	18,303	663,228	36,236	39.0	3,484	5.4%
2013	18,303	663,228	36,236	39.0	3,148	5.7%
2014	18,303	663,228	36,236	39.0	3,111	4.7%
2015	18,303	663,228	36,236	39.0	3,128	5.4%
2016	18,310	746,773	40,785	37.5	3,097	6.7%

Sources:

- (1) www.factfinder2.census.gov
- (2) www.bea.gov
- (3) www.economicexpert.com
- (4) McAlester School District, District Offices
- (5) www.bls.gov

OPERATING INFORMATION

CITY OF MCALESTER, OKLAHOMA
FULL-TIME EQUIVALENT BUDGETED CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Nine Fiscal Years
TABLE 14

<u>Function/Program</u>	<u>Fiscal</u> <u>Year</u> <u>2008</u>	<u>Fiscal</u> <u>Year</u> <u>2009</u>	<u>Fiscal</u> <u>Year</u> <u>2010</u>	<u>Fiscal</u> <u>Year</u> <u>2011</u>	<u>Fiscal</u> <u>Year</u> <u>2012</u>	<u>Fiscal</u> <u>Year</u> <u>2013</u>	<u>Fiscal</u> <u>Year</u> <u>2014</u>	<u>Fiscal</u> <u>Year</u> <u>2015</u>	<u>Fiscal</u> <u>Year</u> <u>2016</u>
General Government									
City Manager	2	2	2	2	2	2	3	3	3
Finance	3	3	3	4	4	4	3	4	4
City Clerk	1	1	1	1	1	1	1	2	2
Legal	2	2	2	2	2	2	2	2	2
Planning	6	6	6	4	4	5	5	5	5
Economic Development	0	0	0	0	0	0	1	1	1
Tourism	0	0	0	0	0	0	1	1	1
Human Resources	2	2	2	3	3	3	2	2	2
Information Services	1	1	1	1	1	1	1	1	1
Total General Government	17	17	17	17	17	18	19	21	21
Public Safety & Judiciary									
Police	60	37	37	37	38	37	36	39	39
CID (Detectives)	0	12	12	7	8	8	8	8	8
Animal Control	0	2	2	2	2	2	1	1	1
Communications	0	4	4	4	4	4	4	4	4
Communications E911	0	5	5	7	10	10	10	10	10
Fire	44	44	44	43	43	43	43	43	43
Total Public Safety & Judiciary	104	104	104	100	105	104	102	105	105
Transportation									
Central Garage	8	8	8	7	6	6	5	5	5
Streets	18	14	14	14	14	14	13	13	14
Traffic Control	0	3	3	0	0	0	0	0	0
Airport	3	3	3	3	3	3	3	3	3
Total Transportation	29	28	28	24	23	23	21	21	22
Cultural, Parks, & Recreation									
Parks & Recreation	15	13	13	15	15	15	13	14	14
Expo	6	6	6	5	5	5	3	4	4
Nutrition	3	5	5	5	5	5	5	4	4
Library	1	1	0	0	0	0	0	0	0
Cemetery	5	5	5	5	5	5	5	5	5
Building Maintenance	3	3	4	4	4	4	3	3	3
Total Cultural, Parks, & Recreation	33	33	33	34	34	34	29	30	30
Utilities									
Utilities	0	2	2	2	2	2	0	0	0
Utility Office	6	6	6	7	7	8	7	8	8
Solid Waste	17	16	16	1	1	1	0	0	0
Landfill	5	4	4	4	4	2	2	2	2
Engineering	6	4	4	4	4	4	4	4	5
Waste Water	13	13	13	12	12	12	12	12	12
Water Treatment	8	8	8	8	8	8	7	0	0
Utility Maintenance	11	11	11	10	14	13	8	10	10
Total Utilities	66	64	64	48	52	50	40	36	37
Total Full-Time Budgeted Employees by Function/Program	249	246	246	223	231	229	211	213	215

Note: Information only available for last nine years.

CITY OF MCALESTER, OKLAHOMA
Capital Asset Statistics by Function/Program
Last Nine Fiscal Years
TABLE 15

Function/Program	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
General Government									
Buildings	10	10	10	11	12	12	12	12	13
Police									
Stations	1	1	1	1	1	1	2	2	2
Patrol units	57	57	57	52	54	53	53	50	50
Fire									
Stations	4	4	4	4	4	4	4	4	4
Trucks	5	5	5	5	5	5	6	6	6
Vehicles	16	16	16	16	16	17	16	16	16
Streets									
Street miles	298	298	298	298	298	298	298	298	298
Traffic signals	22	22	22	22	23	23	23	23	23
Parks and recreation									
Acreage	103	103	103	103	103	103	103	103	103
Playgrounds	10	10	10	10	10	10	10	11	12
Baseball/softball diamonds	10	9	9	9	9	9	9	9	9
Soccer/football fields	1	2	2	2	2	2	2	2	2
Tennis Courts	6	6	6	6	6	6	6	6	6
Community Center	1	1	1	1	1	1	1	1	1
Pools	3	3	3	3	3	3	3	3	3
Wading Pools	5	5	5	5	5	5	5	5	5
Arboretum (Mike Deak) 1981	1	1	1	1	1	1	1	1	1
Skate Park 2010	-	-	1	1	1	1	1	1	1
Splash Pad 2008	1	1	1	1	1	1	1	1	1
Dog Park 2014	-	-	-	-	-	-	1	1	1
Frisbee Disk Golf Course 2014	-	-	-	-	-	-	1	1	1
Community Garden 2013	-	-	-	-	-	1	1	2	2
Amphitheater (Stipe Center)	1	1	1	1	1	1	1	1	1
Library									
Buildings	1	1	1	1	1	1	1	1	1
Cemetery									
Plots -Oakhill	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Total Plots (Maintained)	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Vehicles & Machinery	12	12	12	10	11	11	11	16	14
Water									
Water mains (miles)	170	170	170	170	170	170	170	170	170
Fire hydrants	902	912	932	954	969	970	970	970	970
Storage capacity (thousands of gallons)	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Wastewater									
Sanitary sewers (miles)	143	143	143	143	143	143	143	143	143
Daily Treatment Capacity	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000

Note: Information only available for last nine years.

CITY OF MCALESTER, OKLAHOMA
Operating Indicators by Function/Program
Last Nine Fiscal Years
TABLE 16

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire									
Emergency Responses	1,571	2,074	2,008	2,156	2,376	2,246	2,658	2807	2442
Fires Extinguished	144	166	149	142	197	158	140	93	106
Police									
<i>Physical Arrests</i>									
Juvenile	12	38	14	1	29	40	68	528	209
Minors	-	-	-	-	-	-	-	1160	145
Adult	1,381	1,380	1,426	969	870	875	947	10275	1047
Parking Violations	465	356	228	715	283	156	429	254	207
Traffic Violations	8,440	7,794	9,718	14,618	5,441	6,892	10,383	11709	10712
Utilities									
<i>New Accounts</i>									
Residential	1,195	1,226	1,238	1,166	1,297	1,240	1,285	1,189	670
Commercial	109	67	107	97	106	119	87	70	50
Bulk	-	-	-	10	5	5	12	8	1
Parks & Recreation									
Athletic Field-Softball/Baseball	10	9	9	9	9	9	9	9	9
Soccer (# of fields used)	1	2	2	2	2	2	2	2	2
Tennis (# of courts used)	6	6	6	6	6	6	6	6	6
Frisbee Disk Golf Course	-	-	-	-	-	-	1	1	1
Parks	-	-	-	-	-	-	12	12	12
Dog Park	-	-	-	-	-	-	1	1	1
Swimming Pools	-	-	-	-	-	-	3	3	3
Wading Pools (# of wading pools used)	-	-	-	-	-	-	3	3	3
Basketball Courts	-	-	-	-	-	-	4	4	4
Splash Pad	-	-	-	-	-	-	1	1	1
Skate park	-	-	-	-	-	-	1	1	1
Walking Tracks	-	-	-	-	-	-	5	5	5
Amphitheater	-	-	-	-	-	-	1	1	1
Arboretum	-	-	-	-	-	-	1	1	1
Community Garden	-	-	-	-	-	-	1	2	2
Recreational Center	-	-	-	-	-	-	1	1	1
Archery Park	-	-	-	-	-	-	-	-	1
Community Center – Special Event Participants	988	764	2,414	1,411	1,662	1,124	2,368	2,368	3,879
Senior Center-Program Participants	55,930	50,884	46,393	52,041	51,619	33,227	57,923	57,923	59,697
Sr. Center Lunch Program	43,290	38,253	32,612	38,410	37,979	31,527	50,257	50,257	51,317
Cemetery									
Purchased/sold Lots	-	-	-	-	-	-	35	28	62
Funerals	-	-	-	-	-	-	113	133	135

Note: Information only available for last nine years.

* Fire and Police Statistics are calendar year.

Source: Various City Departments

City of McAlester, Oklahoma

Single Audit Report

For the Year Ended June 30, 2016



CITY OF McALESTER, OKLAHOMA

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

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

Honorable Mayor and City Council
City of McAlester, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McAlester, Oklahoma (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2016. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. Our report also includes an explanatory paragraph to emphasize the adoption of GASB 72 by the City. In addition, our report includes a reference to other auditors who audited the financial statements of the McAlester Regional Health Center Authority (the "Authority"), a discretely presented component unit of the City as described in our report on the City's financial statements. This report does not include the results of the Authority's auditors' testing of internal control over financial reporting or on compliance or other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

(Continued)

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

Internal Control Over Financial Reporting, Continued

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

Compliance and Other Matters

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

Purpose of This Report

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

Finley & Cook, PLLC

Shawnee, Oklahoma
December 21, 2016



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

Honorable Mayor and City Council
City of McAlester, Oklahoma

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Report on Internal Control Over Compliance

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

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

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

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

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of the 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. We issued our report thereon dated December 21, 2016, which contained unmodified opinions on those financial statements. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. Our report also includes an explanatory paragraph to emphasize the adoption of GASB 72 by the City. In addition, our report also includes a reference to other auditors who audited the financial statements of the McAlester Regional Health Center Authority (the "Authority"), a discreetly presented component unit of the City as described in our report on the City's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Finley + Cook, PLLC

Shawnee, Oklahoma
December 21, 2016

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Federal/State Grantor/Pass-Through Agency Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Federal Awards:				
<i>U.S. Department of Justice:</i>				
Bulletproof Vest Partnership Program	16.607	2012BUBX12061534	\$ -	3,639
Office of Community Oriented Policing Services: COPS Hiring Program	16.710	2014UMX0050	-	<u>83,876</u>
<i>Total U.S. Department of Justice</i>			-	<u>87,515</u>
 <i>U.S. Department for Health and Human Services:</i>				
Passed Through to Oklahoma Department of Human Services and the Kiamichi Area Nutrition Project: Special Program for the Aging-Title III, Part C-Nutrition Services	93.045	-	-	<u>61,159</u>
<i>Total U.S. Department of Health and Human Services</i>			-	<u>61,159</u>

(Continued)

See Independent Auditors' Report on Internal Control Over Compliance and on Compliance for Each Major Program Required by *Government Auditing Standards* and the Uniform Guidance.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2016

Federal/State Grantor/Pass-Through Agency Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Federal Awards, Continued:				
<i>U.S. Department of Housing and Urban Development:</i>				
<i>Passed through Oklahoma Department of Commerce:</i>				
Community Development Block Grant	14.228	16083CDBG14	-	97,473
<i>Total U.S. Department of Housing and Urban Development</i>			-	97,473
<i>Federal Emergency Management Agency:</i>				
2015 Flood Event	97.036	PA-4222(PW366)	-	66,829
	97.036	PA-4222(PW393)	-	2,880
	97.036	PA-4222(PW394)	-	7,088
	97.036	PA-4222(PW472)	-	1,500
	97.036	PA-4222(PW492)	-	73,646
<i>Total Federal Emergency Management Agency</i>			-	151,943

(Continued)

See Independent Auditors' Report on Internal Control Over Compliance and on Compliance for Each Major Program Required by *Government Auditing Standards* and the Uniform Guidance.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2016

Federal/State Grantor/Pass-Through Agency Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Federal Awards, Continued:				
<i>U.S. Department of Transportation:</i>				
Federal Aviation Administration:				
Airport Improvement Grant	20.106	AIP3-40-0057-013-2015	-	267,489
Passed through Oklahoma Tourism and Recreation Department:				
Recreational Trails Program Grant	20.219	NRT-2013(100)	-	95,974
Passed through Oklahoma Department of Public Safety:				
E911 Services Grant	20.610	NHTSA-2008-0142	-	14,818

(Continued)

See Independent Auditors' Report on Internal Control Over Compliance and on Compliance for Each Major Program Required by *Government Auditing Standards* and the Uniform Guidance.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2016

Federal/State Grantor/Pass-Through Agency Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Federal Awards, Continued:				
<i>U.S. Department of Transportation, Continued:</i>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	PT-15-03-12-06	-	9,783
State and Community Highway Safety	20.600	PT-16-03-12-07	-	41,756
Total Highway Safety Office			-	51,539
<i>Total U.S. Department of Transportation</i>			-	429,820
Total Federal Awards			\$ -	827,910

See Independent Auditors' Report on Internal Control Over Compliance and on Compliance for Each Major Program Required by *Government Auditing Standards* and the Uniform Guidance.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF McALESTER, OKLAHOMA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of McAlester, Oklahoma (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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position, changes in net position, or cash flows of the City.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on 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. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) SUBRECIPIENTS

During the year ended June 30, 2016, the City did not provide any federal awards to subrecipients.

(4) INDIRECT COST RATE

The City does not have an indirect cost rate and had no indirect costs charged to the federal grants during the year ended June 30, 2016.

(5) MATCHING EXPENDITURES

In connection with the Community Development Block Grant #1608CDBG14, the City expended \$129,006 of matching expenditures.

See Independent Auditors' Report on Internal Control Over Compliance and on Compliance for Each Major Program Required by *Government Auditing Standards* and the Uniform Guidance.

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Type of auditors’ report issued on compliance for the major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

Yes No

Identification of major federal programs:

Federal CFDA Number	Name of Federal Program or Cluster
97.036	Federal Emergency Management Agency
20.106	U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as low-risk auditee?

Yes No

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2016

SECTION II—FINANCIAL STATEMENT FINDINGS

None.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

CITY OF McALESTER, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2016

There are no unresolved prior audit findings.