

**CITY OF ELK CITY, OKLAHOMA
ELK CITY, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2015**

The City of Elk City, Oklahoma
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Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Elk City, OK

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, OK, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Elk City, OK's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, OK, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, in the current fiscal year the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB No 27*. The implementation of GASB Statement No. 68 resulted in the restatement of beginning year net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability schedules on pages 3–10 , 38–40 and 41–42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elk City, OK's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2015, on our consideration of the City of Elk City, OK'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 of Elk City, OK's internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, OK
December 12, 2015

Within this section, the City of Elk City's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2015. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL SUMMARY

- At June 30, 2015, the assets of the City exceeded its liabilities by \$112,506,391 (net position). Of this amount \$19,835,825 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compared to the previous year when assets exceeded liabilities by \$104,525,739, as restated for the implementation of GASB 68 Accounting and Financial Reporting for Pensions. Refer to the footnotes for the detail of restatement.
- The City's total net position is comprised of the following:
 - (1) Net investment in capital assets of \$59,422,638 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$33,247,928 accounts for assets restricted for debt service and capital construction in accordance with debt offerings.
 - (3) Unrestricted net position of \$19,835,825 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City were \$40,486,225 which represents a marked increase over prior year liabilities of \$28,584,426. The increase of almost \$12 million is attributable to conduit debt issued by the Elk City Public Works Authority for improvements on Elk City's elementary schools coupled with the accrual of over \$4 million in pension obligations. The conduit debt is secured by sales tax approved by voters during the fiscal year. The largest component of debt for Governmental Activities is the obligation for the landfill closure, which remained consistent between years. Refer to a summary of debt payments made in the footnotes to the financial statements.
- The City's governmental funds on the Statement of Revenues, Expenses and Changes in Fund Balances in Governmental Funds reported total ending fund balance of \$29,706,905. This compared to prior year ending fund balance of \$26,370,841, showing an increase of \$3,336,064. Unassigned fund balance was \$7,610,094 up from \$7,234,155 as of June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including water and sanitation, provided by the City as well as the operation of the rock yard.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water and sanitation utilities and sales of rock and airplane fuel.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the meter deposits and police bonds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information detailing the combining statements of non-major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

The City's combined net position at June 30, 2015 was \$112,506,391. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$67 million and \$45 million, respectively. The City's overall financial position improved during fiscal year 2015.

Summary of Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total		Change	
	2015	2014	2015	2014	2015	2014	\$	%
Current assets	\$ 33,600	\$ 29,991	\$ 28,575	\$ 21,757	\$ 62,175	\$ 51,748	\$ 10,427	20%
Capital assets, net	41,882	43,436	49,965	43,195	91,847	86,631	5,216	6%
Total assets	75,482	73,427	78,540	64,952	154,022	138,379	15,643	11%
Deferred outflow of resources	104	-	-	-	104	-	104	100%
Current liabilities	2,780	2,590	3,481	3,398	6,261	5,988	273	5%
Non-current liabilities	4,358	35	29,867	22,561	34,225	22,596	11,629	51%
Total liabilities	7,138	2,625	33,348	25,959	40,486	28,584	11,902	42%
Deferred inflow of resources	1,133	-	-	-	1,133	-	1,133	100%
Net position								
Net investment in capital assets	42,002	43,436	17,421	17,504	59,423	60,940	(1,517)	-2%
Restricted	20,432	17,356	12,816	12,827	33,248	30,183	3,065	10%
Unrestricted	4,881	10,010	14,955	8,662	19,836	18,672	1,164	6%
Total net position	\$ 67,315	\$ 70,802	\$ 45,192	\$ 38,993	\$ 112,507	\$ 109,795	\$ 2,712	2%

Net position remained consistent over prior year, noting a 2% increase. This increase is attributable in increase in liquid assets resulting from the issuance of bonds during the current year, which increased cash available for improvements and capital assets. This increase in cash is offset by an increase in liabilities for the respective bonds issued.

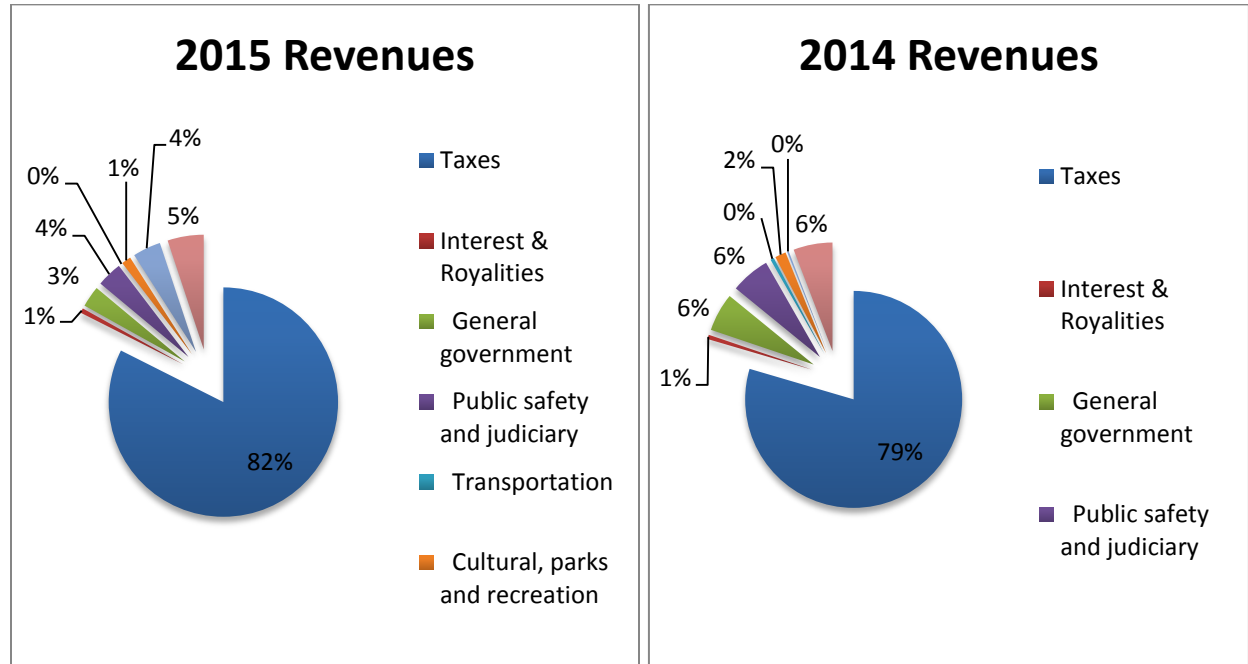
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Change	
	2015	2014	2015	2014	2015	2014	\$	%
Revenues								
Program revenues	\$ 3,142,624	\$ 3,681,717	\$ 9,914,470	\$ 8,918,474	\$ 13,057,094	\$ 12,600,191	\$ 456,903	4%
Taxes and other general revenues	15,318,895	14,936,769	3,880,857	4,294,620	19,199,752	19,231,389	(31,637)	0%
Total revenues	18,461,519	18,618,486	13,795,327	13,213,094	32,256,846	31,831,580	425,266	1%
Expenses								
General government	2,963,557	2,387,880	-	-	2,963,557	2,387,880	575,677	24%
Public safety and judiciary	5,675,710	5,430,608	-	-	5,675,710	5,430,608	245,102	5%
Transportation	546,009	384,004	-	-	546,009	384,004.00	162,005	42%
Cultural, parks, and recreation	1,689,664	1,596,741	-	-	1,689,664	1,596,741	92,923	6%
Public service	1,513,245	1,372,457	-	-	1,513,245	1,372,457	140,788	10%
Economic development	1,056,759	1,268,380	-	-	1,056,759	1,268,380	(211,621)	-17%
Utilities	-	-	5,188,462	4,777,823	5,188,462	4,777,823	410,639	9%
Airport	-	-	490,573	511,969	490,573	511,969	(21,396)	-4%
Customer service	-	-	654,415	420,558	654,415	420,558	233,857	56%
Industrial development	-	-	4,497,800	4,236,327	4,497,800	4,236,327	261,473	6%
Total expenses	13,444,944	12,440,070	10,831,250	9,946,677	24,276,194	22,386,747	1,889,447	8%
Excess (deficiency) before transfers	\$ 5,016,575	\$ 6,178,416	\$ 2,964,077	\$ 3,266,417	\$ 7,980,652	\$ 9,444,833	\$ (1,464,181)	-16%
Transfers	(3,234,384)	4,958,486	3,234,384	(4,958,486)	-	-	-	0%
Increase (decrease) in net position	\$ 1,782,191	\$ 11,136,902	\$ 6,198,461	\$ (1,692,069)	\$ 7,980,652	\$ 9,444,833	\$ (1,464,181)	-16%

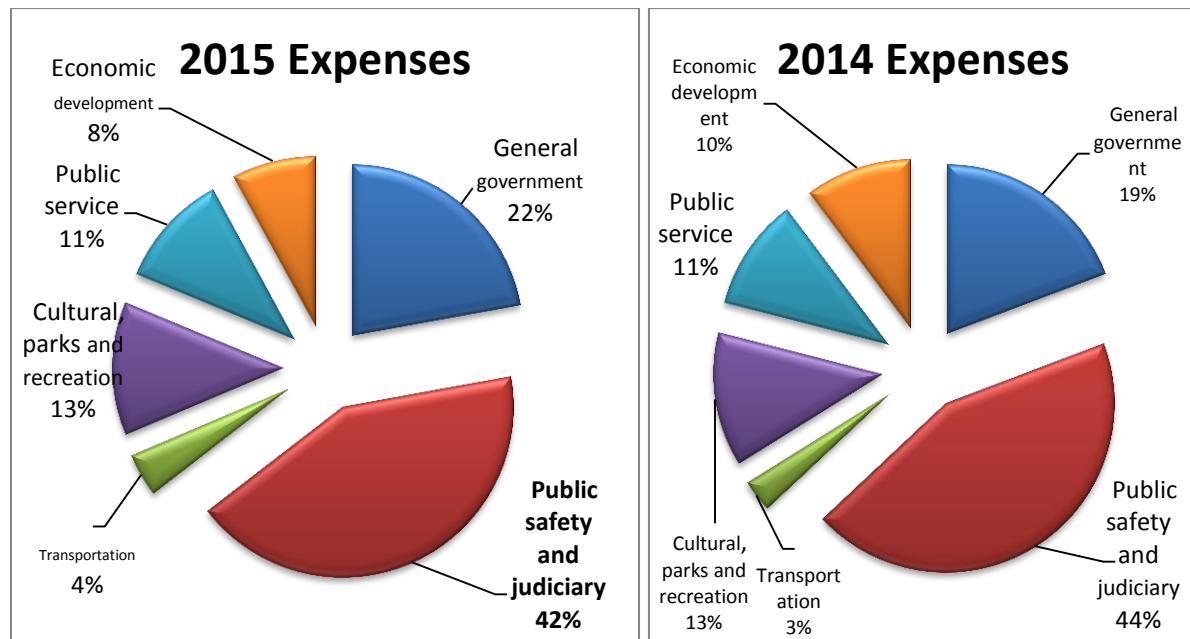
Revenues for the City increased 1% year over year, which is considered consistent with prior operations. Program revenues contributed to this increase with utility billing collections in the business-type activities. The \$995,996 increase in utility billing collections is offset by governmental activities, which noted a decrease in program revenues due to the receipt of grant funding recorded in fiscal year 2014. Fiscal year 2015 was the first full year of surcharge revenues related to the water improvement loan.

Operating expenses increased 8% when compared year over year. General government expenses increased due to increasing cost of insurance and increase cost of personal services coupled with the accrual of the landfill closure cost. Transportation costs increased resulting from repairs and depreciation on improvements made on City roadways during the fiscal year. Customer service reflected the increase in debt cost of the bond issuance.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.



Taxes provided 82% of the City's governmental revenues in fiscal year 2015 compared to 79% 2014. Sources of revenues for the governmental funds remained consistent between years.



TOTAL EXPENSES \$13,382,727

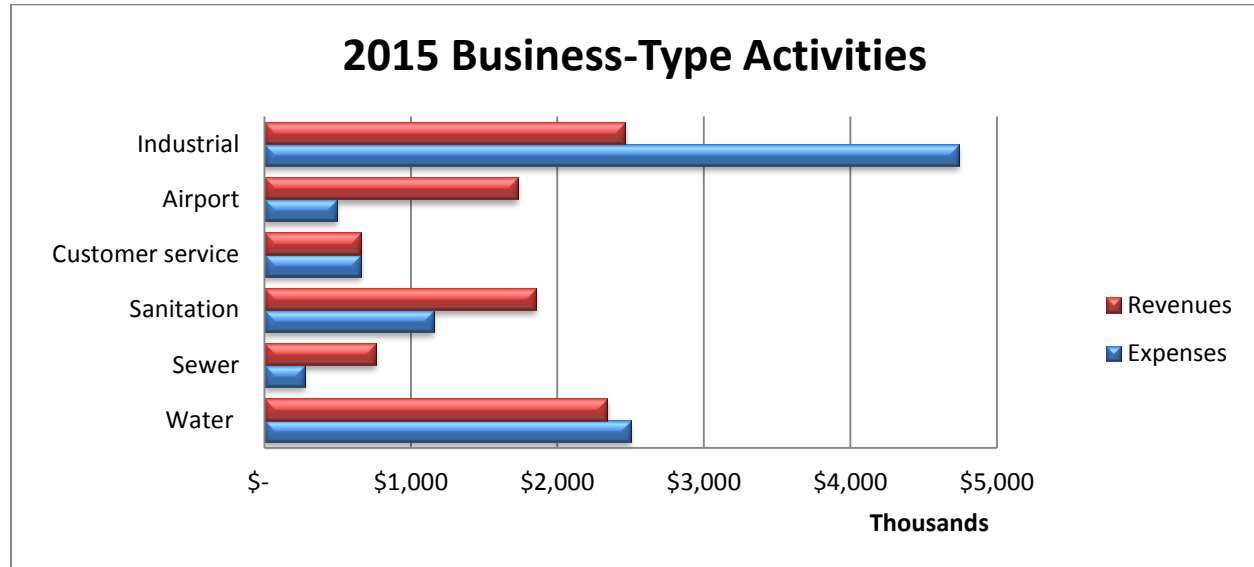
TOTAL EXPENSES \$12,404,871

For the year ended June 30, 2015, total expenses for governmental activities were \$13,382,727. Of this amount, public safety and judiciary with \$5,675,710, was the largest operating service department at 42% of the total cost of services for the City government. This compares to prior year in which public safety accounted for 44% of total expenses. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital

assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities

The following is a graphic representation of business-type expenses as a percentage of revenues for the major departments of the City's enterprise funds:



Business-type activities are shown comparing operating costs to operating revenues generated by the related services. Sanitation, Sewer, and Water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges. The Industrial Authority is funded with a dedicated sales tax, which is pledged against debt offerings. That sales tax is not considered operating income in the above chart.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2015 was \$9,343,500. During the fiscal year, the City approved three budget amendments totaling \$187,453. Total expenditures for the City were \$8,843,581, which is \$687,372 less than the approved budget. The City was in compliance with all budget laws and regulations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the City had \$59,422,638 net investment in capital assets, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and utility improvements/infrastructure in business-type activities. Refer to the table below.

Primary Government Capital Assets

(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land and CIP	\$ 4,677	\$ 4,343	\$ 4,917	\$ 1,017	\$ 9,594	\$ 5,360
Buildings	16,095	16,095	32,380	32,380	48,475	48,475
Machinery & equipment	20,937	20,409	6,307	4,902	27,244	25,311
Utility property & improvements	41,085	40,954	25,510	20,639	66,595	61,593
Total cost	\$ 82,794	\$ 81,801	\$ 69,114	\$ 58,938	\$ 151,908	\$ 140,739
Accumulated depreciation	40,911	38,365	19,149	17,111	60,060	55,476
Total capital assets, net	\$ 41,883	\$ 43,436	\$ 49,965	\$ 41,827	\$ 91,848	\$ 85,263

The most significant additions to the City's capital assets included:

- Streets and roadway repairs
- Ambulance software and vehicle improvements
- Land for recreational use
- Storm sirens
- New police vehicles
- Acquisition of water rights
- Multiple vehicles across City departments

Long-Term Debt

At year-end, the City had \$34,225,693 in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Notes payable	\$ -	\$ -	\$ 32,544,027	\$ 24,322,704	\$ 32,544,027	\$ 24,322,704
Other accrued liabilities	-	35,199	-	16,842	-	52,041
Pension obligation	4,358,362	-	-	-	4,358,362	-
less current portion	-	-	(2,676,696)	(1,778,696)	(2,676,696)	(1,778,696)
Total long term debt	\$ 4,358,362	\$ 35,199	\$ 29,867,331	\$ 22,560,850	\$ 34,225,693	\$ 22,596,049

Governmental activities reflect the accrual of pension obligation under implementation of GASB No. 68 Accounting and Financial Reporting for Pensions. Additionally, the City issued debt during fiscal year 2015 to fund improvements to the City's elementary school. Additional details regarding the debt can be found in the footnotes of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, "revenue growth from the past year has been erased and indications are the situation is going to get worse before it gets better" stated by State Treasurer, Ken Miller in October 2015. The economic environment of the state sheds light on the local economy of the City.

The economy of the City of Elk City has been directly impacted by the decline in sales and other tax revenues as oil and gas activity in the geographic area has decreased. Conversely, utility billing has remained strong in spite of the decline tax revenues. Due to the City's concentration on oil and gas operations, improvement in the City's economic position is not expected in the next fiscal year. However, the City has budgeted conservatively in prior years, which has built cash reserves in a sufficient capacity to withstand the downfall of the local economy. Management is committed to provide a consistent level of service to citizens while improving the infrastructure and recreation opportunities of the community within the current constraints.

Fiscal Year 2016 Planning

The City of Elk City has approved a budget for the municipal entity that encompasses the current market. The following highlights are noted:

General Fund

- Sales tax and other tax revenues – All tax revenues are budgeted at 85% of prior year collections to develop conservative projections in consideration of the geographic declining oil and gas industry. Collection of the 15% incremental difference would increase revenues in the General fund by \$734,000.
- Employee raises – The budget includes a 1.5% raise for all employees of the City. The cost of the increase is approximately \$155,000 for employees in the General Fund, which includes the City's increase cost of FICA and Medicare. The budget includes 7 unfilled employee positions totaling approximately \$350,000:
- The fund projects a decrease in reserve of \$450,000 based upon budgeted revenues and expenses for FY16.

Public Works Authority

- Utility revenues – Utility revenues are budgeted based upon the rate increases passed by the Commission for the 2013 Water Bonds.
- Employee raises – The budget includes a 1.5% raise for all employees of the City. The cost of the increase is approximately \$58,750 for employees in the Public Works Authority, which includes the increase cost of FICA and Medicare. The budget includes 8 unfilled employee positions totaling approximately \$315,000:
- The PWA budget reflects a projected net income of \$279,000 for the year ended June 30, 2016.

Industrial Authority

- The Industrial Authority – Economic Development budget includes \$85,000 in capital projects for FY16. Continued operations are budgeted with funding from the Arena Sales Tax fund of \$800,000.

Capital Construction Fund

- Projects – The budget proposes funding \$5,886,000 in capital projects for fiscal year 2016.

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 Elk City City Hall, 320 West 3rd St, Elk City, Oklahoma.

City of Elk City, Oklahoma
Statement of Net Position
June 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 3,030,142	\$ 3,135,060	\$ 6,165,202
Investments	10,171,000	4,452,000	14,623,000
Due from other governments	959,190	-	959,190
Accounts receivable (net)	185,242	662,912	848,154
Other receivables	-	343,710	343,710
Grant receivable	24,860	-	24,860
Note receivable, current	-	269,736	269,736
Inventory	16,364	892,774	909,138
Due from other funds	(538,793)	604,278	65,485
Total current assets	<u>13,848,005</u>	<u>10,360,470</u>	<u>24,208,475</u>
Restricted assets:			
Cash and cash equivalents	8,617,734	12,815,691	21,433,425
Investments	11,015,000	4,300,000	15,315,000
Total restricted assets	<u>19,632,734</u>	<u>17,115,691</u>	<u>36,748,425</u>
Noncurrent Assets:			
Note receivable	-	1,098,439	1,098,439
Police pension asset	119,445	-	119,445
Land and construction in progress	4,676,744	6,503,898	11,180,642
Other capital assets (net of accumulated depreciation)	37,205,408	43,461,170	80,666,578
Total noncurrent assets	<u>42,001,597</u>	<u>51,063,507</u>	<u>93,065,104</u>
Total assets	<u>\$ 75,482,336</u>	<u>\$ 78,539,668</u>	<u>\$ 154,022,004</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>103,844</u>	<u>-</u>	<u>103,844</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 546,539	\$ 414,831	\$ 961,370
Payroll liabilities	207,331	146,731	354,062
Compensated absences	424,048	125,477	549,525
Accrued payables	1,601,727	117,152	1,718,879
Notes payable, current	-	2,676,696	2,676,696
Total current liabilities	<u>2,779,645</u>	<u>3,480,887</u>	<u>6,260,532</u>
Noncurrent liabilities:			
Other accrued liabilities	-	-	-
Pension obligation	4,358,362	-	4,358,362
Notes payable, non-current	-	29,867,331	29,867,331
Total noncurrent liabilities	<u>4,358,362</u>	<u>29,867,331</u>	<u>34,225,693</u>
Total liabilities	<u>7,138,007</u>	<u>33,348,218</u>	<u>40,486,225</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>1,133,232</u>	<u>-</u>	<u>1,133,232</u>
NET POSITION			
Net investment in capital assets	42,001,597	17,421,041	59,422,638
Reserved for restricted purposes	20,432,238	12,815,690	33,247,928
Unrestricted	4,881,106	14,954,719	19,835,825
Total net position	<u>\$ 67,314,941</u>	<u>\$ 45,191,450</u>	<u>\$ 112,506,391</u>

City of Elk City, Oklahoma
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 2,963,557	\$ 147,731	\$ 279,623	\$ 120,197	\$ (2,416,006)
Public safety and judiciary	5,675,710	437,294	243,201	-	(4,995,215)
Transportation	546,009	-	-	-	(546,009)
Cultural, parks and recreation	1,689,664	234,469	10,783	-	(1,444,412)
Public service	1,513,245	727,389	1,050	-	(784,806)
Economic development	1,056,759	-	940,887	-	(115,872)
Total governmental activities	<u>13,444,944</u>	<u>1,546,883</u>	<u>1,475,544</u>	<u>120,197</u>	<u>(10,302,320)</u>
Business-type activities:					
Water	2,500,893	2,339,069	-	-	(161,824)
Sewer	273,282	757,954	-	-	484,672
Sanitation	1,154,991	1,849,096	-	-	694,105
Streets	1,259,296	-	118,245	-	(1,141,051)
Customer service	654,415	657,730	-	-	3,315
Airport	490,573	373,411	-	1,357,098	1,239,936
Industrial	4,497,800	2,461,867	-	-	(2,035,933)
Total business-type activities	<u>10,831,250</u>	<u>8,439,127</u>	<u>118,245</u>	<u>1,357,098</u>	<u>(916,780)</u>
Total primary government	<u>\$ 24,276,194</u>	<u>\$ 9,986,010</u>	<u>\$ 1,593,789</u>	<u>\$ 1,477,295</u>	<u>\$ (11,219,100)</u>

City of Elk City, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2015

Changes in Net Position:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense)/revenue	\$ (10,302,320)	\$ (916,780)	\$ (11,219,100)
General revenues:			
Taxes:			
Sales tax	11,785,593	3,838,609	15,624,202
Use tax	1,122,261	-	1,122,261
Franchise tax	503,308	-	503,308
Other taxes	447,132	-	447,132
Oil and gas royalties	1,337,548	-	1,337,548
Investment income	123,053	42,248	165,301
Transfers-Internal activity	(3,234,384)	3,234,384	-
Total general revenues and transfers	<u>12,084,511</u>	<u>7,115,241</u>	<u>19,199,752</u>
Change in net assets	1,782,191	6,198,461	7,980,652
Net position-beginning, restated	65,532,750	38,992,989	104,525,739
Net position-ending	<u>\$ 67,314,941</u>	<u>\$ 45,191,450</u>	<u>\$ 112,506,391</u>

**City of Elk City, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2015**

	General Fund	Debt Service	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,030,142	\$ -	\$ 7,471,603	\$ 215,301	\$ 930,830	\$ 11,647,876
Investments	10,171,000	-	4,300,000	4,200,000	2,515,000	21,186,000
Due from other governments	505,979	-	451,140	-	2,071	959,190
Accounts receivable	210,102	-	-	-	-	210,102
Inventory	16,364	-	-	-	-	16,364
Total assets	<u>\$ 13,933,587</u>	<u>\$ -</u>	<u>\$ 12,222,743</u>	<u>\$ 4,415,301</u>	<u>\$ 3,447,901</u>	<u>\$ 34,019,532</u>
DEFERRED OUTFLOW OF RESOURCES						
Deferred charges on pension obligations	103,844	-	-	-	-	103,844
LIABILITIES						
Accounts payable	\$ 19,866	\$ -	\$ 490,216	\$ 21,775	\$ 14,682	\$ 546,539
Due to other funds	537,388	-	-	1,405	-	538,793
Payroll liabilities	206,906	-	-	425	-	207,331
Compensated absences	424,048	-	-	-	-	424,048
Other accrued liabilities	1,566,528	-	-	-	-	1,566,528
Total liabilities	<u>2,754,736</u>	<u>-</u>	<u>490,216</u>	<u>23,605</u>	<u>14,682</u>	<u>3,283,239</u>
DEFERRED INFLOW OF RESOURCES						
Deferred charges on pension obligations	1,133,232	-	-	-	-	1,133,232
FUND BALANCES						
Nonspendable	16,364	-	-	-	-	16,364
Restricted	1,657,066	-	-	3,200,000	967,448	5,824,514
Committed	878,283	-	11,732,527	-	1,996,914	14,607,724
Assigned	44,827	-	-	1,191,696	411,686	1,648,209
Unassigned	7,552,923	-	-	-	57,171	7,610,094
Total fund balances	<u>10,149,463</u>	<u>-</u>	<u>11,732,527</u>	<u>4,391,696</u>	<u>3,433,219</u>	<u>29,706,905</u>
Total liabilities and fund balances	<u>\$ 12,904,199</u>	<u>\$ -</u>	<u>\$ 12,222,743</u>	<u>\$ 4,415,301</u>	<u>\$ 3,447,901</u>	<u>\$ 32,990,144</u>
Total fund balance- total governmental funds						\$ 29,706,905
Amounts reported for governmental activities in the Statement of Net assets are different because:						
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported						
					4,676,744	
					78,116,632	
					<u>(40,911,224)</u>	41,882,152
Long-term portion of liabilities are not due and payable in the current period and are not reported						
					(35,199)	
					<u>(4,238,917)</u>	(4,274,116)
Net position of governmental activities						<u>\$ 67,314,941</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

	General Fund	Debt Service	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
REVENUES						
Sales tax	\$ 4,883,077	\$ -	\$ 6,237,739	\$ -	\$ 664,777	\$ 11,785,593
Use tax	1,122,261	-	-	-	-	1,122,261
Franchise tax	503,308	-	-	-	-	503,308
Other taxes	186,167	-	-	-	-	186,167
Licenses and permits	126,876	-	-	-	-	126,876
Rents & royalties	1,382,405	-	-	-	-	1,382,405
Fines and forfeitures	435,254	-	-	-	-	435,254
Charges for services	965,271	-	-	-	10,275	975,546
Intergovernmental revenues	718,288	-	20,958	-	-	739,246
Donations	8,179	-	-	-	1,050	9,229
Other revenues	39,404	-	80,793	196,800	791,589	1,108,586
Sale of assets	-	-	-	-	-	-
Interest	99,762	-	-	13,153	10,138	123,053
Total revenues	<u>10,470,252</u>	<u>-</u>	<u>6,339,490</u>	<u>209,953</u>	<u>1,477,829</u>	<u>18,497,524</u>
EXPENDITURES						
General government:						
Managerial	416,946	-	15,239	-	-	432,185
City clerk	915,538	-	17,101	-	-	932,639
City treasurer	77,662	-	-	-	-	77,662
City attorney	47,216	-	-	-	-	47,216
General government	673,741	-	495,520	-	7,450	1,176,711
Total general government	<u>2,131,103</u>	<u>-</u>	<u>527,860</u>	<u>-</u>	<u>7,450</u>	<u>2,666,413</u>
Public safety and judiciary:						
Police	2,416,570	-	57,908	-	321	2,474,799
Municipal court	74,800	-	3,441	-	-	78,241
Animal control	214,141	-	4,584	-	-	218,725
Fire	2,266,399	-	14,493	-	31,994	2,312,886
Ambulance	-	-	-	-	-	-
Total public safety and judiciary	<u>4,971,910</u>	<u>-</u>	<u>80,426</u>	<u>-</u>	<u>32,315</u>	<u>5,084,651</u>
Transportation:						
Street	-	-	230,839	-	-	230,839
Airport	-	-	-	-	-	-
Total transportation	<u>-</u>	<u>-</u>	<u>230,839</u>	<u>-</u>	<u>-</u>	<u>230,839</u>
Cultural, parks and recreation:						
Museum	416,888	-	5,777	-	-	422,665
Library	190,606	-	-	-	-	190,606
Civic center	80,586	-	12,055	-	-	92,641
Park	556,592	-	14,469	-	-	571,061
Swimming pool	70,843	-	-	-	-	70,843
Total cultural, parks and recreation	<u>1,315,515</u>	<u>-</u>	<u>32,301</u>	<u>-</u>	<u>-</u>	<u>1,347,816</u>
Public service:						
Cemetery	149,160	-	5,450	-	-	154,610
Inspection	275,893	-	-	-	-	275,893
Landfill	-	-	62,136	-	-	62,136
Total public service	<u>425,053</u>	<u>-</u>	<u>67,586</u>	<u>-</u>	<u>-</u>	<u>492,639</u>
Economic development:						
Economic development	-	-	-	162,718	724,671	887,389
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,718</u>	<u>724,671</u>	<u>887,389</u>
Capital outlay	-	-	1,217,329	-	-	1,217,329
Total expenditures	<u>8,843,581</u>	<u>-</u>	<u>2,156,341</u>	<u>162,718</u>	<u>764,436</u>	<u>11,927,076</u>
Excess (deficiency) of revenues over expenditures	1,626,671	-	4,183,149	47,235	713,393	6,570,448
OTHER FINANCING SOURCES (USES)						
Transfers in	1,546,436	-	199,214	4,135,458	-	5,881,108
Transfers out	(1,060,141)	-	(6,099,792)	(1,562,457)	(393,102)	(9,115,492)
Total other financing sources and uses	<u>486,295</u>	<u>-</u>	<u>(5,900,578)</u>	<u>2,573,001</u>	<u>(393,102)</u>	<u>(3,234,384)</u>
Net change in fund balances	2,112,966	-	(1,717,429)	2,620,236	320,291	3,336,064
Fund balances - beginning, restated	8,036,497	-	13,449,956	1,771,460	3,112,928	26,370,841
Fund balances - ending	<u>\$ 10,149,463</u>	<u>\$ -</u>	<u>\$ 11,732,527</u>	<u>\$ 4,391,696</u>	<u>\$ 3,433,219</u>	<u>\$ 29,706,905</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

Reconciliation of the change in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ 3,336,064
Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	1,217,329	
Depreciation expense	<u>(2,724,922)</u>	(1,507,593)

Some expenses reported in the statement of activities do not require
the use of current financial resources and are not reported as expenditures
in governmental funds. This includes the net increase in the liability
related to closure and post closure cost of the City's solid waste landfill.

(46,280)

Change in Net Assets of Governmental Activities \$ 1,782,191

City of Elk City, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2015

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 840,691	\$ 26,703	\$ 2,267,666	\$ 3,135,060
Investments	3,452,000	-	1,000,000	4,452,000
Due from other funds	770,698	-	-	770,698
Other receivables	9,319	55,640	278,751	343,710
Accounts receivable, net	317,915	-	344,997	662,912
Note receivable, current	-	-	269,736	269,736
Inventory	288,248	48,041	556,485	892,774
Total current assets	<u>5,678,871</u>	<u>130,384</u>	<u>4,717,635</u>	<u>10,526,890</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	1,586,191	-	11,229,500	12,815,691
Investments	-	-	4,300,000	4,300,000
Total restricted assets	<u>1,586,191</u>	<u>-</u>	<u>15,529,500</u>	<u>17,115,691</u>
Noncurrent assets:				
Note receivable	-	-	1,098,439	1,098,439
Capital assets (net)	21,561,706	2,213,278	26,190,084	49,965,068
Total noncurrent assets	<u>21,561,706</u>	<u>2,213,278</u>	<u>27,288,523</u>	<u>51,063,507</u>
Total assets	<u>\$ 28,826,768</u>	<u>\$ 2,343,662</u>	<u>\$ 47,535,658</u>	<u>\$ 78,706,088</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 231,286	\$ 20,479	\$ 163,066	\$ 414,831
Payroll liabilities	255,004	3,403	13,801	272,208
Due to other funds	-	27,902	138,518	166,420
Other liabilities	-	-	-	-
Accrued interest payable	73,370	-	43,782	117,152
Notes payable, current	704,960	-	1,971,736	2,676,696
Total current liabilities	<u>1,264,620</u>	<u>51,784</u>	<u>2,330,903</u>	<u>3,647,307</u>
Noncurrent liabilities:				
Deferred income	-	-	-	-
Notes payable, non-current	10,637,892	-	19,229,439	29,867,331
Total noncurrent liabilities	<u>10,637,892</u>	<u>-</u>	<u>19,229,439</u>	<u>29,867,331</u>
Total liabilities	<u>11,902,512</u>	<u>51,784</u>	<u>21,560,342</u>	<u>33,514,638</u>
NET POSITION				
Net investment in capital assets	10,218,854	2,213,278	4,988,909	17,421,041
Restricted	1,586,191	-	11,229,499	12,815,690
Unrestricted	5,119,211	78,600	9,756,908	14,954,719
Total net position	<u>\$ 16,924,256</u>	<u>\$ 2,291,878</u>	<u>\$ 25,975,316</u>	<u>\$ 45,191,450</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
<u>Operating revenues:</u>				
Charges for services:				
Water charges	\$ 2,339,069	\$ -	\$ -	\$ 2,339,069
Sewer charges	757,954	-	-	757,954
Sanitation charges	1,849,096	-	-	1,849,096
Sale of fuel and rock	-	259,398	2,449,500	2,708,898
Utility surcharges	454,310	-	-	454,310
Penalties	68,947	-	-	68,947
Total charges for services	<u>5,469,376</u>	<u>259,398</u>	<u>2,449,500</u>	<u>8,178,274</u>
Lease and rental income	-	113,831	-	113,831
Other fees and charges	134,473	182	12,367	147,022
Total operating revenues	<u>5,603,849</u>	<u>373,411</u>	<u>2,461,867</u>	<u>8,439,127</u>
<u>Operating expenses:</u>				
Cost of sales	-	225,794	2,011,961	2,237,755
Personal services	2,348,377	63,313	150,881	2,562,571
Materials and supplies	1,779,320	30,839	69,662	1,879,821
Other services and charges	370,520	24,679	363,813	759,012
Depreciation and amortization	1,021,576	145,948	1,110,947	2,278,471
Total operating expenses	<u>5,519,793</u>	<u>490,573</u>	<u>3,707,264</u>	<u>9,717,630</u>
Net operating income	84,056	(117,162)	(1,245,397)	(1,278,503)
<u>Nonoperating revenue (expense):</u>				
Sales tax	-	-	3,838,609	3,838,609
Investment income	20,261	165	21,822	42,248
Bad debt expense	-	-	(11,757)	(11,757)
Intergovernmental revenue	118,245	1,357,098	-	1,475,343
Interest expense	(323,084)	-	(778,779)	(1,101,863)
Total nonoperating revenue (expense)	<u>(184,578)</u>	<u>1,357,263</u>	<u>3,069,895</u>	<u>4,242,580</u>
Net Income before contributions and transfers	(100,522)	1,240,101	1,824,498	2,964,077
Transfers from other funds	6,883,680	964,449	1,403,702	9,251,831
Transfers to other funds	<u>(4,039,766)</u>	<u>(1,017,061)</u>	<u>(960,620)</u>	<u>(6,017,447)</u>
Change in net position	2,743,392	1,187,489	2,267,580	6,198,461
Net position-beginning of year	<u>14,180,864</u>	<u>1,104,389</u>	<u>23,707,736</u>	<u>38,992,989</u>
Net position-end of year	<u>\$ 16,924,256</u>	<u>\$ 2,291,878</u>	<u>\$ 25,975,316</u>	<u>\$ 45,191,450</u>

City of Elk City, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
Cash flows from operating activities:				
Receipts from customers	\$ 5,768,122	\$ 340,124	\$ 2,999,398	\$ 9,107,644
Payments to suppliers	(3,287,472)	(262,722)	(2,737,580)	(6,287,774)
Payments to employees	(2,311,463)	(61,474)	(148,957)	(2,521,894)
Net cash provided (used) by operating activities	169,187	15,928	112,861	297,976
Cash flows from non-capital financing activities:				
Transfers from other funds	6,883,680	964,449	1,403,702	9,251,831
Transfers to other funds	(4,039,766)	(1,017,061)	(960,620)	(6,017,447)
Intergovernmental revenues	-	-	3,838,609	3,838,609
Net cash provided (used) by non-capital financing activities	2,843,914	(52,612)	4,281,691	7,072,993
Cash flows from capital and related financing activities:				
Purchase of capital assets	(7,435,237)	(1,522,999)	(1,689,667)	(10,647,903)
Capital grants and contributions	118,245	1,357,098	-	1,475,343
Issuance of capital debt	-	-	10,000,000	10,000,000
Principal paid on capital debt	(690,449)	-	(1,778,677)	(2,469,126)
Interest paid on capital debt	(325,602)	-	(781,853)	(1,107,455)
Net cash provided (used) by capital and related financing activities	(8,333,043)	(165,901)	5,749,803	(2,749,141)
Cash flows from investing activities:				
Purchase of investments	-	-	-	-
Investment income	20,261	165	21,822	42,248
Net cash provided (used) by investing activities	20,261	165	21,822	42,248
Net increase (decrease) in cash and cash equivalents	(5,299,681)	(202,420)	10,166,177	4,664,076
Cash & cash equivalents, June 30, 2014	7,726,563	229,123	3,330,989	11,286,675
Cash & cash equivalents, June 30, 2015	<u>\$ 2,426,882</u>	<u>\$ 26,703</u>	<u>\$ 13,497,166</u>	<u>\$ 15,950,751</u>
Cash, including time deposits	\$ 840,691	\$ 26,703	\$ 2,267,666	\$ 3,135,060
Restricted cash, including time deposits	1,586,191	-	11,229,500	12,815,691
Total cash and cash equivalents, end of year	<u>\$ 2,426,882</u>	<u>\$ 26,703</u>	<u>\$ 13,497,166</u>	<u>\$ 15,950,751</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 84,056	\$ (117,162)	\$ (1,245,397)	\$ (1,278,503)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,021,576	145,948	1,110,947	2,278,471
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	142,256	(16,929)	202,831	328,158
(Increase) decrease in other receivable	22,017	484	334,700	357,201
(Increase) decrease in inventory	46,972	26,767	(170,320)	(96,581)
Increase (decrease) in accounts payable	(244,322)	(8,177)	(597,148)	(849,647)
Increase (decrease) in payroll liabilities	36,914	1,839	1,924	40,677
Increase (decrease) in other liabilities	(940,282)	(16,842)	475,324	(481,800)
Total adjustments	85,131	133,090	1,358,258	1,576,479
Net cash provided (used) by operating activities	\$ 169,187	\$ 15,928	\$ 112,861	\$ 297,976

City of Elk City, Oklahoma
Statement of Fiduciary Net Position
June 30, 2015

	District 2 Drug Task Force Trust Funds	Agency Funds	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 327,380	\$ 61,218	\$ 388,598
Investments	3,225,000	196,000	3,421,000
Due from other governments	-	-	-
Property, plant and equipment, net	31,990	-	31,990
Total assets	<u>\$ 3,584,370</u>	<u>\$ 257,218</u>	<u>\$ 3,841,588</u>
LIABILITIES			
Accounts payable	\$ 19,550	\$ -	\$ 19,550
Accrued salaries	45,967	-	45,967
Bonds and deposits subject to refund	-	196,234	196,234
Due to other governments	4,501	60,984	65,485
Total liabilities	<u>70,018</u>	<u>257,218</u>	<u>327,236</u>
NET ASSETS HELD IN TRUST			
District 2 drug task force funds	3,514,352	-	3,514,352
Net assets held in trust	<u>\$ 3,514,352</u>	<u>\$ -</u>	<u>\$ 3,514,352</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fiduciary Net Position
Trust Fund
Year Ended June 30, 2015

	District 2 Drug Task Force Trust Funds
<u>ADDITIONS</u>	
Forfeitures	\$ 383,755
Other Income	251,301
Interest	20,627
Transfer in	169,756
Total additions	825,439
<u>DEDUCTIONS</u>	
Personal services	241,531
Supplies and repairs	65,512
Other charges and services	225,769
Depreciation	16,002
Transfer out	174,610
Total deductions	723,424
Change in net assets	102,015
<u>NET ASSETS HELD IN TRUST</u>	
Beginning of year	3,412,337
End of year	\$ 3,514,352

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Elk City, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2015. The City operates under a charter with a Council-Manager form of government.

A. Reporting Entity

Fund Types and Major Funds

Major Governmental Funds

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund

Accounts for the accumulation of financial resources for the payment of principal and interest on the City's debt.

Capital Projects Fund

Accounts for the capital expenditures of the 1.625% limited purpose sales tax.

Economic Development Fund

Accounts for operations of the economic development of the City of Elk City.

Major Proprietary Funds

Elk City Public Works Authority

Accounts for the operating activities of the water, sewer, and sanitation utilities of the City. The City Commission serves as the trustees of the Authority. The Elk City Public Works Authority was established in June 1981 and amended in March 1999.

Elk City Airport Authority

Accounts for the operating activities of the Elk City Municipal Airport. The City Commission serves as the trustees of the Airport Authority established in July 1979.

Elk City Industrial Authority

Created in March 1967 to promote the development of industry within the City. The Industrial Authority includes the operations of the rock yard.

Fiduciary Component Units (reported in fiduciary financial statements)

District 2 Drug Task Force Trust

Established to account for the operations of the drug task force of the District

Agency Fund

Accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's Agency Fund is used to account for various deposits and bail bonds.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely. The City of Elk City blends all component units.

B. Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund

the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

District 2 Drug Task Force funds recognize revenue in the period the assets are seized. The Agency Fund is custodial in nature and does not measure results of operations.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

C. Budget Policy and Practice

Budget Approval

The City Manager submits an annual budget to the City Commission in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Commission for review, and public hearings are held to address priorities and the allocation of resources. In June, the Commission adopts the annual fiscal year budgets for City's operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Manager and must be approved by the Commission. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Commission review and approval process.

Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Commission approval. Revisions to the budget were made throughout the year.

The budgets for operating funds and proprietary funds are prepared on the cash basis. Revenues are budgeted in the year they are expected to be received. Expenses are budgeted in the year they are expected to be paid.

D. Policies Related to Assets, Liabilities, and Fund Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Inventories

Inventories are similarly reported in government-wide and fund financial statements.

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost and recorded as an expense at the time the item is used. Governmental inventory consists of maintenance supplies for the museum. Business-type inventory includes rock, maintenance parts, and repair supplies.

Accounts Receivable

Significant receivables for governmental activities include sales and use tax receivables and ambulance receivables. Business-type receivables consist mainly of amount due from customers primarily for rock sales and utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. At June 30, 2015, the City has estimated an allowance of \$237,061 and \$252,400 for governmental and business-type activities, respectively.

Restricted Assets

Restricted assets include assets legally restricted for capital projects and special revenue funds funded through long-term debt, debt service reserves or grants. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Interfund Balances

Generally, outstanding balances between funds reported as due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost of \$4,000 or more as purchase and construction outlay occur.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

- Buildings 40 years
- Machinery, furniture & equipment 5-10 years
- Infrastructure 40 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to all accrued vacation leave upon termination. Sick leave earned prior to June 30, 2014 and unused at the time of termination is paid upon termination. Sick leave earned after June 30, 2014 and unused at the time of termination is not payable to the employee. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report compensated absences payable to current employees.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Fund Equity

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

Net Investment in capital assets

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their 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.

Unrestricted net position

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Non-spendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes reports a separate section for deferred outflows of resources. This separate financials statement element represents a consumption of net position that applies to a future period(s) therefore will not be recognized as an outflow of resources (expense) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on net pension obligations for the retirement plans of the City. A deferred charge on pension obligations results from the net different between projected and actual earnings on pension plan investments.

Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s); therefore will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred charge on net pension obligations for the retirement plans of the City. A deferred charge on pension obligations results from the net different between projected and actual earnings on pension plan investments.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Date of Management's Review

Subsequent events were evaluated through December 12, 2015, which is the date the financial statements were available to be issued.

E. Policies Related to Revenues and Expenses

Program Revenues

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

General Revenues

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

Sales Tax

Effective April 2015, the City levied a 4.5% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to use. The unrestricted portion (1.375%) is recorded as sales tax revenue within the General Fund; 1.625% is restricted and recorded as sales tax revenue in the Capital Improvement fund. The remaining 1.5% is restricted for debt payments in the Industrial Authority for the school arena and the elementary school project debt.

(2) ASSETS AND LIABILITIES

A. Assets

Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

<u>Types of Investments</u>	Primary Government			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 33,359,000	\$ 33,359,000	N/A	74
Total investments	<u>33,359,000</u>	<u>33,359,000</u>		
Total primary government investments	<u>\$ 33,359,000</u>	<u>\$ 33,359,000</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary</u>	<u>Total</u>
Investments, unrestricted	\$ 10,171,000	\$ 4,452,000	\$ -	\$ 14,623,000
Investments, restricted	11,015,000	4,300,000	3,421,000	18,736,000
Total investments	<u>\$ 21,186,000</u>	<u>\$ 8,752,000</u>	<u>\$ 3,421,000</u>	<u>\$ 33,359,000</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

Receivables and Uncollectable Amounts

Due from other governments

Governmental activities report sales taxes receivable and grant receivable amounts as due from other governments. Sales tax receivable is comprised of amounts received after year-end for current year taxes on sales. Balances are considered fully collectible.

Accounts Receivable

Governmental activities report ambulance patient receivables totaling \$422,303, net of allowance of \$237,061.

Proprietary activities report accounts receivable of \$915,312 comprised of amounts due from rock yard vendors and citizens for utility services provided. The City has recorded an allowance of \$252,400 based upon historical management knowledge and experience.

Note Receivable

The Elk City Industrial Authority entered into a note receivable with Superior Fabrication, Inc. for the purpose of leasing a building valued at \$3,000,000, of which \$1,368,175 is due to the City as of June 30, 2015. The note has a variable interest rate stated 4.75% at June 30, 2015. The terms of the note call for 180 monthly payments of principal and interest in the amount of \$27,408, and the note matures on August 1, 2022. Superior Fabrication, Inc. has the option to purchase the building at any time by paying the amount owed on the offsetting loan (Note 2(B)) or extending the agreement another 15 years after the agreement matures in 2022.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Capital Assets

Changes in Capital Assets

	Primary Government			
	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
<i>Governmental Activities</i>				
Land and construction in process	\$ 4,343,848	\$ 379,176	\$ 46,280	\$ 4,676,744
Buildings & structures	16,094,569	-	-	16,094,569
Machinery, furniture, & equipment	20,408,390	707,251	178,800	20,936,841
Infrastructure & improvements	40,954,320	130,902	-	41,085,222
Total	81,801,127	1,217,329	225,080	82,793,376
Less accumulated depreciation	38,365,102	2,724,922	178,800	40,911,224
Governmental fixed assets, net	\$ 43,436,025	\$ (1,507,593)	\$ (46,280)	\$ 41,882,152
<i>Business-type Activities</i>				
Land and construction in process	\$ 556,575	\$ 4,360,773	-	\$ 4,917,348
Buildings & structures	32,379,968	-	-	32,379,968
Machinery, furniture, & equipment	4,651,115	1,664,817	8,500	6,307,432
Infrastructure & improvements	21,396,705	4,112,233	-	25,508,938
Total	58,984,363	10,137,823	8,500	69,113,686
Less accumulated depreciation	17,157,594	1,999,524	8,500	19,148,618
Business-type fixed assets, net	\$ 41,826,769	\$ 8,138,299	\$ -	\$ 49,965,068
Total primary government	\$ 85,262,794	\$ 6,630,706	\$ (46,280)	\$ 91,847,220

Capital Assets by Fund

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Capital Assets
Land and CIP	\$ 4,543,621	\$ 270,000	\$ 1,690,277	\$ 6,503,898
Buildings & structures	12,340	135,000	32,232,628	32,379,968
Machinery, furniture, & equipment	3,047,023	809,268	2,306,836	6,163,127
Infrastructure & improvements	22,359,104	1,451,519	256,069	24,066,692
Total	29,962,088	2,665,787	36,485,810	69,113,685
Less accumulated depreciation	(8,400,382)	(452,509)	(10,295,726)	(19,148,617)
Business-type fixed assets, net	\$ 21,561,706	\$ 2,213,278	\$ 26,190,084	\$ 49,965,068

Depreciation Expense

Primary Government			
Governmental Activities		Business-type Activities	
General government	\$	297,144	Water
Public safety & judiciary		580,784	\$ 797,655
Transportation		315,170	145,948
Culture, parks and recreation		341,848	1,055,921
Public service		1,020,606	
Economic development		169,370	
Total depreciation expense		\$ 2,724,922	\$ 1,999,524

B. Liabilities

Notes and Bonds Payable

Business-Type Activities

Notes Payable:

The Elk City Public Works Authority entered into a loan with the City of Sayre for a percentage of Oklahoma Department of Commerce loan funds. The funds were obtained for landfill improvements. The loan is non-interest bearing and has a final maturity date of June 28, 2019. Principal payments of \$521 are due each month. \$ 24,999

In fiscal year 2010, The Elk City Public Works Authority obtained a construction loan not to exceed an original amount \$8,825,000 from the Oklahoma Water Resources Board (OWRB) to finance construction of a waterline. The loan has a fixed interest rate of 3.09% plus an administrative fee of .50% per year and is payable in semi-annual installments of \$117,667 plus interest and administrative fees beginning September 15, 2011. The loan is secured with the Elk City Public Works Authority's assets and future revenues, including water, sewer, and garbage. The loan matures March 15, 2041. The project was completed in January 2012 and the unused funds were de-obligated. The final loan was for \$8,686,856, reduced by \$2,000,000 of principal forgiveness through the American Recovery and Reinvestment Act of 2009. 6,102,852

The Elk City Industrial Authority entered into a loan agreement with First National Bank & Trust for the purpose of constructing a building for Superior Fabrication, Inc. The loan is offset with a note receivable with Superior Fabrication, Inc. (Note 2(A)) which has the same payment terms as this loan. The loan is payable in 180 monthly installments of principal and interest of \$27,408 and matures on August 1, 2022. The loan has a variable interest rate which was 4.75% on June 30, 2015. The loan can be paid off early if Superior Fabrication, Inc. chooses to purchase the building for the remaining cost of the loan. 1,368,175

The Elk City Public Works Authority issued Utility System Revenue Note, Series 2013 on December 30, 2013 in the original amount of \$5,990,000 to construct upgrades and improvements to the water system. The note carries an interest rate of 2.38%, maturing December 1, 2023. Semi-annual payments are required ranging from \$230,000 to \$330,000 per period. The note is secured with water, sewer, and garbage system revenues. 5,215,000

The Elk City Industrial Authority issued Sales Tax Revenue Note, Series 2015 in March 2015 in the original amount of \$10,000,000 to construct and equip new elementary school facilities. The note carries an interest rate of 2.49%, maturing June 1, 2025. The note is secured with pledged sales tax of 0.5%. 10,000,000

Conduit Debt Obligations:

The Elk City Industrial Authority entered into two separate loans \$10,000,000 and \$7,000,000 with Bank of America for a total of \$17,000,000 to finance the construction of a school arena complex. Both loans are secured with a 1% sales tax on the gross receipts derived from all sales within the City approved by the citizens of Elk City during fiscal year, 2004. The loans carry a variable interest rate calculated at 65% of 6-month LIBOR plus 150 basis points. The Authority has entered in to an interest rate swap agreement that effectively establishes a fixed rate for each loan 5.43% and 5.4%, respectively. The loans are payable in annual installments ranging from \$709,000-\$1,336,000 plus interest each year until the loans mature in 2023. Refer to conduit debt further described below. 9,833,000

\$ 32,544,026

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Conduit Debt

The Elk City Industrial Authority issued three limited obligations to finance the construction of a school arena complex. This facility is owned by the Industrial Authority and leased by Elk City Public Schools and reported as an Industrial Authority asset. The debt is a limited obligation of the Industrial Authority and payable only from the dedicated 1 cent sales tax. This does not constitute a pledge of faith and the Authority has no obligation for the debt beyond the dedicated sales tax. Sales tax proceeds in excess of the required annual debt service are available for use by the City for economic development purposes. The debt is reported under the Industrial Authority. At June 30, 2015, the Industrial Authority reported \$9,833,000 of outstanding conduit debt.

Changes in Long-Term Debt

<u>Type of Debt</u>	<u>Balance at July 1, 2014</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
Business-type activities:					
Public Works Authority					
City of Sayre	\$ 31,249	\$ -	\$ 6,250	\$ 24,999	\$ 6,250
OWRB	6,242,051	-	139,199	6,102,852	143,710
Series 2013 Note	5,760,000	-	545,000	5,215,000	555,000
Total Public Works Authority	<u>12,033,300</u>	<u>-</u>	<u>690,449</u>	<u>11,342,851</u>	<u>704,960</u>
Industrial Authority					
First National Bank (SFI)	1,625,403	-	257,228	1,368,175	269,736
Series 2015 Note	-	10,000,000	-	10,000,000	825,000
Conduit Debt	10,664,000	-	831,000	9,833,000	877,000
Total Industrial Authority	<u>12,289,403</u>	<u>10,000,000</u>	<u>1,088,228</u>	<u>21,201,175</u>	<u>1,971,736</u>
Total business-type debt	<u>\$ 24,322,703</u>	<u>\$ 10,000,000</u>	<u>\$ 1,778,677</u>	<u>\$ 32,544,026</u>	<u>\$ 2,676,696</u>

Annual Debt Service Requirements

<u>Year Ending June 30</u>	<u>Public Works Authority</u>		<u>Industrial Authority</u>		<u>Conduit Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 704,960	\$ 298,135	\$ 1,094,736	\$ 354,673	\$ 877,000	\$ 47,513
2017	730,840	279,330	1,202,831	268,795	924,000	50,060
2018	746,335	260,558	1,241,561	232,031	974,000	52,769
2019	772,031	255,655	1,275,959	193,979	1,082,000	58,619
2020	771,147	107,450	1,203,088	160,167	1,142,000	50,060
2021-2025	4,618,594	679,956	5,350,000	373,001	4,834,000	206,252
2026-2030	1,046,865	356,192	-	-	-	-
2031-2035	1,253,894	177,996	-	-	-	-
2036-2040	698,185	4,479	-	-	-	-
2041-2042	-	-	-	-	-	-
Totals	<u>\$ 11,342,851</u>	<u>\$ 2,419,751</u>	<u>\$ 11,368,175</u>	<u>\$ 1,582,646</u>	<u>\$ 9,833,000</u>	<u>\$ 465,273</u>

(3) REVENUES AND EXPENSES

A. Interfund Balances

	Due From	Due To
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ -	\$ 537,388
<i>ECONOMIC DEVELOPMENT</i>		
INDUSTRIAL AUTHORITY	-	1,405
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	537,388	-
ECONOMIC DEVELOPMENT	1,405	-
AIRPORT AUTHORITY	27,902	-
INDUSTRIAL AUTHORITY	138,518	-
FIDUCIARY ACTIVITIES	65,485	-
<i>AIRPORT AUTHORITY</i>		
CAPITAL PROJECTS	-	27,902
<i>INDUSTRIAL AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	-	138,518
FIDUCIARY ACTIVITIES		
PUBLIC WORKS AUTHORITY	-	65,485
	\$ 770,698	\$ 770,698

	Transfer In	Transfer Out
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ 9,140,205	\$ 9,140,205
AIRPORT AUTHORITY	817,847	964,449
ECONOMIC DEVELOPMENT	158,755	95,692
NON-MAJOR FUNDS	393,102	-
INDUSTRIAL AUTHORITY	176,732	-
<i>CAPITAL PROJECTS</i>		
PUBLIC WORKS AUTHORITY	-	6,099,792
AIRPORT AUTHORITY	199,214	-
<i>ECONOMIC DEVELOPMENT</i>		
GENERAL FUND	95,692	158,755
PUBLIC WORKS AUTHORITY	4,039,766	-
INDUSTRIAL AUTHORITY	-	1,403,702
<i>NON-MAJOR FUNDS</i>		
GENERAL FUND	-	393,102
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	783,888	-
CAPITAL PROJECTS	6,099,792	-
ECONOMIC DEVELOPMENT	-	4,039,766
<i>AIRPORT AUTHORITY</i>		
GENERAL FUND	964,449	817,847
CAPITAL PROJECTS	-	199,214
<i>INDUSTRIAL AUTHORITY</i>		
GENERAL FUND	-	176,732
ECONOMIC DEVELOPMENT	1,403,702	783,888
	\$ 24,273,144	\$ 24,273,144

(4) PENSION AND POST-EMPLOYMENT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
The Hartford Deferred Comp	401a Deferred Compensation Plan – Defined Contribution Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Hartford Deferred Comp

Plan Description

Substantially all of the City's full time employees, with the exception of police officers and firefighters, participate in a deferred compensation plan administered by The Hartford. The plan is funded through contributions as elected by the City Commission. Participants may contribute a portion of their salary to the plan under Internal Revenue Code section 401a. The City contributes to the plan using a sliding scale dependent upon longevity. As of June 30, 2015, the Plan covered 89 employees with a total payroll of \$3,749,620.

The City contributes \$212.50 per month for each covered employee. Employees are not required to contribute a minimum amount. The funds are credited to individual participant accounts and pooled for investment purposes through Hartford Deferred Compensation Plan. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vest portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

Total employer contribution expense was \$253,978 for fiscal year 2015, while the employees contributed \$82,510. The Plan reported \$35,769 in forfeitures for the fiscal year. The Plan has been established and can be amended by City Commission's approval of an ordinance and Joinder agreement.

B. Oklahoma Police Pension and Retirement Systems

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

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating

CITY OF ELK CITY, OKLAHOMA
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cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$129,023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported an asset of \$119,445 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.003548%.

For the year ended June 30, 2015, the City recognized pension expense of \$43,782. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 53,663
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	419,832
Changes in proportion and differences between City contributions and proportionate share of contributions	-
City contributions subsequent to the measurement date	-
Total	\$ 473,495

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:		
2016	\$	94,699
2017		94,699
2018		94,699
2019		94,699
2020		94,699

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%	
Salary increases:	4.5% to 17.0% average, including inflation	
Investment rate of return:	7.5% net of pension plan investment expense	

Mortality rates:	<p>Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.</p> <p>Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational Improvement using scale AA.</p> <p>Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.</p>
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The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

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

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	710,682	(119,445)	(819,058)

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.

C. Oklahoma Firefighter's Pension and Retirement Systems

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

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

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

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$158,403 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of \$4,358,362 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information the City's proportion was 0.4238%.

For the year ended June 30, 2015, the City recognized pension expense of \$391,439. At June 30, 2015, 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
Difference between expected and actual experience	\$ 103,844	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	659,737
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	\$ 103,844	\$ 659,737

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:	
2016	\$ 111,179
2017	111,179
2018	111,179
2019	111,179
2020	111,177

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%

International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability/(asset)	5,690,808	4,358,362	3,240,841

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.

(5) COMMITMENTS AND CONTINGENCIES

A. Landfill Closure and Post-Closure Care

State and federal laws and regulations require the City of Elk City to place a final cover on landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure on the current landfill. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, closure costs represent a liability based on landfill capacity used as of January 28, 2015. The landfill is currently in use under permit number 3505009 with an estimated useful life 2 years remaining. The financial statements reflect an accrual of \$1,490,372 as a liability in current debt to cover the estimated costs. This is consistent with estimated cost in fiscal year 2014. The liability is shown as a long-term obligation based upon the estimated life of the landfill. This amount is only an estimate based on current circumstances and may change due to inflation, changes in technology, or changes in regulations.

During the fiscal year, the City began operating a second cell of the landfill under permit number 3505012. This cell is currently being used by the City for sanitation disposal. The estimated life of the landfill is 25.37 years with an associated closing cost of \$1,023,916. The financial statements reflect an accrual of \$40,957 as a current liability which is one year of the estimated cost of closure over the estimated life of the cell.

B. 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 accrual or provisions for loss contingencies that may result from these proceedings. 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.

C. Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. 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. 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.

(6) RESTATEMENT OF BEGINNING NET POSITION

Effective July 1, 2014, the City implemented GASB No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time. GASB No. 68 also

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details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plans and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost sharing plans, and recognition and disclosure requirements are addressed for each classification.

Implementation of GASB No. 68 resulted in the restatement of beginning year net position to recognize the net pension obligation of the City. The changes were as follows:

		Governmental Activities
Begininng Net Position	\$	70,801,055
Net pension obligations		(4,893,517)
Net deferred outflows/(inflows) on pension charges		(1,029,388)
Restated Beginning Net Position	\$	64,878,150

**City of Elk City Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015**

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 5,218,572	\$ -	\$ 5,218,572	\$ 4,883,077	\$ (335,495)
Use tax	853,247	378,150	1,231,397	1,122,261	(109,136)
Franchise tax	475,000	-	475,000	503,308	28,308
Other taxes	257,877	3,000	260,877	186,167	(74,710)
Licenses and permits	105,000	(10,000)	95,000	126,876	31,876
Rents & royalties	210,313	880,000	1,090,313	1,382,405	292,092
Fines and forfeitures	500,000	(175,000)	325,000	435,254	110,254
Charges for services	719,500	95,001	814,501	965,271	150,770
Intergovernmental revenues	120,000	80,000	200,000	718,288	518,288
Donations	25,000	50,118	75,118	8,179	(66,939)
Other revenues	110,000	169,185	279,185	39,404	(239,781)
Interest	100,000	-	100,000	99,762	(238)
Total revenues	<u>8,694,509</u>	<u>1,470,454</u>	<u>10,164,963</u>	<u>10,470,252</u>	<u>305,289</u>
EXPENDITURES					
<u>General government:</u>					
Managerial	599,000	(49,750)	549,250	416,946	132,304
Clerk	979,000	89,241	1,068,241	1,052,558	15,683
Treasurer	89,750	-	89,750	77,662	12,088
City Attorney	47,250	-	47,250	47,216	34
Information Technology	151,500	250	151,750	151,669	81
<u>Public safety and judiciary:</u>					
Police & DOC	2,675,500	(42,000)	2,633,500	2,416,570	216,930
Municipal Court	73,500	1,500	75,000	74,800	200
Animal Control	225,000	-	225,000	214,141	10,859
Fire/ambulance	2,440,000	14,877	2,454,877	2,266,399	188,478
<u>Culture and recreation:</u>					
Museum	453,500	10,685	464,185	422,888	41,297
Library	185,000	-	185,000	184,606	394
Civic Center	80,000	3,000	83,000	80,586	2,414
Park	479,000	77,650	556,650	556,592	58
Swimming Pool	97,000	-	97,000	70,843	26,157
<u>Public services</u>					
Cemetery	170,500	-	170,500	149,160	21,340
Inspection	194,000	82,000	276,000	275,893	107
Youth & Family	404,000	-	404,000	385,052	18,948
Total expenditures	<u>9,343,500</u>	<u>187,453</u>	<u>9,530,953</u>	<u>8,843,581</u>	<u>687,372</u>
Revenue over (under) expenditures	(648,991)	1,283,001	634,010	1,626,671	(382,083)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	486,295	486,295
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>486,295</u>	<u>486,295</u>
Revenues and other financing sources over (under) expenditures and other uses	(648,991)	1,283,001	634,010	2,112,966	104,212
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>8,320,345</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 10,433,311</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(283,848)	
Fund balance at end of year (GAAP basis)				<u>\$ 10,149,463</u>	

City of Elk City Oklahoma
Capital Projects
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 6,246,000	\$ -	\$ 6,246,000	\$ 6,237,739	\$ (8,261)
Interest	75,000	-	75,000	-	(75,000)
Other income	12,500	823,633	836,133	101,751	(734,382)
Total revenues	<u>6,333,500</u>	<u>823,633</u>	<u>7,157,133</u>	<u>6,339,490</u>	<u>(817,643)</u>
EXPENDITURES					
Capital Projects					
Airport	310,500	1,557,921	1,868,421	-	1,868,421
Youth & Family	2,000	-	2,000	-	2,000
Managerial	150,000	30,157	180,157	95,406	84,751
City Hall	30,000	-	30,000	60,329	(30,329)
Treasurer	-	-	-	-	-
Court Clerk	3,500	-	3,500	3,441	59
Police	163,000	20,062	183,062	163,974	19,088
Fire	359,000	291,811	650,811	581,582	69,229
Animal Control	13,000	-	13,000	4,584	8,416
Park	421,000	-	421,000	34,886	386,114
Library	5,000	-	5,000	-	5,000
Cemetery	21,800	50,000	71,800	68,415	3,385
Museum	528,000	60,210	588,210	352,477	235,733
Civic Center	25,000	8,466	33,466	22,007	11,459
Information Technology	60,000	16,748	76,748	-	76,748
Street	2,720,000	1,532,205	4,252,205	113,790	4,138,415
Fleet	92,500	-	92,500	117,059	(24,559)
Right of way	121,800	24,577	146,377	-	146,377
Water	55,000	826,000	881,000	503,210	377,790
Water Distribution	100,000	-	100,000	-	100,000
Wastewater	71,000	122,496	193,496	-	193,496
Sanitation	76,000	243,437	319,437	19,883	299,554
Landfill	720,000	92,592	812,592	53,753	758,839
Total expenditures	<u>6,048,100</u>	<u>4,876,682</u>	<u>10,924,782</u>	<u>2,194,796</u>	<u>8,729,986</u>
Revenue over (under) expenditures	285,400	(4,053,049)	(3,767,649)	4,144,694	(9,547,629)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	(5,900,578)	(5,900,578)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,900,578)</u>	<u>(5,900,578)</u>
Revenues and other financing sources over (under) expenditures and other uses	285,400	(4,053,049)	(3,767,649)	(1,755,884)	
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>13,012,940</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 11,257,056</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>475,471</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 11,732,527</u>	

**City of Elk City Oklahoma
Economic Development
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015**

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Rental Income	\$ 80,000	\$ -	\$ 80,000	\$ 196,800	\$ 116,800
Interest	7,500	-	7,500	13,153	5,653
Total revenues	<u>87,500</u>	<u>-</u>	<u>87,500</u>	<u>209,953</u>	<u>122,453</u>
EXPENDITURES					
<u>Economic Development</u>					
Personal Services	100,000	-	100,000	95,697	4,303
Materials & Supplies	25,000	-	25,000	47,139	(22,139)
Other Charges & Services	150,000	9,771	159,771	19,882	139,889
Capital Outlay	-	1,628,559	1,628,559	1,562,457	66,102
Total expenditures	<u>275,000</u>	<u>1,638,330</u>	<u>1,913,330</u>	<u>1,725,175</u>	<u>188,155</u>
Revenue over (under) expenditures	(187,500)	(1,638,330)	(1,825,830)	(1,515,222)	(65,702)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>4,135,458</u>	<u>3,935,458</u>
Net other financing sources (uses)	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>4,135,458</u>	<u>3,935,458</u>
Revenues and other financing sources over (under) expenditures and other uses	12,500	(1,638,330)	(1,625,830)	2,620,236	
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>966,502</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 3,586,738	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>804,958</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 4,391,696</u>	

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Police Pension Retirement Plan
Year Ended June 30, 2015**

	<u>2015*</u>
City's portion of the net pension liability (asset)	0.3548%
City's proportionate share of the net pension liability (asset)	\$ (119,445)
City's covered-employee payroll	\$ 1,527,970
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-8%
Plan fiduciary net position as a percentage of the total pension liability	149.70%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan**

	<u>2015*</u>
Contractually required contribution	\$ 129,023
Contributions in relation to the contractually required contribution	<u>(129,023)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,527,970
Contributions as a percentage of covered-employee payroll	8.44%

** Only the current fiscal year is presented because 10-year data is not yet available

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
Year Ended June 30, 2015**

	<u>2015*</u>
City's portion of the net pension liability (asset)	0.4238%
City's proportionate share of the net pension liability (asset)	\$ 5,013,129
City's covered-employee payroll	\$ 3,749,620
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	134%
Plan fiduciary net position as a percentage of the total pension liability	-3785.48%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan**

	<u>2015*</u>
Contractually required contribution	\$ 158,403
Contributions in relation to the contractually required contribution	<u>(158,403)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 3,749,620
Contributions as a percentage of covered-employee payroll	4.22%

** Only the current fiscal year is presented because 10-year data is not yet available

**City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2015**

	<u>Street & Alley Fund</u>	<u>Improvement Fund</u>	<u>Civil Defense</u>	<u>Police Special Revenue</u>	<u>Fire Special Revenue</u>	<u>Cemetery Corpus Fund</u>	<u>Municipal Court Fund</u>	<u>Animal Control Fund</u>	<u>Special Library Fund</u>
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 60,525	\$ 88,232	\$ -	\$ 3,125	\$ 7,827	\$ -
Investments	100,000	15,000	2,000	-	57,000	60,000	-	-	60,000
Due from other governments	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 60,525</u>	<u>\$ 145,232</u>	<u>\$ 60,000</u>	<u>\$ 3,125</u>	<u>\$ 7,827</u>	<u>\$ 60,000</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,071	\$ -	\$ 3,125	\$ 400	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071</u>	<u>-</u>	<u>3,125</u>	<u>400</u>	<u>-</u>
FUND BALANCES									
Restricted	100,000	-	-	-	-	60,000	-	-	-
Committed	-	-	-	-	-	-	-	7,427	-
Assigned	-	15,000	2,000	60,525	144,161	-	-	-	60,000
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>100,000</u>	<u>15,000</u>	<u>2,000</u>	<u>60,525</u>	<u>144,161</u>	<u>60,000</u>	<u>-</u>	<u>7,427</u>	<u>60,000</u>
Total liabilities and fund balances	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 60,525</u>	<u>\$ 145,232</u>	<u>\$ 60,000</u>	<u>\$ 3,125</u>	<u>\$ 7,827</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2015

	Revolving Loan Fund	Carousel Maintenance	Museum Exhibit Fund	Landfill	Clearing	Public Facilities	Hotel Tax Fund	Tax Incentive Fund	Total Non-Major Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 11,875	\$ 57,171	\$ -	\$ 396,698	\$ 305,377	\$ 930,830
Investments	5,000	100,000	25,000	450,000	-	41,000	1,100,000	500,000	2,515,000
Due from other governments	-	-	-	-	-	-	-	2,071	2,071
Total assets	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 461,875</u>	<u>\$ 57,171</u>	<u>\$ 41,000</u>	<u>\$ 1,496,698</u>	<u>\$ 807,448</u>	<u>\$ 3,447,901</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,086	\$ -	\$ 14,682
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,086</u>	<u>-</u>	<u>14,682</u>
FUND BALANCES									
Restricted	-	-	-	-	-	-	-	807,448	967,448
Committed	-	-	-	461,875	-	41,000	1,486,612	-	1,996,914
Assigned	5,000	100,000	25,000	-	-	-	-	-	411,686
Unassigned	-	-	-	-	57,171	-	-	-	57,171
Total fund balances	<u>5,000</u>	<u>100,000</u>	<u>25,000</u>	<u>461,875</u>	<u>57,171</u>	<u>41,000</u>	<u>1,486,612</u>	<u>807,448</u>	<u>3,433,219</u>
Total liabilities and fund balances	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 461,875</u>	<u>\$ 57,171</u>	<u>\$ 41,000</u>	<u>\$ 1,496,698</u>	<u>\$ 807,448</u>	<u>\$ 3,447,901</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2014

	Street & Alley Fund	Improvement Fund	Civil Defense	Police Special Revenue	Fire Special Revenue	Cemetery Corpus Fund	Municipal Court Fund	Animal Control Fund	Special Library Fund
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	10,275	-
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	9,824	37,678	-	-	-	-
Donations	-	-	-	1,050	-	-	-	-	-
Interest income	-	-	-	95	145	-	-	3	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,969</u>	<u>37,823</u>	<u>-</u>	<u>-</u>	<u>10,278</u>	<u>-</u>
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	-	7,450	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,450</u>	<u>-</u>
Public safety and judiciary:									
Police	-	-	-	321	-	-	-	-	-
Fire	-	-	-	-	31,994	-	-	-	-
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>321</u>	<u>31,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transportation:									
Street	-	-	-	-	-	-	-	-	-
Total transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cultural, parks and recreation:									
Musuem	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Total cultural, parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Service:									
Landfill	-	-	-	-	-	-	-	-	-
Total public services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic Development:									
Economic development	-	-	-	-	-	-	-	-	-
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay									
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>321</u>	<u>31,994</u>	<u>-</u>	<u>-</u>	<u>7,450</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,648</u>	<u>5,829</u>	<u>-</u>	<u>-</u>	<u>2,828</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	10,648	5,829	-	-	2,828	-
Fund balances - beginning	100,000	15,000	2,000	49,877	138,332	60,000	-	4,599	60,000
Fund balances - ending	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 60,525</u>	<u>\$ 144,161</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 7,427</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2014

	Revolving Loan Fund	Carousel Maintenance	Museum Exhibit Fund	Landfill	Clearing	Public Facilities	Hotel Tax Fund	Tax Incentive Fund	Total Non-Major Funds
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 664,777	\$ 664,777
Charges for services	-	-	-	-	-	-	-	-	10,275
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	744,087	-	791,589
Donations	-	-	-	-	-	-	-	-	1,050
Interest income	-	-	-	1,003	969	-	5,843	2,080	10,138
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,003</u>	<u>969</u>	<u>-</u>	<u>749,930</u>	<u>666,857</u>	<u>1,477,829</u>
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	-	-	7,450
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,450</u>
Public safety and judiciary:									
Police	-	-	-	-	-	-	-	-	321
Fire	-	-	-	-	-	-	-	-	31,994
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,315</u>
Transportation:									
Street	-	-	-	-	-	-	-	-	-
Total transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cultural, parks and recreation:									
Museum	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Total cultural, parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Service:									
Landfill	-	-	-	-	-	-	-	-	-
Total public services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic Development:									
Economic development	-	-	-	-	-	-	607,885	116,786	724,671
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,885</u>	<u>116,786</u>	<u>724,671</u>
Capital outlay									
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,885</u>	<u>116,786</u>	<u>764,436</u>
Excess (deficiency) of revenues over expenditures	-	-	-	1,003	969	-	142,045	550,071	713,393
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	-	(393,102)	(393,102)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(393,102)</u>	<u>(393,102)</u>
Net change in fund balances	-	-	-	1,003	969	-	142,045	156,969	320,291
Fund balances - beginning	5,000	100,000	25,000	460,872	56,202	41,000	1,344,567	650,479	3,112,928
Fund balances - ending	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 461,875</u>	<u>\$ 57,171</u>	<u>\$ 41,000</u>	<u>\$ 1,486,612</u>	<u>\$ 807,448</u>	<u>\$ 3,433,219</u>

City of Elk City, Oklahoma
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2015

	Water Meter Deposit Fund	Municipal Court Bond Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 50,779	\$ 10,439	\$ 61,218
Investments	196,000	-	196,000
Total assets	<u>\$ 246,779</u>	<u>\$ 10,439</u>	<u>\$ 257,218</u>
LIABILITIES			
Due to other funds	\$ 60,984	-	\$ 60,984
Bonds and deposits subject to refund	185,795	10,439	196,234
Total liabilities	<u>\$ 246,779</u>	<u>\$ 10,439</u>	<u>\$ 257,218</u>



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

To the City Council
City of Elk City, OK

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, OK, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Elk City, OK's basic financial statements, and have issued our report thereon dated December 12, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Elk City, OK'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 of Elk City, OK's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elk City, OK's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elk City, OK'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC

Woodward, OK

December 12, 2015

CITY OF ELK CITY
Elk City, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Transportation:</u>				
Federal Aviation Administration - Airport Improvement Program	20.106	667,408	571,314	571,314
<u>Passed through the Oklahoma Aeronautical Commission:</u>				
Airport Improvement Program	20.106	<u>862,599</u>	<u>785,785</u>	<u>785,785</u>
<u>Total U.S. Department of Transportation:</u>		<u>1,530,007</u>	<u>1,357,099</u>	<u>1,357,099</u>
<u>Federal Emergency Management Agency:</u>				
Department of Homeland Security Assistance to Firefighters Grant Program	97.044	<u>170,839</u>	<u>170,839</u>	<u>170,839</u>
<u>U.S. Department of Justice:</u>				
Community Oriented Policing Services	16.710	<u>125,000</u>	<u>24,860</u>	<u>24,860</u>
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
State Library Program	45.310	<u>10,783</u>	<u>10,783</u>	<u>10,783</u>
Total of Expenditures of Federal Awards		\$ <u>1,836,629</u>	\$ <u>1,563,581</u>	\$ <u>1,563,581</u>

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council
City of Elk City, OK

Report on Compliance for Each Major Federal Program

We have audited the City of Elk City, OK's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Elk City, OK's major federal programs for the year ended June 30, 2015. City of Elk City, OK's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Elk City, OK's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of Elk City, OK'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 of Elk City, OK's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Elk City, OK, 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, 2015.

Report on Internal Control over Compliance

Management of the City of Elk City, OK, 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 of Elk City, OK'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 OMB Circular A-133, 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 of Elk City, State OK'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, OK
December 12, 2015

CITY OF ELK CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I --- SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? No

SECTION II --- FINANCIAL STATEMENT FINDINGS

There were no findings in the current year.

SECTION III --- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the current year.

CITY OF ELK CITY, OKLAHOMA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

There were no prior year findings.