

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

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

**FOR THE YEAR ENDED
JUNE 30, 2017**

The City of Elk City, Oklahoma
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Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Elk City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Elk City, Oklahoma'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, Oklahoma, as of June 30, 2017, 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.

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 the schedules of the City's proportionate share of the net pension liability on pages 3–10 and 38–42 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, Oklahoma's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 nonmajor fund financial statements 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 January 16, 2018, on our consideration of the City of Elk City, Oklahoma'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, Oklahoma's internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs- PLLC

Woodward, Oklahoma
January 16, 2018

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, 2017. 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, 2017, the assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources by \$109,110,843 (net position). This compared to the previous year when assets exceeded liabilities by \$116,898,350.
- The City's total net position is comprised of the following:
 - (1) Net investment in capital assets of \$62,142,088 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 \$30,068,680 accounts for assets restricted for debt service and capital construction in accordance with debt offerings.
 - (3) Unrestricted net position of \$16,900,075 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- 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 \$33,441,115. This compared to prior year ending fund balance of \$33,608,804, showing a decrease of \$167,689 or 0.5%.

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, 2017 was \$109,110,843. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$68 million and \$41 million, respectively. The City's overall financial position improved during fiscal year 2017.

Summary of Net Position
 (in thousands)

	Governmental Activities		Business-Type Activities		Total		Change	
	2017	2016	2017	2016	2017	2016	\$	%
Current assets	\$ 36,170	\$ 36,685	\$ 19,527	\$ 26,782	\$ 55,697	\$ 63,467	\$ (7,770)	-12%
Capital assets, net	39,151	39,928	52,859	54,834	92,010	94,762	(2,752)	-3%
Total assets	75,321	76,613	72,386	81,616	147,707	158,229	(10,522)	-7%
Deferred outflow of resources	1,611	816	-	-	1,611	816	795	97%
Current liabilities	2,729	3,077	4,230	3,136	6,959	6,213	746	12%
Non-current liabilities	5,816	4,817	26,797	30,186	32,613	35,003	(2,390)	-7%
Total liabilities	8,545	7,894	31,027	33,322	39,572	41,216	(1,644)	-4%
Deferred inflow of resources	635	932	-	-	635	932	(297)	-32%
Net position								
Net investment in capital assets	39,151	39,928	22,991	21,902	62,142	61,830	312	1%
Restricted	22,890	23,032	7,179	11,883	30,069	34,915	(4,846)	-14%
Unrestricted	5,711	5,643	11,189	14,509	16,900	20,152	(3,252)	-16%
Total net position	\$ 67,752	\$ 68,603	\$ 41,359	\$ 48,294	\$ 109,111	\$ 116,897	\$ (7,786)	-7%

Net position decreased over prior year, noting a 7% change. Assets decreased over \$10 million resulting from restricted cash and investments used for the continued construction of the elementary school. The funds were generated from bonds issued in 2016 secured through sales tax. The bond debt is reported as conduit debt for the City. Liabilities decreased 4% due to payments made on long term debt held by the City.

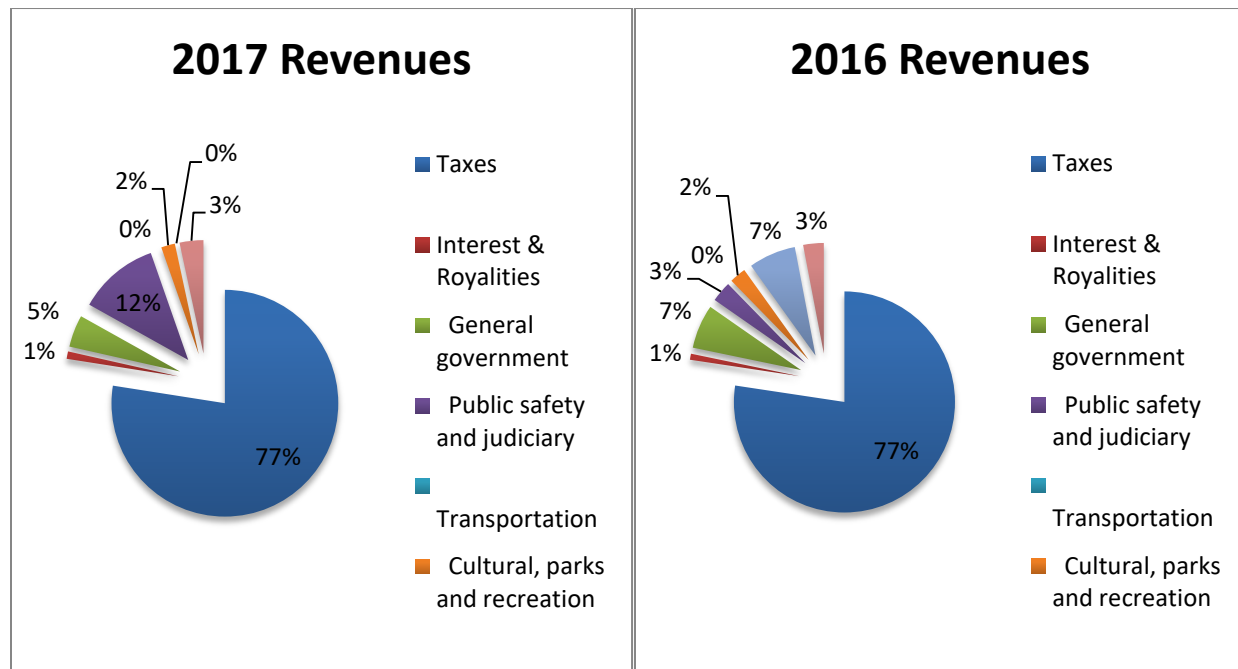
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Change	
	2017	2016	2017	2016	2017	2016	\$	%
Revenues								
Program revenues	\$ 3,171,770	\$ 3,418,522	\$ 8,282,134	\$ 9,490,441	\$ 11,453,904	\$ 12,908,963	\$ (1,455,059)	-11%
Taxes and other general revenues	11,894,895	12,874,453	4,224,160	4,357,897	16,119,055	17,232,350	(1,113,295)	-6%
Total revenues	15,066,665	16,292,975	12,506,294	13,848,338	27,572,959	30,141,313	(2,568,354)	-9%
Expenses								
General government	2,879,081	2,570,025	-	-	2,879,081	2,570,025	309,056	12%
Public safety and judiciary	6,023,665	6,282,452	-	-	6,023,665	6,282,452	(258,787)	-4%
Transportation	435,333	414,151	-	-	435,333	414,151.00	21,182	5%
Cultural, parks, and recreation	1,731,213	1,678,734	-	-	1,731,213	1,678,734	52,479	3%
Public service	1,291,316	1,418,515	-	-	1,291,316	1,418,515	(127,199)	-9%
Economic development	1,248,151	991,567	-	-	1,248,151	991,567	256,584	26%
Utilities	-	-	5,568,832	5,268,889	5,568,832	5,268,889	299,943	6%
Airport	-	-	411,700	476,849	411,700	476,849	(65,149)	-14%
Customer service	-	-	525,996	605,512	525,996	605,512	(79,516)	-13%
Industrial development	-	-	3,764,219	3,882,511	3,764,219	3,882,511	(118,292)	-3%
Total expenses	13,608,759	13,355,444	10,270,747	10,233,761	23,879,506	23,589,205	290,301	1%
Excess (deficiency) before transfers	\$ 1,457,906	\$ 2,937,531	\$ 2,235,547	\$ 3,614,577	\$ 3,693,453	\$ 6,552,108	\$ (2,858,655)	-44%
Transfer to other governments	-	19,667	(11,480,960)	(2,574,826)	(11,480,960)	(2,555,159)	(8,925,801)	100%
Transfers	(2,309,348)	(2,062,774)	2,309,348	2,062,774	-	-	-	0%
Increase (decrease) in net position	\$ (851,442)	\$ 894,424	\$ (6,936,065)	\$ 3,102,525	\$ (7,787,507)	\$ 3,996,949	\$ (11,784,456)	-295%

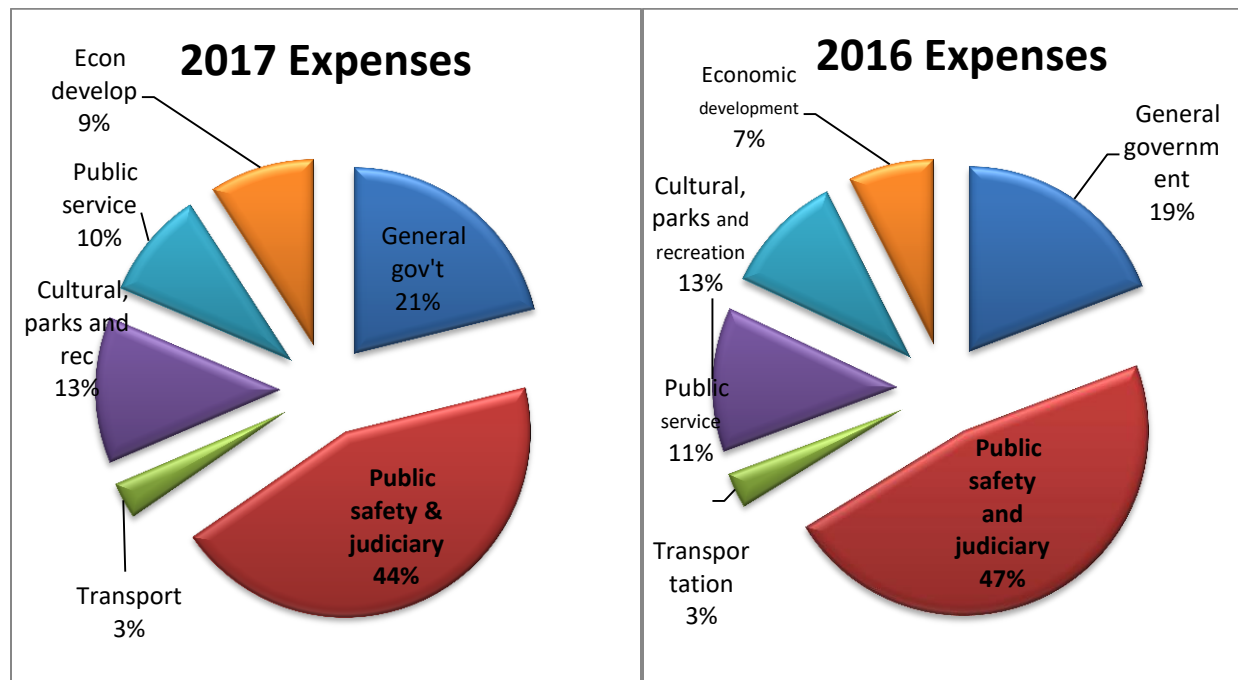
Revenues for the City decreased 9% year over year. The decline is due to lower billings generated from water and sanitation services, as well as a decline in grant funding in the Industrial Authority. Additionally, the City absorbed a 2% decrease in sales tax between fiscal year 2016 and 2017.

Operating expenses remained consistent between years with a 1% increase over fiscal year 2016. As the City noted decreasing revenue sources, management was aggressive in controlling costs in all departments of the City.

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



Taxes provided 77% of the City's governmental revenues in fiscal year 2017 compared to 77% 2016. Sources of revenues for the governmental funds remained consistent between years.



TOTAL EXPENSES \$13,608,759

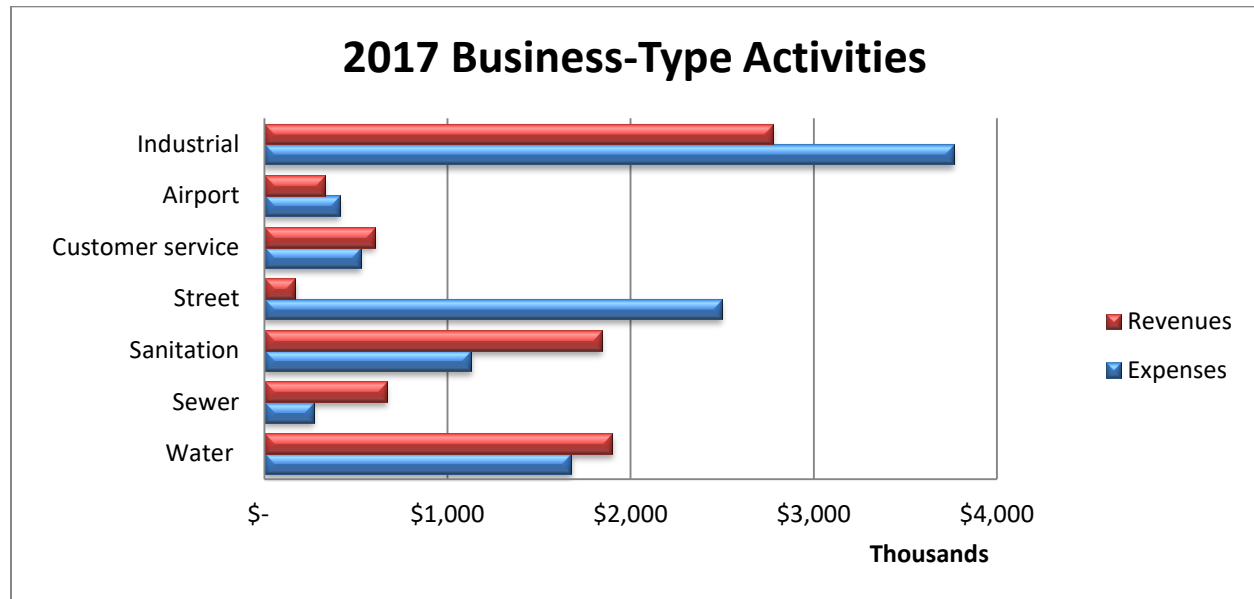
TOTAL EXPENSES \$13,355,444

For the year ended June 30, 2017, total expenses for governmental activities were \$13,608,759. Of this amount, public safety and judiciary with \$6,023,665, was the largest operating service department at 44% of the total cost of services for the City government. This compares to prior year in which public safety

accounted for 47% 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 2017 was \$9,339,655. During the fiscal year, the City approved budget amendments totaling \$266,500 for a total budget of \$9,606,155 compared to last fiscal year’s budget of \$9,474,465. Total expenditures for the City were \$9,286,164, which is \$319,991 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, 2017, the City had \$62,142,088 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			
	2017	2016	2017	2016	2017	2016
Land and CIP	\$ 4,942	\$ 4,634	\$ 8,463	\$ 10,239	\$ 13,405	\$ 14,873
Buildings	16,095	16,094	32,386	32,386	48,481	48,480
Machinery & equipment	21,995	21,102	7,547	6,747	29,542	27,849
Utility property & improvements	41,912	41,387	28,410	25,873	70,322	67,260
Total cost	\$ 84,944	\$ 83,217	\$ 76,806	\$ 75,245	\$ 161,750	\$ 158,462
Accumulated depreciation	45,793	43,289	23,947	21,223	69,740	64,512
Total capital assets, net	\$ 39,151	\$ 39,928	\$ 52,859	\$ 54,022	\$ 92,010	\$ 93,950

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

- Public safety vehicles
- Museum improvements, Dream League Field, and Motorcross track
- Land and water rights
- Landfill improvements and new compactor
- Street improvements

Long-Term Debt

At year-end, the City had \$32,613,342 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			
	2017	2016	2017	2016	2017	2016
Notes payable	\$ -	\$ -	\$ 29,868,217	\$ 32,120,001	\$ 29,868,217	\$ 32,120,001
Pension obligation	5,815,508	4,816,640	-	-	5,815,508	4,816,640
less current portion	-	-	(3,070,383)	(1,933,671)	(3,070,383)	(1,933,671)
Total long term debt	\$ 5,815,508	\$ 4,816,640	\$ 26,797,834	\$ 30,186,330	\$ 32,613,342	\$ 35,002,970

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

According to the Economic Outlook for the state of Oklahoma, "the year ahead is anticipated to be a year of recovery and economic improvement". National economic conditions and activity in the oil and gas sector are improving, which will create a year of transition for the state of Oklahoma.

Fiscal Year 2018 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 – The sales tax split is budgeted at the rate of 1.375%, consistent with the FY17 budget. All tax revenues are budgeted at 90% of prior year collections

to develop conservative projections in consideration of the geographic declining oil and gas industry. Collection of the 10% incremental difference would increase revenues in the General fund by \$375,000.

- Employee raises – The budget includes a 1.5% raise for all employees of the City. The cost of the increase is approximately \$124,000 for employees in the General Fund, including the City's additional cost of FICA and Medicare. Personnel costs account for over 82% of the General Fund budget in proposal for fiscal year 2018.
- The fund projects a decrease in reserve of \$1,254,351 based upon budgeted revenues and expenses for FY18.

Public Works Authority

- Utility revenues – Utility revenues are budgeted with a rate increase equal to the current CPI of 2.2%. The increase will generate approximately \$95,000.
- Employee raises – The budget includes a 1.5% raise for all employees of the City. The cost of the increase is approximately \$26,700 for employees in the Public Works Authority, which includes the increase cost of FICA and Medicare. In fiscal year 2018, personnel services account for 62% of the budget.
- The PWA budget reflects a projected net loss of \$204,271 for the year ended June 30, 2018.

Airport Authority

- The Airport Authority budget reflects the ongoing operations of the municipal airport, which includes hangar rentals and fuel sales. Any capital projects undertaken will be proposed to the Commission along with an identified funding source, most likely grant proceeds.
- As costs are projected to exceed revenues in the current year, the budget includes a transfer in from the Public Works Authority for \$45,000.

Industrial Authority

- The Industrial Authority – Arena Sales Tax budget includes the collection of sales tax and debt service on the conduit debt.
- The Industrial Authority – Economic Development budget includes \$493,200 in capital projects for FY18, as detailed in the budget.
- The Industrial Authority - Rock Yard sales are budgeted to bring in \$230,000 in net income for FY18 based upon sales of rock.

Capital Construction Fund

- Projects – Capital projects are detailed in the budget provided. The budget proposes funding \$9,172,850 in capital projects for fiscal year 2018.
- Projects are funded with the allocated sales tax, as discussed above, as well as over \$2.7 million in grant funding secured by the City.
- Projected reserve after the FY18 budgeted capital projects reports a decrease in reserves of \$2,434,000, leaving approximately \$3,000,000 to be carried forward.

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, 2017

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 3,310,791	\$ 3,372,534	\$ 6,683,325
Investments	10,571,000	4,702,000	15,273,000
Due from other governments	912,662	-	912,662
Accounts receivable (net)	130,665	898,729	1,029,394
Other receivables	-	564,000	564,000
Grant receivable	63,887	-	63,887
Note receivable, current	-	812,584	812,584
Inventory	16,549	1,140,355	1,156,904
Prepaid asset	38,938	-	38,938
Due from other funds	(787,492)	857,445	69,953
Total current assets	<u>14,257,000</u>	<u>12,347,647</u>	<u>26,604,647</u>
Restricted assets:			
Cash and cash equivalents	10,898,056	3,128,675	14,026,731
Investments	11,015,000	4,050,000	15,065,000
Total restricted assets	<u>21,913,056</u>	<u>7,178,675</u>	<u>29,091,731</u>
Noncurrent Assets:			
Note receivable	-	-	-
Land and construction in progress	4,941,861	8,463,077	13,404,938
Other capital assets (net of accumulated depreciation)	34,209,538	44,395,829	78,605,367
Total noncurrent assets	<u>39,151,399</u>	<u>52,858,906</u>	<u>92,010,305</u>
Total assets	<u>\$ 75,321,455</u>	<u>\$ 72,385,228</u>	<u>\$ 147,706,683</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>1,610,818</u>	<u>-</u>	<u>1,610,818</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 572,789	\$ 830,490	\$ 1,403,279
Payroll liabilities	61,823	69,083	130,906
Compensated absences	403,508	125,477	528,985
Deferred revenue	75,000	-	75,000
Accrued payables	1,615,821	134,051	1,749,872
Notes payable, current	-	3,070,383	3,070,383
Total current liabilities	<u>2,728,941</u>	<u>4,229,484</u>	<u>6,958,425</u>
Pension obligation	5,815,508	-	5,815,508
Notes payable, non-current	-	26,797,834	26,797,834
Total noncurrent liabilities	<u>5,815,508</u>	<u>26,797,834</u>	<u>32,613,342</u>
Total liabilities	<u>8,544,449</u>	<u>31,027,318</u>	<u>39,571,767</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>634,891</u>	<u>-</u>	<u>634,891</u>
NET POSITION			
Net investment in capital assets	39,151,399	22,990,689	62,142,088
Reserved for restricted purposes	22,890,005	7,178,675	30,068,680
Unrestricted	5,711,529	11,188,546	16,900,075
Total net position	<u>\$ 67,752,933</u>	<u>\$ 41,357,910</u>	<u>\$ 109,110,843</u>

**City of Elk City, Oklahoma
Statement of Activities
Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants & Contributions
Governmental activities:					
General government	\$ 2,879,081	\$ 124,570	\$ 536,301	\$ 15,446	\$ (2,202,764)
Public safety and judiciary	6,023,665	1,232,541	420,038	51,100	(4,319,986)
Transportation	435,333	-	-	-	(435,333)
Cultural, parks and recreation	1,731,213	269,043	21,406	-	(1,440,764)
Public service	1,291,316	-	-	-	(1,291,316)
Economic development	1,248,151	501,325	-	-	(746,826)
Total governmental activities	<u>13,608,759</u>	<u>2,127,479</u>	<u>977,745</u>	<u>66,546</u>	<u>(10,436,989)</u>
Business-type activities:					
Water	1,675,327	1,899,751	-	-	224,424
Sewer	266,075	669,603	-	-	403,528
Sanitation	1,128,553	1,840,099	-	-	711,546
Streets	2,498,877	-	167,784	-	(2,331,093)
Customer service	525,996	602,735	-	-	76,739
Airport	411,700	265,135	-	62,980	(83,585)
Industrial	3,764,219	2,680,999	-	93,048	(990,172)
Total business-type activities	<u>10,270,747</u>	<u>7,958,322</u>	<u>167,784</u>	<u>156,028</u>	<u>(1,988,613)</u>
Total primary government	<u>\$ 23,879,506</u>	<u>\$ 10,085,801</u>	<u>\$ 1,145,529</u>	<u>\$ 222,574</u>	<u>\$ (12,425,602)</u>

City of Elk City, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2017

Changes in Net Position:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense)/revenue	\$ (10,436,989)	\$ (1,988,613)	\$ (12,425,602)
General revenues:			
Taxes:			
Sales tax	8,677,499	4,167,276	12,844,775
Use tax	1,215,101	-	1,215,101
Franchise tax	460,713	-	460,713
Other taxes	151,321	-	151,321
Oil and gas royalties	942,637	-	942,637
Miscellaneous income	198,338	-	198,338
Investment income	156,022	56,884	212,906
Change in pension obligations	93,264	-	93,264
Transfers to other governments	-	(11,480,960)	(11,480,960)
Transfers internal activity	(2,309,348)	2,309,348	-
Total general revenues and transfers	<u>9,585,547</u>	<u>(4,947,452)</u>	<u>4,638,095</u>
Change in net assets	(851,442)	(6,936,065)	(7,787,507)
Net position-beginning	68,604,375	48,293,975	116,898,350
Net position-ending	<u><u>\$ 67,752,933</u></u>	<u><u>\$ 41,357,910</u></u>	<u><u>\$ 109,110,843</u></u>

**City of Elk City, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2017**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Economic Development</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,310,791	\$ 9,392,178	\$ 17,477	\$ 1,488,401	\$ 14,208,847
Investments	10,571,000	4,300,000	4,200,000	2,515,000	21,586,000
Due from other governments	495,315	417,347	-	-	912,662
Accounts receivable	130,665	-	-	-	130,665
Grant receivable	63,887	-	-	-	63,887
Inventory	16,549	-	-	-	16,549
Prepaid asset	-	-	38,938	-	38,938
Total assets	<u>\$ 14,588,207</u>	<u>\$ 14,109,525</u>	<u>\$ 4,256,415</u>	<u>\$ 4,003,401</u>	<u>\$ 36,957,548</u>
LIABILITIES					
Accounts payable	\$ 76,410	\$ 461,054	\$ 31,852	\$ 3,473	\$ 572,789
Due to other funds	784,425	-	3,067	-	787,492
Payroll liabilities	61,823	-	-	-	61,823
Compensated absences	403,508	-	-	-	403,508
Deferred revenue	75,000	-	-	-	75,000
Other accrued liabilities	1,615,821	-	-	-	1,615,821
Total liabilities	<u>3,016,987</u>	<u>461,054</u>	<u>34,919</u>	<u>3,473</u>	<u>3,516,433</u>
FUND BALANCES					
Nonspendable	16,549	-	-	-	16,549
Restricted	1,657,066	-	3,200,000	1,564,135	6,421,201
Committed	878,283	13,649,844	-	1,940,677	16,468,804
Assigned	44,827	-	1,004,263	425,189	1,474,279
Unassigned	8,974,495	(1,373)	17,233	69,927	9,060,282
Total fund balances	<u>11,571,220</u>	<u>13,648,471</u>	<u>4,221,496</u>	<u>3,999,928</u>	<u>33,441,115</u>
Total liabilities and fund balances	<u>\$ 14,588,207</u>	<u>\$ 14,109,525</u>	<u>\$ 4,256,415</u>	<u>\$ 4,003,401</u>	<u>\$ 36,957,548</u>
Total fund balance- total governmental funds					\$ 33,441,115
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					
Land and construction in process				4,941,891	
Capital assets				80,002,507	
Less: Accumulated depreciation				<u>(45,792,969)</u>	39,151,429
Long-term portion of liabilities are not due and payable in the current period and are not reported					
Deferred outflows(inflows) on pension obligation				975,927	
Net pension (obligation)/asset				<u>(5,815,508)</u>	(4,839,581)
Net position of governmental activities					<u>\$ 67,752,963</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2017

	General Fund	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
REVENUES					
Sales tax	\$ 3,538,199	\$ 4,514,548	\$ -	\$ 624,752	\$ 8,677,499
Use tax	1,215,101	-	-	-	1,215,101
Franchise tax	460,713	-	-	-	460,713
Tobacco tax	151,321	-	-	-	151,321
Licenses and permits	99,601	-	-	-	99,601
Rents & royalties	979,689	-	50,000	-	1,029,689
Fines and forfeitures	201,281	-	-	-	201,281
Charges for services	1,533,907	-	-	9,825	1,543,732
Intergovernmental revenues	763,332	-	17,574	-	780,906
Donations	8,411	51,100	-	50	59,561
Other revenues	26,259	78,886	26,040	466,820	598,005
Sale of assets	-	-	-	-	-
Interest	91,263	21,608	20,974	22,177	156,022
Total revenues	<u>9,069,077</u>	<u>4,666,142</u>	<u>114,588</u>	<u>1,123,624</u>	<u>14,973,431</u>
EXPENDITURES					
General government:					
Managerial	400,902	17,738	-	-	418,640
City clerk	827,796	687	-	-	828,483
City treasurer	83,693	687	-	-	84,380
City attorney	47,632	-	-	-	47,632
General government	871,111	328,454	-	20,931	1,220,496
Total general government	<u>2,231,134</u>	<u>347,566</u>	<u>-</u>	<u>20,931</u>	<u>2,599,631</u>
Public safety and judiciary:					
Police	2,584,255	54,362	-	-	2,638,617
Municipal court	79,381	-	-	-	79,381
Animal control	220,166	-	-	-	220,166
Fire	1,299,801	12,211	-	11,008	1,323,020
Ambulance	1,185,570	12,293	-	-	1,197,863
Total public safety and judiciary	<u>5,369,173</u>	<u>78,866</u>	<u>-</u>	<u>11,008</u>	<u>5,459,047</u>
Transportation:					
Street	-	124,592	-	-	124,592
Airport	-	-	-	-	-
Total transportation	<u>-</u>	<u>124,592</u>	<u>-</u>	<u>-</u>	<u>124,592</u>
Cultural, parks and recreation:					
Museum	410,978	12,000	-	-	422,978
Library	202,839	6,771	-	-	209,610
Civic center	79,945	1,837	-	-	81,782
Park	584,961	25,592	-	-	610,553
Swimming pool	81,729	-	-	-	81,729
Total cultural, parks and recreation	<u>1,360,452</u>	<u>46,200</u>	<u>-</u>	<u>-</u>	<u>1,406,652</u>
Public service:					
Cemetery	157,604	-	-	-	157,604
Inspection	167,801	-	-	-	167,801
Landfill	111,510	-	-	-	111,510
Total public service	<u>436,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,915</u>
Economic development:					
Economic development	-	-	365,264	712,650	1,077,914
Total economic development	<u>-</u>	<u>-</u>	<u>365,264</u>	<u>712,650</u>	<u>1,077,914</u>
Capital outlay					
Capital outlay	-	1,616,572	110,449	-	1,727,021
Total expenditures	<u>9,397,674</u>	<u>2,213,796</u>	<u>475,713</u>	<u>744,589</u>	<u>12,831,772</u>
Excess (deficiency) of revenues over expenditures	<u>(328,597)</u>	<u>2,452,346</u>	<u>(361,125)</u>	<u>379,035</u>	<u>2,141,659</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,581,468	-	271,150	-	8,852,618
Transfers out	(8,206,026)	(2,674,137)	-	(281,803)	(11,161,966)
Transfer to other governments	-	-	-	-	-
Total other financing sources and uses	<u>375,442</u>	<u>(2,674,137)</u>	<u>271,150</u>	<u>(281,803)</u>	<u>(2,309,348)</u>
Net change in fund balances	46,845	(221,791)	(89,975)	97,232	(167,689)
Fund balances - beginning, restated	11,524,375	13,870,262	4,311,471	3,902,696	33,608,804
Fund balances - ending	<u>\$ 11,571,220</u>	<u>\$ 13,648,471</u>	<u>\$ 4,221,496</u>	<u>\$ 3,999,928</u>	<u>\$ 33,441,115</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2017

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 \$ (167,689)

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	1,727,021	
Depreciation expense	<u>(2,504,008)</u>	(776,987)

In the statement of activities, the cost of pension benefits earned net of
employee contributions are reported as an component of pension expense.
The fund financial statements report pension contributions as expenditures.

93,264

Change in Net Assets of Governmental Activities \$ (851,412)

City of Elk City, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2017

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 416,027	\$ 116,227	\$ 2,840,280	\$ 3,372,534
Investments	3,152,000	-	1,550,000	4,702,000
Due from other funds	1,103,351	-	1,127	1,104,478
Other receivables	9,860	4,052	550,088	564,000
Accounts receivable, net	446,023	-	452,706	898,729
Note receivable, current	-	-	812,584	812,584
Inventory	271,954	23,842	844,559	1,140,355
Prepaid asset	-	-	-	-
Total current assets	<u>5,399,215</u>	<u>144,121</u>	<u>7,051,344</u>	<u>12,594,680</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	407,844	-	2,720,831	3,128,675
Investments	-	-	4,050,000	4,050,000
Total restricted assets	<u>407,844</u>	<u>-</u>	<u>6,770,831</u>	<u>7,178,675</u>
Noncurrent assets:				
Note receivable	-	-	-	-
Capital assets (net)	23,324,097	2,403,744	27,131,065	52,858,906
Total noncurrent assets	<u>23,324,097</u>	<u>2,403,744</u>	<u>27,131,065</u>	<u>52,858,906</u>
Total assets	<u>\$ 29,131,156</u>	<u>\$ 2,547,865</u>	<u>\$ 40,953,240</u>	<u>\$ 72,632,261</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 103,885	\$ 18,388	\$ 708,217	\$ 830,490
Payroll liabilities	181,333	2,938	10,289	194,560
Due to other funds	-	45,537	201,496	247,033
Other liabilities	-	-	-	-
Accrued interest payable	68,888	-	65,163	134,051
Notes payable, current	746,335	-	2,324,048	3,070,383
Total current liabilities	<u>1,100,441</u>	<u>66,863</u>	<u>3,309,213</u>	<u>4,476,517</u>
Noncurrent liabilities:				
Notes payable, non-current	9,160,195	-	17,637,639	26,797,834
Total noncurrent liabilities	<u>9,160,195</u>	<u>-</u>	<u>17,637,639</u>	<u>26,797,834</u>
Total liabilities	<u>10,260,636</u>	<u>66,863</u>	<u>20,946,852</u>	<u>31,274,351</u>
NET POSITION				
Net investment in capital assets	13,417,567	2,403,744	7,169,378	22,990,689
Restricted	407,844	-	6,770,831	7,178,675
Unrestricted	5,045,109	77,258	6,066,179	11,188,546
Total net position	<u>\$ 18,870,520</u>	<u>\$ 2,481,002</u>	<u>\$ 20,006,388</u>	<u>\$ 41,357,910</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2017

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
<u>Operating revenues:</u>				
Charges for services:				
Water charges	\$ 1,899,751	\$ -	\$ -	\$ 1,899,751
Sewer charges	669,603	-	-	669,603
Sanitation charges	1,840,099	-	-	1,840,099
Sale of fuel and rock	-	180,313	2,618,481	2,798,794
Utility surcharges	438,021	-	-	438,021
Penalties	60,102	-	-	60,102
Total charges for services	<u>4,907,576</u>	<u>180,313</u>	<u>2,618,481</u>	<u>7,706,370</u>
Lease and rental income	12,935	55,933	-	68,868
Other fees and charges	91,677	28,889	62,518	183,084
Total operating revenues	<u>5,012,188</u>	<u>265,135</u>	<u>2,680,999</u>	<u>7,958,322</u>
<u>Operating expenses:</u>				
Cost of sales	-	164,978	1,843,558	2,008,536
Personal services	2,350,246	62,148	132,613	2,545,007
Materials and supplies	1,466,587	23,580	56,622	1,546,789
Other services and charges	345,113	25,287	15,134	385,534
Depreciation and amortization	1,640,565	135,707	979,227	2,755,499
Total operating expenses	<u>5,802,511</u>	<u>411,700</u>	<u>3,027,154</u>	<u>9,241,365</u>
Net operating income	(790,323)	(146,565)	(346,155)	(1,283,043)
<u>Nonoperating revenue (expense):</u>				
Sales tax	-	-	4,167,276	4,167,276
Investment income	19,405	139	37,340	56,884
Intergovernmental revenue	167,784	62,980	93,048	323,812
Interest expense	(292,317)	-	(737,065)	(1,029,382)
Total nonoperating revenue (expense)	<u>(105,128)</u>	<u>63,119</u>	<u>3,560,599</u>	<u>3,518,590</u>
Net Income before contributions and transfers	(895,451)	(83,446)	3,214,444	2,235,547
Transfers from other funds	1,549,243	77,379	1,182,589	2,809,211
Transfers to other funds	-	-	(499,863)	(499,863)
Transfer to other governments	-	-	(11,480,960)	(11,480,960)
Change in net position	653,792	(6,067)	(7,583,790)	(6,936,065)
Net position-beginning of year	<u>18,216,728</u>	<u>2,487,069</u>	<u>27,590,178</u>	<u>48,293,975</u>
Net position-end of year	<u>\$ 18,870,520</u>	<u>\$ 2,481,002</u>	<u>\$ 20,006,388</u>	<u>\$ 41,357,910</u>

City of Elk City, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>				
Receipts from customers	\$ 4,830,101	\$ 293,454	\$ 2,454,973	\$ 7,578,528
Payments to suppliers	(1,845,120)	(228,456)	(1,586,047)	(3,659,623)
Payments to employees	(2,435,540)	(63,187)	(138,924)	(2,637,651)
Net cash provided (used) by operating activities	549,441	1,811	730,002	1,281,254
<u>Cash flows from non-capital financing activities:</u>				
Transfers from other funds	1,549,243	77,379	1,182,589	2,809,211
Transfers to other funds	-	-	(499,863)	(499,863)
Transfers to other governments	-	-	(11,480,960)	(11,480,960)
Intergovernmental revenues	167,784	-	4,167,276	4,335,060
Net cash provided (used) by non-capital financing activities	1,717,027	77,379	(6,630,958)	(4,836,552)
<u>Cash flows from capital and related financing activities:</u>				
Purchase of capital assets	(1,455,722)	(77,379)	(59,149)	(1,592,250)
Capital grants and contributions	-	62,980	93,048	156,028
Issuance of capital debt	-	-	599,103	599,103
Principal paid on capital debt	(731,361)	-	(2,121,526)	(2,852,887)
Interest paid on capital debt	(294,215)	-	(732,952)	(1,027,167)
Net cash provided (used) by capital and related financing activities	(2,481,298)	(14,399)	(2,221,476)	(4,717,173)
<u>Cash flows from investing activities:</u>				
Change in investments	300,000	-	-	300,000
Investment income	19,405	139	37,340	56,884
Net cash provided (used) by investing activities	319,405	139	37,340	356,884
Net increase (decrease) in cash and cash equivalents	104,575	64,930	(8,085,092)	(7,915,587)
Cash & cash equivalents, beginning of the year	719,296	51,297	13,646,203	14,416,796
Cash & cash equivalents, end of the year	<u>\$ 823,871</u>	<u>\$ 116,227</u>	<u>\$ 5,561,111</u>	<u>\$ 6,501,209</u>
Cash, including time deposits	\$ 416,027	\$ 116,227	\$ 2,840,280	\$ 3,372,534
Restricted cash, including time deposits	407,844	-	2,720,831	3,128,675
Total cash and cash equivalents, end of year	<u>\$ 823,871</u>	<u>\$ 116,227</u>	<u>\$ 5,561,111</u>	<u>\$ 6,501,209</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>				
Operating income (loss)	\$ (790,323)	\$ (146,565)	\$ (346,155)	\$ (1,283,043)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,640,565	135,707	979,227	2,755,499
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(59,819)	21,948	239,705	201,834
(Increase) decrease in other receivable	(122,268)	-	(465,731)	(587,999)
(Increase) decrease in prepaid assets	100,282	2,318	-	102,600
(Increase) decrease in inventory	(8,894)	10,596	119,097	120,799
Increase (decrease) in accounts payable	(99,594)	(27,525)	184,202	57,083
Increase (decrease) in payroll liabilities	(85,294)	(1,039)	(6,311)	(92,644)
Increase (decrease) in other liabilities	(25,214)	6,371	25,968	7,125
Total adjustments	<u>1,339,764</u>	<u>148,376</u>	<u>1,076,157</u>	<u>2,564,297</u>
Net cash provided (used) by operating activities	\$ 549,441	\$ 1,811	\$ 730,002	\$ 1,281,254

City of Elk City, Oklahoma
Statement of Fiduciary Net Position
June 30, 2017

	District 2 Drug Task Force Trust Funds	Agency Funds	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 318,156	\$ 48,389	\$ 366,545
Investments	3,025,000	196,000	3,221,000
Due from other governments	25,213	-	25,213
Property, plant and equipment, net	119,273	-	119,273
Total assets	<u>\$ 3,487,642</u>	<u>\$ 244,389</u>	<u>\$ 3,732,031</u>
LIABILITIES			
Accounts payable	\$ 60,611	\$ -	\$ 60,611
Accrued salaries	34,653	-	34,653
Bonds and deposits subject to refund	-	230,829	230,829
Due to other governments	34,182	13,560	47,742
Total liabilities	<u>129,446</u>	<u>244,389</u>	<u>373,835</u>
NET ASSETS HELD IN TRUST			
District 2 drug task force funds	3,358,196	-	3,358,196
Net assets held in trust	<u>\$ 3,358,196</u>	<u>\$ -</u>	<u>\$ 3,358,196</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fiduciary Net Position
Trust Fund
Year Ended June 30, 2017

	District 2 Drug Task Force Trust Funds
<u>ADDITIONS</u>	
Forfeitures	\$ 562,971
Other Income	215,212
Interest	16,595
Transfer in	190,000
Total additions	984,778
<u>DEDUCTIONS</u>	
Personal services	233,286
Supplies and repairs	15,948
Other charges and services	397,167
Depreciation	42,694
Transfer out	190,000
Total deductions	879,095
Change in net assets	105,683
<u>NET ASSETS HELD IN TRUST</u>	
Beginning of year	3,252,513
End of year	\$ 3,358,196

(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, 2017. 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, 2017, the City has estimated an allowance of \$790,146 and \$269,157 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.

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, 2017

<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	\$ 33,559,000	\$ 33,559,000	N/A	74
Total investments	<u>33,559,000</u>	<u>33,559,000</u>		
Total primary government investments	<u>\$ 33,559,000</u>	<u>\$ 33,559,000</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary</u>	<u>Total</u>
Investments, unrestricted	\$ 10,571,000	\$ 4,702,000	\$ -	\$ 15,273,000
Investments, restricted	11,015,000	4,050,000	3,221,000	18,286,000
Total investments	<u>\$ 21,586,000</u>	<u>\$ 8,752,000</u>	<u>\$ 3,221,000</u>	<u>\$ 33,559,000</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 \$870,898, net of allowance of \$790,146. Additionally, a receivable for oil royalties of \$49,914 was recognized at June 30, 2017.

Proprietary activities report accounts receivable of \$1,167,887 comprised of amounts due from rock yard vendors and citizens for utility services provided. The City has recorded an allowance of \$269,157 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 \$812,584 is due to the City as of June 30, 2017. The note has a variable interest rate stated 4.85% at June 30, 2017. 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, 2017

Capital Assets

Changes in Capital Assets

	Primary Government			Balance at June 30, 2017
	Balance at July 1, 2016	Additions	Deletions	
<i>Governmental Activities</i>				
Land and construction in process	\$ 4,633,714	\$ 308,147	\$ -	\$ 4,941,861
Buildings & structures	16,094,569	-	-	16,094,569
Machinery, furniture, & equipment	21,101,906	892,866	-	21,994,772
Instructure & improvements	41,387,188	525,978	-	41,913,166
Total	\$ 83,217,377	\$ 1,726,991	\$ -	\$ 84,944,368
Less accumulated depreciation	43,288,961	2,504,008	-	45,792,969
Governmental fixed assets, net	<u>\$ 39,928,416</u>	<u>\$ (777,017)</u>	<u>\$ -</u>	<u>\$ 39,151,399</u>
<i>Business-type Activities</i>				
Land and construction in process	\$ 10,239,216	\$ 361,035	\$ 2,137,174	\$ 8,463,077
Buildings & structures	32,385,948	-	-	32,385,948
Machinery, furniture, & equipment	6,746,645	800,244	-	7,546,889
Instructure & improvements	25,873,415	2,668,506	131,812	28,410,109
Total	\$ 75,245,224	\$ 3,829,785	\$ 2,268,986	\$ 76,806,023
Less accumulated depreciation	21,223,072	2,755,499	31,454	23,947,117
Business-type fixed assets, net	<u>\$ 54,022,152</u>	<u>\$ 1,074,286</u>	<u>\$ 2,237,532</u>	<u>\$ 52,858,906</u>
Total primary government	<u>\$ 93,950,568</u>	<u>\$ 297,269</u>	<u>\$ 2,237,532</u>	<u>\$ 92,010,305</u>
<i>Fiduciary Funds</i>				
Machinery, furniture, & equipment	\$ 339,283	\$ 89,370	\$ -	\$ 428,653
Total	\$ 339,283	\$ 89,370	\$ -	\$ 428,653
Less accumulated depreciation	266,685	42,694	-	309,379
Fiduciary fund fixed assets, net	<u>\$ 72,598</u>	<u>\$ 46,676</u>	<u>\$ -</u>	<u>\$ 119,274</u>

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Capital Assets by Fund

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Fixed Assets
Land and CIP	\$ 650,081	\$ 296,917	\$ 286,575	\$ 1,233,573
Buildings & structures	12,340	140,980	32,232,628	32,385,948
Machinery, furniture, & equipment	4,100,727	987,857	2,339,201	7,427,785
Infrastructure & improvements	29,633,663	1,697,945	4,427,107	35,758,715
Total	34,396,811	3,123,699	39,285,511	76,806,021
Less accumulated depreciation	(11,072,714)	(719,955)	(12,154,446)	(23,947,115)
Business-type fixed assets, net	\$ 23,324,097	\$ 2,403,744	\$ 27,131,065	\$ 52,858,906

Depreciation Expense

Primary Government			
<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 279,450	Water	\$ 1,135,458
Public safety & judiciary	563,598	Customer service	17,150
Transportation	310,741	Sewer	52,370
Culture, parks and recreation	324,561	Landfill	38,011
Public service	854,401	Street	331,303
Economic development	171,257	Trash	66,273
		Airport	135,707
		Industrial	979,227
Total depreciation expense	\$ 2,504,008	Total depreciation expense	\$ 2,755,499

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. \$ 11,978

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. 5,809,551

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, 2017. The loan can be paid off early if Superior Fabrication, Inc. chooses to purchase the building for the remaining cost of the loan. 812,584

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. 4,085,000

The Elk City Industrial Authority established a line of credit with First Nation Bank and Trust in December 2015. For the year ended, the City has drawn funds on that line. The loan carries an interest rate of 2% over the prevailing certificate of deposit rate for the City. The line matures December 2028. Proceeds are used to fund the new school facilities. 2,847,104

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%. 8,270,000

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. 8,032,000

\$ 29,868,217

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.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Changes in Long-Term Debt

<u>Type of Debt</u>	<u>Balance at July 1, 2016</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2017</u>	<u>Due Within One Year</u>
Business-type activities:					
Public Works Authority					
City of Sayre	\$ 18,749	\$ -	\$ 6,771	\$ 11,978	\$ 6,250
OWRB	5,959,142	-	149,590	5,809,552	155,085
Series 2013 Note	4,660,000	-	575,000	4,085,000	585,000
Total Public Works Authority	<u>10,637,891</u>	<u>-</u>	<u>731,361</u>	<u>9,906,530</u>	<u>746,335</u>
Industrial Authority					
First National Bank (SFI)	1,095,110	-	282,526	812,584	282,831
Elementary School	11,433,000	599,103	915,000	11,117,103	1,067,217
Bank of America (Arena)	8,956,000	-	924,000	8,032,000	974,000
Total Industrial Authority	<u>21,484,110</u>	<u>599,103</u>	<u>2,121,526</u>	<u>19,961,687</u>	<u>2,324,048</u>
Total business-type debt	<u>\$ 32,122,001</u>	<u>\$ 599,103</u>	<u>\$ 2,852,887</u>	<u>\$ 29,868,217</u>	<u>\$ 3,070,383</u>

Annual Debt Service Requirements

Year Ending June 30	Public Works Authority		Industrial Authority	
	Principal	Interest	Principal	Interest
2018	\$ 746,335	\$ 260,558	\$ 2,324,048	\$ 346,276
2019	772,031	255,655	2,413,185	306,193
2020	771,147	107,450	2,409,893	262,825
2021	787,789	230,861	2,509,311	221,287
2022	814,136	210,643	2,365,642	104,150
2023-2027	2,038,819	771,062	7,868,245	250,549
2028-2032	1,196,016	542,126	71,363	3,518
2033-2037	1,432,952	338,190	-	-
2038-2041	1,347,305	97,145	-	-
Totals	<u>\$ 9,906,530</u>	<u>\$ 2,813,690</u>	<u>\$ 19,961,687</u>	<u>\$ 1,494,798</u>

(3) REVENUES AND EXPENSES

A. Interfund Balances

	<u>Due From</u>	<u>Due To</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ -	\$ 784,425
<i>ECONOMIC DEVELOPMENT</i>		
INDUSTRIAL AUTHORITY	-	3,067
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	784,425	-
ECONOMIC DEVELOPMENT	3,067	-
AIRPORT AUTHORITY	45,537	-
INDUSTRIAL AUTHORITY	200,369	-
FIDUCIARY ACTIVITIES	69,953	-
<i>AIRPORT AUTHORITY</i>		
CAPITAL PROJECTS	-	45,537
<i>INDUSTRIAL AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	-	200,369
FIDUCIARY ACTIVITIES		
<i>METER FUND</i>		
PUBLIC WORKS AUTHORITY	-	60,983
<i>DRUG TASK FORCE</i>		
PUBLIC WORKS AUTHORITY	-	8,970
	<u>\$ 1,103,351</u>	<u>\$ 1,103,351</u>

	<u>Transfer In</u>	<u>Transfer Out</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ -	\$ 145,804
NON-MAJOR FUNDS	281,803	296,150
INDUSTRIAL AUTHORITY	535,593	-
<i>CAPITAL PROJECTS</i>		
PUBLIC WORKS AUTHORITY	-	1,414,169
AIRPORT AUTHORITY	-	77,379
INDUSTRIAL AUTHORITY	-	1,182,589
<i>NON-MAJOR FUNDS</i>		
GENERAL FUND	296,150	281,803
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	145,804	-
CAPITAL PROJECTS	1,414,169	-
FIDUCARY FUND	-	10,730
<i>AIRPORT AUTHORITY</i>		
CAPITAL PROJECTS	77,379	-
<i>INDUSTRIAL AUTHORITY</i>		
GENERAL FUND	1,182,589	535,593
FIDUCIARY FUNDS		
PUBLIC WORKS AUTHORITY	10,730	-
	<u>\$ 3,944,217</u>	<u>\$ 3,944,217</u>

(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 Compensation Plan	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 Compensation Plan

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, 2017, the Plan covered 94 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 \$267,613 for fiscal year 2017, while the employees contributed \$65,872. The Plan reported \$15,168 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 \$152,164.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$607,830 for its proportionate share of the net pension liability. The net pension asset was measured as of July 1, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2016. 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, 2016. Based upon this information, the City's proportion was 0.003969%.

For the year ended June 30, 2017, the City recognized pension expense of \$217,678. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,950	\$ 68,278
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	818,869	234,848
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	140,937	-
Total	<u>\$ 961,756</u>	<u>\$ 303,126</u>

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:	
2018	\$ 216,288
2019	75,351
2020	75,351
2021	75,351
2022	75,351

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

Mortality rates: Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

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

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

The actuarial assumptions used in the July 1, 2016, 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, 2016, 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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability/(asset)	1,594,749	607,830	(225,472)

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.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$166,927.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$5,207,678 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2016. Based upon this information the City's proportion was 0.42626%.

For the year ended June 30, 2017, the City recognized pension expense of \$537,765. At June 30, 2017, 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	\$ 139,604	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	650,396	331,766
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	109,376	-
Total	\$ 899,376	\$ 331,766

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:	
2018	\$ 179,147
2019	69,771
2020	69,771
2021	69,771
2022	69,771

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2016, 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, 2016, 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, 2016, 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)	6,592,492	5,207,678	4,046,637

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 November 3, 2016. The landfill is currently in use under permit number 3505009 with an estimated useful life of .28 years remaining. The financial statements reflect an accrual of \$1,615,821 as a liability in current debt to cover the estimated costs. This is consistent with estimated cost in fiscal year 2016. 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 2015, 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 28.18 years with an associated closing cost of \$1,102,204. The financial statements reflect an accrual of \$39,113 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.

**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, 2017**

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 3,662,243	\$ -	\$ 3,662,243	\$ 3,538,199	\$ (124,044)
Use tax	898,264	400,000	1,298,264	1,215,101	(83,163)
Franchise tax	450,000	-	450,000	460,713	10,713
Other taxes	217,486	16,500	233,986	151,321	(82,665)
Licenses and permits	65,000	-	65,000	99,601	34,601
Rents & royalties	1,032,500	(150,000)	882,500	979,689	97,189
Fines and forfeitures	300,000	-	300,000	201,281	(98,719)
Charges for services	722,000	-	722,000	1,533,907	811,907
Intergovernmental revenues	650,000	-	650,000	763,332	113,332
Donations	10,000	-	10,000	8,411	(1,589)
Other revenues	315,000	-	315,000	26,259	(288,741)
Interest	100,000	-	100,000	91,263	(8,737)
Total revenues	<u>8,422,493</u>	<u>266,500</u>	<u>8,688,993</u>	<u>9,069,077</u>	<u>380,084</u>
EXPENDITURES					
General government:					
Managerial	397,500	31,350	428,850	400,902	27,948
Clerk	1,775,000	9,500	1,784,500	1,698,907	85,593
Treasurer	78,000	12,500	90,500	83,693	6,807
City Attorney	47,500	150	47,650	47,632	18
Public safety and judiciary:					
Police & DOC	2,746,655	(20,000)	2,726,655	2,584,255	142,400
Municipal Court	78,500	1,000	79,500	79,381	119
Animal Control	224,500	14,000	238,500	220,166	18,334
Fire	1,197,000	105,000	1,302,000	1,299,801	2,199
Ambulance	1,197,000	(10,700)	1,186,300	1,185,570	730
Culture and recreation:					
Museum	354,500	56,500	411,000	410,978	22
Library	187,500	28,700	216,200	202,839	13,361
Civic Center	80,000	2,500	82,500	79,945	2,555
Park	590,000	-	590,000	584,961	5,039
Swimming Pool	83,000	-	83,000	81,729	1,271
Public services					
Cemetery	158,500	-	158,500	157,604	896
Inspection	144,500	36,000	180,500	167,801	12,699
Total expenditures	<u>9,339,655</u>	<u>266,500</u>	<u>9,606,155</u>	<u>9,286,164</u>	<u>319,991</u>
Revenue over (under) expenditures	(917,162)	-	(917,162)	(217,087)	60,093
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	263,932	263,932
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,932</u>	<u>263,932</u>
Revenues and other financing sources over (under) expenditures and other uses	(917,162)	-	(917,162)	46,845	324,025
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>10,913,577</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 10,960,422</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				610,798	
Fund balance at end of year (GAAP basis)				<u>\$ 11,571,220</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, 2017

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 4,328,106	\$ -	\$ 4,328,106	\$ 4,514,548	\$ 186,442
Grant income	-	47,610	47,610	-	(47,610)
Other income	15,000	3,690	18,690	151,594	132,904
Total revenues	<u>4,343,106</u>	<u>51,300</u>	<u>4,394,406</u>	<u>4,666,142</u>	<u>271,736</u>
EXPENDITURES					
Capital Projects					
Airport	375,000	95,965	470,965	77,379	393,586
Ambulance	221,500	5,050	226,550	161,536	65,014
Animal Control	10,000	-	10,000	-	10,000
Cemetery	13,000	-	13,000	11,982	1,018
City Hall	1,500	-	1,500	686	814
Civic Center	100,000	-	100,000	94,002	5,998
Fire	210,000	511,250	721,250	523,325	197,925
Fleet	136,000	-	136,000	6,000	130,000
Information Technology	77,000	10,450	87,450	31,117	56,333
Landfill	1,425,000	850,000	2,275,000	527,854	1,747,146
Library	18,600	-	18,600	14,899	3,701
Managerial	165,000	465,825	630,825	125,202	505,623
Museum	34,000	456,905	490,905	320,147	170,758
Park	664,500	25,590	690,090	314,127	375,963
Police	314,000	835	314,835	203,664	111,171
Right of way	75,200	87,105	162,305	110,571	51,734
Sanitation	280,000	-	280,000	-	280,000
Street	958,000	1,107,600	2,065,600	551,607	1,513,993
Swimming pool	98,000	-	98,000	85,212	12,788
Treasurer	1,500	-	1,500	687	813
Wastewater	30,000	-	30,000	28,489	1,511
Water	210,000	363,005	573,005	567,474	5,531
Water Distribution	200,000	300,000	500,000	317,211	182,789
Youth & Family	8,500	-	8,500	-	8,500
Total expenditures	<u>5,626,300</u>	<u>4,279,580</u>	<u>9,905,880</u>	<u>4,073,171</u>	<u>5,832,709</u>
Revenue over (under) expenditures	(1,283,194)	(4,228,280)	(5,511,474)	592,971	(5,560,973)
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>13,394,789</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 13,987,760</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(339,289)	
Fund balance at end of year (GAAP basis)				<u>\$ 13,648,471</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, 2017

	<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	\$ 50,000	\$ (30,000)
Other revenue	-	-	-	43,614	43,614
Interest	7,500	-	7,500	20,974	13,474
Total revenues	<u>87,500</u>	<u>-</u>	<u>87,500</u>	<u>114,588</u>	<u>27,088</u>
EXPENDITURES					
Economic Development					
Personal Services	102,000	-	102,000	97,631	4,369
Materials & Supplies	25,000	8,000	33,000	34,060	(1,060)
Other Charges & Services	242,000	13,475	255,475	220,436	35,039
Capital Outlay	1,020,000	145,800	1,165,800	184,185	981,615
Total expenditures	<u>1,389,000</u>	<u>167,275</u>	<u>1,556,275</u>	<u>536,312</u>	<u>1,019,963</u>
Revenue over (under) expenditures	(1,301,500)	(167,275)	(1,468,775)	(421,724)	(992,875)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	80,000	-	80,000	271,150	191,150
Net other financing sources (uses)	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>271,150</u>	<u>191,150</u>
Revenues and other financing sources over (under) expenditures and other uses	(1,221,500)	(167,275)	(1,388,775)	(150,574)	
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>3,501,080</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 3,350,506	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>870,990</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 4,221,496</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, 2017**

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>
City's portion of the net pension liability (asset)	0.3548%	0.3630%	0.3969%
City's proportionate share of the net pension liability (asset)	\$ (119,445)	\$ 14,802	\$ 607,830
City's covered-employee payroll	\$ 1,527,970	\$ 1,626,148	\$ 1,633,738
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-8%	1%	37%
Plan fiduciary net position as a percentage of the total pension liability	149.70%	99.99%	99.60%

* 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>	<u>2016*</u>	<u>2017*</u>
Contractually required contribution	\$ 129,023	\$ 133,394	\$ 152,164
Contributions in relation to the contractually required contribution	<u>(129,023)</u>	<u>(133,394)</u>	<u>(152,164)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,527,970	\$ 1,626,148	\$ 1,633,738
Contributions as a percentage of covered-employee payroll	8.44%	8.20%	9.31%

** 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, 2017

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>
City's portion of the net pension liability (asset)	0.4238%	0.4524%	0.4263%
City's proportionate share of the net pension liability (asset)	\$ 5,013,129	\$ 4,801,838	\$ 5,207,678
City's covered-employee payroll	\$ 1,489,118	\$ 1,574,246	\$ 1,613,295
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	337%	305%	323%
Plan fiduciary net position as a percentage of the total pension liability	96.11%	100.00%	99.57%

* 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>	<u>2016*</u>	<u>2017*</u>
Contractually required contribution	\$ 158,403	\$ 173,050	\$ 166,927
Contributions in relation to the contractually required contribution	<u>(158,403)</u>	<u>(173,050)</u>	<u>(166,927)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,489,118	\$ 1,574,246	\$ 1,613,295
Contributions as a percentage of covered-employee payroll	10.64%	10.99%	10.35%

** 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, 2017

	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
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 82,889	\$ 77,815	\$ -	\$ 2,908	\$ 12,441	\$ -
Investments	100,000	15,000	2,000	-	57,000	60,000	-	-	60,000
Due from other governments	-	-	-	-	-	-	-	-	-
Prepaid asset	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 82,889</u>	<u>\$ 134,815</u>	<u>\$ 60,000</u>	<u>\$ 2,908</u>	<u>\$ 12,441</u>	<u>\$ 60,000</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ (485)	\$ -	\$ 2,908	\$ 1,050	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(485)</u>	<u>-</u>	<u>2,908</u>	<u>1,050</u>	<u>-</u>
FUND BALANCES									
Restricted	100,000	-	-	-	-	60,000	-	-	-
Committed	-	-	-	-	-	-	-	11,391	-
Assigned	-	15,000	2,000	82,889	135,300	-	-	-	60,000
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>100,000</u>	<u>15,000</u>	<u>2,000</u>	<u>82,889</u>	<u>135,300</u>	<u>60,000</u>	<u>-</u>	<u>11,391</u>	<u>60,000</u>
Total liabilities and fund balances	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 82,889</u>	<u>\$ 134,815</u>	<u>\$ 60,000</u>	<u>\$ 2,908</u>	<u>\$ 12,441</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2017

	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	\$ -	\$ -	\$ -	\$ 15,396	\$ 69,927	\$ -	\$ 322,890	\$ 904,135	\$ 1,488,401
Investments	5,000	100,000	25,000	450,000	-	41,000	1,100,000	500,000	2,515,000
Due from other governments	-	-	-	-	-	-	-	-	-
Prepaid asset	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 465,396</u>	<u>\$ 69,927</u>	<u>\$ 41,000</u>	<u>\$ 1,422,890</u>	<u>\$ 1,404,135</u>	<u>\$ 4,003,401</u>
LIABILITIES									
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,473</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,473</u>
FUND BALANCES									
Restricted	-	-	-	-	-	-	-	1,404,135	1,564,135
Committed	-	-	-	465,396	-	41,000	1,422,890	-	1,940,677
Assigned	5,000	100,000	25,000	-	-	-	-	-	425,189
Unassigned	-	-	-	-	69,927	-	-	-	69,927
Total fund balances	<u>5,000</u>	<u>100,000</u>	<u>25,000</u>	<u>465,396</u>	<u>69,927</u>	<u>41,000</u>	<u>1,422,890</u>	<u>1,404,135</u>	<u>3,999,928</u>
Total liabilities and fund balances	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 465,396</u>	<u>\$ 69,927</u>	<u>\$ 41,000</u>	<u>\$ 1,422,890</u>	<u>\$ 1,404,135</u>	<u>\$ 4,003,401</u>

City of Elk City, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds (continued)
June 30, 2017

	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	-	-	-	-	-	-	-	9,825	-
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	10,902	4,593	-	-	-	-
Donations	-	-	-	50	-	-	-	-	-
Interest income	-	-	-	116	120	-	-	9	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,068</u>	<u>4,713</u>	<u>-</u>	<u>-</u>	<u>9,834</u>	<u>-</u>
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	-	7,825	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,825</u>	<u>-</u>
Public safety and judiciary:									
Police	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	11,008	-	-	-	-
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,008</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>-</u>	<u>11,008</u>	<u>-</u>	<u>-</u>	<u>7,825</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,068</u>	<u>(6,295)</u>	<u>-</u>	<u>-</u>	<u>2,009</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	-	-	-	11,068	(6,295)	-	-	2,009	-
Fund balances - beginning	100,000	15,000	2,000	71,821	141,595	60,000	-	9,382	60,000
Fund balances - ending	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 82,889</u>	<u>\$ 135,300</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 11,391</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds (continued)
June 30, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 624,752	\$ 624,752
Charges for services	-	-	-	-	-	-	-	-	9,825
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	451,325	-	466,820
Donations	-	-	-	-	-	-	-	-	50
Interest income	-	-	-	2,206	10,075	-	6,006	3,645	22,177
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,206</u>	<u>10,075</u>	<u>-</u>	<u>457,331</u>	<u>628,397</u>	<u>1,123,624</u>
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	13,106	-	20,931
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,106</u>	<u>-</u>	<u>20,931</u>
Public safety and judiciary:									
Police	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	11,008
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,008</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	-	-	-	-	-	-	519,650	193,000	712,650
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,650</u>	<u>193,000</u>	<u>712,650</u>
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,756</u>	<u>193,000</u>	<u>744,589</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,206</u>	<u>10,075</u>	<u>-</u>	<u>(75,425)</u>	<u>435,397</u>	<u>379,035</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	-	(281,803)	(281,803)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(281,803)</u>	<u>(281,803)</u>
Net change in fund balances	-	-	-	2,206	10,075	-	(75,425)	153,594	97,232
Fund balances - beginning	5,000	100,000	25,000	463,190	59,852	41,000	1,498,315	1,250,541	3,902,696
Fund balances - ending	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 465,396</u>	<u>\$ 69,927</u>	<u>\$ 41,000</u>	<u>\$ 1,422,890</u>	<u>\$ 1,404,135</u>	<u>\$ 3,999,928</u>

City of Elk City, Oklahoma
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2017

	Water Meter Deposit Fund	Municipal Court Bond Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 34,917	\$ 13,472	\$ 48,389
Investments	196,000	-	196,000
Total assets	<u>\$ 230,917</u>	<u>\$ 13,472</u>	<u>\$ 244,389</u>
LIABILITIES			
Due to other funds	\$ 13,560	-	\$ 13,560
Bonds and deposits subject to refund	217,357	13,472	230,829
Total liabilities	<u>\$ 230,917</u>	<u>\$ 13,472</u>	<u>\$ 244,389</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 Commission
City of Elk City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Elk City, Oklahoma's basic financial statements, and have issued our report thereon dated January 16, 2018.

Internal Control over Financial Reporting

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

January 16, 2018