

**THE CITY OF
DEL CITY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

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

CITY OF DEL CITY, OKLAHOMA

Table of Contents

Year Ended June 30, 2016

	Page
Independent Auditor’s Report on Financial Statements	1
Management’s Discussion and Analysis	3
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis)	7
Statement of Activities (Modified Cash Basis).....	8
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	9
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis)	10
Reconciliation of Governmental Funds to Governmental Activities	11
Proprietary Funds Financial Statements:	
Statement of Net Position (Modified Cash Basis)	12
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis)	13
Statement of Cash Flows (Modified Cash Basis)	14
Statement of Fiduciary Net Position (Modified Cash Basis)	15
Footnotes to the Basic Financial Statements	16
Supplementary Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Modified Cash Basis) – General Fund.....	31
Footnotes to Budgetary Comparison Schedules	32
Combining Non-Major Governmental Fund Schedules	
Combining Balance Sheet (Modified Cash Basis).....	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis)	34
Combining Statement of Fiduciary Net Position (Modified Cash Basis)	35
Schedule of Debt Coverage	36
Independent Auditor’s Report on Internal Control and Compliance	38



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Del City, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Del City, Oklahoma (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 City'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 City'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, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining fund schedules – modified cash basis and debt service coverage information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements – modified cash basis and debt service coverage information, as listed in the table of contents, 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 and individual nonmajor fund financial statements and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



December 28, 2016

CITY OF DEL CITY, OKLAHOMA
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2016

The management of the City of Del City is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2016. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$846,670, and the assets of the City exceed its liabilities at June 30, 2016, by \$28,753,222 (net position).
- At June 30, 2016, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$3,767,141.
- At the end of fiscal year 2016, unassigned fund balance on a modified cash basis for the General Fund was \$1,295,448 deficit or a negative 16% of General Fund revenues.

ABOUT THE CITY

The City of Del City is a council-manager form of government with a population of approximately 21,000 located in Oklahoma County in central Oklahoma. The City is governed by a five-member City Council and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, library, community development, and through its Utilities Authority, certain utility services including water, wastewater, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Del City (primary government)** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Del City Municipal Services (DCMSA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City. The City of Del City is the beneficiary of the trust and the City Council serves as the governing body of the trust.

CITY OF DEL CITY, OKLAHOMA
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2016

- **The Del City Economic Development Authority (DCEDA)** – public trust created pursuant to 60 O.S. § 176 to promote development within the City. The Del City Council appoints the trustees.

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Del City (the "City"), the Del City Municipal Services Authority and the Del City Economic Development Authority (the "Authorities"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

CITY OF DEL CITY, OKLAHOMA
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2016

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. The City's proprietary funds are the Del City Municipal Services Authority that accounts for the operation of the water, sewer, and sanitation activities and the Del City Economic Development Authority which accounts for activities promoting development in the City.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the basic financial statement section of this report as noted in the table of contents.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund.

THE CITY AS A WHOLE

For the year ended June 30, 2016, net position on a modified cash basis for the governmental activities decreased \$416,804 and business-type activities increased \$1,263,474 for a total net increase of \$846,670.

A portion of the City's total of \$28,753,222 in net position, \$27,873,636, represents resources that are subject to restrictions on how they may be used.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$3,767,141. For the year ended June 30, 2016, the General Fund's total fund balance decreased by \$221,823.

Budgetary Highlights

For the year ended June 30, 2016, the General Fund reported actual modified cash basis revenues under final estimates by \$818,467 or a negative 7.2% variance. General Fund actual expenditures exceeded final appropriations by \$1,073,099 or a 9.1% negative variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The Fiscal 2016 budget is consistent with prior years.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate 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 3701 SE 15th Street, Del City, Oklahoma 73115.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 162,220	\$ 7,211,847	\$ 7,374,067
Internal balances	3,604,921	(3,604,921)	-
Capital assets:			
Capital assets, non-depreciable	3,057,289	4,221,339	7,278,628
Other capital assets, net	19,324,035	7,935,294	27,259,329
Total assets	<u>26,148,465</u>	<u>15,763,559</u>	<u>41,912,024</u>
Liabilities			
Customer deposits payable	-	507,604	507,604
Long-term liabilities:			
Due within one year	476,913	3,342,272	3,819,185
Due in more than one year	4,352,585	4,479,428	8,832,013
Total liabilities	<u>4,829,498</u>	<u>8,329,304</u>	<u>13,158,802</u>
Net Position			
Invested in capital assets net of related debt	17,641,324	4,334,933	21,976,257
Restricted for:			
Capital projects	4,499,225	-	4,499,225
Economic development	25,728	-	25,728
Debt service	357,644	509,500	867,144
Grant projects	147,911	-	147,911
Streets	264,894	-	264,894
Juvenile justice	35,819	-	35,819
Police training	15,384	-	15,384
Fire	12,395	-	12,395
Labor relations	28,879	-	28,879
Unrestricted (deficit)	<u>(1,710,236)</u>	<u>2,589,822</u>	<u>879,586</u>
Total net position	<u>\$ 21,318,967</u>	<u>\$ 7,434,255</u>	<u>\$ 28,753,222</u>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year ended June 30, 2016

Functions/Programs	Program Revenues			Net Revenues (Expenses) and Changes in Net Position			
	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 4,155,858	\$ 178,014	\$ 200,317	\$ -	\$ (3,777,527)	\$ -	\$ (3,777,527)
Public safety	5,816,106	735,615	-	-	(5,080,491)	-	(5,080,491)
Streets	884,210	205,553	-	-	(678,657)	-	(678,657)
Drainage	154,999	204,373	-	-	49,374	-	49,374
Community services	663,750	-	-	-	(663,750)	-	(663,750)
Economic development	67,048	-	-	-	(67,048)	-	(67,048)
Parks and recreation	374,514	131,875	-	-	(242,639)	-	(242,639)
Interest on long-term debt	139,192	-	-	-	(139,192)	-	(139,192)
Total governmental activities	12,255,677	1,455,430	200,317	-	(10,599,930)	-	(10,599,930)
Business-type activities:							
Water	2,210,054	2,725,917	-	-	-	515,863	515,863
Sewer	1,212,306	2,295,433	-	-	-	1,083,127	1,083,127
Sanitation	1,064,565	1,915,496	-	-	-	850,931	850,931
General government	1,219,937	-	-	-	-	(1,219,937)	(1,219,937)
Economic development	925,032	-	-	-	-	(925,032)	(925,032)
Interest on long-term debt	231,000	-	-	-	-	(231,000)	(231,000)
Fleet maintenance	514,780	-	-	-	-	(514,780)	(514,780)
Total business-type activities	7,377,674	6,936,846	-	-	-	(440,828)	(440,828)
Total primary government	\$ 19,633,351	\$ 8,392,276	\$ 200,317	\$ -	(10,599,930)	(440,828)	(11,040,758)

General Revenues:

Taxes:

Sales and use taxes	9,987,976	-	9,987,976
Ad valorem taxes	568,711	-	568,711
Franchise and miscellaneous taxes	915,279	-	915,279
Investment income (loss)	3,200	305	3,505
Miscellaneous	362,278	49,679	411,957
Transfers - internal activities	(1,654,318)	1,654,318	-
Total general revenues and transfers	10,183,126	1,704,302	11,887,428
Change in net position	(416,804)	1,263,474	846,670
Net position, beginning of year	21,735,771	6,170,781	27,906,552
Net position, end of year	\$ 21,318,967	\$ 7,434,255	\$ 28,753,222

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Limited Purpose Sales Tax	Police Grant	Debt Service	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets							
Current Assets:							
Cash and cash equivalents	\$ 708	\$ 49	\$ 62,458	\$ 18	\$ 94	\$ 98,893	\$ 162,220
Due from other funds	39,844	2,865,651	-	419,600	1,678,000	56,751	5,059,846
Total assets	<u>\$ 40,552</u>	<u>\$ 2,865,700</u>	<u>\$ 62,458</u>	<u>\$ 419,618</u>	<u>\$ 1,678,094</u>	<u>\$ 155,644</u>	<u>\$ 5,222,066</u>
Liabilities and Fund Balances							
Liabilities							
Current liabilities							
Due to other funds	\$ 1,336,000	\$ -	\$ -	\$ 61,974	\$ -	\$ 56,951	\$ 1,454,925
Total current liabilities	<u>1,336,000</u>	<u>-</u>	<u>-</u>	<u>61,974</u>	<u>-</u>	<u>56,951</u>	<u>1,454,925</u>
Fund Balances							
Restricted	-	3,134,239	62,458	357,644	1,678,094	155,444	5,387,879
Unassigned	(1,295,448)	(268,539)	-	-	-	(56,751)	(1,620,738)
Total fund balances	<u>(1,295,448)</u>	<u>2,865,700</u>	<u>62,458</u>	<u>357,644</u>	<u>1,678,094</u>	<u>98,693</u>	<u>3,767,141</u>
Total liabilities and fund balances	<u>\$ 40,552</u>	<u>\$ 2,865,700</u>	<u>\$ 62,458</u>	<u>\$ 419,618</u>	<u>\$ 1,678,094</u>	<u>\$ 155,644</u>	<u>\$ 5,222,066</u>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year ended June 30, 2016

	General	Limited	Police	Debt	Capital	Other	Total
	Fund	Purpose	Grant	Service	Improvements	Governmental	Governmental
		Sales Tax				Funds	Funds
Revenues:							
Sales and use taxes	\$ 5,816,154	\$ 3,843,345	\$ -	\$ -	\$ -	\$ 534,030	\$ 10,193,529
Ad valorem taxes	-	-	-	568,711	-	-	568,711
Franchise and miscellaneous taxes	915,279	-	-	-	-	-	915,279
Licenses and permits	178,014	-	-	-	-	-	178,014
Parks and recreation fees	131,875	-	-	-	-	-	131,875
Fees and fines	939,988	-	-	-	-	-	939,988
Grant proceeds	109,015	5,849	-	-	-	85,453	200,317
Interest income	3,200	-	-	-	-	-	3,200
Miscellaneous	239,544	94,706	-	-	-	28,028	362,278
Total revenues	8,333,069	3,943,900	-	568,711	-	647,511	13,493,191
Expenditures:							
Current:							
General government	2,642,673	-	-	-	-	-	2,642,673
Municipal court	238,127	-	-	-	-	-	238,127
Community services	597,885	-	-	-	-	65,865	663,750
Public safety	5,537,862	-	-	-	-	40,117	5,577,979
Street/Alley	597,566	286,644	-	-	-	-	884,210
Drainage	154,999	-	-	-	-	-	154,999
Parks and recreation	371,064	3,450	-	-	-	-	374,514
Economic development	-	-	-	-	-	67,048	67,048
Debt service	-	-	-	604,163	-	-	604,163
Capital outlay	58,203	199,430	11,101	-	75,526	-	344,260
Total expenditures	10,198,379	489,524	11,101	604,163	75,526	173,030	11,551,723
Excess (deficiency) of revenues over expenditures	(1,865,310)	3,454,376	(11,101)	(35,452)	(75,526)	474,481	1,941,468
Other financing sources (uses):							
Transfers in	2,197,840	-	-	-	-	-	2,197,840
Transfers out	(554,353)	(3,200,006)	-	-	-	(434,844)	(4,189,203)
Total other financing sources and (uses)	1,643,487	(3,200,006)	-	-	-	(434,844)	(1,991,363)
Net change in fund balances	(221,823)	254,370	(11,101)	(35,452)	(75,526)	39,637	(49,895)
Fund balances, beginning of year	(1,073,625)	2,611,330	73,559	393,096	1,753,620	59,056	3,817,036
Fund balances, end of year	\$ (1,295,448)	\$ 2,865,700	\$ 62,458	\$ 357,644	\$ 1,678,094	\$ 98,693	\$ 3,767,141

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
RECONCILIATION OF GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES
June 30, 2016

Total fund balance, governmental funds	\$ 3,767,141
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement but are reported in the governmental activities of the Statement of Net Position.	22,381,324
Some liabilities (such as Notes Payable, Contracts Payable and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(4,829,498)</u>
Net position, governmental activities	<u><u>\$ 21,318,967</u></u>
Net change in fund balance, total governmental funds	\$ (49,895)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
Capital asset purchases capitalized	396,982
Depreciation expense	(1,190,804)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position:	
Principal payments on long-term debt	420,000
Decrease in judgments payable	<u>6,913</u>
Change in net position, governmental activities	<u><u>\$ (416,804)</u></u>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2016

	Enterprise Funds		
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 332	\$ 332
Restricted cash and cash equivalents	1,663,840	5,547,675	7,211,515
Due from other funds	22,330	-	22,330
Total current assets	1,686,170	5,548,007	7,234,177
Non-current assets:			
Capital assets, non-depreciable	4,221,339	-	4,221,339
Other capital assets, net	7,935,294	-	7,935,294
Total Assets	13,842,803	5,548,007	19,390,810
Liabilities			
Current liabilities:			
Customer deposits payable	507,604	-	507,604
Due to other funds	1,780,350	1,846,901	3,627,251
Total current liabilities	2,287,954	1,846,901	4,134,855
Long-term liabilities			
Due within one year	367,272	2,975,000	3,342,272
Due in more than one year	1,479,428	3,000,000	4,479,428
Total Liabilities	4,134,654	7,821,901	11,956,555
Net Position			
Invested in capital assets net of related debt	10,309,933	(5,975,000)	4,334,933
Restricted for debt service	-	509,500	509,500
Unrestricted (deficit)	(601,784)	3,191,606	2,589,822
Total net position	\$ 9,708,149	\$ (2,273,894)	\$ 7,434,255

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year ended June 30, 2016

	Enterprise Funds		
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds
Operating revenues:			
Water charges	\$ 2,367,675	\$ -	\$ 2,367,675
Sewer charges	2,295,433	-	2,295,433
Sanitation charges	1,915,496	-	1,915,496
Fees and fines	358,242	-	358,242
Miscellaneous	23,393	-	23,393
Total operating revenues	6,960,239	-	6,960,239
Operating expenses:			
General government	375,898	-	375,898
Administration	844,039	-	844,039
Wastewater treatment	725,104	-	725,104
Water services	1,956,434	-	1,956,434
Sewer services	348,081	-	348,081
Sanitation services	942,398	-	942,398
Fleet maintenance	455,705	-	455,705
Economic Development	-	925,032	925,032
Depreciation expense	573,983	-	573,983
Total operating expenses	6,221,642	925,032	7,146,674
Operating income (loss)	738,597	(925,032)	(186,435)
Nonoperating revenues (expenses):			
Investment income	-	305	305
Lease revenue	-	26,286	26,286
Interest expense	(55,545)	(175,455)	(231,000)
Total nonoperating revenue (expenses)	(55,545)	(148,864)	(204,409)
Income (loss) before contributions and transfers	683,052	(1,073,896)	(390,844)
Transfers in	2,278,432	3,139,079	5,417,511
Transfers out	(1,500,000)	(2,263,193)	(3,763,193)
Change in net position	1,461,484	(198,010)	1,263,474
Total net position, beginning of year	8,246,665	(2,075,884)	6,170,781
Total net position, end of year	\$ 9,708,149	\$ (2,273,894)	\$ 7,434,255

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year ended June 30, 2016

	Enterprise Funds		
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,960,239	\$ -	\$ 6,960,239
Water meter deposits received, net	15,080	-	15,080
Interfund activity	1,411,209	1,000,000	2,411,209
Payments to employees	(1,627,101)	-	(1,627,101)
Payments to suppliers	(4,020,558)	(925,032)	(4,945,590)
Net cash provided by (used in) operating activities	<u>2,738,869</u>	<u>74,968</u>	<u>2,813,837</u>
Cash Flows from Noncapital Financing Activities			
Transfers in from other funds	2,278,432	3,139,079	5,417,511
Transfers out to other funds	(1,500,000)	(2,263,193)	(3,763,193)
Net cash provided by (used in) noncapital financing activities	<u>778,432</u>	<u>875,886</u>	<u>1,654,318</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(3,317,098)	-	(3,317,098)
Proceeds from debt	950,000	3,450,000	4,400,000
Principal paid on debt	(412,582)	(1,825,000)	(2,237,582)
Interest and debt issuance costs paid	(55,545)	(175,455)	(231,000)
Net cash provided by (used in) capital and related financing activities	<u>(2,835,225)</u>	<u>1,449,545</u>	<u>(1,385,680)</u>
Cash Flows from Investing Activities			
Investment income	-	26,591	26,591
Net cash provided by investing activities	<u>-</u>	<u>26,591</u>	<u>26,591</u>
Net increase (decrease) in cash and cash equivalents	682,076	2,426,990	3,109,066
Cash and cash equivalents, beginning of year	981,764	3,121,017	4,102,781
Cash and cash equivalents, end of year	<u>\$ 1,663,840</u>	<u>\$ 5,548,007</u>	<u>\$ 7,211,847</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	\$ 738,597	\$ (925,032)	\$ (186,435)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
Depreciation expense	573,983	-	573,983
Due from(to) other fund	1,411,209	1,000,000	2,411,209
Meter deposit liability	15,080	-	15,080
Net cash provided by (used in) operating activities	<u>\$ 2,738,869</u>	<u>\$ 74,968</u>	<u>\$ 2,813,837</u>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
June 30, 2016

	<u>AGENCY FUNDS</u>
Assets	
Cash	<u>\$ 385,519</u>
Total assets	<u><u>\$ 385,519</u></u>
Liabilities	
Assets held on behalf of others	<u>\$ 385,519</u>
Total liabilities	<u><u>\$ 385,519</u></u>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of the Governmental Accounting Standards Board Statement No. 14 as amended by Statement 61, “*The Financial Reporting Entity*” that requires the reporting entity and all component units of which the reporting entity is financially accountable be included in the financial report. The City’s financial reporting entity includes three separate legal entities reported as the primary government.

- **The City of Del City** – that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities
- **The Del City Municipal Service Authority** – that operates the water, sewer, and sanitation services of the City (*blended*)
- **The Del City Economic Development Authority** – that operates the economic development services within the City (*blended*)

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City’s financial reporting entity. The public trust does not issue separate financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The Statements of Net Position and Activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for capital assets, long-term debt, the meter deposit liability and interfund balances arising from cash transactions.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies – continued

B. Basis of Presentation and Accounting - continued

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

- General government: License and permits and rents and royalties
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Drainage: Drainage fees

Governmental Funds:

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

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Limited Purpose Sales Tax Fund - accounts for certain restricted sales tax revenue.
- Police Grant Fund - accounts for grant activity for the police department.
- Debt Service Fund- accounts for revenues restricted for debt extinguishment.
- Capital Improvements Fund- accounts for debt proceeds restricted for capital improvements.

Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Funds:

- CDBG Fund – accounts for funds of the Community Development Block Grant.
- Hotel/Motel Tax Fund – accounts for all hotel/motel tax revenue restricted for economic development activity.
- Police Training Fund – accounts for the police training revenues and expenses.
- Labor Relations Fund – monies restricted for labor negotiations.
- Economic Development Fund – amounts restricted for economic development.
- Neighborhood Enhancement Fund – amounts restricted for abatement of neighborhood issues.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Funds:

The City's proprietary funds are comprised of the following accounts:

- Del City Municipal Services Authority- accounts for the operation of the water, wastewater, and sanitation activities.
- Del City Economic Development Authority- accounts for economic development activities.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while

**CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016**

1. Summary of Significant Accounting Policies - continued

B. Basis of Presentation and Accounting - continued

revenues and expenses related to financing, capital, and investing activities are reported as non-operating or transfers and contributions.

The proprietary funds are reported using the same basis of accounting and measurement focus as the government-wide statements.

All of the above noted governmental funds are legally required to adopt annual budgets or appropriations. The public trusts (or Authorities) are not required to adopt legal annual appropriations. While the trusts develop an annual budget, it is for financial management purposes and does not constitute legal appropriations.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, money market accounts, and certificates of deposit or short-term investments with an original maturity of three-months or less.

D. Capital Assets

Property, plant and equipment are accounted for as capital assets in the government-wide and proprietary fund financial statements. The City's capitalization threshold for the year ended June 30, 2016 was \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2012, governmental activities' infrastructure assets were not capitalized. These assets (dating back to July 1, 1964) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings	20-50 years
Other Improvements	20-50 years
Equipment and vehicles	5-50 years
Infrastructure	25-50 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The City capitalizes interest as a component of capital assets constructed for its own use.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies – continued

E. Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds and repayment of debt as other financing sources and uses for the current period. Issuance costs are reported as expenditures.

F. Fund Balances and Net Position

Fund Statements:

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

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. *Assigned* – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated that authority.
- e. *Unassigned* – represents fund balance that has not been restricted, committed, or assigned to specific purposes.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net position is displayed in three components:

- A. *Net investment in capital assets* – 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.
- B. *Restricted net positions* - Consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- C. *Unrestricted net positions* - All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies – continued

G. Internal and Interfund Balances and Transfers

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

H. Use of Estimates

Certain estimates are made in the preparation of the financial statements. Estimates are based on management’s best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2016, the City recognized \$3,505 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City’s deposits are in demand and short-term time deposits.

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

<u>Type</u>	<u>Carrying Value</u>
Petty cash	\$ 2,935
Demand deposits	2,208,976
Money market mutual fund	<u>5,547,675</u>
	<u>\$ 7,759,586</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 7,374,067
Agency fund cash and cash equivalents	<u>385,519</u>
	<u>\$ 7,759,586</u>

Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty’s trust, department or agent, but not in the government’s name.

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

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

2. Deposits and Investments - continued

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2016, the City held only government-obligation money market funds.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

3. Internal and Interfund Balances and Transfers

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	CDBG	\$ 200
General Fund	Debt Service	39,644
Limited Purpose Sales Tax	General Fund	1,336,000
Limited Purpose Sales Tax	Del City MSA	682,750
Hotel/Motel	Neighborhood Enhance.	16,600
Police Training	Neighborhood Enhance.	11,351
Labor Relations	Neighborhood Enhance.	28,800
Capital Improvement	Del City MSA	678,000
Debt Service	Del City MSA	419,600
Del City MSA	Debt Service	22,330
Limited Purpose Sales Tax	Del City EDA	1,846,901
Total		<u><u>\$ 5,082,176</u></u>

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 5,059,846	\$ 1,454,925	\$ 3,604,921
Business-Type Funds	22,330	3,627,251	(3,604,921)
Total	<u><u>\$ 5,082,176</u></u>	<u><u>\$ 5,082,176</u></u>	<u><u>\$ -</u></u>

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

3. Internal and Interfund Balances and Transfers - continued

Transfers:

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

Transfer In	Transfer Out	Amount
General Fund	Del City MSA	\$ 1,500,000
General Fund	Neighborhood Improve.	200,000
General Fund	Hotel/Motel	34,844
General Fund	Limited Purpose Sales Tax	462,996
Del City MSA	Del City EDA	1,926,148
Del City MSA	Limited Purpose Sales Tax	352,284
Del City EDA	General Fund	554,353
Del City EDA	Limited Purpose Sales Tax	2,384,726
Del City EDA	Economic Development	200,000
		<u>\$ 7,615,351</u>

Reconciliation to fund financial statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 2,197,840	\$ 4,189,203	\$ (1,991,363)
Proprietary Funds	5,417,511	3,763,193	1,654,318
Total	<u>\$ 7,615,351</u>	<u>\$ 7,952,396</u>	<u>\$ (337,045)</u>

Reconciliation to Statement of Activities:

Net transfers	\$ (337,045)
Capital assets transferred to governmental funds	337,045
	<u>\$ -</u>

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

4. Capital Assets

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

	Balance at June 30, 2015	Additions	Transfers	Disposals	Balance at June 30, 2016
Governmental Activities:					
Non-depreciable:					
Land	\$ 2,481,455	\$ 9,500	\$ -	\$ -	\$ 2,490,955
Construction in Progress	2,412,643	289,280	(2,135,589)	-	566,334
Total non-depreciable assets at historical cost	<u>4,894,098</u>	<u>298,780</u>	<u>(2,135,589)</u>	<u>-</u>	<u>3,057,289</u>
Depreciable:					
Buildings	6,561,378	39,016	110,585		6,710,979
Machinery and Equipment	4,627,831	79,153	-	(157,420)	4,549,564
Infrastructure	20,944,417	105,968	2,025,004	-	23,075,389
Total depreciable assets at historical cost	<u>32,133,626</u>	<u>224,137</u>	<u>2,135,589</u>	<u>(157,420)</u>	<u>34,335,932</u>
Less accumulated depreciation					
Buildings	1,231,638	224,184	-	-	1,455,822
Machinery and Equipment	1,482,056	478,297	-	(31,485)	1,928,868
Infrastructure	11,138,884	488,323	-	-	11,627,207
Total accumulated depreciation	<u>13,852,578</u>	<u>1,190,804</u>	<u>-</u>	<u>(31,485)</u>	<u>15,011,897</u>
Net Depreciable Assets	<u>18,281,048</u>	<u>(966,667)</u>	<u>2,135,589</u>	<u>(125,935)</u>	<u>19,324,035</u>
Governmental activities capital assets, net	<u>\$ 23,175,146</u>	<u>\$ (667,887)</u>	<u>\$ -</u>	<u>\$ (125,935)</u>	<u>\$ 22,381,324</u>
Business-type activities:					
Non-depreciable:					
Land	\$ 982,281	\$ -	\$ -	\$ -	\$ 982,281
Construction in Progress	246,215	3,058,225	(65,382)	-	3,239,058
Total non-depreciable assets at historical cost	<u>1,228,496</u>	<u>3,058,225</u>	<u>(65,382)</u>	<u>-</u>	<u>4,221,339</u>
Depreciable:					
Buildings	2,835,974	-	-	-	2,835,974
Machinery and Equipment	8,427,256	27,297	-	(19,297)	8,435,256
Infrastructure	14,033,370	247,014	65,382	-	14,345,766
Total depreciable assets at historical cost	<u>25,296,600</u>	<u>274,311</u>	<u>65,382</u>	<u>(19,297)</u>	<u>25,616,996</u>
Less accumulated depreciation					
Buildings	2,636,635	39,734	-	-	2,676,369
Machinery and Equipment	6,787,688	226,891	-	(3,859)	7,010,720
Infrastructure	7,687,255	307,358	-	-	7,994,613
Total accumulated depreciation	<u>17,111,578</u>	<u>573,983</u>	<u>-</u>	<u>(3,859)</u>	<u>17,681,702</u>
Net Depreciable Assets	<u>8,185,022</u>	<u>(299,672)</u>	<u>65,382</u>	<u>(15,438)</u>	<u>7,935,294</u>
Business-type activities capital assets, net	<u>\$ 9,413,518</u>	<u>\$ 2,758,553</u>	<u>\$ -</u>	<u>\$ (15,438)</u>	<u>\$ 12,156,633</u>

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

5. Long-Term Debt

	June 30, 2015	Additions	Deletions	June 30, 2016	Within One Year
Governmental:					
General Obligation Bonds - Series 2011A	\$ 2,580,000	\$ -	\$ (210,000)	\$ 2,370,000	\$ 210,000
General Obligation Bonds - Series 2011B	2,580,000	-	(210,000)	2,370,000	210,000
Judgments Payable	96,411	50,000	(56,913)	89,498	56,913
Total	<u>\$ 5,256,411</u>	<u>\$ 50,000</u>	<u>\$ (476,913)</u>	<u>\$ 4,829,498</u>	<u>\$ 476,913</u>
Business-type:					
DCDEA Sales Tax Revenue Note, Series 2013	\$ 4,350,000	\$ -	\$ (1,450,000)	\$ 2,900,000	\$ 1,450,000
DCDEA Sales Tax Revenue Note, Series 2015	-	3,450,000	(375,000)	3,075,000	1,525,000
Notes Payable	928,024	950,000	(290,019)	1,588,005	344,874
Contracts Payable	381,258	-	(122,563)	258,695	22,398
Total	<u>\$ 5,659,282</u>	<u>\$ 4,400,000</u>	<u>\$ (2,237,582)</u>	<u>\$ 7,821,700</u>	<u>\$ 3,342,272</u>

General Obligation Bonds Payable:

\$3,000,000 General Obligation Bonds, Series 2011A, due in annual installments of \$210,000 with a final installment of \$270,000; final maturity in November 2026 with interest rate of 3%.

Balance Outstanding at June 30, 2016 \$2,370,000

\$3,000,000 General Obligation Limited Tax Bonds, Series 2011B, due in annual installments of \$210,000 with a final installment of \$270,000; final maturity in November 2026 with interest rate of 3%.

Balance Outstanding at June 30, 2016 \$2,370,000

**CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016**

5. Long-Term Debt - continued

Del City Economic Development Authority (DCEDA):

Revenue Note Payable:

\$7,250,000 Del City Economic Development Authority Sales Tax Revenue Note, Series 2013, dated March 28, 2013, payable semi-annually at \$725,000 at an interest rate of 1.11%, final maturity March 1, 2018; used for the acquisition of public works vehicles, constructions of a public works administration building, construction of a fire department administration building, the construction of a women's veteran monument and land acquisition.

Balance Outstanding at June 30, 2016 \$2,900,000

\$3,450,000 Del City Economic Development Authority Sales Tax Revenue Note, Series 2015, dated November 23, 2015, payable semi-annually at \$750,000 the first year and \$775,000 for subsequent years at an interest rate of .91% per annum, final maturity March 1, 2018; used for construction of a fire department administration, new municipal library and other capital improvements.

Balance Outstanding at June 30, 2016 \$3,075,000

Del City Municipal Services Authority (DCMSA):

Contract Payable:

The City and Del City Municipal Services Authority on 9/22/2009 approved refinancing the 7/1/2007 amendment to the Central Oklahoma Master Conservancy District dated October 2007, whereby DCMSA agreed to incur \$397,502 of debt, payable in 34 semiannual installments beginning March 2010; final maturity dated 2026 with interest of 2.44% used for the purpose of funding its proportionate share of the District's 2007 Electrical Energy Savings Project with a total projected cost of \$2,475,000.

Balance Outstanding as of June 30, 2016 \$258,696

Notes Payable:

Del City Municipal Services Authority entered into a loan agreement with Oklahoma Water Resources Board (OWRB) on October 1, 2009 in the amount of \$1,190,000 for modifications to their wastewater treatment plant. During 2011 a change order was added to the loan agreement increasing the principal balance with semi-annual payments of principal and accrued interest at 2.58% beginning March 15, 2010. Using funds received from the American Recovery and Reinvestment Act of 2009, OWRB forgave \$367,472 of the principal of this loan. The note is to be repaid no later than 20 years after the date the project is completed; maturity is on the earlier of March 15 or September 15, 2030.

Balance Outstanding as of June 30, 2016 \$598,811

Del City Municipal Services Authority entered into a loan agreement with FNB Community Bank on March 8, 2013 to finance two additional water wells for the City. The loan is payable in 48 monthly installments of \$14,474 with 3.25% interest. Maturity date of the loan is March 8, 2017.

Balance Outstanding as of June 30, 2016 \$127,655

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

5. Long-Term Debt - continued

Del City Municipal Services Authority entered into a loan agreement with FNB Community Bank on November 2, 2015 to finance water well repairs for the City. The loan is payable in 60 monthly installments of \$17,217 with 3.25% interest. Maturity date of the loan is November 15, 2020.

Balance Outstanding as of June 30, 2016 \$861,539

Total Notes Payable \$1,588,005

Payment requirements to maturity:

Year Ending June 30	Governmental-Type Activities		Business-Type Activities	
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2017	\$ 420,000	\$ 111,660	\$ 3,342,272	\$ 99,491
2018	420,000	104,206	3,247,065	62,028
2019	420,000	96,120	254,749	30,042
2020	420,000	87,510	262,646	22,234
2021	420,000	78,270	164,152	14,803
2022-2026	2,100,000	240,120	356,961	45,844
Thereafter	540,000	16,740	193,855	9,353
	<u>\$ 4,740,000</u>	<u>\$ 734,626</u>	<u>\$ 7,821,700</u>	<u>\$ 283,795</u>

Pledge of Future Revenues:

Sales Tax and Net Revenues Pledge – The City has pledged one percent of future sales tax revenues to repay the \$7,250,000 DCEDA Sales Tax Revenue Notes and has pledged net water and wastewater utility revenues to repay the \$1,190,000 OWRB Promissory Note Payable. In November of 2015, the City pledged a one percent sales tax to repay the \$3,450,000 DCEDA Sales Tax Revenue Notes – Series 2015. The pledged sales tax revenues were \$2,562,229 and the net water and wastewater utility revenues were \$1,633,489.

6. Sales Tax Increment Districts

The City has established two sales tax increment districts. A portion of the City’s non-dedicated sales tax attributable to investment and development within the specified districts is apportioned for improvements under the project plans. The Crutcho Creek Floodplain Remediation tax apportionment is an effective 2.25% incremental sales tax rate, 50% of the use tax revenues, and 50% of the hotel/motel tax revenues. The Eagle Point Apartments Remediation, Increment District No. 2, has an effective 1.75% incremental sales tax rate and is apportioned 100% of the incremental use tax revenues and 50% of the hotel/motel tax generated by commercial transactions in the project area.

**CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016**

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for injuries to employees. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

8. Commitments and Contingencies

Litigation:

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

Federal and State Award Programs:

The City of Del City participates in various federal and state grant and loan programs from year to year. In 2016, the City's involvement in federal and state award programs was not significant. The programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability or 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.

9. Pension Plan Participation

The City of Del City participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS)- a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF)-an agent multiple-employer defined plan

Firefighter Pension System

Pursuant to the requirements of Title 11, section 22-102, the City of Del City participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan, while the City is required by law to contribute 14% per year per firefighter to the statewide plan.

**CITY OF DEL CITY, OKLAHOMA
 FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
 As of and for the Year Ended June 30, 2016**

9. Pension Plan Participation - continued

The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's obligation to fund the plan extends only to making the statutorily required contributions. For 2016, the City's annual contribution was \$211,426 for the OFPRS plan.

A copy of the Firefighter Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Police Pension System

The City of Del City, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2016, the City's annual contribution was \$217,838 for the OPPRS plan.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to, OPPRS, 1001 N.W. 63rd St., Suite 605, Oklahoma City, OK 73116.

OMRF Defined Benefit Plan

The City contributes to the City of Del City Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, and agent multiple employer-defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

Eligibility Factors, Contributions Methods, and Benefit Provisions:

<u>Provisions</u>	<u>OMRF Plan</u>
Eligible to Participate	Full-time, non-uniformed employees of the City after 1 year of service
Contribution Requirements:	
Authorization	By City ordinance
Actuarially Determined	Yes
Employer Rate	14% of covered payroll
Employee Rate	6%
Period Required to Vest	7 years of credited service
Eligibility for Distribution	Normal retirement at age 60 with 7 years of service Early retirement at age of 55 with 20 years of service Disability retirement with 10 years of service Marital death benefit with 10 years of service
Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

9. Pension Plan Participation - continued

Benefit Determination

Methods:

Normal Retirement	3% of final average salary multiplied by credited years of service
Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
Disability Retirement	Same as normal retirement
Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
Prior to 7 Years of Service	Return of employee contributions with accrued interest
Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis; employee may elect, with City consent, optional form based on actuarial equivalent

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

Supplementary Information

CITY OF DEL CITY, OKLAHOMA
Budgetary Comparison Schedule (Modified Cash Basis) - General Fund
Year Ended June 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance Positive (Negative)
Beginning Budgetary Fund Balance	\$ 452,226	\$ (36,715)	\$ (1,073,625)	\$ (1,036,910)
Resources (Inflows):				
Taxes	6,707,000	6,707,000	6,731,433	24,433
Intergovernmental	526,426	526,426	109,015	(417,411)
Charges for services	506,500	506,500	131,875	(374,625)
Fines & forfeitures	750,000	750,000	939,988	189,988
Licenses & permits	281,300	281,300	178,014	(103,286)
Investment income	7,500	7,500	3,200	(4,300)
Miscellaneous	327,300	327,300	239,544	(87,756)
Transfers in	2,243,350	2,243,350	2,197,840	(45,510)
Total Resources (Inflows)	<u>11,349,376</u>	<u>11,349,376</u>	<u>10,530,909</u>	<u>(818,467)</u>
Amount Available for Appropriation	<u>11,801,602</u>	<u>11,312,661</u>	<u>9,457,284</u>	<u>(1,855,377)</u>
Charges to Appropriations (Outflows):				
Administration	334,915	334,915	366,161	(31,246)
Community Services	555,057	555,057	532,410	22,647
Police	3,397,837	3,397,837	3,339,890	57,947
Fire	2,241,666	2,241,666	2,197,972	43,694
General government	3,286,341	3,286,341	2,669,638	616,703
Streets	633,237	633,237	597,566	35,671
Parks and recreation	465,842	465,842	436,539	29,303
Capital Improvements	163,836	163,836	58,203	105,633
Transfers out	747,100	747,100	554,353	192,747
Total Charges to Appropriations	<u>11,825,831</u>	<u>11,825,831</u>	<u>10,752,732</u>	<u>1,073,099</u>
Ending Budgetary Fund Balance	<u>\$ (24,229)</u>	<u>\$ (513,170)</u>	<u>\$ (1,295,448)</u>	<u>\$ (782,278)</u>

See Independent Auditor's Report

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

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require City Council approval.

CITY OF DEL CITY, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2016

	Special Revenue Funds						Total Governmental Funds
	CDBG	Hotel/Motel Tax	Police Training	Labor Relations	Economic Development	Neighborhood Enhancement	
Assets							
Cash and cash equivalents	\$ 85,653	\$ 14	\$ 4,033	\$ 79	\$ 9,114	\$ -	\$ 98,893
Due from other funds	-	16,600	11,351	28,800	-	-	56,751
Total assets	<u>\$ 85,653</u>	<u>\$ 16,614</u>	<u>\$ 15,384</u>	<u>\$ 28,879</u>	<u>\$ 9,114</u>	<u>\$ -</u>	<u>\$ 155,644</u>
Liabilities and Fund Balances							
Liabilities							
Due to other funds	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 56,751	\$ 56,951
Total liabilities	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,751</u>	<u>56,951</u>
Fund Balances							
Restricted	85,453	16,614	15,384	28,879	9,114	-	155,444
Unassigned	-	-	-	-	-	(56,751)	(56,751)
Total fund balances	<u>85,453</u>	<u>16,614</u>	<u>15,384</u>	<u>28,879</u>	<u>9,114</u>	<u>(56,751)</u>	<u>98,693</u>
Total liabilities and fund balances	<u>\$ 85,653</u>	<u>\$ 16,614</u>	<u>\$ 15,384</u>	<u>\$ 28,879</u>	<u>\$ 9,114</u>	<u>\$ -</u>	<u>\$ 155,644</u>

CITY OF DEL CITY, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2016

	Special Revenue Funds						Total Governmental Funds
	CDBG	Hotel/Motel Tax	Police Training	Labor Relations	Economic Development	Neighborhood Enhancement	
Revenues:							
Taxes	\$ -	\$ 115,802	\$ -	\$ -	\$ 209,114	\$ 209,114	\$ 534,030
Grant proceeds	85,453	-	-	-	-	-	85,453
Miscellaneous	-	-	22,142	5,886	-	-	28,028
Total revenues	85,453	115,802	22,142	5,886	209,114	209,114	647,511
Expenditures:							
Current:							
Public safety	-	-	40,117	-	-	-	40,117
Abatements	-	-	-	-	-	65,865	65,865
Economic Development	-	67,048	-	-	-	-	67,048
Total expenditures	-	67,048	40,117	-	-	65,865	173,030
Excess (deficiency) of revenues over expenditures	85,453	48,754	(17,975)	5,886	209,114	143,249	474,481
Other financing sources (uses):							
Transfers out	-	(34,844)	-	-	(200,000)	(200,000)	(434,844)
Total other financing sources and (uses)	-	(34,844)	-	-	(200,000)	(200,000)	(434,844)
Net change in fund balances	85,453	13,910	(17,975)	5,886	9,114	(56,751)	39,637
Fund balances, beginning of year	-	2,704	33,359	22,993	-	-	59,056
Fund balances, end of year	\$ 85,453	\$ 16,614	\$ 15,384	\$ 28,879	\$ 9,114	\$ (56,751)	\$ 98,693

CITY OF DEL CITY, OKLAHOMA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS- MODIFIED CASH BASIS
AGENCY FUNDS
June 30, 2016

	FIDUCIARY FUNDS					
	Police Training	Employee Benefit	Legal Escrow	Housing Authority	TOTAL AGENCY FUNDS	
Assets						
Cash	\$ 22,718	\$ 332,955	\$ 25,144	\$ 4,702	\$ 385,519	
Total assets	<u>\$ 22,718</u>	<u>\$ 332,955</u>	<u>\$ 25,144</u>	<u>\$ 4,702</u>	<u>\$ 385,519</u>	
Liabilities						
Assets held on behalf of others	\$ 22,718	\$ 332,955	\$ 25,144	\$ 4,702	\$ 385,519	
Total liabilities	<u>\$ 22,718</u>	<u>\$ 332,955</u>	<u>\$ 25,144</u>	<u>\$ 4,702</u>	<u>\$ 385,519</u>	

City of Del City, Oklahoma
Schedule of Debt Coverage
For the fiscal year ended June 30, 2016

	<u>2009 OWRB Note, MCD Contracts, FNB Loan</u>
Gross revenue available for debt service:	
Charges for services:	
Water charges	\$ 2,367,675
Wastewater charges	<u>2,295,433</u>
Total gross revenues available	<u>4,663,108</u>
Operating expenses:	
Water	1,956,434
Wastewater	<u>1,073,185</u>
Total operating expenses	<u>3,029,619</u>
Net revenues for debt service	<u>\$ 1,633,489</u>
Debt service requirements:	
Average annual debt service - FNB Loan, Master Conservancy Contracts	\$ 281,398
Maximum annual debt service - 2009 OWRB Note	<u>216,726</u>
Total debt service requirements	<u>\$ 498,124</u>
Computed coverage	328%
Coverage requirement	125%

Note: The above gross revenue and operating expenses only include the activities of the Authority related to water and wastewater service, excluding depreciation and amortization expense.

Internal Control over Financial Reporting and Compliance



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 Honorable Mayor and City Council
City of Del 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 Del City, Oklahoma (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2016. Our report included an emphasis-of-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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 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.

Arledge & Associates, P.C.

December 28, 2016