

**THE CITY OF  
DEL CITY, OKLAHOMA**

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

**AS OF AND FOR THE  
FISCAL YEAR ENDED JUNE 30, 2018**

**CITY OF DEL CITY, OKLAHOMA**

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## 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, 2018, 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, 2018, 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 January 14, 2019 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.



January 14, 2019

**CITY OF DEL CITY, OKLAHOMA**  
**Management's Discussion and Analysis (Unaudited)**  
**As of and for the Year Ended June 30, 2018**

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, 2018. 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 \$174,933, and the assets of the City exceed its liabilities at June 30, 2018, by \$30,597,867 (net position).
- At June 30, 2018, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$3,521,164.
- At the end of fiscal year 2018, unassigned fund balance on a modified cash basis for the General Fund was \$841,598 deficit or a negative 10% of General Fund revenues.

**ABOUT THE CITY**

The City of Del City is a council-manager form of government with a population of approximately 22,000 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, 2018**

- **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.

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, 2018**

*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, 2018, net position on a modified cash basis for the governmental activities increased \$3,265,811 and business-type activities decreased \$3,090,878 for a total net increase of \$174,933.

The restricted net position of \$37,968,780, which represents resources that are subject to restrictions on how they may be used, resulted in a deficit in unrestricted net position of \$7,370,913.

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2018 fiscal year, the governmental funds reported a combined fund balance of \$3,521,164. For the year ended June 30, 2018, the General Fund's total fund balance increased by \$236,941.

**Budgetary Highlights**

For the year ended June 30, 2018, the General Fund reported actual modified cash basis revenues under final estimates by \$455,305 or a negative 3.8% variance. General Fund actual expenditures were lower than final appropriations by \$256,537 or a 2.2% positive variance.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

- The Fiscal 2018 budget is consistent with prior years.

**CITY OF DEL CITY, OKLAHOMA**  
**Management's Discussion and Analysis (Unaudited)**  
**As of and for the Year Ended June 30, 2018**

**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 15<sup>th</sup> Street, Del City, Oklahoma 73115.



**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**June 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,037,784	\$ 10,728	\$ 2,048,512
Internal balances	1,572,101	(1,572,101)	-
Capital assets:			
Capital assets, non-depreciable	2,058,408	982,281	3,040,689
Other capital assets, net	25,881,438	19,914,599	45,796,037
Total assets	<u>31,549,731</u>	<u>19,335,507</u>	<u>50,885,238</u>
<b>Liabilities</b>			
Customer deposits payable	-	547,127	547,127
Long-term liabilities:			
Due within one year	436,666	3,544,235	3,980,901
Due in more than one year	3,480,000	12,279,343	15,759,343
Total liabilities	<u>3,916,666</u>	<u>16,370,705</u>	<u>20,287,371</u>
<b>Net Position</b>			
Invested in capital assets net of related debt	24,039,846	5,073,302	29,113,148
Restricted for:			
Capital projects	5,881,552	-	5,881,552
Economic development	1,248,671	-	1,248,671
Debt service	378,131	-	378,131
Grant projects	90,991	-	90,991
Juvenile justice	231,145	-	231,145
Police training	10,471	-	10,471
Fire	12,395	-	12,395
Public Safety	54,410	-	54,410
Neighborhood Enhancement	947,866	-	947,866
Unrestricted (deficit)	(5,262,413)	(2,108,500)	(7,370,913)
Total net position	<u>\$ 27,633,065</u>	<u>\$ 2,964,802</u>	<u>\$ 30,597,867</u>

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**Year ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position		Total
		Charges for Services	Grants and Contributions	Capital Contributions	Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 3,236,183	\$ 199,852	\$ 123,905	\$ -	\$ (2,912,426)	\$ -	\$ (2,912,426)
Public safety	6,416,600	1,021,962	-	-	(5,394,638)	-	(5,394,638)
Streets	736,231	-	-	-	(736,231)	-	(736,231)
Drainage	17,041	-	-	-	(17,041)	-	(17,041)
Community services	606,838	-	-	-	(606,838)	-	(606,838)
Economic development	217,712	-	-	-	(217,712)	-	(217,712)
Parks and recreation	333,965	88,763	-	-	(245,202)	-	(245,202)
Unallocated depreciation	1,381,665	-	-	-	(1,381,665)	-	(1,381,665)
Interest on long-term debt	107,917	-	-	-	(107,917)	-	(107,917)
<b>Total governmental activities</b>	<b>13,054,152</b>	<b>1,310,577</b>	<b>123,905</b>	<b>-</b>	<b>(11,619,670)</b>	<b>-</b>	<b>(11,619,670)</b>
Business-type activities:							
Water	2,212,347	2,999,999	-	-	-	787,652	787,652
Sewer	2,386,818	2,623,718	-	-	-	236,900	236,900
Sanitation	1,608,146	1,957,801	-	-	-	349,655	349,655
General government	1,099,125	-	-	-	-	(1,099,125)	(1,099,125)
Economic development	996,329	-	-	-	-	(996,329)	(996,329)
Interest on long-term debt	265,890	-	-	-	-	(265,890)	(265,890)
Fleet maintenance	652,026	-	-	-	-	(652,026)	(652,026)
<b>Total business-type activities</b>	<b>9,220,681</b>	<b>7,581,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,639,163)</b>	<b>(1,639,163)</b>
<b>Total primary government</b>	<b>\$ 22,274,833</b>	<b>\$ 8,892,095</b>	<b>\$ 123,905</b>	<b>\$ -</b>	<b>(11,619,670)</b>	<b>(1,639,163)</b>	<b>(13,258,833)</b>

**General Revenues:**

<b>Taxes:</b>			
Sales and use taxes		11,448,239	11,448,239
Ad valorem taxes		583,189	583,189
Franchise and miscellaneous taxes		978,615	978,615
Investment income (loss)		2,447	12,318
Miscellaneous		345,746	411,405
Transfers - internal activities		1,527,245	-
<b>Total general revenues and transfers</b>		<b>14,885,481</b>	<b>13,433,766</b>
Change in net position		3,265,811	174,933
Net position, beginning of year, restated		24,367,254	30,422,934
<b>Net position, end of year</b>		<b>\$ 27,633,065</b>	<b>\$ 30,597,867</b>

See accompanying notes to the basic financial statements.

**CITY OF DEL CITY, OKLAHOMA**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**June 30, 2018**

	<b>General Fund</b>	<b>Limited Purpose Sales Tax</b>	<b>Police Grant</b>	<b>Debt Service</b>	<b>Capital Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>							
Current Assets:							
Cash and cash equivalents	\$ 8,202	\$ 191,502	\$ 200	\$ 378,131	\$ 777,556	\$ 593,472	\$ 1,949,063
Due from other funds	200	846,901	-	-	-	1,759,000	2,606,101
Total assets	<u>\$ 8,402</u>	<u>\$ 1,038,403</u>	<u>\$ 200</u>	<u>\$ 378,131</u>	<u>\$ 777,556</u>	<u>\$ 2,352,472</u>	<u>\$ 4,555,164</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Current liabilities							
Due to other funds	\$ 850,000	\$ 175,000	\$ -	\$ -	\$ -	\$ 9,000	\$ 1,034,000
Total current liabilities	<u>850,000</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>1,034,000</u>
<b>Fund Balances</b>							
Restricted	-	863,403	200	378,131	777,556	2,343,472	4,362,762
Unassigned (deficit)	(841,598)	-	-	-	-	-	(841,598)
Total fund balances (deficit)	<u>(841,598)</u>	<u>863,403</u>	<u>200</u>	<u>378,131</u>	<u>777,556</u>	<u>2,343,472</u>	<u>3,521,164</u>
Total liabilities and fund balances	<u>\$ 8,402</u>	<u>\$ 1,038,403</u>	<u>\$ 200</u>	<u>\$ 378,131</u>	<u>\$ 777,556</u>	<u>\$ 2,352,472</u>	<u>\$ 4,555,164</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, 2018

	General Fund	Limited Purpose Sales Tax	Police Grant	Debt Service	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:							
Sales and use taxes	\$ 6,373,357	\$ 3,442,533	\$ -	\$ -	\$ -	\$ 1,632,349	\$ 11,448,239
Ad valorem taxes	-	-	-	583,189	-	-	583,189
Franchise and miscellaneous taxes	978,615	-	-	-	-	-	978,615
Licenses and permits	199,852	-	-	-	-	-	199,852
Parks and recreation fees	88,763	-	-	-	-	-	88,763
Fees and fines	1,021,962	-	-	-	-	-	1,021,962
Grant proceeds	31,882	-	1,432	-	-	90,591	123,905
Interest income	2,447	-	-	-	-	-	2,447
Miscellaneous	85,008	-	-	-	-	26,533	111,541
Total revenues	8,781,886	3,442,533	1,432	583,189	-	1,749,473	14,558,513
Expenditures:							
Current:							
General government	2,948,705	141,994	-	-	-	-	3,090,699
Public safety	209,942	-	-	-	-	-	209,942
Community services	564,008	-	-	-	-	42,830	606,838
Public safety	6,042,371	-	-	-	-	87,958	6,130,329
Street/Alley	457,347	278,884	-	-	-	-	736,231
Drainage	17,041	-	-	-	-	-	17,041
Parks and recreation	333,965	-	-	-	-	-	333,965
Economic development	-	-	-	-	-	217,712	217,712
Debt service							
Principal	-	-	-	456,416	-	-	456,416
Interest	-	-	-	107,917	-	-	107,917
Capital outlay	-	1,913,019	1,772	-	-	-	1,914,791
Total expenditures	10,573,379	2,333,897	1,772	564,333	-	348,500	13,821,881
Excess (deficiency) of revenues over expenditures	(1,791,493)	1,108,636	(340)	18,856	-	1,400,973	736,632
Other financing sources (uses):							
Transfers in	2,620,764	-	340	-	-	-	2,621,104
Transfers out	(592,330)	(2,291,133)	-	-	-	(83,016)	(2,966,479)
Total other financing sources and (uses)	2,028,434	(2,291,133)	340	-	-	(83,016)	(345,375)
Net change in fund balances	236,941	(1,182,497)	-	18,856	-	1,317,957	391,257
Fund balances (deficit), beginning of year	(1,078,539)	2,045,900	200	359,275	777,556	1,025,515	3,129,907
Fund balances (deficit), end of year	\$ (841,598)	\$ 863,403	\$ 200	\$ 378,131	\$ 777,556	\$ 2,343,472	\$ 3,521,164

See accompanying notes to the basic financial statements.

**CITY OF DEL CITY, OKLAHOMA**  
**RECONCILIATION OF GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES**  
**June 30, 2018**

Total fund balance, governmental funds \$ 3,521,164

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, net of accumulated depreciation. 27,939,846

Internal Service Funds are not reported in the governmental fund financial statements but are reported in the governmental activities in the government wide financial statements. 88,721

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. (3,916,666)

Net position, governmental activities \$ 27,633,065

Net change in fund balance, total governmental funds \$ 391,257

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 1,838,462  
 Contributed capital by the Del City Economic Development Authority 1,872,620  
 Depreciation expense (1,381,665)

Internal Service Funds are not reported in the governmental fund financial statements but are reported in the governmental activities in the government wide financial statements. 88,721

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 36,416  
 Change in net position, governmental activities \$ 3,265,811

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**June 30, 2018**

	Enterprise Funds			
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 7,160	\$ 7,160	\$ 88,721
Restricted cash and cash equivalents	3,568	-	3,568	-
Total current assets	3,568	7,160	10,728	88,721
Non-current assets:				
Capital assets, non-depreciable	982,281	-	982,281	-
Other capital assets, net	19,914,599	-	19,914,599	-
Total Assets	20,900,448	7,160	20,907,608	88,721
<b>Liabilities</b>				
Current liabilities:				
Customer deposits payable	547,127	-	547,127	-
Due to other funds	515,200	1,056,901	1,572,101	-
Total current liabilities	1,062,327	1,056,901	2,119,228	-
Long-term liabilities				
Due within one year	1,469,749	2,074,486	3,544,235	-
Due in more than one year	12,279,343	-	12,279,343	-
Total Liabilities	14,811,419	3,131,387	17,942,806	-
<b>Net Position</b>				
Invested in capital assets net of related debt	7,147,788	(2,074,486)	5,073,302	-
Unrestricted (deficit)	(1,058,759)	(1,049,741)	(2,108,500)	88,721
Total net position (deficit)	\$ 6,089,029	\$ (3,124,227)	\$ 2,964,802	\$ 88,721

*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, 2018**

	Enterprise Funds			
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds	Internal Service Fund
Operating revenues:				
Water charges	\$ 2,610,622	\$ -	\$ 2,610,622	\$ -
Sewer charges	2,623,718	-	2,623,718	-
Sanitation charges	1,957,801	-	1,957,801	-
Fees and fines	389,377	-	389,377	-
Miscellaneous	30,637	-	30,637	-
Charges for services	-	-	-	234,205
Total operating revenues	7,612,155	-	7,612,155	234,205
Operating expenses:				
General government	299,900	-	299,900	-
Administration	799,225	-	799,225	145,484
Wastewater treatment	1,385,000	-	1,385,000	-
Water services	1,623,173	-	1,623,173	-
Sewer services	366,180	-	366,180	-
Sanitation services	1,179,878	-	1,179,878	-
Fleet maintenance	478,384	-	478,384	-
Economic development	-	996,329	996,329	-
Depreciation expense	1,826,722	-	1,826,722	-
Total operating expenses	7,958,462	996,329	8,954,791	145,484
Operating income (loss)	(346,307)	(996,329)	(1,342,636)	88,721
Nonoperating revenues (expenses):				
Investment income	-	9,871	9,871	-
Lease revenue	-	35,022	35,022	-
Interest expense	(150,124)	(115,766)	(265,890)	-
Total nonoperating revenue (expenses)	(150,124)	(70,873)	(220,997)	-
Income (loss) before contributions and transfers	(496,431)	(1,067,202)	(1,563,633)	88,721
Transfers in	-	2,605,989	2,605,989	-
Transfers out	(2,260,614)	(1,872,620)	(4,133,234)	-
Change in net position	(2,757,045)	(333,833)	(3,090,878)	88,721
Total net position (deficit), beginning of year, restated	8,846,074	(2,790,394)	6,055,680	-
Total net position (deficit), end of year	\$ 6,089,029	\$ (3,124,227)	\$ 2,964,802	\$ 88,721

*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, 2018**

	Enterprise Funds			
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds	Internal Service Fund
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 7,612,155	\$ -	\$ 7,612,155	\$ -
Water meter deposits received, net	9,916	-	9,916	-
Interfund activity	534,417	(1,443,000)	(908,583)	234,205
Payments to employees	(1,890,644)	-	(1,890,644)	-
Payments to suppliers	(4,241,096)	(996,329)	(5,237,425)	(145,484)
Net cash provided by (used in) operating activities	2,024,748	(2,439,329)	(414,581)	88,721
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers in from other funds	-	2,605,989	2,605,989	-
Transfers out to other funds	(2,260,614)	-	(2,260,614)	-
Net cash provided by (used in) noncapital financing activities	(2,260,614)	2,605,989	345,375	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(10,138,369)	(1,872,620)	(12,010,989)	-
Proceeds from debt	10,647,093	284,674	10,931,767	-
Principal paid on debt	(252,955)	(3,000,000)	(3,252,955)	-
Interest and debt issuance costs paid	(150,124)	(115,766)	(265,890)	-
Net cash provided by (used in) capital and related financing activities	105,645	(4,703,712)	(4,598,067)	-
<b>Cash Flows from Investing Activities</b>				
Investment income	-	44,893	44,893	-
Net cash provided by investing activities	-	44,893	44,893	-
Net increase (decrease) in cash and cash equivalents	(130,221)	(4,492,159)	(4,622,380)	88,721
Cash and cash equivalents, beginning of year	133,789	4,499,319	4,633,108	-
Cash and cash equivalents, end of year	\$ 3,568	\$ 7,160	\$ 10,728	\$ 88,721
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating Income (Loss)	\$ (346,307)	\$ (996,329)	\$ (1,342,636)	\$ 88,721
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Change in assets and liabilities:				
Depreciation expense	1,826,722	-	1,826,722	-
Due from(to) other fund	534,417	(1,443,000)	(908,583)	-
Meter deposit liability	9,916	-	9,916	-
Net cash provided by (used in) operating activities	\$ 2,024,748	\$ (2,439,329)	\$ (414,581)	\$ 88,721

*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, 2018**

	<u>AGENCY FUNDS</u>
<b>Assets</b>	
Cash	\$ 586,694
Total assets	<u>\$ 586,694</u>
<b>Liabilities</b>	
Assets held on behalf of others	\$ 586,694
Total liabilities	<u>\$ 586,694</u>

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

In determining the financial reporting entity, the City of Del City, Oklahoma (the “City”) complies with the provisions of the Governmental Accounting Standards Board Statement 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 Statement of Net Position and Statement of 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, 2018**

**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: Licenses 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, 2018**

**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, 2018 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, 2018**

**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, 2018**

**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, 2018, the City recognized \$12,318 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 deposits.

At June 30, 2018, the primary government held the following deposits and investments:

<u>Type</u>	<u>Carrying Value</u>
Petty cash	\$ 2,935
Demand deposits	<u>2,632,271</u>
	<u>\$ 2,635,206</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 2,048,512
Agency fund cash and cash equivalents	<u>586,694</u>
	<u>\$ 2,635,206</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, 2018, 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, 2018**

**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.

*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**

Internal balances are comprised of the following at June 30, 2018:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Del City MSA	\$ 200
Limited Purpose Sales Tax	Del City EDA	846,901
Economic Development	General Fund	850,000
Economic Development	Limited Purpose Sales Tax	175,000
Economic Development	Labor Relations	9,000
Neighborhood Enhancement	Del City EDA	210,000
Neighborhood Enhancement	Del City MSA	515,000
 Total		 <u><u>\$ 2,606,101</u></u>

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 2,606,101	\$ 1,034,000	\$ 1,572,101
Business-Type Funds	-	1,572,101	(1,572,101)
Total	<u><u>\$ 2,606,101</u></u>	<u><u>\$ 2,606,101</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, 2018**

**3. Internal and Interfund Balances and Transfers - continued**

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2018, were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Del City MSA	\$ 2,260,614
General Fund	Hotel/Motel Tax	83,016
General Fund	Limited Purpose Sales Tax	277,134
Police Grant	General Fund	340
Del City EDA	General Fund	591,990
Del City EDA	Limited Purpose Sales Tax	2,013,999
Total		<u>\$ 5,227,093</u>

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,621,104	\$ 2,966,479	\$ (345,375)
Business-Type Funds	2,605,989	4,133,234	(1,527,245)
Total	<u>\$ 5,227,093</u>	<u>\$ 7,099,713</u>	<u>\$ (1,872,620)</u>

**Reconciliation to Statement of Activities:**

Net Transfers	\$ (1,872,620)
Capital assets transferred to governmental funds	1,872,620
	<u>\$ -</u>



**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2018**

**4. Capital Assets**

For the year ended June 30, 2018, reported capital asset balances changed as follows:

	Restated Balance at June 30, 2017	Additions	Transfers	Disposals	Balance at June 30, 2018
Governmental Activities:					
Non-depreciable:					
Land	\$ 1,742,222	\$ -	\$ -	\$ -	\$ 1,742,222
Construction in Progress	2,270,562	3,650,902	(5,605,278)	-	316,186
Total non-depreciable assets at historical cost	<u>4,012,784</u>	<u>3,650,902</u>	<u>(5,605,278)</u>	<u>-</u>	<u>2,058,408</u>
Depreciable:					
Buildings	6,656,995	60,180	5,605,278	-	12,322,453
Machinery and Equipment	5,446,081	-	(970,177)	-	4,475,904
Infrastructure	25,847,330	-	970,177	-	26,817,507
Total depreciable assets at historical cost	<u>37,950,406</u>	<u>60,180</u>	<u>5,605,278</u>	<u>-</u>	<u>43,615,864</u>
Less accumulated depreciation					
Buildings	1,647,772	381,554	-	-	2,029,326
Machinery and Equipment	2,428,093	392,996	-	-	2,821,089
Infrastructure	12,276,896	607,115	-	-	12,884,011
Total accumulated depreciation	<u>16,352,761</u>	<u>1,381,665</u>	<u>-</u>	<u>-</u>	<u>17,734,426</u>
Net Depreciable Assets	<u>21,597,645</u>	<u>(1,321,485)</u>	<u>5,605,278</u>	<u>-</u>	<u>25,881,438</u>
Governmental activities capital assets, net	<u>\$ 25,610,429</u>	<u>\$ 2,329,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,939,846</u>
Business-type activities:					
Non-depreciable:					
Land	\$ 982,281	\$ -	\$ -	\$ -	\$ 982,281
Construction in Progress	2,073,247	11,773,618	(11,974,245)	(1,872,620)	-
Total non-depreciable assets at historical cost	<u>3,055,528</u>	<u>11,773,618</u>	<u>(11,974,245)</u>	<u>(1,872,620)</u>	<u>982,281</u>
Depreciable:					
Buildings	5,150,695	54,689	11,966,805	-	17,172,189
Machinery and Equipment	8,318,751	-	-	-	8,318,751
Infrastructure	14,345,766	182,682	7,440	-	14,535,888
Total depreciable assets at historical cost	<u>27,815,212</u>	<u>237,371</u>	<u>11,974,245</u>	<u>-</u>	<u>40,026,828</u>
Less accumulated depreciation					
Buildings	2,770,647	1,307,737	-	-	4,078,384
Machinery and Equipment	7,210,380	200,364	-	-	7,410,744
Infrastructure	8,304,480	318,621	-	-	8,623,101
Total accumulated depreciation	<u>18,285,507</u>	<u>1,826,722</u>	<u>-</u>	<u>-</u>	<u>20,112,229</u>
Net Depreciable Assets	<u>9,529,705</u>	<u>(1,589,351)</u>	<u>11,974,245</u>	<u>-</u>	<u>19,914,599</u>
Business-type activities capital assets, net	<u>\$ 12,585,233</u>	<u>\$ 10,184,267</u>	<u>\$ -</u>	<u>\$ (1,872,620)</u>	<u>\$ 20,896,880</u>

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2018**

**5. Long-Term Debt**

A summary of long-term debt follows:

	Restated Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amount Due Within One Year
Governmental:					
General Obligation Bonds - Series 2011A	\$ 2,160,000	\$ -	\$ (210,000)	\$ 1,950,000	\$ 210,000
General Obligation Bonds - Series 2011B	2,160,000	-	(210,000)	1,950,000	210,000
Judgments Payable	53,082	-	(36,416)	16,666	16,666
Total	<u>\$ 4,373,082</u>	<u>\$ -</u>	<u>\$ (456,416)</u>	<u>\$ 3,916,666</u>	<u>\$ 436,666</u>
Business-type:					
DCDEA Sales Tax Revenue Note, Series 2013	\$ 1,450,000	\$ -	\$ (1,450,000)	\$ -	\$ -
DCDEA Sales Tax Revenue Note, Series 2015	1,550,000	-	(1,550,000)	-	-
DCDEA Line of Credit	1,789,812	284,674	-	2,074,486	2,074,486
Notes Payable	3,118,657	10,647,093	(230,037)	13,535,713	1,446,295
Contracts Payable	236,297	-	(22,918)	213,379	23,454
Total	<u>\$ 8,144,766</u>	<u>\$ 10,931,767</u>	<u>\$ (3,252,955)</u>	<u>\$ 15,823,578</u>	<u>\$ 3,544,235</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, 2018 \$1,950,000

\$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, 2018 \$1,950,000

Total Bonds Payable \$3,900,000

**Del City Economic Development Authority (DCEDA):**

**Line of Credit:**

During 2017, Del City Economic Development Authority renewed a \$3,000,000 line of credit with monthly interest calculated at 5%. This loan is to be used for the purchase and development of land and matures October 2019.

Balance Outstanding as of June 30, 2018 \$2,074,486

**CITY OF DEL CITY, OKLAHOMA  
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2018**

**5. Long-Term Debt - continued**

**Del City Municipal Services Authority (DCMSA):**

**Contract Payable:**

The City and Del City Municipal Services Authority in September 2009 approved refinancing the July 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%, 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, 2018 \$213,379

**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 March 15, 2030.

Balance Outstanding as of June 30, 2018 \$526,002

Del City Municipal Services Authority entered into a loan agreement with FNB Community Bank in November 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 2020.

Balance Outstanding as of June 30, 2018 \$302,102

Del City Municipal Services Authority entered into a loan agreement with OWRB in November 2016 in the available amount of \$21,000,000 for wastewater treatment plan improvements. The loan has an annual interest rate of 2%, with semi-annual principal and interest payments, and final payment due March 2033.

Balance Outstanding as of June 30, 2018 \$12,707,609

Total Notes Payable \$13,535,713

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2018**

**5. Long-Term Debt – continued**

*Payment requirements to maturity:*

Year Ending June 30,	Governmental-Type Activities		Business-Type Activities	
	Bonds Payable		Notes and Contracts Payable	
	Principal	Interest	Principal	Interest
2019	\$ 420,000	\$ 69,600	\$ 1,469,749	\$ 443,992
2020	420,000	64,260	1,411,473	411,734
2021	420,000	60,720	1,324,445	379,403
2022	420,000	53,280	1,356,083	351,619
2023	420,000	45,900	1,382,767	324,137
2024-2030	1,800,000	97,560	15,096,966	1,616,384
	<u>\$ 3,900,000</u>	<u>\$ 391,320</u>	<u>\$ 22,041,483</u>	<u>\$ 3,527,269</u>
		Less principal to draw down	<u>(8,292,391)</u>	
			<u>\$ 13,749,092</u>	

**Pledge of Future Revenues:**

Sales Tax Pledge – In 2013, the City pledged one percent of future sales tax revenues to repay the \$7,250,000 DCEDA Sales Tax Revenue Notes – Series 2013. 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. In November of 2016, the City pledged 0.5% sales tax to repay the \$21,000,000 OWRB Promissory Note Payable. The pledged sales tax revenues were \$2,295,022. The total principal and interest payable for the remainder of the life of these notes is \$24,410,500. Debt service payments for the notes of \$3,072,595 for the current fiscal year were 134% of the pledged sales taxes.

Net Revenues Pledge – The City has also pledged net water and wastewater utility revenues to repay the \$1,190,000 OWRB Promissory Note Payable. Net water and wastewater utility revenues were \$1,859,987. Debt service payments on the note of \$48,558 were 2.6% of pledged net utility revenues.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2018**

**6. Prior period adjustments**

During the year, the City determined that accumulated depreciation was improperly recorded in the prior year. The prior year financials also improperly omitted a cash equivalent balance in the Del City Economic Development Authority. Additionally, the City also determined that a line of credit belonging to the Del City Economic Development Authority was improperly excluded in the prior year.

Beginning net position was restated as of June 30, 2017, as follows:

	Government-Wide	
	Governmental Activities	Business-Type Activities
Beginning net position, as previously reported as of June 30, 2017	\$ 24,015,592	\$ 7,356,355
Addition of prior year cash equivalent balance	-	489,137
Correction of prior year debt	-	(1,789,812)
Removal of accumulation depreciation	351,662	-
Beginning net position, as restated, as of June 30, 2017	<u>\$ 24,367,254</u>	<u>\$ 6,055,680</u>

**7. 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 Crutch 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.

**8. 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.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2018**

**9. 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 trusts. 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 2018, 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.

**10. 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 benefit 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.

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 thee statutorily required contributions. For 2018, the City's annual contribution was \$178,792 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.

**CITY OF DEL CITY, OKLAHOMA  
 FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS  
 As of and for the Year Ended June 30, 2018**

**10. Pension Plan Participation - continued**

*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 2018, the City's annual contribution was \$204,024 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. 63<sup>rd</sup> 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, 2018**

**10. 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, 2018**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance Positive (Negative)
<b>Beginning Budgetary Fund Balance</b>	\$ 588,292	\$ 99,351	\$ (1,078,539)	\$ (1,177,890)
<b>Resources (Inflows):</b>				
Taxes	7,008,900	7,008,900	7,351,972	343,072
Intergovernmental	400,000	400,000	31,882	(368,118)
Charges for services	461,300	461,300	88,763	(372,537)
Fines & forfeitures	1,050,776	1,050,776	1,021,962	(28,814)
Licenses & permits	296,700	296,700	199,852	(96,848)
Investment income	-	-	2,447	2,447
Miscellaneous	166,929	166,929	85,008	(81,921)
Transfers in	2,473,350	2,473,350	2,620,764	147,414
<b>Total Resources (Inflows)</b>	<u>11,857,955</u>	<u>11,857,955</u>	<u>11,402,650</u>	<u>(455,305)</u>
<b>Amount Available for Appropriation</b>	<u>12,446,247</u>	<u>11,957,306</u>	<u>10,324,111</u>	<u>(1,633,195)</u>
<b>Charges to Appropriations (Outflows):</b>				
Administration	363,641	363,641	305,349	58,292
Community Services	501,797	501,797	499,789	2,008
Police	3,633,342	3,633,342	3,591,577	41,765
Fire	2,573,583	2,573,583	2,450,794	122,789
General government	2,668,818	2,668,818	2,870,339	(201,521)
Streets	478,379	478,379	457,347	21,032
Parks and recreation	402,359	402,359	398,184	4,175
Transfers out	800,327	800,327	592,330	207,997
<b>Total Charges to Appropriations</b>	<u>11,422,246</u>	<u>11,422,246</u>	<u>11,165,709</u>	<u>256,537</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 1,024,001</u>	<u>\$ 535,060</u>	<u>\$ (841,598)</u>	<u>\$ (1,376,658)</u>

*See Independent Auditor's Report*

**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2018 (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, 2018

	Special Revenue Funds							Total Governmental Funds
	CDBG	Hotel/Motel Tax	Police Training	Labor Relations	Economic Development	Neighborhood Enhancement	Public Safety	
<b>Assets</b>								
Cash and cash equivalents	\$ 90,791	\$ 68,041	\$ 10,471	\$ 263	\$ 146,630	\$ 222,866	\$ 54,410	\$ 593,472
Due from other funds	-	-	-	-	1,034,000	725,000	-	1,759,000
Total assets	\$ 90,791	\$ 68,041	\$ 10,471	\$ 263	\$ 1,180,630	\$ 947,866	\$ 54,410	\$ 2,352,472
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Due to other funds	\$ -	\$ -	\$ -	\$ 9,000	\$ -	\$ -	\$ -	\$ 9,000
Total liabilities	-	-	-	9,000	-	-	-	9,000
<b>Fund Balances</b>								
Restricted	90,791	68,041	10,471	(8,737)	1,180,630	947,866	54,410	2,343,472
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	90,791	68,041	10,471	(8,737)	1,180,630	947,866	54,410	2,343,472
Total liabilities and fund balance	\$ 90,791	\$ 68,041	\$ 10,471	\$ 263	\$ 1,180,630	\$ 947,866	\$ 54,410	\$ 2,352,472

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, 2018

	Special Revenue Funds							Total Governmental Funds
	CDBG	Hotel/Motel Tax	Police Training	Labor Relations	Economic Development	Neighborhood Enhancement	Public Safety	
Revenues:								
Taxes	\$ -	\$ 211,457	\$ -	\$ -	\$ 655,741	\$ 655,741	\$ 109,410	\$ 1,632,349
Grant proceeds	90,591	-	-	-	-	-	-	90,591
Miscellaneous	-	-	20,961	5,572	-	-	-	26,533
Total revenues	90,591	211,457	20,961	5,572	655,741	655,741	109,410	1,749,473
Expenditures:								
Current:								
Public safety	-	-	15,511	17,447	-	-	55,000	87,958
Abatements	-	-	-	-	-	42,830	-	42,830
Economic Development	-	89,760	-	-	127,952	-	-	217,712
Total expenditures	-	89,760	15,511	17,447	127,952	42,830	55,000	348,500
Excess (deficiency) of revenues over expenditures	90,591	121,697	5,450	(11,875)	527,789	612,911	54,410	1,400,973
Other financing sources (uses):								
Transfers out	-	(83,016)	-	-	-	-	-	(83,016)
Total other financing sources and (uses)	-	(83,016)	-	-	-	-	-	(83,016)
Net change in fund balances	90,591	38,681	5,450	(11,875)	527,789	612,911	54,410	1,317,957
Fund balances, beginning of year	200	29,360	5,021	3,138	652,841	334,955	-	1,025,515
Fund balances, end of year	\$ 90,791	\$ 68,041	\$ 10,471	\$ (8,737)	\$ 1,180,630	\$ 947,866	\$ 54,410	\$ 2,343,472

**CITY OF DEL CITY, OKLAHOMA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS- MODIFIED CASH BASIS**  
**AGENCY FUNDS**  
**June 30, 2018**

	FIDUCIARY FUNDS					
	Police Training	Employee Benefit	Legal Escrow	Housing Authority		TOTAL AGENCY FUNDS
<b>Assets</b>						
Cash	\$ 401	\$ 530,136	\$ 25,144	\$ 31,013	\$	586,694
Total assets	<u>\$ 401</u>	<u>\$ 530,136</u>	<u>\$ 25,144</u>	<u>\$ 31,013</u>	<u>\$</u>	<u>586,694</u>
<b>Liabilities</b>						
Assets held on behalf of others	\$ 401	\$ 530,136	\$ 25,144	\$ 31,013	\$	586,694
Total liabilities	<u>\$ 401</u>	<u>\$ 530,136</u>	<u>\$ 25,144</u>	<u>\$ 31,013</u>	<u>\$</u>	<u>586,694</u>

**City of Del City, Oklahoma**  
**Schedule of Debt Coverage**  
**For the fiscal year ended June 30, 2018**

	<u>2009 OWRB Note, FNB Loan, MCD Contracts</u>
Gross revenue available for debt service:	
Charges for services:	
Water charges	\$ 2,610,622
Wastewater charges	<u>2,623,718</u>
Total gross revenues available	<u>5,234,340</u>
Operating expenses:	
Water	1,623,173
Wastewater	<u>1,751,180</u>
Total operating expenses	<u>3,374,353</u>
Net revenues for debt service	<u><u>\$ 1,859,987</u></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><u>\$ 498,124</u></u>
Computed coverage	373%
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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 14, 2019. 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. We consider the deficiency described in the accompanying schedule of findings and responses as finding 18-03 to be a material weakness.

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, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as Findings 18-01, 18-02, and 18-03.

## City of Del City, Oklahoma's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and, accordingly, we express no opinion on them.

### 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.

*Arlidge & Associates, P.C.*

January 14, 2019

CITY OF DEL CITY, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2018

**Finding 18-01 – Budgeted Appropriations**

*Criteria:* Oklahoma State law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each object category within a department or fund.

*Condition:* Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General Fund	General Government	\$ 201,521

*Cause:*

*Effect or Potential Effect:* Expenditures may exceed appropriations at the legal level of control.

*Recommendation:* We recommend that the City complete accurate budget-actual comparisons and adopt formal budget amendments, especially at or near year-end by department.

*City's Response:* The City will monitor budget amendments for accuracy, not to exceed the available appropriations and make transfers as necessary to maintain a positive fund balance.

**Finding 18-02 Negative Fund Balance**

*Criteria:* Oklahoma law prescribes that it shall be unlawful for an officer or employee to create or authorize the creation of a deficit in any fund.

*Condition:* The following funds reported deficits at June 30, 2018:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ (841,598)
Labor Relations Fund	\$ (8,737)

*Cause:* Expenditures in recent years have exceeded available revenues.

*Effect or Potential Effect:* Funds have deficit balances at year end.

*Recommendation:* We recommend that the City adopt and enforce formal budgets that provide for a restoration of fund balance to acceptable amounts.

*City's Response:* The deficit this year is smaller than the two previous years, so I believe we are headed in right direction. Expect this finding every year until deficit is gone.

*Labor Relations Fund:* The City will monitor fund balances and make transfers as necessary to maintain a positive fund balance in respectable accounts.

### **Finding 18-03 Controls over Financial Reporting**

*Criteria:* The City's management is responsible for ensuring the accuracy and completeness of financial records.

*Condition:* Fixed assets, a bank account, and a line of credit were not appropriately identified or properly included in the financial records.

Bank account – A bank account related to the Del City Economic Development Authority's Revenue Bonds was not included in the financial records. An audit prior period adjustment was required to book the account.

Line of credit – A line of credit issued to the Del City Economic Development Authority was not included in the City's financial records. An audit prior period adjustment was required to record the debt.

Fixed assets – Various material capital assets were not properly recorded. An audit prior period adjustment was required to correct the balances.

*Cause:* Insufficient procedures and controls are in place to ensure accurate financial records.

*Effect or Potential Effect:* Financial statements may be issued which are incomplete, inaccurate and misleading. Significant additions and findings during the audit process slow the issuance of financial reports. Decision makers may make decisions adversely affecting the City's well-being without fully understanding the City's financial position.

*Recommendation:* The City should increase controls over financial reporting. Additional competent staff, and/or use of outside consultants within the finance department is required to ensure proper controls are implemented, monitored, and maintained. The City should also address communication within and between departments and trust authorities to ensure future capital assets additions and deletions are identified and properly recorded.

*City's Response:* Bank account: Fair Market Value of EDA 2013 Note Fund was not recorded correctly.

Line of credit: Line of credit was not recorded correctly. Liability account should have been set up for loan.

Fixed assets: Depreciation was not updated which caused increased value of fixed assets.

In the future there will be an increase in control over financial reporting. Transactions will be monitored closely to ensure the accuracy and completeness of financial records and to reduce uncorrected error, irregularities and inaccurate or incomplete information in funds, accounts, and reports.