



CITY OF EUFAULA, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

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

**THE CITY OF EUFAULA,
OKLAHOMA**

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

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

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As of and for the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Eufaula, 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 Eufaula, 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 modified cash basis 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 modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as 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.

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, schedule of expenditures of federal and state awards, 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 fund schedules – modified cash basis, schedule of expenditures of federal and state awards, 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 fund schedules – modified cash basis, schedule of expenditures of federal and state awards, 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 budgetary comparison information, as listed in the table of contents, has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



November 22, 2016

CITY OF EUFAULA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

The management of the City of Eufaula 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 \$100,153, and the assets of the City exceed its liabilities at June 30, 2016, by \$2,043,069 (net position). Of this amount, \$1,463,241 (unrestricted net position) may be used to meet any of the government's ongoing obligations to citizens and creditors.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,318,922.
- At the end of fiscal year 2016, unassigned fund balance on a modified cash basis for the General Fund was \$758,577, or 30.9% of annual revenues.

ABOUT THE CITY

The City of Eufaula is an incorporated municipality with a population of approximately 2,813 located in McIntosh County in eastern Oklahoma. The City is a City Manager form of government and operates under State law and City ordinances that provide for three branches of government:

- Legislative – the City Council is a five-member governing body. One is elected by the citizens at large and other four members are elected by ward. The five vote to choose a Mayor after the new Council is seated.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager, confirmed by the City Council

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

The City's Financial Reporting Entity

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

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

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- **The City of Eufaula** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Eufaula Public Works Authority (EPWA)** – public trust created August 4, 1976, pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *reported as part of the primary government*
- **The Eufaula Economic Development Authority (EEDA)** – public trust created July 11, 2005, pursuant to 60 O.S. § 176 that operates the economic development services of the City, governed by trustees comprised of the entire City Council – *reported as part of the primary government*
- **The Eufaula Recreation Authority (ERA)** – public trust created April 10, 1970, pursuant to 60 O.S. § 176 that operates the recreational services of the City, governed by trustees comprised of the entire City Council – *reported as part of the primary government*
- **The Eufaula Industrial Authority (EIA)** – public trust created April 2, 1980, pursuant to 60 O.S. § 176 that operates the industrial development services of the City, governed by trustees comprised of the entire City Council – *normally reported as part of the primary government*. The Authority is inactive.
- **The Eufaula Airport Authority (EAA)** – public trust created March 2, 1982, pursuant to 60 O.S. § 176 that operates the municipal airport services of the City, governed by seven trustees comprised of citizens appointed by the City Council – *normally reported as a discretely presented component unit for reporting purposes*. The Authority is inactive.

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 trusts within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

Basis of Accounting and Presentation

The statement 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 the following balances arising from cash transactions:

- cash-based interfund receivables/payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned.

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

CITY OF EUFAULA, OKLAHOMA
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As of and for the Year Ended June 30, 2016

expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Eufaula (the “City”), the Eufaula Public Works Authority (the “Public Works Authority”), the Eufaula Economic Development Authority (the “Economic Development Authority”) and the Eufaula Recreation Authority (ERA). 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 using the modified cash basis of accounting. They present governmental and business-type 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 and include only those City assets and liabilities resulting from cash transactions.

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, recreation and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; *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.

CITY OF EUFAULA, OKLAHOMA
Management's Discussion and Analysis
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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.

For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. 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 - The City operates two proprietary funds, the Eufaula Public Works Authority (major fund), and the Eufaula Economic Development Authority (major fund). When the City, through the Public Works Authority, receives payment from customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis. The City's proprietary funds are the Eufaula Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities, and the Eufaula Economic Development Authority that accounts for the operation of economic development activities.

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 on pages 25-39 of this report.

THE CITY AS A WHOLE

For the year ended June 30, 2016, net position on a modified cash basis for the governmental and business-type activities increased \$100,153.

Following is a summary of net position reported on a modified cash basis for the City of Eufaula.

Net Position (Modified Cash Basis)
June 30, 2016

TABLE 1
 NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)		Business-Type Activities		% Inc. (Dec.)		Total		% Inc. (Dec.)	
	2016	2015			2016	2015			2016	2015		
Cash and cash equivalents	\$ 1,326	\$ 1,257	5%		\$ 818	\$ 774	6%		\$ 2,144	\$ 2,031	6%	
Total assets	1,326	1,257	5%		818	774	6%		2,144	2,031	6%	
Liabilities	7	3	133%		94	85	11%		101	88	15%	
Total liabilities	7	3	133%		94	85	11%		101	88	15%	
Net position												
Restricted	469	579	-19%		111	103	8%		580	682	-15%	
Unrestricted	850	675	26%		613	586	5%		1,463	1,261	16%	
Total net position	\$ 1,319	\$ 1,254	5%		\$ 724	\$ 689	5%		\$ 2,043	\$ 1,943	5%	

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Revenues, Expenses and Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2016

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	2015		2016	2015		2016	2015	
Revenues									
Charges for service	\$ 211	\$ 250	-16%	\$ 1,317	\$ 1,308	1%	\$ 1,528	\$ 1,558	-2%
Operating grants and contributions	88	103	-15%	-	299	-100%	88	402	-78%
Capital grants, debt proceeds and contributions	265	471	-44%	72	6,583	-99%	337	7,054	-95%
Taxes	2,218	2,278	-3%	-	-	-	2,218	2,278	-3%
Intergovernmental revenue	65	65	0%	-	-	-	65	65	0%
Investment income	1	1	0%	1	1	0%	2	2	0%
Miscellaneous	145	174	-17%	-	17	-100%	145	191	-24%
Total revenues	2,993	3,342	-10%	1,390	8,208	-83%	4,383	11,550	-62%
Expenses									
General government	698	664	5%	-	-	-	698	664	5%
Public safety	700	959	-27%	-	-	-	700	959	-27%
Streets	67	66	2%	-	-	-	67	66	2%
Culture, parks and recreation	67	43	56%	-	-	-	67	43	56%
Cemetery	35	35	0%	-	-	-	35	35	0%
Airport	280	271	3%	-	-	-	280	271	3%
Tourism	4	4	0%	-	-	-	4	4	0%
Principal on long-term debt	38	365	-90%	-	-	-	38	365	-90%
Interest on long-term debt	1	6	-83%	-	-	-	1	6	-83%
Water	-	-	-	1,133	8,816	-87%	1,133	8,816	-87%
Sewer	-	-	-	852	610	40%	852	610	40%
Sanitation	-	-	-	398	323	23%	398	323	23%
Economic development	-	-	-	10	13	-23%	10	13	-23%
Total expenses	1,890	2,413	-22%	2,393	9,762	-75%	4,283	12,175	-65%
Excess (deficiency) before transfers	1,103	929	19%	(1,003)	(1,554)	35%	100	(625)	-116%
Transfers	(1,038)	(835)	24%	1,038	835	24%	-	-	-
Change in net position	65	94	-31%	35	(719)	-105%	100	(625)	-116%
Beginning net postion	1,254	1,160	8%	689	1,408	-51%	1,943	2,568	-24%
Ending net postion	\$ 1,319	\$ 1,254	5%	\$ 724	\$ 689	5%	\$ 2,043	\$ 1,943	5%

Governmental Activities

The City's governmental activities had an increase in net position of \$64,846. Capital grants decreased from prior year due to the grant activity and related expenditures in the recreation function of the prior year. Principal on long-term debt decreased over prior year due to a balloon payment in the prior year.

CITY OF EUFAULA, OKLAHOMA
Management's Discussion and Analysis
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Business-type Activities

The business-type activities had an increase in net position of \$35,307. Operating grants and contributions decreased from prior year due to utility relocation grant ending in prior year. Capital grants and contributions decreased in the current year primarily due to the issuance of new debt in the prior year which also explains the decrease in water expenses from the prior year. Sewer related expenses increased approximately \$242,000 due mainly to an increase in debt service expense and debt issuance costs.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
General government	\$ 698	\$ 664	5%	(\$495)	(\$329)	50%
Public safety	700	959	-27%	(653)	(783)	-17%
Highways and streets	67	66	2%	(29)	(39)	-26%
Culture and recreation	67	43	56%	(64)	(39)	64%
Cemetery	35	35	0%	(15)	(9)	67%
Airport	280	271	3%	(26)	(15)	73%
Tourism	4	4	0%	(4)	(4)	0%
Principal on long-term debt	38	365	-90%	(38)	(365)	-90%
Interest on long-term debt	1	6	-83%	(1)	(6)	-83%
Total	<u>\$1,890</u>	<u>\$2,413</u>	-22%	<u>(\$1,325)</u>	<u>(\$1,589)</u>	-17%

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Water	\$ 1,133	\$ 8,816	-87%	\$ (455)	\$ (1,370)	-67%
Sewer	852	610	40%	(492)	(195)	152%
Sanitation	398	323	23%	(47)	6	-883%
Economic Development	10	13	-23%	(10)	(13)	-23%
Total	<u>\$ 2,393</u>	<u>\$ 9,762</u>	-75%	<u>\$ (1,004)</u>	<u>\$ (1,572)</u>	-36%

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 \$1,318,922. For the year ended June 30, 2016, the General Fund's total fund balance increased by \$140,655. The proprietary funds reported combined net position of \$724,147. The EPWA's total net position increased by \$34,437, while EEDA's total net position increased by \$870.

CITY OF EUFAULA, OKLAHOMA
Management's Discussion and Analysis
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Budgetary Highlights

For the year ended June 30, 2016, the General Fund reported actual budgetary basis revenues over final estimates by \$4,664 or a .3% positive variance. General Fund actual expenditures were under final appropriations by \$139,541 or an 8.4% positive variance.

Debt Administration

At year-end, the City had \$9,557,661 in long-term debt outstanding, reported on a modified cash basis, which represents a \$497,720 decrease from the prior year. (See details on pages 36-37).

TABLE 5
Long-Term Debt
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2015-2016</u>
Notes payable	\$ -	\$ -	\$ 9,552	\$ 10,012	\$ 9,552	\$ 10,012	-4.6%
Capital leases	<u>6</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>44</u>	-86.4%
Totals	<u>\$ 6</u>	<u>\$ 44</u>	<u>\$ 9,552</u>	<u>\$ 10,012</u>	<u>\$ 9,558</u>	<u>\$ 10,056</u>	-5.0%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2016-2017 budget is relatively consistent with that of the prior year.

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 P.O. Box 684, Eufaula, Oklahoma 74432 or telephone at 918-689-2534.

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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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Statement of Net Position (Modified Cash Basis) – June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,338,925	\$ 805,423	\$ 2,144,348
Internal Balances	(13,105)	13,105	-
Total assets	<u>1,325,820</u>	<u>818,528</u>	<u>2,144,348</u>
LIABILITIES			
Due to bondholders	6,898	-	6,898
Deposits subject to refund	-	94,381	94,381
Total liabilities	<u>6,898</u>	<u>94,381</u>	<u>101,279</u>
NET POSITION			
Restricted for:			
Cemetery	24,170	-	24,170
Streets	326	-	326
Grants	119,010	-	119,010
Public safety	4,371	-	4,371
Capital improvements	198,573	-	198,573
Debt service	-	111,173	111,173
Recreation	120,592	-	120,592
Airport	1,613	-	1,613
Unrestricted	850,267	612,974	1,463,241
Total net position	<u>\$ 1,318,922</u>	<u>\$ 724,147</u>	<u>\$ 2,043,069</u>

See accompanying notes to these financial statements.

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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Debt Proceeds and Contributions	Governmental Activities		Business-type Activities	Total
Primary Government								
Governmental activities:								
General government	\$ 698,130	\$ 145,587	\$ 56,908	\$ 250	\$ (495,385)	\$ -	\$ -	\$ (495,385)
Public safety	699,921	42,695	4,290	-	(652,936)	-	-	(652,936)
Highways and streets	66,711	-	26,723	10,748	(29,240)	-	-	(29,240)
Culture and recreation	67,508	3,190	91	-	(64,227)	-	-	(64,227)
Cemetery	34,944	19,842	-	-	(15,102)	-	-	(15,102)
Airport	279,905	-	-	253,884	(26,021)	-	-	(26,021)
Tourism	3,867	-	-	-	(3,867)	-	-	(3,867)
Debt service:								
Principal on long-term debt	37,726	-	-	-	(37,726)	-	-	(37,726)
Interest on long-term debt	1,142	-	-	-	(1,142)	-	-	(1,142)
Total governmental activities	<u>1,889,854</u>	<u>211,314</u>	<u>88,012</u>	<u>264,882</u>	<u>(1,325,646)</u>	<u>-</u>	<u>-</u>	<u>(1,325,646)</u>
Business-type activities:								
Water	1,133,221	664,347	-	14,250	-	(454,624)	-	(454,624)
Sewer	852,156	301,915	-	57,670	-	(492,571)	-	(492,571)
Sanitation	397,847	350,748	-	-	-	(47,099)	-	(47,099)
Economic Development	9,630	-	-	-	-	(9,630)	-	(9,630)
Total business-type activities	<u>2,392,854</u>	<u>1,317,010</u>	<u>-</u>	<u>71,920</u>	<u>-</u>	<u>-</u>	<u>(1,003,924)</u>	<u>(1,003,924)</u>
Total primary government	<u>\$ 4,282,708</u>	<u>\$ 1,528,324</u>	<u>\$ 88,012</u>	<u>\$ 336,802</u>	<u>(1,325,646)</u>	<u>(1,003,924)</u>	<u>(2,329,570)</u>	
General revenues:								
Taxes:								
Sales and use taxes				2,019,967	-	2,019,967		
Franchise taxes and public service taxes				116,606	-	116,606		
Hotel/motel taxes				47,887	-	47,887		
E911 taxes				32,927	-	32,927		
Intergovernmental revenue not restricted to specific programs				65,323	-	65,323		
Unrestricted investment earnings				1,047	783	1,830		
Miscellaneous				145,183	-	145,183		
Transfers				<u>(1,038,448)</u>	<u>1,038,448</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers				<u>1,390,492</u>	<u>1,039,231</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position				<u>64,846</u>	<u>35,307</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position - beginning				<u>1,254,076</u>	<u>688,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position - ending				<u>\$ 1,318,922</u>	<u>\$ 724,147</u>	<u>-</u>	<u>-</u>	<u>\$ 2,043,069</u>

See accompanying notes to these financial statements.

**CITY OF EUFAULA, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF EUFAULA, OKLAHOMA
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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2016

	Capital Improvements Fund					Other Governmental Funds	Total Governmental Funds
	General Fund	Airport Fund	Southpoint Project Fund	Other Governmental Funds	Other Governmental Funds		
ASSETS							
Cash and cash equivalents	\$ 812,585	\$ 201,382	\$ 9,467	\$ 41,517	\$ 273,974		\$ 1,338,925
Due from other funds	-	-	-	-	7,110		7,110
Total assets	<u>\$ 812,585</u>	<u>\$ 201,382</u>	<u>\$ 9,467</u>	<u>\$ 41,517</u>	<u>\$ 281,084</u>		<u>\$ 1,346,035</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ 7,110	\$ 13,105	\$ -	\$ -	\$ -		\$ 20,215
Due to bondholders	6,898	-	-	-	-		6,898
Total liabilities	<u>\$ 14,008</u>	<u>\$ 13,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 27,113</u>
Fund balances:							
Restricted	-	187,056	1,613	11,517	268,469		468,655
Assigned	40,000	1,221	7,854	30,000	12,615		91,690
Unassigned	<u>758,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>758,577</u>
Total fund balances	<u>\$ 798,577</u>	<u>\$ 188,277</u>	<u>\$ 9,467</u>	<u>\$ 41,517</u>	<u>\$ 281,084</u>		<u>\$ 1,318,922</u>
Total liabilities and fund balances	<u>\$ 812,585</u>	<u>\$ 201,382</u>	<u>\$ 9,467</u>	<u>\$ 41,517</u>	<u>\$ 281,084</u>		<u>\$ 1,346,035</u>

See accompanying notes to these financial statements.

CITY OF EUFAULA, OKLAHOMA
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2016**

	General Fund	Capital Improvements Fund	Airport Fund	Southpoint Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 2,169,500	\$ -	\$ -	\$ -	\$ 47,887	\$ 2,217,387
Intergovernmental	100,115	-	253,884	-	63,877	417,876
Charges for services	19,842	129,193	-	-	3,488	152,523
Fines and forfeitures	42,695	-	-	-	-	42,695
Licenses and permits	16,394	-	-	-	-	16,394
Investment income	708	320	-	-	19	1,047
Miscellaneous	108,204	-	4,581	250	32,191	145,226
Total revenues	<u>2,457,458</u>	<u>129,513</u>	<u>258,465</u>	<u>250</u>	<u>147,462</u>	<u>2,993,148</u>
EXPENDITURES						
Current:						
General government	634,540	-	-	-	42,578	677,118
Public Safety	638,459	-	-	-	15,037	653,496
Highway and streets	59,711	-	-	-	7,000	66,711
Culture and recreation	7,803	-	-	-	25,630	33,433
Cemetery	33,649	-	-	-	1,295	34,944
Tourism	3,867	-	-	-	-	3,867
Airport	-	-	2,378	-	-	2,378
Capital Outlay	57,835	79,432	277,527	27	34,250	449,071
Debt Service:						
Principal	37,726	-	-	-	-	37,726
Interest and other charges	1,142	-	-	-	-	1,142
Total expenditures	<u>1,474,732</u>	<u>79,432</u>	<u>279,905</u>	<u>27</u>	<u>125,790</u>	<u>1,959,886</u>
Excess (deficiency) of revenues over expenditures	<u>982,726</u>	<u>50,081</u>	<u>(21,440)</u>	<u>223</u>	<u>21,672</u>	<u>1,033,262</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,113,271	-	4,720	30,000	4,920	1,152,911
Transfers out	(1,955,342)	(165,985)	-	-	-	(2,121,327)
Total other financing sources and uses	<u>(842,071)</u>	<u>(165,985)</u>	<u>4,720</u>	<u>30,000</u>	<u>4,920</u>	<u>(968,416)</u>
Net change in fund balances	140,655	(115,904)	(16,720)	30,223	26,592	64,846
Fund balances - beginning	657,922	304,181	26,187	11,294	254,492	1,254,076
Fund balances - ending	<u>\$ 798,577</u>	<u>\$ 188,277</u>	<u>\$ 9,467</u>	<u>\$ 41,517</u>	<u>\$ 281,084</u>	<u>\$ 1,318,922</u>

See accompanying notes to these financial statements.

**CITY OF EUFAULA, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF EUFAULA, OKLAHOMA
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Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2016

	Enterprise Funds		
			Totals
	Eufaula Public Works Authority	Eufaula Economic Development Authority	
ASSETS			
Cash and cash equivalents	\$ 599,445	\$ 424	\$ 599,869
Due from other funds	13,105	-	13,105
Restricted:			
Cash and cash equivalents	205,554	-	205,554
Total assets	<u>818,104</u>	<u>424</u>	<u>818,528</u>
LIABILITIES			
Deposits subject to refund	94,381	-	94,381
Total liabilities	<u>94,381</u>	<u>-</u>	<u>94,381</u>
NET POSITION			
Restricted for debt service	111,173	-	111,173
Unrestricted	612,550	424	612,974
Total net position	<u>\$ 723,723</u>	<u>\$ 424</u>	<u>\$ 724,147</u>

See accompanying notes to these financial statements.

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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2016

	Eufaula Public Works Authority	Eufaula Economic Development Authority	Totals
REVENUES			
Water	\$ 613,093	\$ -	\$ 613,093
Sewer	275,194	-	275,194
Sanitation	327,010	-	327,010
Water and sewer taps	13,500	-	13,500
Penalties	46,726	-	46,726
Miscellaneous	41,487	-	41,487
Total operating revenues	<u>1,317,010</u>	<u>-</u>	<u>1,317,010</u>
OPERATING EXPENSES			
Administration	241,257	-	241,257
Water	617,042	-	617,042
Sewer	200,492	-	200,492
Sanitation	332,925	-	332,925
Economic development	-	66	66
Total operating expenses	<u>1,391,716</u>	<u>66</u>	<u>1,391,782</u>
Operating income (loss)	<u>(74,706)</u>	<u>(66)</u>	<u>(74,772)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	783	-	783
Loan proceeds	71,920	-	71,920
Debt issuance costs	(45,500)	-	(45,500)
Capital outlay	(41,368)	-	(41,368)
Debt service:			
Principal retirement	(523,577)	(8,337)	(531,914)
Interest expense and fees	(311,031)	(1,227)	(312,258)
Total non-operating revenue (expenses)	<u>(848,773)</u>	<u>(9,564)</u>	<u>(858,337)</u>
Income (loss) before contributions and transfers	<u>(923,479)</u>	<u>(9,630)</u>	<u>(933,109)</u>
Transfers in	2,071,187	10,500	2,081,687
Transfers out	<u>(1,113,271)</u>	<u>-</u>	<u>(1,113,271)</u>
Change in net position	34,437	870	35,307
Total net position - beginning	689,286	(446)	688,840
Total net position - ending	<u>\$ 723,723</u>	<u>\$ 424</u>	<u>\$ 724,147</u>

See accompanying notes to these financial statements.

CITY OF EUFAULA, OKLAHOMA
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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2016

	Eufaula Public Works Authority	Eufaula Economic Development Authority	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,317,010	\$ -	\$ 1,317,010
Payments to suppliers	(833,232)	(66)	(833,298)
Payments to employees	(558,484)	-	(558,484)
Receipts of customer meter deposits	29,300	-	29,300
Refunds of customer meter deposits	(19,834)	-	(19,834)
Interfund receipts/payments	(13,105)	-	(13,105)
Net cash provided by (used in) operating activities	(78,345)	(66)	(78,411)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	2,071,187	10,500	2,081,687
Transfers to other funds	(1,113,271)	-	(1,113,271)
Net cash provided by noncapital financing activities	957,916	10,500	968,416
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(41,368)	-	(41,368)
Proceeds from debt	71,920	-	71,920
Debt issuance costs paid	(45,500)	-	(45,500)
Principal paid on debt	(523,577)	(8,337)	(531,914)
Interest and fiscal agent fees paid on debt	(311,031)	(1,227)	(312,258)
Net cash provided by (used in) capital and related financing activities	(849,556)	(9,564)	(859,120)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	783	-	783
Net cash provided by investing activities	783	-	783
Net increase in cash and cash equivalents	30,798	870	31,668
Balances - beginning of year	774,201	(446)	773,755
Balances - end of year	\$ 804,999	\$ 424	\$ 805,423
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 599,445	\$ 424	\$ 599,869
Restricted cash and cash equivalents - current	205,554	-	205,554
Total cash and cash equivalents, end of year	\$ 804,999	\$ 424	\$ 805,423
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (74,706)	\$ (66)	\$ (74,772)
Change in assets and liabilities:			
Due from other funds	(13,105)	-	(13,105)
Deposits subject to refund	9,466	-	9,466
Net cash provided by (used in) operating activities	\$ (78,345)	\$ (66)	\$ (78,411)

See accompanying notes to these financial statements.

**CITY OF EUFAULA, OKLAHOMA
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Footnotes to the Statement of Net Position and Activities:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the City fully complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 61, “The Financial Reporting Entity: Omnibus” that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report.

The City’s financial reporting entity includes six separate legal entities reported as the primary government and component units.

- **The City of Eufaula** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities – *reported as part of the primary government*
- **The Eufaula Public Works Authority** – that operates the water, wastewater and sanitation services of the City - *reported as part of the primary government (blended component unit)*
- **The Eufaula Economic Development Authority** – that operates the economic development services within the City - *reported as part of the primary government (blended component unit)*
- **The Eufaula Recreation Authority** – that operates the recreational services within the City - *reported as part of the primary government (blended component unit)*
- **The Eufaula Industrial Authority** – that operates the industrial development services within the City (*Authority currently inactive*)
- **The Eufaula Airport Authority** – that operates the municipal airport services of the City (*Authority currently inactive*)

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

All of the component units (Authorities) except the Eufaula Airport Authority (currently inactive) have the City Council as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

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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 Authorities. 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.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement 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 the following balances arising from cash transactions:

- cash-based interfund receivables/payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned.

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.

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, operating and capital grants
- Public safety: Fine revenue, fire runs, operating and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Culture and recreation: Recreational fees and operating grants
- Cemetery: Cemetery fees

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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
- Capital Improvements Fund – accounts for revenues received from the CIP fee and used for capital projects
- Airport Fund – accounts for revenue received and expenditures made for airport grant project
- Southpoint Project Fund – accounts for loan proceeds and related expenditures used for improvements to Southpoint.

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

Special Revenue Funds:

- Street Fund – accounts for revenues received from excess of one-half percent sales tax above debt service requirements on the allocated bonds related to the 2002 defeased bonds to be used for street improvements
- Police Drug Fund – accounts for monies received from donations and drug seizures and to be used for law enforcement purposes only
- Eufaula Recreation Authority – accounts for hotel/motel taxes and recreations fees used to operate recreation activities
- FEMA Fund – accounts for FEMA grant program activity. Used for expenditures and receipts associated with emergency situations

Capital Project Funds:

- Cemetery Perpetual Fund – accounts for 25 percent of cemetery revenues (12.5 percent required per State statute) restricted for cemetery capital improvements
- Grant Fund (CDBG) – capital project fund, which accounts for funds of the Community Development Block Grant used for the Pur Ice building project

The governmental funds are reported on a modified cash basis of accounting. 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:

Major Funds:

- Eufaula Public Works Authority (EPWA) Enterprise Fund – accounts for the operation of the water, wastewater, and sanitation activities
- Eufaula Economic Development Authority (EEDA) Enterprise Fund – accounts for economic development activities

The proprietary funds are reported on a modified cash basis, as defined above.

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

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Assets Other Than Cash

Assets other than cash are reported at the amount of cash and cash equivalents associated with the transaction or event that resulted in their acquisition.

E. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

F. Fund Balances and Net Position

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. More information is provided in Note 3. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or are 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, while the Eufaula Recreation Authority's highest level of decision making Authority is by resolution. The City and Authority currently have no fund balance that meet the definition of committed fund balance.
- d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.

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- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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 the purposes for which both restricted and unrestricted fund balances 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:

Net position is displayed in two components:

- a. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net position* - All other net position that does not meet the definition of "restricted".

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

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.

2. Deposits and Investments

For the year ended June 30, 2016, the City recognized \$1,830 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:

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<u>Primary Government:</u>		Credit Rating	Carrying Value
Type			
Petty cash			\$ 370
Deposits:			
Demand deposits			2,032,805
			<u>2,033,175</u>
Investments:			
Money Market Fund-Cavanal Hill US Treasury	AAA		111,173
			<u>111,173</u>
Total deposits and investments			\$ 2,144,348
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 2,144,348
			<u>\$ 2,144,348</u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's 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 either 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 fully collateralized and therefore not exposed to custodial credit risk as defined above.

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. Title 60 public trusts are not limited by the same investment limitations of their municipal beneficiary. The investments held by the Public Works Authority are part of the 2014A and 2014B revenue bond trustee accounts and the 2012 OWRB trustee account, which are covered and authorized under the said indenture.

Investment Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2016, the investments were limited to shares of money market funds invested in U.S. Treasury securities which have an average maturity of less than one year.

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Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

Restricted Cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts held for meter deposits, and amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2016 are as follows:

	<u>Cash and cash equivalents</u>
2014A Bond Fund	\$ 22,112
2014B Bond Fund	27,737
2012 OWRB Bond Fund	61,324
Meter deposits	94,381
 Total	 <u>\$ 205,554</u>

3. Fund Balances and Net Position

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet, and the Proprietary Fund Statement of Net Position:

	General Fund	Capital Improvements Fund	Airport Fund	Southpoint Project Fund	Other Governmental Funds	Total
Fund Balance:						
Restricted for:						
Grant purposes	\$ -	\$ -	\$ -	\$ -	\$ 119,010	\$ 119,010
Street improvements	-	-	-	-	326	326
Law enforcement	-	-	-	-	4,371	4,371
Cemetery care	-	-	-	-	24,170	24,170
Capital improvements	-	187,056	-	11,517	-	198,573
Airport	-	-	1,613	-	-	1,613
Recreation	-	-	-	-	120,592	120,592
	<u>-</u>	<u>187,056</u>	<u>1,613</u>	<u>11,517</u>	<u>268,469</u>	<u>468,655</u>
Assigned for:						
Future year's budget	40,000	-	-	-	-	40,000
Grant purposes	-	-	-	-	10,969	10,969
Capital improvements	-	1,221	-	30,000	-	31,221
Cemetery care	-	-	-	-	1,646	1,646
Airport	-	-	7,854	-	-	7,854
	<u>40,000</u>	<u>1,221</u>	<u>7,854</u>	<u>30,000</u>	<u>12,615</u>	<u>91,690</u>
Unassigned	<u>758,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>758,577</u>
Total Fund Balance	<u>\$ 798,577</u>	<u>\$ 188,277</u>	<u>\$ 9,467</u>	<u>\$ 41,517</u>	<u>\$ 281,084</u>	<u>\$ 1,318,922</u>
 Proprietary Funds:						
Restricted for:						
Debt service	\$ 111,173					
Total restricted net position	<u>\$ 111,173</u>					

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4. Sales Tax Revenue

Sales tax revenue represents a 3 ½ cent tax on each dollar of taxable sales of which all 3 ½ cents are transferred to the Eufaula Public Works Authority to be used to secure debt payments. Any unused portion is transferred back to the General Fund.

5. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

6. Internal Balances and Transfers Between Funds and Legal Entities

Internal transfers between funds and legal entities are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Eufaula Public Works Authority	\$ 1,905,202	Sales and tobacco tax transfer
General Fund	Cemetery Perpetual Care Fund	2,220	Required cemetery transfer
General Fund	Grant Fund	2,700	Grant money match
General Fund	Airport Fund	4,720	Grant money match
General Fund	Eufaula Economic Development Authority	10,500	Operational subsidy
General Fund	Southpoint Project Fund	30,000	Operational subsidy
Capital Improvements Fund	Eufaula Public Works Authority	165,985	Reimbursement for expenses
Eufaula Public Works Authority	General Fund	1,113,271	Return of unused sales tax
Total		<u><u>\$ 3,234,598</u></u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 1,152,911	\$ (2,121,327)	\$ (968,416)
Proprietary Funds	2,081,687	(1,113,271)	968,416
	<u><u>\$ 3,234,598</u></u>	<u><u>\$ (3,234,598)</u></u>	<u><u>\$ -</u></u>

Reconciliation to Statement of Activities:

Transfers net balance	(968,416)
Transfer of capital outlay from governmental to business-type	(70,032)
	<u><u>\$ (1,038,448)</u></u>

7. Risk Management

The primary government 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. These risks are managed by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for worker's compensation and property liability coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

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8. Retirement Plan Participation

The City of Eufaula 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 (OkMRF-DBP) – an agent multi-employer defined benefit pension plan

Oklahoma State Firefighters Pension System

Pursuant to the requirements of Title 11, section 22-102, the City of Eufaula 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 state 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 the statutorily required contributions. For 2016, the City's annual required contribution was \$1,080 for the OFPRS plan and was equal to the City's actual contribution.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

Oklahoma State Police Pension System

The City of Eufaula, 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 required contribution was \$27,168 for the OPPRS plan and was equal to the City's actual contribution.

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 73116-7335

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OkMRF Defined Benefit Plan

The City contributes to the City of Eufaula Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an 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 OkMRF 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, Contribution Methods and Benefit Provisions

Provision	OkMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements: -Authorization -Actuarially Determined -Employer Rate -Employee Rate	By City ordinance Yes 5.89% of covered payroll (13% for City Manager) 3.75% of earnings
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 7 years of service -Early retirement at age 55 with 7 years of service -Disability retirement with 7 years of service -Marital death benefit with 7 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods: -Normal Retirement -Early Retirement -Disability Retirement -Death Benefit -Prior to 7 Years Service	1.875% of final average salary multiplied by credited years of service Actuarially reduced benefit based upon age and years of service at termination Same as normal retirement 50% of employee's accrued benefit, but terminates upon spouse remarriage Return of employee contributions with accrued interest
g. 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.

OkMRF 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.

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Summary of Contributions:

Oklahoma Municipal Retirement Fund			Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2014	\$ 33,112	100%	2014	\$ 38,433	100%	2014	\$ 1,380	100%
2015	34,953	100%	2015	32,831	100%	2015	1,140	100%
2016	36,019	100%	2016	27,168	100%	2016	1,080	100%

9. Commitments and Contingencies

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

Type of Debt	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 43,830	\$ -	\$ 37,726	\$ 6,104	\$ 6,104
Total Governmental Activities	<u>43,830</u>	<u>-</u>	<u>37,726</u>	<u>6,104</u>	<u>6,104</u>
Business-Type Activities:					
Notes Payable	\$ 10,011,551	\$ 71,920	\$ 531,914	\$ 9,551,557	\$ 657,170
Total Business-Type Activities	<u>10,011,551</u>	<u>71,920</u>	<u>531,914</u>	<u>9,551,557</u>	<u>657,170</u>
Total Long-Term Debt	<u>\$ 10,055,381</u>	<u>\$ 71,920</u>	<u>\$ 569,640</u>	<u>\$ 9,557,661</u>	<u>\$ 663,274</u>

Governmental Activities:

At June 30, 2016, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Lease Obligations Payable

\$190,000 lease obligation for purchase of fire truck, payable in monthly installments of \$2,062, final payment due September 2016	\$ 6,104
Total Capital Leases Payable	<u>\$ 6,104</u>

Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2016, includes the following:

Eufaula Public Works Authority:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to EPWA, and their outstanding balances at June 30, 2016, includes the following:

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Long-Term Note Commitments

Note payable to CAT Financial, original amount of \$93,713, payable in monthly installments of \$1,692 with a 3.2% interest rate, final payment due April 2017.	\$ 13,376
Note payable to Oklahoma Water Resources Board, original amount of \$4,035,000, payable in semi-annual installments each June and December 1 beginning December 2013, final installment due June 1, 2043 with a 2.06% interest rate and an administration fee of 0.5% payable semi-annually on the principal outstanding.	3,599,735
Series 2014A Revenue Notes, original issue amount of \$2,165,000, dated August 1, 2014, issued by Eufaula Public Works Authority, secured by utility revenues and pledged sales tax, interest rate of 3.65%, final payment due June 2024.	1,790,000
Series 2014B Revenue Notes, original issue amount of \$4,410,000, dated August 1, 2014, issued by Eufaula Public Works Authority, secured by utility revenues and pledged sales tax, interest rate of 2.75%, final payment due December 2027.	4,030,000
Note payable to Oklahoma Water Resources Board, original amount of \$675,000, payable in semi-annual installments each March and September 1 beginning September 2016, final installment due September 1, 2030 with a 1.64% interest rate and an administration fee of 0.5% payable semi-annually on the principal outstanding. Total drawdowns to date equal \$57,670.	57,670
Note payable to Bank of Eufaula, original amount of \$14,250, payable in balloon payment on December 30, 2015, renewed for an additonal 6 months with a 5.0% interest rate, final payment due June 30, 2016. (Final payment made July 1, 2016)	14,250
Total Notes Payable	<u>\$ 9,505,031</u>

Eufaula Economic Development Authority:

Long-term debt commitments payable from net revenues generated by the economic development resources of the EEDA, and their outstanding balances at June 30, 2016, includes the following:

Long-Term Note Commitments

Note payable to Bank of Eufaula dated March 12, 2015, original amount \$37,075, due in monthly installments of \$485, interest rate of 2.75%, with final balloon payment due March 2017.	\$ 25,932
Note payable to Bank of Eufaula dated March 12, 2015, original amount \$29,435, due in monthly installments of \$385, interest rate of 2.75%, with final balloon payment due March 2017.	20,594
Total Note Payable	<u>\$ 46,526</u>

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Third Party Lease Agreement:

The City leases a facility to a third party for economic development purposes. Construction of the leased facility was financed with bank debt and a promissory note from the Oklahoma Department of Commerce (ODOC), with both the bank debt and the ODOC note secured by the lease agreement. Payments were collected by the City from the third party through May 2012 pursuant to the terms of the lease agreement. In the prior year, the City determined that the third party would not make any further lease payments as required under the agreement. As a result, the City stopped making its related debt service payments on the facility to the bank effective July 2012.

In December 2012, the bank initiated litigation against the City and the third party demanding immediate repayment of the bank loan plus accrued interest.

In March 2014, ODOC and the bank wrote off large portions of the debt in negotiations with the City and EEDA. ODOC wrote off 90% of the remaining balance of the debt, or \$333,000, leaving the balance of \$37,000. The bank wrote off \$1,012,799, leaving the balance of \$29,360. The EEDA issued two new notes payable to finance the payoff of the remaining balances.

Annual Debt Service Requirements

Long-term debt service requirements to maturity are as follows:

Year Ended June 30,	Governmental			Business-Type		
	<u>Capital Lease Obligations</u>			<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	
2017	\$ 6,104	\$ 28		\$ 657,170	\$ 274,250	
2018	-	-		594,904	266,076	
2019	-	-		613,225	253,010	
2020	-	-		631,626	239,416	
2021	-	-		650,114	225,457	
2022-2026	-	-		3,555,964	906,251	
2027-2031	-	-		1,525,083	652,728	
2032-2036	-	-		710,239	710,239	
2037-2041	-	-		807,116	807,116	
2042-2044	-	-		423,446	423,446	
Total	<u>\$ 6,104</u>	<u>\$ 28</u>		<u>\$ 10,168,887</u>	<u>\$ 4,757,989</u>	
Less: Drawdowns not yet made				<u>(617,330)</u>		
				<u>\$ 9,551,557</u>		

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged all three and one-half cents (or 100%) of future sales tax revenues and net utility revenues to repay the \$2,165,000 Series 2014A Utility System and Sales Tax Revenue Notes and the \$4,410,000 Series 2014B Utility System and Sales Tax Revenue Notes. Proceeds from the notes provided financing to refund Series 2005 Utility Revenue Bonds. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2024 and 2027, respectively. The total principal and interest payable for the remainder of the life of these notes is \$6,869,587. Pledged sales taxes received in the current year were \$1,882,486 and net utility revenues were (\$73,923). Debt service payments of \$621,494 for the current fiscal year were 34.4% of both pledged sales taxes and net utility revenues of \$1,808,563.

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Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2016 is \$15,886 for governmental activities and \$15,178 for business-type activities.

Other Post-Employment Benefits:

For the year ended June 30, 2016, the City provided post-employment benefits (other than pension) to retired employees. The City accounts for these costs on a pay-as-you-go basis. These benefits are in the form of health insurance for retired employees. The retirees pay 100% of the City's established blended premium for active and retired employees.

Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation 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 Eufaula participates in various federal or state grant/loan programs from year to year. In 2016, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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SUPPLEMENTAL AND OTHER INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2016

	General Fund				Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual Amounts			
	Original	Final				
Beginning Budgetary Fund Balance	\$ -	\$ 3,550	\$ 657,922	\$ 654,372		
Resources (Inflows):						
Taxes	286,275	286,275	287,014	739		
Intergovernmental	78,300	78,300	77,399	(901)		
Charges for services	10,000	10,000	19,842	9,842		
Fines and forfeitures	65,000	65,000	42,695	(22,305)		
Licenses and permits	5,900	5,900	16,394	10,494		
Investment income	500	500	708	208		
Miscellaneous	64,075	101,617	108,204	6,587		
Transfers in	1,113,271	1,113,271	1,113,271	-		
Total Resources (Inflows)	1,623,321	1,660,863	1,665,527	4,664		
Amounts available for appropriation	\$1,623,321	\$1,664,413	\$2,323,449	659,036		
Charges to Appropriations (Outflows):						
Administration	120,540	130,540	138,956	(8,416)		
Tourism	5,000	5,000	3,867	1,133		
Police	699,999	689,999	624,710	65,289		
Fire	92,300	95,850	73,667	22,183		
Animal Shelter	4,000	4,000	2,561	1,439		
General government	506,400	506,400	504,608	1,792		
Library	10,300	47,842	33,003	14,839		
Cemetery	42,350	42,350	33,649	8,701		
Summer recreation	5,000	5,000	-	5,000		
Streets	42,500	42,500	39,278	3,222		
Transportation	30,000	30,000	20,433	9,567		
Transfers out	64,932	64,932	50,140	14,792		
Total Charges to Appropriations	1,623,321	1,664,413	1,524,872	139,541		
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 798,577	\$ 798,577		

See notes to budgetary comparison schedule.

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a budgetary basis which differs from the modified cash basis 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 City Manager's approval, while supplemental appropriations require City Council approval.
3. The budgetary basis differs from the modified cash basis as shown in the schedule below:

<u>General Fund</u>	
Resources budgetary basis	\$1,665,527
Add sales tax budgeted as transfers	1,882,486
Add cigarette tax budgeted as transfers	22,716
Deduct transfers in	<u>(1,113,271)</u>
Revenue - modified cash basis	<u><u>\$2,457,458</u></u>
Charges to appropriations budgetary basis	\$1,524,872
Deduct transfers out	<u>(50,140)</u>
Expenditures - modified cash basis	<u><u>\$1,474,732</u></u>

4. Expenditures exceeded appropriations as follows:

General Fund – Administration	\$8,416
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Combining Balance Sheet – Non-Major Governmental Funds (Modified Cash Basis) –
June 30, 2016

	Special Revenue Funds				Capital Project Funds		Total Governmental Funds
	Street Fund	Police Drug Fund	Recreation Authority	FEMA Fund	Cemetery Perpetual Fund	Grant Fund	
ASSETS							
Cash and cash equivalents	\$ 326	\$ 4,371	\$ 115,476	\$ 67,153	\$ 23,822	\$ 62,826	\$ 273,974
Due from other funds	-	-	5,116	-	1,994	-	7,110
Total assets	<u><u>\$ 326</u></u>	<u><u>\$ 4,371</u></u>	<u><u>\$ 120,592</u></u>	<u><u>\$ 67,153</u></u>	<u><u>\$ 25,816</u></u>	<u><u>\$ 62,826</u></u>	<u><u>\$ 281,084</u></u>
LIABILITIES AND FUND BALANCES							
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Fund balances:							
Restricted	326	4,371	120,592	67,153	24,170	51,857	268,469
Assigned	-	-	-	-	1,646	10,969	12,615
Total fund balances	<u><u>326</u></u>	<u><u>4,371</u></u>	<u><u>120,592</u></u>	<u><u>67,153</u></u>	<u><u>25,816</u></u>	<u><u>62,826</u></u>	<u><u>281,084</u></u>
Total liabilities and fund balances	<u><u>\$ 326</u></u>	<u><u>\$ 4,371</u></u>	<u><u>\$ 120,592</u></u>	<u><u>\$ 67,153</u></u>	<u><u>\$ 25,816</u></u>	<u><u>\$ 62,826</u></u>	<u><u>\$ 281,084</u></u>

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Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2016

	Special Revenue Funds				Capital Project Funds			Total-Other Governmental Funds
	Street Fund	Police Drug Fund	Recreation Authority	FEMA Fund	Cemetery Perpetual Fund	Grant Fund		
	\$	\$	\$	\$	\$	\$		
REVENUES								
Taxes	\$ -	\$ -	\$ 47,887	\$ -	\$ -	\$ -	\$ 47,887	
Intergovernmental	-	-	-	53,129	-	10,748	63,877	
Charges for services	-	-	3,190	-	298	-	3,488	
Investment income	-	-	-	-	11	8	19	
Miscellaneous	-	-	91	-	-	32,100	32,191	
Total revenues	\$ -	\$ -	51,168	53,129	309	42,856	147,462	
EXPENDITURES								
Current:								
General government	-	-	-	42,578	-	-	42,578	
Public Safety	-	2,164	-	-	-	12,873	15,037	
Highways and streets	-	-	-	-	-	7,000	7,000	
Cemetery	-	-	-	-	1,295	-	1,295	
Culture and recreation	-	-	25,630	-	-	-	25,630	
Capital outlay	-	-	8,875	-	-	25,375	34,250	
Total expenditures	\$ -	2,164	34,505	42,578	1,295	45,248	125,790	
Excess (deficiency) of revenues over expenditures	\$ -	(2,164)	16,663	10,551	(986)	(2,392)	21,672	
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	2,220	2,700	4,920	
Total other financing sources and uses	\$ -	-	-	-	2,220	2,700	4,920	
Net change in fund balances	-	(2,164)	16,663	10,551	1,234	308	26,592	
Fund balances - beginning	326	6,535	103,929	56,602	24,582	62,518	254,492	
Fund balances - ending	\$ 326	\$ 4,371	\$ 120,592	\$ 67,153	\$ 25,816	\$ 62,826	\$ 281,084	

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Proprietary Fund Combining Schedule of Net Position (Modified Cash Basis) – Eufaula Public Works Authority Enterprise Fund Accounts – June 30, 2016

	<u>EPWA</u>	<u>EPWA-CWSRF</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 574,487	\$ 24,958	\$ 599,445
Due from other funds	13,105	-	13,105
Restricted:			
Cash and cash equivalents	205,554	-	205,554
Total assets	<u>793,146</u>	<u>24,958</u>	<u>818,104</u>
LIABILITIES			
Deposits subject to refund	94,381	-	94,381
Total liabilities	<u>94,381</u>	<u>-</u>	<u>94,381</u>
NET POSITION			
Restricted for debt service	111,173	-	111,173
Unrestricted	587,592	24,958	612,550
Total net position	<u>\$ 698,765</u>	<u>\$ 24,958</u>	<u>\$ 723,723</u>

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**Proprietary Fund Combining Schedule of Revenues, Expenses, and Changes in Net Position
(Modified Cash Basis) – Eufaula Public Works Authority Enterprise Fund Accounts – Year Ended
June 30, 2016**

	<u>EPWA</u>	<u>EPWA-CWSRF</u>	<u>Total</u>
REVENUES			
Charges for services:			
Water	\$ 613,093	\$ -	\$ 613,093
Sewer	275,194	-	275,194
Sanitation	327,010	-	327,010
Water and sewer taps	13,500	-	13,500
Penalties	46,726	-	46,726
Miscellaneous	41,487	-	41,487
Total operating revenues	1,317,010	-	1,317,010
OPERATING EXPENSES			
Administration	241,257	-	241,257
Water	617,042	-	617,042
Sewer	200,492	-	200,492
Sanitation	332,925	-	332,925
Total operating expenses	1,391,716	-	1,391,716
Operating income (loss)	(74,706)	-	(74,706)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	771	12	783
Loan proceeds	71,920	-	71,920
Debt issuance costs	(45,500)	-	(45,500)
Capital outlay	(27,209)	(14,159)	(41,368)
Debt service:			
Principal retirement	(523,577)	-	(523,577)
Interest expense and fees	(311,031)	-	(311,031)
Total non-operating revenue (expenses)	(834,626)	(14,147)	(848,773)
Income (loss) before transfers	(909,332)	(14,147)	(923,479)
Interaccount transfers in	-	12,170	12,170
Interaccount transfers out	(12,170)	-	(12,170)
Transfers in	2,055,202	15,985	2,071,187
Transfers out	(1,113,271)	-	(1,113,271)
Change in net position	20,429	14,008	34,437
Total net position - beginning	678,336	10,950	689,286
Total net position - ending	\$ 698,765	\$ 24,958	\$ 723,723

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Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2016

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Award Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Federal Aviation Administration	20.106	AIP 3-40-0029-009-2015	\$ 249,987	\$ 249,987
Federal Aviation Administration	20.106	AIP 3-40-0029-008-2014	<u>245,510</u>	<u>3,897</u>
Total U.S. Department of Transportation			<u>495,497</u>	<u>253,884</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>				
Passed through the Oklahoma Department of Civil Emergency Management:				
Disaster Recovery - 2015 Tornadoes, Severe Storms	97.036	FEMA-4222-DR-OK	<u>47,557</u>	<u>47,557</u>
Total Federal Awards			<u>\$ 543,054</u>	<u>\$ 301,441</u>
State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended	
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Forestry Grant - 2016	N/A	\$ 4,290	\$ 4,290	
Forestry Grant - 2015	N/A	<u>4,484</u>	<u>443</u>	
		<u>8,774</u>	<u>4,733</u>	
<u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT:</u>				
2014 REAP	REAP FY 2014	<u>15,000</u>	<u>10,748</u>	
		<u>15,000</u>	<u>10,748</u>	
Total State Awards		<u>\$ 23,774</u>	<u>\$ 15,481</u>	

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Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2016

	<u>2014 A&B Revenue Bonds</u>
Gross Revenue Available for Debt Service:	
Operating revenues of leased systems	\$1,317,010
Sales tax pledged and transferred	1,882,486
Interest income	<u>783</u>
Total Gross Revenues Available	3,200,279
System Operating Expenses	<u>1,391,716</u>
Net Revenues Available for Debt Service	<u><u>\$1,808,563</u></u>
Debt Service Requirements:	
Annual debt service - 2014A&B Revenue Bonds	<u><u>\$621,494</u></u>
Total Debt Service Requirements	<u><u>\$621,494</u></u>
Coverage	<u><u>291%</u></u>
Coverage Requirement	<u><u>125%</u></u>

**CITY OF EUFAULA, OKLAHOMA
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INTERNAL CONTROL 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 Eufaula, 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 Eufaula, 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 November 22, 2016. Our report included an emphasis-of-a-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 an instance of noncompliance or other matter that are to be reported under *Government Auditing Standards* and which is described in the accompanying summary schedule of findings as Finding 2016-01.

City of Eufaula, Oklahoma's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying summary schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Arlidge & Associates, P.C.

November 22, 2016

CITY OF EUFAULA, OKLAHOMA

SUMMARY SCHEDULE OF FINDINGS

Year Ended June 30, 2016

Finding 2016-01 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 department, which is the legal level of control.

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

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General Fund	Administration	\$ 8,416

Cause: Year-end adjustments are recorded in the preparation of the annual financial statements that result in charges to appropriations that may exceed the appropriations for a department.

Recommendation: We recommend that the City adopt formal budget amendments, especially at or near year-end by department.

City's Response: Management will review all funds and departments prior to year-end to ensure that any budget amendments needed are completed and approved prior to June 30.