

**CITY OF NEW CORDELL, OKLAHOMA
NEW CORDELL, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2018**

CITY OF NEW CORDELL, OKLAHOMA
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For the fiscal year ended JUNE 30, 2018

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CITY OF NEW CORDELL, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

Bob Plummer, Mayor

J.C. Moser, City Administrator

Vicky Dunlap, NCUA & Council President

Cheryl Wedel

Steve McGlaughlin

Darryl Anthony

Earlene Smith

Vona Hicks

Zetta Penner

CITY CLERK

Christie Cherry



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507
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580-772-3596
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of New Cordell, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Cordell, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of New Cordell, Oklahoma's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Cordell, Oklahoma, 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 accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Cordell, Oklahoma's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2019, on our consideration of City of New Cordell, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of New Cordell, Oklahoma's internal control over financial reporting and compliance.



BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
March 8, 2019

Our discussion and analysis of the City of New Cordell's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2018, the City's total net position decreased by \$84,698 or 1.57% from the prior year.
- During the year, City's expenses for governmental activities amounted to \$1,772,645 and were funded by program revenues of \$229,31 and further funded programs with taxes and other general revenues and transfers that totaled \$1,502,304.
- In the City's business-type activities, including utilities and economic development, program revenues exceeded expenses by \$440,525.
- At June 30, 2018, the General Fund reported an unassigned fund balance of \$44,464, a decrease of \$49,219.
- For budgetary reporting purposes, the General Fund reported actual revenues above final estimates of revenues by \$15,697 or 1.58%, while expenditures were under final appropriations by \$40,288 or 2.55%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of New Cordell (the "City") and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of 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 accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets 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. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets and liabilities- as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, 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, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, wastewater, and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many 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.

Governmental funds- Most 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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds- When the City charges customers for the services it provides- whether to outside customers or to other units of the City- these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net position decreased from \$5,388,395 to \$5,303,697 between fiscal years 2018 and 2017. Net position of both governmental activities and business-type activities showed a decrease when compared to prior year.

CITY OF NEW CORDELL, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2018

	Governmental Activities		Business-Type Activities		Total		Difference	
	2017	2018	2017	2018	2017	2018	\$	%
Current assets	\$ 491,135	\$ 403,534	\$ 2,302,319	\$ 2,496,474	\$ 2,987,609	\$ 2,900,008	\$ (87,601)	-3%
Capital assets, net	2,288,542	2,205,826	2,021,023	1,852,515	4,309,565	4,058,341	(251,224)	-6%
Other non-current assets	-	-	-	-	-	-	-	0%
Total assets	2,779,677	2,609,360	4,323,342	4,348,989	7,297,174	6,958,349	(338,825)	-5%
Deferred outflows	303,651	514,087	26,935	19,522	330,586	533,609	203,023	61%
Current liabilities	131,447	127,401	538,843	585,437	670,290	712,838	42,548	6%
Non-current liabilities	305,567	346,979	605,000	620,316	910,567	967,295	56,728	6%
Total liabilities	437,014	474,380	1,143,843	1,205,753	1,580,857	1,680,133	99,276	6%
Deferred inflows	305,496	508,128	-	-	305,496	508,128	202,632	0%
Net position								
Invested in capital assets, net of related debt	2,288,542	2,205,826	1,332,958	1,122,741	3,621,500	3,328,567	(292,933)	-8%
Reserved restricted purp.	266,005	231,669	-	-	266,005	231,669	(34,336)	-13%
Unrestricted	(372,586)	(296,556)	1,873,476	2,040,017	1,500,890	1,743,461	242,571	16%
Total net position	\$ 2,181,961	\$ 2,140,939	\$ 3,206,434	\$ 3,162,758	\$ 5,388,395	\$ 5,303,697	\$ (84,698)	-2%

Changes in Net Assets

For the year ended June 30, 2018, net assets of the primary government changed as follows:

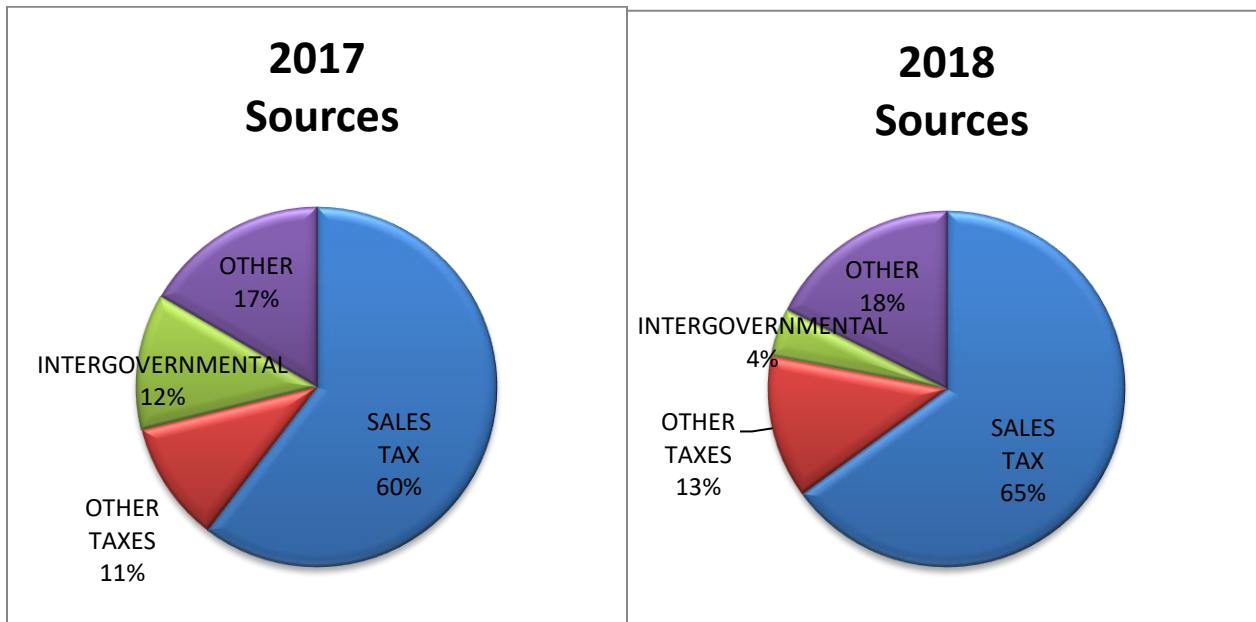
	Governmental Activities		Business-type Activities		Governmental Activities		Business-type Activities	
	2017	2018	2017	2018	\$	%	\$	%
Revenues								
Program revenues	\$ 319,766	\$ 229,319	\$ 3,973,040	\$ 4,215,677	\$ (90,447)	-28%	\$ 242,637	6%
Taxes and other general revenues	558,625	966,652	64,331	51,451	408,027	73%	(12,880)	-20%
Total revenues	878,391	1,195,971	4,037,371	4,267,128	317,580	36%	229,757	6%
Expenses								
General government	183,677	220,665	-	-	36,988	20%	-	-
Public safety and judiciary	920,276	963,707	-	-	43,431	5%	-	-
Transportation	412,640	416,796	-	-	4,156	1%	-	-
Cultural, parks, and recreation	156,629	145,969	-	-	(10,660)	-7%	-	-
Public services	64,123	25,508	-	-	(38,615)	-60%	-	-
Electric	-	-	1,908,632	2,069,983	-	-	161,351	8%
Water	-	-	716,793	764,517	-	-	47,724	7%
Sewer	-	-	131,155	137,868	-	-	6,713	5%
Sanitation	-	-	308,809	316,695	-	-	7,886	3%
Customer service	-	-	409,299	423,170	-	-	13,871	3%
Economic development	-	-	58,940	62,919	-	-	3,979	7%
Total expenses	1,737,345	1,772,645	3,533,628	3,775,152	35,300	2%	241,524	7%
Excess (deficiency) before transfers	(858,954)	(576,674)	503,743	491,976	282,280	-33%	(11,767)	-2%
Transfers	570,452	535,652	(570,452)	(535,652)	(34,800)	-6%	34,800	-6%
Increase (decrease) in net assets	\$ (288,502)	\$ (41,022)	\$ (66,709)	\$ (43,676)	\$ 247,480	-86%	\$ 23,033	-35%

The City's governmental activities' decrease in net assets of \$41,022 is primarily attributable to increased non-cash depreciation expense. The business-type activities' decrease in net assets of \$43,676 is a function of the increased operating expense. The results indicate that, as a whole, the City's financial condition decreased from the prior year.

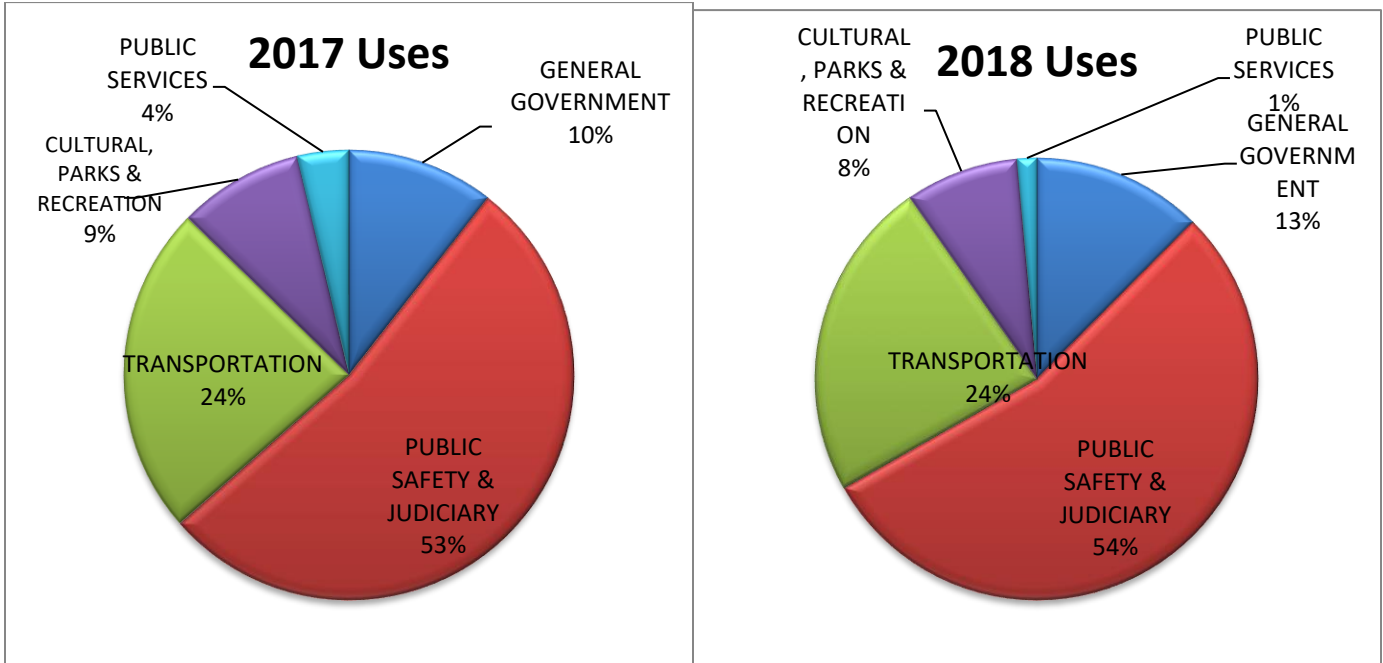
Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

The City's governmental activities were funded and used as follows:



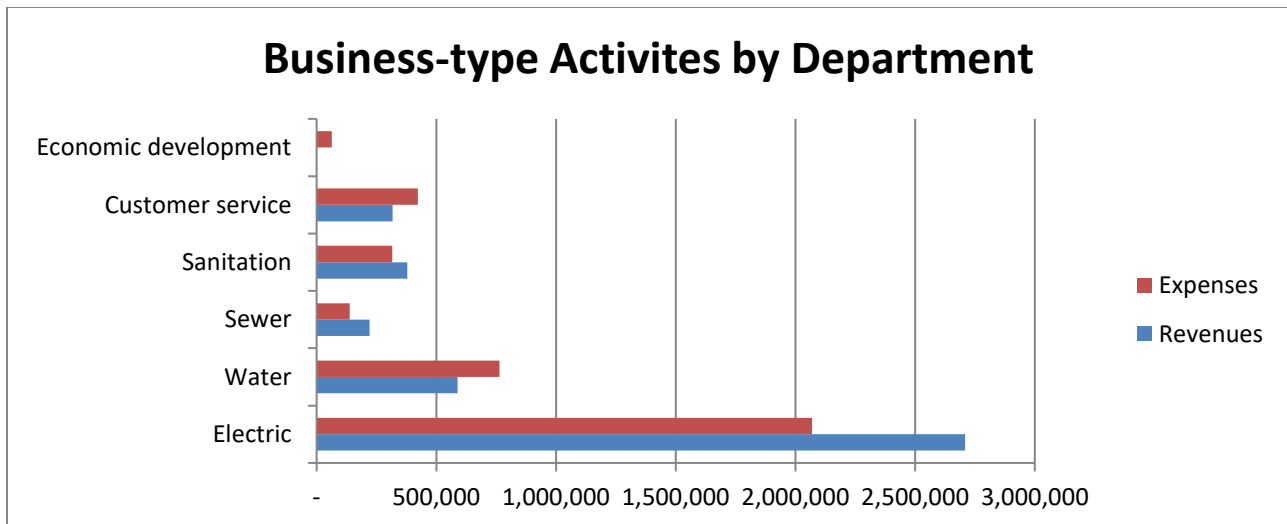
For the year ended June 30, 2017 and 2018, sales tax provided the most significant source of funding for governmental activities at 60% and 65%, respectively. Intergovernmental revenues decreased as a funding source in fiscal year 2018 due to fewer grants received in FY 2018.



Consistent between fiscal years, public safety and judiciary expenses were the largest use of governmental funds at 53% and 54% for 2017 and 2018, respectively.

Business-type Activities

Business-type activities are designed to cover their cost of operations. The following chart displays total revenues and total expenses of each business-type department for fiscal year 2017:



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 \$276,133 or a 23.23% decrease from the prior year. The enterprise funds reported combined net assets of \$3,162,758 or a 1.36% decrease from 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the City had \$3,815,649 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Land and improvements	1,172,425	1,062,379	111,135	111,135	1,283,560	1,173,514
Buildings	760,052	696,330	1,101,774	989,951	1,861,826	1,686,281
Machinery & equipment	346,985	292,144	272,166	254,968	619,151	547,112
Utility property & improvements	-	-	535,948	487,461	535,948	487,461
Construction in process	9,080	154,973	-	9,000	9,080	163,973
Totals	<u>\$ 2,288,542</u>	<u>\$ 2,205,826</u>	<u>\$ 2,021,023</u>	<u>\$ 1,852,515</u>	<u>\$ 4,309,565</u>	<u>\$ 4,058,341</u>

This year's more significant capital asset additions included:

- In Governmental Activities: \$8,793 for museum roof, \$11,370 for police software, printer & scanner, \$2,500 for police radar systems, \$3,600 for fire control panel, \$1,409 for fire 70" light bar, \$1,144 for a fire rescue saw, \$28,327 for ADA swimming pool improvements, \$15,213 for fire station improvements, and \$130,680 for a street shop.
- In Business-type Activities: \$1,850 for a crimp tool, \$3,328 for various transformers, \$3,712 for a subsurface water leak detector, \$35,340 for a 500 gallon vac trailer, \$3,082 for a turbine & control panel, \$2,756 for a work order software program, and \$9,000 for emergency generators for well systems.

Long-Term Debt

At year-end, the City had \$749,296 in outstanding long-term debt which represents a net increase of \$34,296 from the prior year. The City's Changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenue bonds	\$ -	\$ -	\$ 715,000	\$ 605,000	\$ 715,000	\$ 605,000
Notes payable/capital leases	-	-	-	144,296	-	144,296
subtotal	-	-	715,000	749,296	715,000	749,296
less current portion	-	-	(110,000)	(128,980)	(110,000)	(128,980)
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605,000</u>	<u>\$ 620,316</u>	<u>\$ 605,000</u>	<u>\$ 620,316</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Oklahoma employment has shown gains this year led by the oil and gas industry but most sectors have added jobs. Oil and gas production is at a record high, but with considerably fewer rigs and workers than in 2017. State economies were hurt by low commodity prices but now are growing solidly.

The City must continue to make prudent financial management decisions and continue to progress, reinvest in infrastructure, and continue to plan for the long-term quality for the citizens of New Cordell. The 2018-2019 budget is conservative and provides the financial resources necessary to continue the current level of City services, meet the demand of infrastructure issues, and position the community for continued growth.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 101 East Main, Cordell, Oklahoma, 73632 or phone at (580) 832-3825.

City of New Cordell, Oklahoma
Statement of Net Position
June 30, 2018

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash, including time deposits	\$ 292,740	\$ 1,061,896	\$ 1,354,636
Investments	35,634	278,125	313,759
Interest receivable	2	51	53
Due from other funds	(40)	40	-
Taxes receivable	75,108	-	75,108
Accounts receivable (net)	-	666,485	666,485
Prepaid expenses	90	23,599	23,689
Total current assets	<u>403,534</u>	<u>2,030,196</u>	<u>2,433,730</u>
Restricted assets:			
Cash, including time deposits	-	257,075	257,075
Investments	-	209,203	209,203
Total restricted assets	<u>-</u>	<u>466,278</u>	<u>466,278</u>
Non-Current Assets:			
Land and construction in progress	1,340,098	111,135	1,451,233
Other capital assets (net of accumulated depreciation)	865,728	1,741,380	2,607,108
Total noncurrent assets	<u>2,205,826</u>	<u>1,852,515</u>	<u>4,058,341</u>
Total assets	<u>2,609,360</u>	<u>4,348,989</u>	<u>6,958,349</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	19,522	19,522
Deferred amounts on pension obligations	514,087	-	514,087
	<u>\$ 514,087</u>	<u>\$ 19,522</u>	<u>\$ 533,609</u>
LIABILITIES			
Current liabilities:			
Accounts payable	43,401	267,251	310,652
Wages and benefits payable	19,186	12,189	31,375
Compensated absences, current	64,814	12,716	77,530
Notes payable, current	-	13,980	13,980
Total current liabilities	<u>127,401</u>	<u>306,136</u>	<u>433,537</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	6,426	6,426
Customer deposits payable	-	157,875	157,875
Bonds payable, current	-	115,000	115,000
Total liabilities payable from restricted assets	<u>-</u>	<u>279,301</u>	<u>279,301</u>
Noncurrent liabilities:			
Notes payable, non-current	-	130,316	130,316
Bonds payable, non-current	-	490,000	490,000
Net pension liability	346,979	-	346,979
Total noncurrent liabilities	<u>346,979</u>	<u>620,316</u>	<u>967,295</u>
Total liabilities	<u>474,380</u>	<u>1,205,753</u>	<u>1,680,133</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on pension obligations	508,128	-	508,128
NET POSITION			
Invested in capital assets, net of related debt	2,205,826	1,122,741	3,328,567
Reserved for restricted purposes	231,669	-	231,669
Unrestricted	(296,556)	2,040,017	1,743,461
Total net position	<u>\$ 2,140,939</u>	<u>\$ 3,162,758</u>	<u>\$ 5,303,697</u>

City of New Cordell, Oklahoma
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 99,451	\$ 16,067	\$ -	\$ -	\$ (83,384)
Administration	76,162	-	11,881	-	(64,281)
Grant Writing	45,052	-	-	-	(45,052)
Total general government	<u>220,665</u>	<u>16,067</u>	<u>11,881</u>	<u>-</u>	<u>(192,717)</u>
Public safety and judiciary:					
Legislative & judicial	57,288	-	-	-	(57,288)
Police	433,511	31,713	-	-	(401,798)
Fire	242,075	8,624	3,744	-	(229,707)
Code enforcement	57,462	-	-	-	(57,462)
Ambulance	162,016	62,119	-	-	(99,897)
Animal Control	11,355	-	-	-	(11,355)
Total public safety and judiciary	<u>963,707</u>	<u>102,456</u>	<u>3,744</u>	<u>-</u>	<u>(857,507)</u>
Transportation:					
Street	302,700	-	57,391	-	(245,309)
Airport	114,096	6,690	-	2,943	(104,463)
Total transportation	<u>416,796</u>	<u>6,690</u>	<u>57,391</u>	<u>2,943</u>	<u>(349,772)</u>
Cultural, parks and recreation:					
Park	101,529	-	-	-	(101,529)
Swimming pool	44,440	10,430	-	14,966	(19,044)
Total cultural, parks and recreation	<u>145,969</u>	<u>10,430</u>	<u>-</u>	<u>14,966</u>	<u>(120,573)</u>
Public services:					
Public works	-	-	-	-	-
Cemetery	8,715	2,751	-	-	(5,964)
City garage	16,793	-	-	-	(16,793)
Total public services	<u>25,508</u>	<u>2,751</u>	<u>-</u>	<u>-</u>	<u>(22,757)</u>
Total governmental activities	<u>1,772,645</u>	<u>138,394</u>	<u>73,016</u>	<u>17,909</u>	<u>(1,543,326)</u>
Business-type activities:					
Electric	2,069,983	2,627,130	-	82,199	639,346
Water	764,517	588,491	-	-	(176,026)
Sewer	137,868	221,161	-	-	83,293
Sanitation	316,695	379,520	-	-	62,825
Customer service	423,170	317,176	-	-	(105,994)
Economic development	62,919	-	-	-	(62,919)
Total business-type activities	<u>3,775,152</u>	<u>4,133,478</u>	<u>-</u>	<u>82,199</u>	<u>440,525</u>
Total	<u>\$ 5,547,797</u>	<u>\$ 4,271,872</u>	<u>\$ 73,016</u>	<u>\$ 100,108</u>	<u>\$ (1,102,801)</u>

City of New Cordell, Oklahoma
Statement of Activities (continued)
For the Year Ended June 30, 2018

Changes in Net Assets:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,543,326)	\$ 440,525	\$ (1,102,801)
General revenues:			
Taxes:			
Sales tax	695,850	-	695,850
Use tax	52,702	-	52,702
Franchise taxes	34,994	-	34,994
Alcoholic beverage tax	43,004	-	43,004
Cigarette tax	8,239	-	8,239
Oil & gas royalties	-	-	-
Investment income	932	6,927	7,859
Pension change	125,249	-	125,249
Penalties	-	36,508	36,508
Miscellaneous	5,682	8,016	13,698
Transfers-Internal activity	535,652	(535,652)	-
Total general revenues and transfers	<u>1,502,304</u>	<u>(484,201)</u>	<u>1,018,103</u>
Change in net position	(41,022)	(43,676)	(84,698)
Net position-beginning	2,181,961	3,206,434	5,388,395
Net position-ending	<u>\$ 2,140,939</u>	<u>\$ 3,162,758</u>	<u>\$ 5,303,697</u>

City of New Cordell, Oklahoma
Balance Sheet
For the Year Ended June 30, 2018

	General Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, including time deposits	\$ 93,504	\$ 63,515	\$ 135,721	\$ 292,740
Investments	-	-	35,634	35,634
Interest receivable	-	-	2	2
Taxes receivable	72,983	-	2,125	75,108
Due from other funds	-	-	529	529
Prepaid expenses	90	-	-	90
Total assets	<u>\$ 166,577</u>	<u>\$ 63,515</u>	<u>\$ 174,011</u>	<u>\$ 404,103</u>
LIABILITIES				
Accounts payable	\$ 37,544	\$ 500	\$ 5,357	\$ 43,401
Wages and benefits payable	19,186	-	-	19,186
Due to other funds	569	-	-	569
Compensated absences, current	64,814	-	-	64,814
Total liabilities	<u>122,113</u>	<u>500</u>	<u>5,357</u>	<u>127,970</u>
FUND BALANCES				
Restricted for:				
Capital projects fund	-	-	28,125	28,125
Special revenue funds	-	63,015	140,529	203,544
Unassigned	44,464	-	-	44,464
Total fund balances	<u>44,464</u>	<u>63,015</u>	<u>168,654</u>	<u>276,133</u>
Total liabilities and fund balances	<u>\$ 166,577</u>	<u>\$ 63,515</u>	<u>\$ 174,011</u>	<u>\$ 404,103</u>
Total fund balance- total governmental funds				276,133
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds. See Note 3(B) for additional detail.				
Land and construction in process			1,340,098	
Capital assets			9,113,138	
Less: Accumulated depreciation			<u>(8,247,410)</u>	2,205,826
Net pension asset				-
Pension related deferred outflows				514,087
Net pension liability				(346,979)
Pension related deferred inflows				(508,128)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.				<u>-</u>
Net position of governmental activities				<u>\$ 2,140,939</u>

City of New Cordell, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Sales taxes	\$ 695,850	\$ -	\$ -	\$ 695,850
Use taxes	52,702	-	-	52,702
Beverage tax	43,004	-	-	43,004
Franchise taxes	34,994	-	-	34,994
Cigarette tax	8,239	-	-	8,239
Licenses and permits	11,583	-	-	11,583
Oil and gas royalties	-	-	-	-
Fines and forfeitures	25,658	-	-	25,658
Investment income	352	-	580	932
Charges for services	74,982	-	318	75,300
Rental income	11,174	-	-	11,174
Intergovernmental	-	17,909	28,932	46,841
Miscellaneous	55,821	-	8,624	64,445
Total revenues	<u>1,014,359</u>	<u>17,909</u>	<u>38,454</u>	<u>1,070,722</u>
<u>EXPENDITURES</u>				
Current:				
General government:				
General government	52,629	-	-	52,629
Administration	75,662	500	-	76,162
Grant Writing	45,052	-	-	45,052
Total general government	<u>173,343</u>	<u>500</u>	<u>-</u>	<u>173,843</u>
Public safety and judiciary:				
Legislative & judicial	57,288	-	-	57,288
Police	398,920	-	-	398,920
Fire	202,509	-	9,074	211,583
Code enforcement	57,462	-	-	57,462
Ambulance	154,677	-	-	154,677
Animal Control	11,105	-	-	11,105
Total public safety and judiciary	<u>881,961</u>	<u>-</u>	<u>9,074</u>	<u>891,035</u>
Transportation:				
Street	244,737	-	32,612	277,349
Airport	10,250	-	-	10,250
Total transportation	<u>254,987</u>	<u>-</u>	<u>32,612</u>	<u>287,599</u>
Cultural, parks and recreation:				
Park	68,474	-	-	68,474
Swimming pool	44,440	-	-	44,440
Total cultural, parks and recreation	<u>112,914</u>	<u>-</u>	<u>-</u>	<u>112,914</u>
Public Services:				
Cemetery	4,807	-	-	4,807
City garage	16,793	-	-	16,793
Total public services	<u>21,600</u>	<u>-</u>	<u>-</u>	<u>21,600</u>
Debt service				
Capital lease obligation	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay	<u>153,344</u>	<u>42,345</u>	<u>7,249</u>	<u>202,938</u>
Total expenditures	<u>1,598,149</u>	<u>42,845</u>	<u>48,935</u>	<u>1,689,929</u>
Excess (deficiency) of revenues over expenditures	<u>(583,790)</u>	<u>(24,936)</u>	<u>(10,481)</u>	<u>(619,207)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	577,816	75,996	-	653,812
Transfers out	(43,245)	(74,915)	-	(118,160)
Total other financing sources and uses	<u>534,571</u>	<u>1,081</u>	<u>-</u>	<u>535,652</u>
Net change in fund balances	(49,219)	(23,855)	(10,481)	(83,555)
Fund balances - beginning	93,683	86,870	179,135	359,688
Fund balances - ending	<u>\$ 44,464</u>	<u>\$ 63,015</u>	<u>\$ 168,654</u>	<u>\$ 276,133</u>

City of New Cordell, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ (83,555)
Amounts reported for governmental activities in the Statement of Activities are
different because:

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

Capital asset purchases capitalized	202,938	
Equipment disposed	-	
Depreciation expense	<u>(285,654)</u>	(82,716)

Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension. The fund financial statements report pension contributions as expenditures		125,249
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	<u>-</u>	<u>-</u>

Change in Net Position of Governmental Activities		<u><u>\$ (41,022)</u></u>
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City of New Cordell, Oklahoma
Statement of Net Position
For the Year Ended June 30, 2018

	New Cordell Utilities Authority	Development Redevelopment Authority	Total Enterprise Funds
ASSETS			
Current assets:			
Cash, including time deposits	\$ 1,059,094	\$ 2,802	\$ 1,061,896
Investment	278,125	-	278,125
Interest receivable	51	-	51
Due from other funds	40	-	40
Accounts receivable, net of allowance of \$38,706	666,485	-	666,485
Prepaid expenses	23,599	-	23,599
Total current assets	<u>2,027,394</u>	<u>2,802</u>	<u>2,030,196</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	257,075	-	257,075
Investments	209,203	-	209,203
Total restricted assets	<u>466,278</u>	<u>-</u>	<u>466,278</u>
Noncurrent assets:			
Capital assets (net)	1,413,060	439,455	1,852,515
Total noncurrent assets	<u>1,413,060</u>	<u>439,455</u>	<u>1,852,515</u>
Total assets	<u>3,906,732</u>	<u>442,257</u>	<u>4,348,989</u>
LIABILITIES			
Current liabilities:			
Accounts payable	267,251	-	267,251
Wages and benefits payable	12,189	-	12,189
Compensated absences, current	12,716	-	12,716
Due to other funds	-	-	-
Notes payable, current	13,980	-	13,980
Total current liabilities	<u>306,136</u>	<u>-</u>	<u>306,136</u>
Liabilities payable from restricted assets:			
Accrued interest payable	6,426	-	6,426
Customer deposits payable	157,875	-	157,875
Bonds payable, current	115,000	-	115,000
Total liabilities payable from restricted assets	<u>279,301</u>	<u>-</u>	<u>279,301</u>
Noncurrent liabilities:			
Notes payable, noncurrent	130,316	-	130,316
Bonds payable, noncurrent	490,000	-	490,000
Deferred amount on refunding	(19,522)	-	(19,522)
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	<u>470,478</u>	<u>-</u>	<u>470,478</u>
Total noncurrent liabilities	<u>600,794</u>	<u>-</u>	<u>600,794</u>
Total liabilities	<u>1,186,231</u>	<u>-</u>	<u>1,186,231</u>
NET POSITION			
Invested in capital assets, net of related debt	683,286	439,455	1,122,741
Unrestricted	<u>2,037,215</u>	<u>2,802</u>	<u>2,040,017</u>
Total net position	<u>\$ 2,720,501</u>	<u>\$ 442,257</u>	<u>\$ 3,162,758</u>

City of New Cordell, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2018

	New Cordell Utilities Authority	Development Redevelopment Authority	Total Enterprise Funds
<u>Operating revenues:</u>			
Charges for services:			
Electric charges	\$ 2,627,130	\$ -	\$ 2,627,130
Water charges	588,491	-	588,491
Sewer charges	221,161	-	221,161
Sanitation charges	379,520	-	379,520
Penalties	36,508	-	36,508
Total charges for services	3,852,810	-	3,852,810
Lease and rental income	1,100	-	1,100
Miscellaneous	8,016	-	8,016
Total operating revenues	3,861,926	-	3,861,926
<u>Operating expenses:</u>			
Cost of goods sold	2,447,086	-	2,447,086
Personal services	603,239	-	603,239
Materials and supplies	277,010	8,865	285,875
Other services and charges	162,851	13,285	176,136
Depreciation	186,867	40,769	227,636
Total operating expenses	3,677,053	62,919	3,739,972
Net operating income	184,873	(62,919)	121,954
<u>Nonoperating revenue (expense):</u>			
Investment income	6,914	13	6,927
Grant income	82,199	-	82,199
Interest expense	(27,767)	-	(27,767)
Amortization	(7,413)	-	(7,413)
Other income	316,076	-	316,076
Total nonoperating revenue (expense)	370,009	13	370,022
Net Income before contributions and transfers	554,882	(62,906)	491,976
Transfers from other funds	106,546	20,000	126,546
Transfers to other funds	(662,198)	-	(662,198)
Change in net position	(770)	(42,906)	(43,676)
Net position-beginning of year	2,721,271	485,163	3,206,434
Net position-end of year	<u>\$ 2,720,501</u>	<u>\$ 442,257</u>	<u>\$ 3,162,758</u>

City of New Cordell, Oklahoma
Statement of Cash Flows
For the Year Ended June 30, 2018

	New Cordell Utilities Authority	Development Redevelopment Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers	\$ 3,707,027	\$ -	\$ 3,707,027
Payments to suppliers	(2,869,023)	(22,150)	(2,891,173)
Payments to employees	(594,039)	-	(594,039)
Other operating revenues	8,016	-	8,016
Net cash provided (used) by operating activities	251,981	(22,150)	229,831
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	106,546	20,000	126,546
Transfers to other funds	(662,198)	-	(662,198)
Payments on interfund loan agreements	(40)	-	(40)
Receipts from nonoperating income	316,076	-	316,076
Net cash provided (used) by non-capital financing activities	(239,616)	20,000	(219,616)
<u>Cash flows from capital and related financing activities:</u>			
Purchases of capital assets	(59,128)	-	(59,128)
Receipts from capital grants	82,199	-	82,199
Receipts from notes issued	150,100	-	150,100
Principal paid on capital debt	(115,804)	-	(115,804)
Interest paid on capital debt	(28,727)	-	(28,727)
Net cash provided (used) by capital and related financing activities	28,640	-	(121,460)
<u>Cash flows from investing activities:</u>			
Purchase of investments	(3,269)	-	(3,269)
Investment income	6,900	13	6,913
Net cash provided (used) by investing activities	3,631	13	3,644
Net increase (decrease) in cash and cash equivalents	44,636	(2,137)	(107,601)
Cash and cash equivalents, July 1, 2017	1,271,533	4,939	1,276,472
Cash & cash equivalents, June 30, 2018	<u>\$ 1,316,169</u>	<u>\$ 2,802</u>	<u>\$ 1,168,871</u>
Cash, including time deposits	\$ 1,059,094	\$ 2,802	\$ 1,061,896
Restricted cash, including time deposits	257,075	-	257,075
Total cash and cash equivalents, end of year	<u>\$ 1,316,169</u>	<u>\$ 2,802</u>	<u>\$ 1,318,971</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ 184,873	\$ (62,919)	\$ 121,954
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	186,867	40,769	227,636
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(150,276)	-	(150,276)
(Increase) decrease in prepaids	1,943	-	1,943
Increase (decrease) in accounts payable	15,981	-	15,981
Increase (decrease) in wages & benefits payable	5,868	-	5,868
Increase (decrease) in compensated absences	3,332	-	3,332
Increase (decrease) in deposits subject to refund	3,393	-	3,393
Total adjustments	67,108	40,769	107,877
Net cash provided (used) by operating activities	\$ 251,981	\$ (22,150)	\$ 229,831

See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of New Cordell, Oklahoma (the "City") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on May 22, 1908. The City operates under the statutory Aldermanic form of government. The City provides the following services: public safety (police and fire), streets, utility (sanitation, water, sewer, and electric) planning and zoning, public improvements, library, airport, parks, and general administration.

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of New Cordell. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of New Cordell.

The financial statements of the City include the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

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

Blended Component Units Reported with Primary Government

New Cordell Utilities Authority - created October 6, 1986 by Declaration of Trust and as amended by Amendment to Declaration of Trust dated 01/08/88, under Title 60, OS (1981) Section 176-804. The City has beneficial interest and the City Council members serve as Trustees of the Authority. City employees carry on the activities of the Authority.

Cordell Development and Redevelopment Authority - The City Council members serve as trustees of the Authority.

The Cordell Hospital Authority and the Cordell Recreation Authority are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the related organization.

B. Basis of Presentation

Government-Wide Financial Statements:

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City has no fiduciary funds.

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

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

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

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

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

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

Interfund Balances

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

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Grant Fund

Accounts for funds received for grant programs

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
Cemetery Care	Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.
Fireman Fund	Accounts for collection of rural fire fighting fees and is administratively restricted for fire department needs.
Disaster Fund	Accounts for funds spent in the City's response to the October 9, 2001 tornado and the winter ice storm.

Capital Project Fund

This fund is used to account for financial resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by proprietary funds). The City of New Cordell has expanded its use to include major repairs with full board approval.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprises funds:

FUND	BRIEF DESCRIPTION
New Cordell Utilities Authority	Accounts for the activities of the authority in providing electric, water, wastewater, and solid waste services to the public.
Cordell Development & Redevelopment Authority	Accounts for economic development activities and for the operation of the theatre.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The City Administrator submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

Budgetary Control

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

Budget Basis of Accounting

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

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

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price.

Allowance for Uncollectible Accounts

The City has established an allowance for collectible accounts based on management's prior experience. Management does not believe there are significant losses in excess of the allowance.

Restricted Assets

Restricted assets include current assets of proprietary fund types that are legally restricted as to their use. The restricted assets are primarily related investments restricted for customer refunds, and cash reserved for payment of the revenue bond obligation.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

• Buildings	25-50 years
• Other improvements	10-50 years
• Machinery, furniture & equipment	3-20 years
• Infrastructure	25-50 years

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. An example of an item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category would be unavailable revenue from property taxes and special assessments. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. Those amounts would be deferred and recognized as an inflow of resources in the period that the amounts become available. The City has items related to pension obligations that qualify as a deferred inflow of resources.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amount to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. The estimated liabilities include salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, and fiduciary financial statements.

Equity Classifications

Fund Balance

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

Net Assets

Both proprietary fund financial statements and government-wide financial statements report net assets. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt

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

Restricted net assets

Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Governmental Fund Balances

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

F. Revenues, Expenditures and Expenses

Sales Tax

The City levied a three-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the general fund.

Charges for Services

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

Grants and Contributions

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

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

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers."

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over city resources follows:

A. Deficit Fund Net Assets/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The City reported no deficit fund balances or net assets for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2018, the City complied, in all material respects, with the applicable budget laws.

C. Debt Covenants

The 2011 Series bonds held by the Cordell Utility Authority contain a number of covenants which are related to financial matters. The most significant of which is the Debt Service Coverage, whereby, pledged revenues less operating expenses shall provide Net Revenues Available for Debt Service equal to 1.20 times average annual debt service on the respective notes for the Authority. As calculated on the Schedule Debt Service Coverage Requirements in the Other Supplementary Schedules section of this report, the City complied with this requirement.

E. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

<u>REVENUE SOURCE</u>	<u>LEGAL RESTRICTIONS OF USE</u>
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes
Airport Revenue	Airport Operations and Debt Service
Cemetery Revenue (12.5%)	Cemetery Capital Improvements

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

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

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

Investments

The City invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
<u>GOVERNMENTAL ACTIVITIES</u>				
Certificates of deposit	\$ 35,634	\$ 35,634	N/A	20.53
Total governmental activities	<u>35,634</u>	<u>35,634</u>		
<u>BUSINESS-TYPE ACTIVITIES</u>				
Certificates of deposit	\$ 487,328	\$ 487,328	N/A	316.61
Total business-type activities	<u>487,328</u>	<u>487,328</u>		
Total primary government investments	<u>\$ 522,962</u>	<u>\$ 522,962</u>		

Reconciliation to statement of net assets:

Investments

Governmental activities	\$ 35,634
Business-type activities	278,125
Business-type activities, restricted	209,203
	<u>\$ 522,962</u>

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

At June 30, 2018 the City held restricted assets totaling \$466,278. Assets were restricted for the following purposes:

Business-type activities:

Cash, including time deposits

Debt service 2011 Revenue Bonds	\$ 240,886
Customer deposits	153,537
Board restrictions	71,855
	<u>\$ 466,278</u>

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2018 follows:

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>
Land and land improvements	\$ 1,185,125	\$ -	\$ -	\$ 1,185,125
Buildings & structures	4,765,296	8,793	-	4,774,089
Machinery, furniture, & equipment	2,336,271	19,924	-	2,356,195
Improvements other than land	1,954,526	28,328	-	1,982,854
Construction in process	9,080	145,893	-	154,973
Total	10,250,298	202,938	-	10,453,236
Less accumulated depreciation	<u>7,961,756</u>	<u>285,654</u>	<u>-</u>	<u>8,247,410</u>
Fixed assets, net	<u>\$ 2,288,542</u>	<u>\$ (82,716)</u>	<u>\$ -</u>	<u>\$ 2,205,826</u>

Business-Type Activities:

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A summary of the proprietary fund types fixed assets at June 30, 2018 follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Cordell Utility Authority:				
Electric plant				
Land	\$ 308	\$ -	\$ -	\$ 308
Structures & improvements	95,609	-	-	95,609
Plant & equipment	496,418	1,850	-	498,268
Distribution system	1,067,299	3,328	-	1,070,627
	<u>1,659,634</u>	<u>5,178</u>	<u>-</u>	<u>1,664,812</u>
Water plant				
Land	11,649	-	-	11,649
Structures & improvements	1,114,688	-	-	1,114,688
Plant & equipment	1,017,181	39,112	-	1,056,293
Distribution system	1,304,072	-	-	1,304,072
	<u>3,447,590</u>	<u>39,112</u>	<u>-</u>	<u>3,486,702</u>
Sewer plant				
Structures & improvements	1,057,232	-	-	1,057,232
Plant & equipment	228,818	3,082	-	231,900
Distribution system	151,066	-	-	151,066
Equipment	22,663	-	-	22,663
	<u>1,459,779</u>	<u>3,082</u>	<u>-</u>	<u>1,462,861</u>
General and administrative				
Land	69,178	-	-	69,178
Structures & improvements	48,902	-	-	48,902
Equipment	303,392	2,756	-	306,148
Transportation equipment	386,422	-	-	386,422
	<u>807,894</u>	<u>2,756</u>	<u>-</u>	<u>810,650</u>
Ambulance garage	<u>7,849</u>	<u>-</u>	<u>-</u>	<u>7,849</u>
Construction in progress	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Total	7,382,746	59,128	-	7,441,874
Less accumulated depreciation	<u>5,841,947</u>	<u>186,867</u>	<u>-</u>	<u>6,028,814</u>
Fixed assets, net	<u>\$ 1,540,799</u>	<u>\$ (127,739)</u>	<u>\$ -</u>	<u>\$ 1,413,060</u>
Cordell Development/Redevelopment Authority:				
Land	\$ 30,000	\$ -	\$ -	30,000
Building - Theater	906,556	-	-	906,556
Equipment - Theater	103,673	-	-	103,673
Total	<u>1,040,229</u>	<u>-</u>	<u>-</u>	<u>1,040,229</u>
Less: accumulated depreciation	<u>560,005</u>	<u>40,769</u>	<u>-</u>	<u>600,774</u>
Fixed assets, net	<u>\$ 480,224</u>	<u>\$ (40,769)</u>	<u>\$ -</u>	<u>\$ 439,455</u>
Total Business-type activities, net	<u>\$ 2,021,023</u>	<u>\$ (168,508)</u>	<u>\$ -</u>	<u>\$ 1,852,515</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

All vehicles purchased by the Utility Authority are depreciated under the general and administrative transportation equipment.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ 25,652
Public safety & judiciary	93,841
Transportation	129,198
Cultural, parks & recreation	33,055
Public services	3,908
Total governmental activities depreciation expense	<u>\$ 285,654</u>

Depreciation expense charges to business-type activities:

Electric	\$ 35,771
Water	99,823
Customer service	9,659
Sewer	41,614
Economic development	40,769
Total business-type activities depreciation expense	<u>\$ 227,636</u>

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2018:

NOTES PAYABLE:

Note Payable with High Plains Bank for street shop building issued by the City of New Cordell Utility Authority, payable in 120 monthly installments of \$1,366.13 with an annual interest rate of 1.75% to begin March 8, 2018.

	<u>\$ 144,296</u>
Total notes payable	<u>\$ 144,296</u>

REVENUE BONDS PAYABLE:

2011 Series New Cordell Utilities Authority Utility System Refunding Revenue Bonds original issue amount of \$1,300,000, dated February 28, 2011, issued by the New Cordell Utilities Authority, secured by the net revenue of the system, interest rates from 1.0% to 4.75%, final maturity on October 1, 2022.

	<u>\$ 605,000</u>
Total revenue bonds payable	605,000
Less: unamortized deferred amount on refunding	(19,522)
Net revenue bonds payable	<u>\$ 585,478</u>

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

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Type of Debt	Balance at July 1, 2017	Amount Issued	Amount Retired	Balance at June 30, 2018	Due within One Year
Business-type activities					
Notes payable	\$ -	\$ 150,100	\$ 5,804	\$ 144,296	\$ 13,980
Revenue bonds payable	715,000	-	110,000	605,000	115,000
Total enterprise fund debt	<u>\$ 715,000</u>	<u>\$ 150,100</u>	<u>\$ 115,804</u>	<u>\$ 749,296</u>	<u>\$ 128,980</u>
Total enterprise fund debt	<u>\$ 715,000</u>	<u>\$ 150,100</u>	<u>\$ 115,804</u>	<u>\$ 749,296</u>	<u>\$ 128,980</u>

Annual Debt Service Requirements:

The annual debt service requirement to maturity, including principal and interest, for long-term debt as of June 30, 2018 is as follows:

Year Ending June 30	Govenrmental Activities	Business-type Activities			
	Capital Leases	Notes Payable		Revenue Bonds	
	Payable	Principal	Interest	Principal	Interest
2019	\$ -	\$ 13,980	\$ 2,413	115,000	23,619
2020	-	14,227	2,167	120,000	19,063
2021	-	14,478	1,916	120,000	14,112
2022	-	14,733	1,660	125,000	8,750
2023	-	14,993	1,400	125,000	2,969
2024-2028	-	71,885	2,963	-	-
Totals	<u>\$ -</u>	<u>\$ 144,296</u>	<u>\$ 12,519</u>	<u>\$ 605,000</u>	<u>\$ 68,513</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2018 were as follows:

Operating Transfers	Transfer In	Transfer Out
GENERAL FUND:		
Cordell Utility Authority	\$ 566,202	\$ 43,245
Firemans fund	-	-
Grant fund	11,614	-
LIGHT & WATER GRANT:		
Cordell Utility Authority	-	-
GRANT FUND:		
Cordell Utility Authority	75,996	74,915
ENTERPRISE FUNDS - Cordell Utility Authority		
General fund	31,631	566,202
Grant fund	74,915	75,996
Development & Redevelopment	-	20,000
ENTERPRISE FUNDS - Development & Redevelopment		
Cordell Utility Authority	20,000	-
	<u>\$ 780,358</u>	<u>\$ 780,358</u>

(4) RETIREMENT PLANS

The City participates in two employee pension systems as follows:

Name of Plan	Type of Plan
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Municipal Retirement Fund- Defined Benefit Plan

Plan Description

Substantially all of the City's full-time employees, except firefighters, participate in a defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System (OMRF), which was established to administer pension plans for municipal employees. OMRF issues a publically available financial report that can be obtained at www.okmrf.org.

Benefits Provided

OMRF provides retirement, disability, and death benefits. Retirement benefits are determined as 3 percent of the employee's final average compensation multiplied by the employee's years of service; final average compensation is the average of the 5 highest consecutive years of salaries out of the last 10 years of service. Vesting requires 7 years of service. Members are eligible for normal retirement at age 65 with 7 years of vested service. The benefit is payable immediately. Early retirement is available after age 55 with 7 years of vested service. Early retirement benefits are paid at the normal retirement age, or reduced 5% per year for commencement prior to the normal retirement age.

Disability retirement is provided for member's total and permanent disability after 7 or more years of service. The accrued benefit is payable upon disablement without reduction for early payment.

In-service death benefits are payable after vesting at 50% of the accrued benefit until the death of the spouse or remarriage. If the member was not vested at the time of in-service death, member contributions are returned, if any, with interest.

Contributions

Required contribution rates are actuarially measured each year and authorized through City Ordinance. Employees are required to contribute 0.0% of paid salary. For the year ended June 30, 2018, the City's contribution was 11.97%. Contributions to the pension plan from the City were \$100,572 for the year ended June 30, 2018.

Membership

Membership in the plan is as follows:

	<u>As of July 1, 2016</u>
Inactive employees & beneficiaries receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	3
Active participants	25
Total	48

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPPRS

At June 30, 2018, the City reported an asset of \$210,079 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined.

Changes to the actuarial valuation between the measurement date of the net pension asset and the City's reporting dates are not expected to have a significant effect on the net pension liability.

For the year ended June 30, 2018, the City recognized pension expense of \$396. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF NEW CORDELL, OKLAHOMA
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 212,525
Changes of assumptions	26,794	-
Net difference between projected and actual earnings on pension plan investments	250,913	230,436
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	100,572	-
Total	<u>\$ 378,279</u>	<u>\$ 442,961</u>

Other amounts reported deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (115,112)
2020	(11,508)
2021	1,442
2022	(40,076)
2023	-
	<u>\$ (165,254)</u>

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	5.07 percent, average
Investment rate of return	7.50 percent, net of pension plan investment expense and inflation

Mortality rates were based on the UP 1994 with projected mortality improvement. Valuation rates are projected for mortality improvement by the Society of Actuaries' table AA based upon the employee's year of birth.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks - S&P 500	25%	5.80%	1.45%
Small/mid cap stocks - Russell 2500	10%	6.40%	64.00%
Long/short equity - MSCI ACWI	10%	5.00%	50.00%
International stocks - MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.30%	69.00%
Real estate - NCREIF	5%	4.60%	23.00%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
Average Real Return			4.75%
Inflation			2.75%
Long term expected return			<u>7.50%</u>

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent, as the plan's net fiduciary position is projected to be sufficient to make projected benefit payments. The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of the member's working career. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Therefore, no separate cash flow projection is required to determine the sufficiency of the plan assets. The 20 year tax free bond yield of 3.29% was used in the analysis.

CITY OF NEW CORDELL, OKLAHOMA
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Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at July 1, 2016	4,563,188	4,425,533	137,655
Changes for the year:			
Service cost	98,817	-	98,817
Interest	345,737	-	345,737
Differences between expected and actual experience	(201,415)	-	(201,415)
Assumption changes	38,495	-	38,495
Contributions - employer	-	99,937	(99,937)
Contributions - employee	-	-	-
Net investment income	-	538,892	(538,892)
Benefit payments, including refunds of employee contributions	(208,019)	(208,019)	-
Administrative expense	-	(9,461)	9,461
Net changes	<u>73,615</u>	<u>421,349</u>	<u>(347,734)</u>
Balances at July 1, 2017	<u>\$ 4,636,803</u>	<u>\$ 4,846,882</u>	<u>\$ (210,079)</u>

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate:

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability/(asset)	340,797	(210,079)	(672,649)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OMRF financial report.

B. Oklahoma Firefighters Pension and Retirement System

Plan Description

The City of New Cordell, as the employer, participates in the Firefighters Pension & Retirement- a statewide, cost-sharing, multiple-employer defined benefit plan administered by the Oklahoma Firefighters Pension and Retirement System (FPRS). FPRS issues a publically available financial report that can be obtained at www.ok.gov/FPRS.

Benefits Provided

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

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

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

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

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Contributions

The State of Oklahoma has the authority to establish contribution obligations per state statute 11 O.S. Section 49.100 thru 49.143 et seq and are not based on actuarial calculations. Volunteer members have no contribution requirements; the City contributes \$60 per year for each volunteer. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$11,752.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPPRS

At June 30, 2017, the City reported a liability of \$557,058 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. The City's proportion was 0.044291%.

For the year ended June 30, 2017, the City recognized pension expense of \$61,568. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 74,413	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	49,643	65,167
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	11,752	-
Total	<u>\$ 135,808</u>	<u>\$ 65,167</u>

Other amounts reported deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 4,341
2019	21,577
2020	16,137
2021	1,560
2022	12,486
Thereafter	2,788
	<u>\$ 58,889</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

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

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	730,779	557,058	409,834

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

Other Post-Employment Benefits

For the year ended June 30, 2018, the City provided no post-employment benefits (other than pension) to terminated employees.

(5) COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. 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.

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.

B. Leasing Arrangements

Pursuant to Ordinance No. 89-2, on January 16, 1989, the City entered into a 15 year lease with the Cordell Hospital Authority, leasing all hospital related real property, equipment and facilities plus future additions and improvements made by the City. Consideration of this lease is the installation and construction of improvements and operation of the facilities by the Authority. This lease was extended for 15 years beginning on January 17, 2004 and ending on January 17, 2019.

On June 20, 1989, a 50 year lease agreement dated December 5, 1988, was filed between the City and the New Cordell Utilities Authority. The City leased to the Authority all existing water and sanitary sewer system, related equipment, real property and unexplored leases and contracts. The Authority, for consideration of the lease, agrees to obtain financing and expend proceeds for extensions and improvements of facilities; and to set fair rates sufficient to pay debt service and facility operation expenses.

C. Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

City of New Cordell, Oklahoma
Combining Balance Sheet
For the Year Ended June 30, 2018

	Special Revenue						
	Street & Alley Fund	Cemetery Care Fund	Fireman's Fund	Disaster Fund	Total Special Rev Funds	Capital Projects Fund	Total Other Governmental Funds
ASSETS							
Cash, including time deposits	\$ 78,051	\$ 7,786	\$ 11,016	\$ 10,743	\$ 107,596	\$ 28,125	\$ 135,721
Investments	-	35,634	-	-	35,634	-	35,634
Interest receivable	-	2	-	-	2	-	2
Due from other funds	529	-	-	-	529	-	529
Accounts receivable, taxes	2,125	-	-	-	2,125	-	2,125
Total assets	<u>\$ 80,705</u>	<u>\$ 43,422</u>	<u>\$ 11,016</u>	<u>\$ 10,743</u>	<u>\$ 145,886</u>	<u>\$ 28,125</u>	<u>\$ 174,011</u>
LIABILITIES							
Accounts payable	\$ 5,092	\$ -	\$ 265	\$ -	\$ 5,357	\$ -	\$ 5,357
Total liabilities	<u>5,092</u>	<u>-</u>	<u>265</u>	<u>-</u>	<u>5,357</u>	<u>-</u>	<u>5,357</u>
FUND BALANCES							
Restricted for:							
Special revenue funds	75,613	43,422	10,751	10,743	140,529	-	140,529
Capital projects fund	-	-	-	-	-	28,125	28,125
Total fund balances	<u>75,613</u>	<u>43,422</u>	<u>10,751</u>	<u>10,743</u>	<u>140,529</u>	<u>28,125</u>	<u>168,654</u>
Total liabilities and fund balances	<u>\$ 80,705</u>	<u>\$ 43,422</u>	<u>\$ 11,016</u>	<u>\$ 10,743</u>	<u>\$ 145,886</u>	<u>\$ 28,125</u>	<u>\$ 174,011</u>

City of New Cordell, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018

	Special Revenue					
	Street & Alley Fund	Cemetery Care Fund	Fireman's Funds	Disaster Fund	Total Special Rev Funds	Total Nonmajor Governmental Funds
REVENUES						
Oil & gas royalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	238	215	-	43	496	580
Charges for services	-	318	-	-	318	318
Intergovernmental programs	25,188	-	3,744	-	28,932	28,932
Miscellaneous	-	-	8,624	-	8,624	8,624
Total revenues	25,426	533	12,368	43	38,370	38,454
EXPENDITURES						
Current:						
General government:						
General government	-	-	-	-	-	-
Total general government	-	-	-	-	-	-
Public safety and judiciary:						
Police	-	-	-	-	-	-
Fire	-	-	9,074	-	9,074	9,074
Total public safety and judiciary	-	-	9,074	-	9,074	9,074
Transportation:						
Street	32,612	-	-	-	32,612	32,612
Airport	-	-	-	-	-	-
Total transportation	32,612	-	-	-	32,612	32,612
Cultural, parks and recreation:						
Cemetery	-	-	-	-	-	-
Total cultural, parks and recreation	-	-	-	-	-	-
Capital outlay	-	-	7,249	-	7,249	7,249
Total expenditures	32,612	-	16,323	-	48,935	48,935
Excess (deficiency) of revenues over expenditures	(7,186)	533	(3,955)	43	(10,565)	(10,481)
OTHER FINANCING SOURCES (USES)						
Transfers in/(out)	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-
Net change in fund balances	(7,186)	533	(3,955)	43	(10,565)	(10,481)
Fund balances - beginning	82,799	42,889	14,706	10,700	151,094	179,135
Fund balances - ending	\$ 75,613	\$ 43,422	\$ 10,751	\$ 10,743	\$ 140,529	\$ 168,654

CITY OF NEW CORDELL, OKLAHOMA
Schedule of Debt Service Coverage Requirements
For the Year Ended June 30, 2018

Revenue Bond Coverage:

Gross revenue available for debt service:	
Operating revenue for Cordell Utility Authority	\$ 3,861,926
Gross revenue available for debt service	<u>3,861,926</u>
Operating expenses for Cordell Utility Authority	
excluding depreciation and amortization	<u>(3,490,186)</u>
Net revenues available for debt service	<u>\$ 371,740</u>
Debt service requirements:	
Average annual debt service - revenue bonds 2011	<u>\$ 107,692</u>
Computed coverage	<u>3.45</u>
Coverage requirement	<u>1.20</u>

The accompanying notes are an integral part of these statements.

**City of New Cordell, Oklahoma
General Fund
For the Year Ended June 30, 2018**

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ 650,000	\$ 40,000	\$ 690,000	\$ 691,067	\$ 1,067
Use taxes	16,000	30,000	46,000	52,427	6,427
Beverage tax	32,000	-	32,000	42,714	10,714
Cigarette tax	7,000	-	7,000	8,225	1,225
Licenses & permits	8,000	-	8,000	11,583	3,583
Franchise taxes	28,000	-	28,000	34,994	6,994
Fines and forfeitures	25,000	-	25,000	25,658	658
Charges for services	94,000	-	94,000	74,982	(19,018)
Rental income	12,000	-	12,000	11,174	(826)
Intergovernmental	-	-	-	-	-
Investment income	400	-	400	352	(48)
Miscellaneous	900	50,000	50,900	55,821	4,921
Total revenues	873,300	120,000	993,300	1,008,997	15,697
EXPENDITURES					
General government:					
General government	35,644	15,900	51,544	51,031	513
Administration	87,171	(10,635)	76,536	75,662	874
Grant writing	56,179	(6,450)	49,729	45,052	4,677
Total general government	178,994	(1,185)	177,809	171,745	6,064
Public safety and judiciary:					
Legislative and judicial	79,205	(21,700)	57,505	57,275	230
Police	347,264	49,445	396,709	396,423	286
Ambulance	179,706	(29,100)	150,606	150,044	562
Fire	198,151	4,350	202,501	201,672	829
Code enforcement	50,636	(4,090)	46,546	45,530	1,016
Animal Control	20,369	(10,115)	10,254	9,495	759
Total public safety and judiciary	875,331	(11,210)	864,121	860,439	3,682
Transportation:					
Street	233,259	135,300	368,559	367,617	942
Airport	7,600	2,600	10,200	10,174	26
Total transportation	240,859	137,900	378,759	377,791	968
Cultural, parks and recreation:					
Park	70,976	975	71,951	65,264	6,687
Swimming pool	79,784	(18,700)	61,084	44,440	16,644
Total cultural, parks and recreation	150,760	(17,725)	133,035	109,704	23,331
Public Services:					
Public works	-	-	-	-	-
Cemetery	5,400	1,320	6,720	4,684	2,036
City garage	10,100	10,900	21,000	16,793	4,207
Total public services	15,500	12,220	27,720	21,477	6,243
Total expenditures	1,461,444	120,000	1,581,444	1,541,156	40,288
Excess (deficiency) of revenues over expenditures	(588,144)	-	(588,144)	(532,159)	55,985
OTHER FINANCING SOURCES (USES)					
Operating transfers in	588,144	-	588,144	577,816	(10,328)
Operating transfers out	-	-	-	(43,245)	(43,245)
Net other financing sources (uses)	588,144	-	588,144	534,571	(53,573)
Excess of revenues and other financing sources over (under) expenditures and other uses	-	-	-	2,412	2,412
Fund balance at beginning of year (Non-GAAP budgetary basis):					
Appropriated for current year budget	93,500	-	93,500	93,683	183
Fund balance at beginning of year (Non-GAAP budgetary basis)	93,500	-	93,500	93,683	183
Fund balance at end of year (Non-GAAP budgetary basis)	\$ 93,500	\$ -	\$ 93,500	\$ 96,095	\$ 2,595
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				5,362	
Expenditure and transfer accruals				(56,993)	
Fund balance at end of year (GAAP basis)				\$ 44,464	

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Oklahoma Fire Pension Retirement Plan

	<u>2018*</u>	<u>2017*</u>
City's portion of the net pension liability (asset)	0.044291%	0.013744%
City's proportionate share of the net pension liability (asset)	\$ 557,058	\$ 167,912
City's covered-employee payroll	\$ 79,654	\$ 38,443
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	699%	437%
Plan fiduciary net position as a percentage of the total pension liability	66.61%	64.87%

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

SCHEDULE OF CITY CONTRIBUTIONS

Oklahoma Fire Pension Retirement Plan

	<u>2018*</u>	<u>2017*</u>
Contractually required contribution	\$ 11,152	\$ 5,382
Contributions in relation to the contractually required contribution	<u>(11,152)</u>	<u>(5,382)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 79,654	\$ 38,443
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

**Oklahoma Municipal Retirement Fund
SINCE INITIAL APPLICATION**

	<u>2018*</u>	<u>2017*</u>
Total pension liability		
Service cost	\$ 98,817	\$ 80,984
Interest	345,737	332,915
Changes in benefit terms	-	-
Differences between expected and actual experience	(201,415)	(49,418)
Changes in assumptions	38,495	-
Benefit payments, including refunds of employee contributions	<u>(208,019)</u>	<u>(190,399)</u>
Net change in total pension liability	\$ 73,615	\$ 174,082
Total pension liability - beginning	4,563,188	4,389,106
Total pension liability - ending (a)	<u><u>\$ 4,636,803</u></u>	<u><u>\$ 4,563,188</u></u>
Plan fiduciary net position		
Contributions - employer	99,937	131,546
Contributions - employee	-	-
Net investment income	538,892	38,240
Benefit payments, including refunds of employee contributions	(208,019)	(190,399)
Administrative expense	(9,461)	(8,753)
Other	-	-
Net change in plan fiduciary net position	<u>421,349</u>	<u>(29,366)</u>
Plan fiduciary net position - beginning	4,425,533	4,454,899
Plan fiduciary net position - ending (b)	<u><u>\$ 4,846,882</u></u>	<u><u>\$ 4,425,533</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ (210,079)</u></u>	<u><u>\$ 137,655</u></u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.53%	96.98%
Covered-employee payroll	\$ 876,752	\$ 833,057
City's net pension liability as a percentage of covered-employee payroll	-23.96%	16.52%



BRITTON, KUYKENDALL, & MILLER
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**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**

The Honorable Mayor and City Council
City of New Cordell, 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 City of New Cordell, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of New Cordell, Oklahoma's basic financial statements, and have issued our report thereon dated March 8, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of New Cordell, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 City of New Cordell, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the United States of America.

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.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
March 8, 2019