



CITY OF HARRAH, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

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

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Harrah
Harrah, 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 Harrah, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrah, Oklahoma, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with 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 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 Harrah's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information as listed in the Table of Contents are the responsibility of management and were derived from and relates 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 supplementary information section is 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 August 31, 2016 on our consideration of the City of Harrah'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 Harrah's internal control over financial reporting and compliance.

Dillon & Associates, P.C.

Midwest City, Oklahoma
August 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016
Unaudited

Our discussion and analysis of the City of Harrah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position increased by \$731,493 and the assets of the City exceeded its liabilities \$10,510,134 (net position). Of this amount, \$1,444,078 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$2,035,397. Of this total amount, \$1,338,467 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2016, unassigned fund balance for the General Fund was \$1,338,467, or approximately 74% of total General Fund expenditures and transfers.
- Sales and use taxes increased by \$160,817 or 7.4% over the prior fiscal year.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City of Harrah (the "City") and the Harrah Public Works Authority (HPWA). Included in this report are government-wide statements for each of two categories of activities - governmental and business-type. This discussion and analysis focuses on the primary government, composed of the City of Harrah and Harrah Public Works Authority.

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. For governmental activities, these statements tell how their services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

The Statement of Net Position and the Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City of Harrah's basic financial statements. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way determining

whether the City's overall financial condition improved, declined or remained steady over the past year. 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 statements report the City's Net Position and changes in Net Position from the prior year. You can think of the City's Net Position - the difference between assets and deferred outflows and liabilities and deferred inflows - as one way to measure the City's financial condition, or position. Over time, increases or decreases in Net Position are one indicator of whether the financial position of the City is improving, deteriorating or remaining steady. However, you must consider other non-financial 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 of the City.

The Statement of Net Position and the Statement of Activities are divided into two types 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's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer and solid waste utilities 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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 service 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. Enterprise funds are one type of proprietary funds and 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 Position

For the year ended June 30, 2016, net position for governmental activities and business-type activities increased \$731,493. The results indicate the City, as a whole, incurred an increase in its financial condition from the prior year.

The following is a summary comparison of changes in net position from last year for the City:

	Governmental			Business-type			Total		
	<u>Activities</u>		% Inc.	<u>Activities</u>		% Inc.	<u>Primary Government</u>		% Inc.
	<u>2016</u>	<u>2015</u>	<u>(Dec.)</u>	<u>2016</u>	<u>2015</u>	<u>(Dec.)</u>	<u>2016</u>	<u>2015</u>	<u>(Dec.)</u>
Current and									
other assets	\$ 2,050	1,888	9%	2,904	2,690	8%	4,954	4,578	8%
Capital assets	2,620	2,682	-2%	9,146	9,538	-4%	11,766	12,220	-4%
Total assets	<u>4,670</u>	<u>4,570</u>	2%	<u>12,050</u>	<u>12,228</u>	-1%	<u>16,720</u>	<u>16,798</u>	0%
Deferred outflow of resources	<u>274</u>	<u>56</u>		<u>55</u>	<u>14</u>		<u>329</u>	<u>70</u>	
Long-term debt									
outstanding	1,026	1,079	-5%	4,561	5,136	-11%	5,587	6,215	-10%
Other liabilities	<u>77</u>	<u>69</u>	12%	<u>637</u>	<u>608</u>	5%	<u>714</u>	<u>677</u>	5%
Total liabilities	<u>1,103</u>	<u>1,148</u>	-4%	<u>5,198</u>	<u>5,744</u>	-10%	<u>6,301</u>	<u>6,892</u>	-9%
Deferred inflow of resources	<u>189</u>	<u>270</u>		<u>49</u>	<u>67</u>		<u>238</u>	<u>337</u>	
Net assets:									
Invested in capital									
assets, net of debt	2,558	2,563	0%	5,709	5,689	0%	8,267	8,252	0%
Restricted	697	668	4%	102	102	0%	799	770	4%
Unrestricted (deficit)	<u>397</u>	<u>(23)</u>	0%	<u>1,047</u>	<u>640</u>	64%	<u>1,444</u>	<u>617</u>	134%
Total net assets	<u>\$ 3,652</u>	<u>3,208</u>	14%	<u>6,858</u>	<u>6,431</u>	7%	<u>10,510</u>	<u>9,639</u>	9%

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$798,746 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,444,078, may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position

For the year ended June 30, 2016 net position of the primary government changed as follows:

Table 2
Changes in Net Position (In Thousands)

	Governmental			Business-type			Total		
	<u>Activities</u>		% Inc.	<u>Activities</u>		% Inc.	<u>Primary Government</u>		% Inc.
	<u>2016</u>	<u>2015</u>	<u>(Dec.)</u>	<u>2016</u>	<u>2015</u>	<u>(Dec.)</u>	<u>2016</u>	<u>2015</u>	<u>(Dec.)</u>
Revenues									
Charges for services	\$ 318	295	8%	1,905	1,780	7%	2,223	2,075	7%
Operating grants	114	102	12%	-	-	-	114	102	12%
Capital grants	-	-	-	-	-	-	-	-	0%
Sales and use taxes	2,343	2,182	7%	-	-	-	2,343	2,182	7%
Franchise tax (fees)	226	235	-4%	-	-	-	226	235	-4%
Other taxes	85	85	0%	-	-	-	85	85	0%
Investment income	1	1	0%	1	-	-	2	1	100%
Other	57	63	-10%	27	1	2600%	84	64	31%
Total revenues	<u>3,144</u>	<u>2,963</u>	<u>6%</u>	<u>1,933</u>	<u>1,781</u>	<u>9%</u>	<u>5,077</u>	<u>4,744</u>	<u>7%</u>
Expenses									
General government	701	525	34%	-	-	-	701	525	34%
Public safety	1,137	1,242	-8%	-	-	-	1,137	1,242	-8%
Public works	169	373	-55%	-	-	-	169	373	-55%
Cultural & recreation	189	202	-6%	-	-	-	189	202	-6%
Water/sewer	-	-	-	2,149	2,070	4%	2,149	2,070	4%
Total expenses	<u>2,196</u>	<u>2,342</u>	<u>-6%</u>	<u>2,149</u>	<u>2,070</u>	<u>4%</u>	<u>4,345</u>	<u>4,412</u>	<u>-2%</u>
Increase in net position									
before transfers	948	621	53%	(216)	(289)	-25%	732	332	120%
Transfers	(504)	(477)	6%	504	477	6%	-	-	-
Change in net position	<u>444</u>	<u>144</u>	<u>208%</u>	<u>288</u>	<u>188</u>	<u>53%</u>	<u>732</u>	<u>332</u>	<u>120%</u>
Beginning net position	3,208	3,064	5%	6,431	6,020	7%	9,639	9,084	6%
Contributed capital	-	-	-	139	223	-	139	223	-
Ending net position	<u>\$ 3,652</u>	<u>3,208</u>	<u>14%</u>	<u>6,858</u>	<u>6,431</u>	<u>7%</u>	<u>10,510</u>	<u>9,639</u>	<u>9%</u>

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, Expenditures, 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 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.

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

	Total Expenses		% Inc.	Net Revenue		% Inc.
	of Services		(Dec.)	(Expense) of Services		(Dec.)
	2016	2015		2016	2015	
General government	\$ 701	525	34%	(609)	(456)	34%
Public safety	1,138	1,242	-8%	(798)	(927)	-14%
Public works	169	373	-55%	(169)	(369)	-54%
Cultural & recreation	189	202	-6%	(189)	(192)	-2%
Total	\$ 2,197	2,342	-6%	(1,765)	(1,944)	-9%

For the year ended June 30, 2016, total expenses for governmental activities amounted to \$2,196,751 which is a 6.6% decrease from the prior year.

Business-type Activities

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

	Total Expenses		% Inc.	Net Revenue		% Inc.
	of Services		(Dec.)	(Expense) of Services		(Dec.)
	2015	2014		2015	2014	
Water and sewer	\$ 2,149	2,145	0%	(244)	(399)	-39%
Other	-	-	0%	-	-	0%
Total	\$ 2,149	2,145	0%	(244)	(399)	-39%

The City's business-type activities include utility services for water and sewer operations.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$2,035,397, or 10.4% increase from the prior year. The enterprise funds reported combined net position of \$6,858,422, or 5.5% decrease from 2015.

Other Fund Highlights Include:

- For the year ended June 30, 2016, the General Fund's total fund balance increased by \$162,070, or 13.7%, due to minor increases in tax revenues.
- The HPWA Enterprise Fund reported a net position decrease before contributions and transfers of \$216,076.

General Fund Budgetary Highlights

For the year ended June 30, 2016, the General Fund reported actual budgetary basis revenues above final estimates by \$226,273 or a 8.2% positive variance. General Fund actual expenditures were under final appropriations by \$266,022 or a 12.9% positive variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2016, the City had \$11,765,589 invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net decrease of \$454,946 million over last year.

Table 5
Capital Assets

	Governmental <u>Activities</u>		Business-type <u>Activities</u>		Total <u>Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Construction in progress	\$ -	-	56	-	56	-
Land	102	102	-	-	102	102
Buildings	1,320	1,279	498	476	1,818	1,755
Machinery and equipment	1,232	1,207	1,376	1,344	2,608	2,551
Vehicles	1,939	1,896	-	-	1,939	1,896
Infrastructure	1,894	1,827	16,473	16,443	18,367	18,270
Less: Accum. depreciation	(3,867)	(3,629)	(9,257)	(8,725)	(13,124)	(12,354)
Total capital assets, net	\$ 2,620	2,682	9,146	9,538	11,766	12,220

Major capital asset events during the current fiscal year included the following:

- Purchase and construction of minor equipment, vehicles and utility projects.

Long-term Debt

At year-end, the City had \$4,778,739 in long-term debt outstanding, which represents a \$515,181 decrease from the prior year.

Table 6
Outstanding Debt

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Notes payable	\$ 60	119	4,718	5,175	4,778	5,294
Other	-	-	-	-	-	-
Total long-term debt	<u>\$ 60</u>	<u>119</u>	<u>4,718</u>	<u>5,175</u>	<u>4,778</u>	<u>5,294</u>

ECONOMIC OUTLOOK

- The unemployment rate for the Oklahoma City metropolitan area which includes Harrah is currently 4.7 percent, which is an increase of .4 percent from a year ago. This compares favorably to the state's average unemployment rate of 5.3 percent and favorably to the national average rate of 4.9 percent.
- Inflationary trends in the region compare favorably to national indices.
- The City's major source of revenue is sales and use tax revenue. Sales and use tax revenue increased 7.4% over the prior year total.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, bond rating agencies and creditors with a general overview of the City's finances reflecting the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office at P.O. Box 636, Harrah, Oklahoma 73045.

BASIC FINANCIAL STATEMENTS

City of Harrah, Oklahoma
Statement of Net Position
June 30, 2016

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Pooled cash and cash equivalents	\$ 1,825,728	1,188,928	3,014,656
Restricted cash and investments	7,975	1,524,138	1,532,113
Receivables (net of allowance for uncollectibles)	43,804	176,490	220,294
Internal balances	28,757	(28,757)	-
Due from other governments	143,391	43,407	186,798
Capital assets:			
Land, improvements, and construction in progress	101,528	55,603	157,131
Other capital assets, net of depreciation	<u>2,518,261</u>	<u>9,090,197</u>	<u>11,608,458</u>
Total assets	<u><u>4,669,444</u></u>	<u><u>12,050,006</u></u>	<u><u>16,719,450</u></u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>274,323</u>	<u>54,983</u>	<u>329,306</u>
LIABILITIES			
Accounts payable and accrued expenses	-	-	-
Accrued interest payable	1,799	43,378	45,177
Deferred revenues	-	11,401	11,401
Due to bondholders	6,974	-	6,974
Deposits subject to refund	7,284	102,390	109,674
Long-term liabilities			
Net pension liability	957,249	280,399	1,237,648
Due within one year	60,250	479,762	540,012
Due in more than one year	<u>69,134</u>	<u>4,280,618</u>	<u>4,349,752</u>
Total liabilities	<u>1,102,690</u>	<u>5,197,948</u>	<u>6,300,638</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>189,365</u>	<u>48,959</u>	<u>238,324</u>
NET POSITION			
Net investment in capital assets	2,557,740	5,709,570	8,267,310
Restricted for:			
Debt service	-	101,816	101,816
Capital improvements	694,078	-	694,078
Other purposes	2,852	-	2,852
Unrestricted (deficit)	<u>397,042</u>	<u>1,047,036</u>	<u>1,444,078</u>
Total net position	<u><u>\$ 3,651,712</u></u>	<u><u>6,858,422</u></u>	<u><u>10,510,134</u></u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 700,663	91,656	-	-
Public safety:				
Police	803,753	220,764	36,923	-
Fire	334,604	5,515	76,828	-
Public works	169,052	-	-	-
Culture and recreation	188,679	-	-	-
Total government activities	<u>2,196,751</u>	<u>317,935</u>	<u>113,751</u>	<u>-</u>
Business-type activities:				
Water and sewer	2,149,244	1,905,126	-	-
Total business-type activities	<u>2,149,244</u>	<u>1,905,126</u>	<u>-</u>	<u>-</u>
Total primary government	<u>4,345,995</u>	<u>2,223,061</u>	<u>113,751</u>	<u>-</u>

City of Harrah, Oklahoma
Statement of Activities
For the Year Ended June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Net Position:			
Net (expense) revenue	\$ (1,765,065)	(244,118)	(2,009,183)
General revenues:			
Taxes:			
Sales taxes	2,180,268	-	2,180,268
Use taxes	162,426	-	162,426
Franchise taxes (fees)	225,819	-	225,819
Other taxes	85,272	-	85,272
Unrestricted investment income	897	811	1,708
Miscellaneous	57,953	27,230	85,183
Transfers	(503,896)	503,896	-
Total general revenues and transfers	2,208,739	531,937	2,740,676
Change in net position	443,674	287,819	731,493
Net Position - beginning	3,208,038	6,431,270	9,639,308
Contributed capital - fixed assets	-	139,333	139,333
Net Position - ending	\$ 3,651,712	6,858,422	10,510,134

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,172,223	558,105	95,400	1,825,728
Cash - Police bond account	7,975	-	-	7,975
Receivables:				
Due from other governments	95,345	43,407	4,639	143,391
Due from other funds	30,356	94,165	-	124,521
Other receivables	43,804	-	-	43,804
 Total assets	<u>1,349,703</u>	<u>695,677</u>	<u>100,039</u>	<u>2,145,419</u>
 Deferred outflow of resources	-	-	-	-
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	-	-
Police bonds outstanding	6,974	-	-	6,974
Deposits subject to refund	4,262	-	3,022	7,284
Due to other funds	-	1,599	94,165	95,764
 Total liabilities	<u>11,236</u>	<u>1,599</u>	<u>97,187</u>	<u>110,022</u>
 Deferred inflow of resources	-	-	-	-
 Fund balances:				
Nonspendable	-	694,078	2,852	696,930
Unassigned	1,338,467	-	-	1,338,467
 Total fund balances	<u>1,338,467</u>	<u>694,078</u>	<u>2,852</u>	<u>2,035,397</u>
 Total liabilities, deferred inflows and fund balances	<u>\$ 1,349,703</u>	<u>695,677</u>	<u>100,039</u>	
 Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds, net of accumulated depreciation of \$3,866,761				2,619,789
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:				
Pension related deferred outflows				274,323
Certain liabilities are not due and payable in the current period from current financial resources, and therefore are not reported in the funds:				
Note payable				(60,250)
Net pension liability				(957,249)
Pension related deferred inflows				(189,365)
Accrued interest payable				(1,799)
Accrued compensated absences				(69,134)
Net position of governmental activities				<u>\$ 3,651,712</u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,602,854	-	50,931	2,653,785
Intergovernmental	4,290	950	-	5,240
Licenses and permits	91,656	-	-	91,656
Charge for services	1,500	-	4,015	5,515
Fines and forfeitures	220,764	-	-	220,764
Interest	576	313	8	897
Miscellaneous	56,933	1,020	-	57,953
Total revenues	<u>2,978,573</u>	<u>2,283</u>	<u>54,954</u>	<u>3,035,810</u>
EXPENDITURES				
Current:				
General government	224,157	103,012	14	327,183
City manager	3,026	-	-	3,026
Administration	304,352	-	-	304,352
Code enforcement	53,011	-	-	53,011
Legal	19,377	-	-	19,377
Police	769,897	62,205	-	832,102
Fire	358,316	113,204	-	471,520
K-9	1,598	-	-	1,598
Senior citizens center	53,729	15,510	-	69,239
Parks	-	51,473	38,994	90,467
Streets	-	-	54,433	54,433
Public works	-	114,619	-	114,619
Total expenditures	<u>1,787,463</u>	<u>460,023</u>	<u>93,441</u>	<u>2,340,927</u>
Excess (deficiency) of revenues over expenditures	<u>1,191,110</u>	<u>(457,740)</u>	<u>(38,487)</u>	<u>694,883</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	93,579	543,895	34,828	672,302
Transfers out	(1,122,619)	(53,579)	-	(1,176,198)
Total other financing sources and uses	<u>(1,029,040)</u>	<u>490,316</u>	<u>34,828</u>	<u>(503,896)</u>
Net change in fund balances	162,070	32,576	(3,659)	190,987
Fund balances-beginning	1,176,397	661,502	6,511	1,844,410
Fund balances-ending	<u>\$ 1,338,467</u>	<u>694,078</u>	<u>2,852</u>	<u>2,035,397</u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 190,987
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	175,393
Depreciation expense	(237,714)
In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.	
	257,330
Repayment of debt principal and note issue costs is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Long-term debt principal payments	58,504
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Change in accrued compensated absences	(1,095)
Change in accrued interest payable	269
Change in net position of governmental activities.	\$ <u>443,674</u>

City of Harrah, Oklahoma
Statement of Net Position - Proprietary Fund
June 30, 2016

	Harrah Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,188,928
Restricted:	
Cash and investments	1,524,138
Receivables	
Accounts, net of allowance of \$201,554	176,490
Due from other governments	43,407
Total current assets	<u>2,932,963</u>
Non-current assets:	
Capital assets:	
Other capital assets, net of accumulated depreciation	9,145,800
Total non-current assets	<u>9,145,800</u>
Total assets	<u><u>12,078,763</u></u>
DEFERRED OUTFLOW OF RESOURCES:	
Deferred amounts related to pensions	<u>54,983</u>
LIABILITIES	
Current liabilities:	
Accrued interest payable	43,378
Deferred revenues	11,401
Due to other funds	28,757
Deposits subject to refund	102,390
Current portion of long-term obligations	479,762
Total current liabilities	<u>665,688</u>
Non-current liabilities:	
Notes payable	4,238,727
Net pension liability	280,399
Accrued compensated absences	41,891
Total non-current liabilities	<u>4,561,017</u>
Total liabilities	<u>5,226,705</u>
DEFERRED INFLOW OF RESOURCES:	
Deferred amounts related to pensions	<u>48,959</u>
NET POSITION	
Net investment in capital assets	5,709,570
Restricted:	
Debt service	101,816
Unrestricted	<u>1,047,036</u>
Total net position	<u><u>\$ 6,858,422</u></u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
For the Year Ended June 30, 2016

	Harrah Public Works Authority
REVENUES	
Water	\$ 755,011
Wastewater	552,424
Sanitation	522,674
Other	75,017
Total operating revenues	<u>1,905,126</u>
OPERATING EXPENSES	
Personal services	649,849
Maintenance and operations	773,409
Bad debt expense	14,315
Depreciation and amortization	531,959
Total operating expenses	<u>1,969,532</u>
Operating income (loss)	<u>(64,406)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous revenues (expense)	27,230
Interest income	811
Capital expenditures	(31,560)
Interest expense and fiscal charges	(148,151)
Total nonoperating revenues (expenses)	<u>(151,670)</u>
OPERATING TRANSFERS	
Transfers in	543,895
Transfers out	(40,000)
Total operating transfers	<u>503,895</u>
Change in net position	287,819
Net position - beginning	6,431,270
Contributed capital - Fixed assets	139,333
Net position-ending	<u>\$ 6,858,422</u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Statement of Cash Flows - Proprietary Fund
Harrah Public Works Authority
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,905,127
Payments to suppliers and employees	(1,626,872)
Net receipts (refunds) of customer meter deposits	7,930
Net cash provided (used) by operating activities	<u>286,185</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers in (out)	503,895
Net cash provided (used) by noncapital financing activities	<u>503,895</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(141,099)
Principal paid on debt	(456,677)
Contributed capital revenue	139,333
Interest expense and fiscal charges	(148,151)
Net cash provided (used) by capital and related financing activities	<u>(606,594)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	811
Net cash provided (used) by investing activities	<u>811</u>

Net increase (decrease) in cash and cash equivalents	184,297
Cash and cash equivalents, beginning of the year	2,528,769
Cash and cash equivalents, end of the year	<u>\$ 2,713,066</u>

Reconciliation to Statement of Net Position:

Cash and cash equivalents	1,188,928
Restricted cash and cash equivalents	1,524,138
Total cash and cash equivalents, end of year	<u>\$ 2,713,066</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	(64,406)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	531,959
Miscellaneous revenue	27,230
Change in assets and liabilities:	
(Increase) decrease in receivables	(30,033)
Increase (decrease) in accounts payable and accrued expenses	(9,621)
Increase (decrease) in deferred revenues	988
Increase (decrease) in net pension liability	(169,932)
Total adjustments	<u>350,591</u>
Net cash provided by (used in) operating activities	<u>\$ 286,185</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 1 - ORGANIZATION

The City of Harrah, Oklahoma (the City) is a municipal corporation organized as a Town on May 12, 1908, and became a City on August 31, 1992. The City is governed by an elected mayor and four-member council. The City operates under a Council-Manager Charter form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations. Each blended unit has a June 30 fiscal year end.

Blended Component Units. The Harrah Public Works Authority (HPWA) was created February 27, 1991 pursuant to a Trust Indenture to finance, develop, and operate the water, wastewater, and solid waste activities of the City. Council members serve as Trustees and the City Manager is the General Manager. The rates for user charges and debt authorization are approved by the city council. The HPWA is reported as an enterprise fund type.

The Harrah Industrial and Economic Development Trust (HIEDT) was created April 15, 1988 pursuant to a Trust Indenture purpose is to finance and promote industrial development and economic growth. The mayor and vice mayor members serve as trustees and the City Manager is General Manager. The Authority is reported as a governmental fund.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units for which the City is financially accountable. Each component unit is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through the issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation and Accounting:

Government-Wide and Fund Financial Statements - The statements of net position and activities are reported on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- Public Safety - Police and Fire - fines and forfeitures, fire run charges, 911 revenues, operating and capital grants
- Streets - commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation - recreation fees and operating grants
- General Government - licenses and permits and operating and capital grants

All governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

Major Funds:

The following are the City's major governmental funds:

General Fund - is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Capital Projects Fund - accounts for designated revenues and the purchase and construction of capital projects.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

The following are the City's non-major governmental funds:

Special Revenue Funds - accounts for the proceeds of government grants or specific revenue sources (other than grants applicable to enterprise fund activities, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

- Street & Alley Fund
- Harrah Industrial Economic Development Trust
- Park Funds

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting revenues are reported when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally payable from current financial resources. The City defines revenue available as collected within 60 days of the period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statement is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

The General Fund is considered a major fund and therefore displayed in a separate column. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

Proprietary Funds:

The following are the City's major proprietary funds:

Harrah Public Works Authority (HPWA) - accounts for the revenues from operations of water, sanitary sewer, and solid waste systems.

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

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity

- a. *Deposits and Investments* - Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity dates of three months or less. Debt instruments with a maturity date of three months from the date of issue are considered investments. Investments are stated at cost.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- b. *Restricted Cash and Investments* - The restricted debt fund cash and investments are the result of financial requirements of debt issues and consist of funds held in accounts with the Trustee bank. Under terms and provisions of the Bond Indenture, these special accounts and reserves funds are maintained for the benefit of the holders of the bonds and notes and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any of the related bonds or notes are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.
- c. *Fair Value of Financial Instruments* - The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.
- d. *Receivables and payables* - In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

- e. *Inventory* - Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.
- f. *Interfund Receivable and Payables* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / due from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- g. *Capital Assets* - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 - 65 years
Infrastructure	25 - 50 years
Improvements other than buildings & infrastructure	10 - 20 years
Machinery and equipment	3 - 20 years
Vehicles	3 - 7 years

- h. *Compensated Absences* - Under the terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for vacation leave accumulated and vested accumulated sick leave. Vesting of sick leave by employees and maximum number of hours that can be accumulated for vacation and sick leave are dependent upon an employees' years of service. Upon retirement, employees are paid one-half of accumulated sick leave and accumulated vacation time, subject to the above limitations.
- i. *Long-term Debt* - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, issuance costs and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred losses on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issues is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

- j. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. The General Fund pays all claims and judgments. A liability has been recorded within the government-wide, proprietary and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources.
- k. *Pensions* - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the City's multiemployer pension plans and additions to/deductions from the multiemployer pension plans have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- l. *Fund Equity* - In the government-wide financial statements, equity is classified as net position and displayed in three components:
 - 1. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
 - 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. The most significant restriction as of June 30, 2016 related to three ordinances benefiting the City's wastewater system which provide funds that are being held to complete capital projects.
 - 3. *Unrestricted net position* - All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net position are available for use, generally it is the City's policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a) *Nonspendable* - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- b) *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c) *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority. To commit these funds, formal action is required by the City Council either by resolution or ordinance that identifies the specific circumstances under which the resources may be expended.
- d) *Assigned* - Includes fund balance amount that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the governing body, another body (such as Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.
- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the General Fund.

Revenues, Expenditures and Expenses

- a. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two-month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.
- b. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses and changes in fund net position.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain amounts in prior-year financial statements have been reclassified to conform with the current year presentation.

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, Net Position/fund balances, revenues and expenditures/expenses.

Cash and Investments

A summary of cash and investments shown in the Statement of Net Position is as follows:

Cash and equivalents	\$ 3,014,656
Investments	<u>0</u>
Total	<u>\$ 3,014,656</u>

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

The local government had the following deposits and investments at June 30, 2016:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 3,014,656	3,014,656	-	-
Money market mutual funds	AAA	-	-	-	-
Time deposits	(1)	-	-	-	-
Total		\$ 3,014,656	3,014,656	-	-

(1) Note subject to rating

Standard and Poor's (S&P) was the source for all credit ratings reported above.

Custodial Credit Risk

At June 30, 2016, the City held deposits of approximately \$3,221,270 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with the securities held by the City or by its agent in the City's name.

Investment Interest Credit Risk

The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by Federal Housing Administrator, and obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph (a.-d.).

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 0% in Certificates of deposit and 100% in Money Market funds.

Receivables and Uncollectible Accounts

Receivables as of June 30, 2016, for the City of Harrah's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General <u>Fund</u>	Capital Project <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Harrah Public Works <u>Authority</u>
Receivables:				
Accounts	\$ 43,804	-	-	378,044
Due from other governments	95,345	43,407	4,639	-
Gross receivables	139,149	43,407	4,639	378,044
Less: Allowance for uncollectibles	-	-	-	201,554
Net total receivables	\$ 139,149	43,407	4,639	176,490

Restricted Assets

The Harrah Public Works Authority has issued Utility System and Sales Tax Revenue Note, Series 2008 include restricted cash and investments for unexpended construction funds, debt service funds for repayment of the principal and interest when due. In addition, restricted assets include funds held on utility customer deposits. Funds related to the Series 2008 Sales Tax Revenue Note are on deposit with trustee banks.

Utility Sales Tax Revenue Note, Series 2008 :

Project account	\$ 192,416
Debt service	60,275

Utility Sales Tax Revenue Note, Series 2015 :

Project account	1,133,223
Debt service	41,540

Meter deposit funds	96,684
Total restricted assets	\$ 1,524,138

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets

Capital asset balances and activities for the year ended June 30, 2016, were as follows:

Governmental activities

Capital assets not being depreciated :

Land	\$	101,528	-	-	101,528
Total capital assets not being depreciated		101,528	-	-	101,528

Capital assets being depreciated :

Buildings and improvements	1,279,163	40,800	-	1,319,963
Machinery and equipment	1,207,544	24,139	-	1,231,683
Vehicles	1,895,950	43,472	-	1,939,422
Infrastructure	1,826,972	66,982	-	1,893,954
Total capital assets being depreciated	6,209,629	175,393	-	6,385,022

Less accumulated depreciation for :

Buildings and improvements	(510,606)	(43,531)	-	(554,137)
Machinery and equipment	(893,663)	(47,915)		(941,578)
Vehicles	(1,356,961)	(74,998)	-	(1,431,959)
Infrastructure	(867,817)	(71,270)	-	(939,087)
Total accumulated depreciation	(3,629,047)	(237,714)	-	(3,866,761)
Total capital assets being depreciated, net	2,580,582	(62,321)	-	2,518,261
Governmental activities capital assets, net	\$ 2,682,110	(62,321)	-	2,619,789

Business-type activities

Capital assets not being depreciated :

Construction in progress - Water wells	\$	-	55,604	-	55,604
Total capital assets not being depreciated		-	55,604	-	55,604

Capital assets being depreciated :

Buildings and improvements	475,934	21,864	-	497,798
Equipment and vehicles	1,344,573	31,659	-	1,376,232
Water and sewer infrastructure	16,043,747	30,207	-	16,073,954
Industrial Park	398,926	-	-	398,926
Total capital assets being depreciated	18,263,180	83,730	-	18,346,910

Less accumulated depreciation for :

Buildings and improvements	(306,594)	(15,453)	-	(322,047)
Equipment and vehicles	(884,905)	(107,024)	-	(991,929)
Water and sewer infrastructure	(7,353,422)	(399,509)	-	(7,752,931)
Industrial Park	(179,834)	(9,973)	-	(189,807)
Total accumulated depreciation	(8,724,755)	(531,959)	-	(9,256,714)
Total capital assets being depreciated, net	9,538,425	(448,229)	-	9,090,196
Business-type activities capital assets, net	\$ 9,538,425	(392,625)	-	9,145,800

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 53,510
Fire department	40,477
Police department	63,282
Park department	80,445
Total depreciation expense - governmental activities	<u>237,714</u>

Business-type activities:

Water and sewer	531,959
Total depreciation expense - business-type activities	<u>\$ 531,959</u>

Deposits Subject to Refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2016, cash and investments included \$102,390 available for refund of customer deposits, while the liability to customers was \$96,684.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2016, \$6,974 was being held that was subject to refund.

Long-term Debt

Long-term liabilities of the City of Harrah as of June 30, 2016, are as summarized as follows:

Governmental activities:

\$284,286 capital lease with no termination cost, dated February 8, 2012, payable in annual installments of \$62,049, with a final payment due February 8, 2017, inclusive of interest at 3.50%, secured by a fire truck.	\$ <u>60,250</u>
Total governmental activities	<u>\$ 60,250</u>

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Business-type activities:

Revenue notes payable:

\$2,220,000 Clean Water SRF Series 2004 loan payable to the Oklahoma Water Resources Board (OWRB), dated December 16, 2004, payable in semi-annual installments with a final payment due Sept. 15, 2025; interest rate of 2.60% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues. \$ 1,224,662

\$1,470,000 Utilities System and Sales Tax Revenue Note, Series 2008, payable in semi-annual installments ranging from \$35,000 to \$70,000 over 13 years plus interest due at 3.73% secured by pledge of a three cent sales tax and water and sewer revenues. 660,000

\$1,930,000 Clean Water SRF Series 2009 loan payable to the Oklahoma Water Resources Board (OWRB), dated May 29, 2009, payable in semi-annual installments with a final payment due March 15, 2030; interest rate of 2.35% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues. 978,450

\$490,000 Drinking Water SRF Series 2011 loan payable to the Oklahoma Water Resources Board (OWRB), dated October 1, 2011, payable in semi-annual installments with a final payment due March 15, 2032; interest rate of 3.05% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues. 414,490

\$526,000 capital lease with no termination costs, dated August 17, 2012, payable in monthly installments of \$7,239 inclusive of interest at 4.25%, secured by certain capital equipment. 290,887

\$1,220,000 Utilities System and Sales Tax Revenue Note, Series 2015, payable in semi-annual installments ranging from \$35,000 to \$50,000 over 15 years plus interest due at 2.56% secured by pledge of a three cent sales tax and water and sewer revenues. 1,150,000

Total net revenue bonds and notes payable		4,718,489
Total business-type activities		\$ 4,718,489

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Long-term liabilities transactions for the year ended June 30, 2016, and changes therein were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
Note payable - Fire truck	\$ 118,754	-	58,504	60,250	60,250
Total governmental activities	<u>118,754</u>	<u>-</u>	<u>58,504</u>	<u>60,250</u>	<u>60,250</u>
Business-type activities					
Notes payable:					
OWRB Series 2004	1,341,003	-	116,341	1,224,662	111,000
OWRB Series 2009	1,034,365	-	55,915	978,450	77,200
OWRB Series 2011	434,218	-	19,729	414,489	24,500
Water meters	365,580	-	74,692	290,888	77,062
Revenue note - Series 2008	780,000	-	120,000	660,000	120,000
Revenue note - Series 2015	1,220,000	-	70,000	1,150,000	70,000
Total business-type activities	<u>\$ 5,175,166</u>	<u>-</u>	<u>456,677</u>	<u>4,718,489</u>	<u>479,762</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, with interest rates applicable at June 30, 2016 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	60,250	1,798	464,548	134,402
2018	-	-	483,849	119,172
2019	-	-	492,988	103,368
2020	-	-	477,321	87,453
2021	-	-	437,708	72,990
2022-2026	-	-	1,481,699	213,419
2027-2031	-	-	848,088	61,472
2032-2036	-	-	32,288	754
Totals	<u>\$ 60,250</u>	<u>1,798</u>	<u>4,718,489</u>	<u>793,030</u>

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Applicability of Federal Arbitrage Regulations - Debt issuances of the City and Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from investment of gross proceeds of a debt issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The City's management believes the City is in compliance with these rules and regulations.

Non-Commitment Debt

Harrah Tax Increment Finance Authority Revenue Notes- Series 2009

On December 28, 2008, the Harrah Tax Increment Finance Authority issued tax increment revenue notes in the aggregate principal amount of \$15,760,000 with a maturity date on July 1, 2035. The Notes will be issued on a drawdown basis as project costs are incurred. The Notes shall bear interest and principal on a monthly basis, as more fully set out in a Loan Agreement and Security Agreement dated December 1, 2009. The Notes were issued in furtherance of the implementation of the Harrah Town Center Economic Development Project Plan. The proceeds of the Notes are financing the certain project costs outlined in the Project Plan.

The Notes are secured by a pledge of certain ad valorem tax and sales and use revenues generated within the Increment District. The Notes are a limited obligation of the Authority and does not constitute an obligation of the State of Oklahoma or the City of Harrah. The Authority has no taxing power.

During the fiscal year ended June 30, 2016, the Authority received and paid \$80,773 of sales tax related to the Tax Increment District.

Pledge of Future Revenues

Sales Tax Pledge - The City has entered into a Sales Tax Agreement dated February 1, 2008 of future sales tax revenues to repay the 2004, 2008, 2009, 2011 and 2015 Revenue Notes which are payable through March 15, 2032. Proceeds from the notes provided funding for improvements and expansion of the water and sanitary sewer systems. The total principal and interest payable for the remaining life of the notes is \$4,427,601. Pledged sales tax received in the current year was \$1,638,188. Debt service payments on the 2004, 2008, 2009, 2011 and 2015 Revenue Notes of \$517,858 for the current fiscal year were 31.6% of pledged sales tax.

Utility Revenue Pledge - The City has pledged the revenues from future sale of water to repay the 2004, 2008, 2009, 2011 and 2015 revenue notes which are payable through March 15, 2032. Proceeds from the notes provided funding for improvements and expansion of the water and sanitary sewer systems. The total principal and interest payable for the remaining life of the notes is \$4,427,601. Water and sewer revenues received in the current year were \$1,383,452. Debt service payments of \$517,858 for the current fiscal year were 37.4% of the pledged water and sewer revenues.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Compensated Absences

Compensated absences of the City of Harrah as of June 30, 2016, are as summarized as follows:

Governmental activities	\$ 69,134
Business-type activities	<u>41,891</u>
Total compensated absences	<u>\$ 111,025</u>

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Harrah Public Works Authority	\$ 28,757
General Fund	Capital Projects Fund	1,599
Capital Projects Fund	Harrah Ind. Econ. Dev. Trust	<u>94,165</u>
		<u>\$ 124,521</u>

Interfund transactions:

<u>Transfers In</u>				
	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Harrah</u>
Transfer out:	<u>Fund</u>	<u>Projects</u>	<u>Governmental</u>	<u>Public Works</u>
General Fund	\$ -	543,895	34,828	543,895
Capital Projects Fund	53,579	-	-	-
Nonmajor Governmental	-	-	-	-
Harrah Public Works Authority	<u>40,000</u>	-	-	-
Totals	<u>\$ 93,579</u>	<u>543,895</u>	<u>34,828</u>	<u>543,895</u>

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City manages these various risks of loss as follows:

- General Liability - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Physical Property - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Workers' Compensation - The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a matter of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A loss Fund has been established from the proceeds of the fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

- Employee's Group Medical - Covered through purchased insurance with a deductible of \$1,000 per employee and \$3,000 per family.

Contingent Liabilities

General Litigation

The City and Utilities Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the self-insurance reserves maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance reserves would not have a material adverse effect on the financial condition of the City.

Grant Program Involvement

In the normal course of operations, the City participates in various federal and 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 of 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.

Commitments

Sales Tax Rebate Agreement

On August 20, 2015, the City entered into a sales tax rebate agreement with a developer as an incentive to have the developer construct a Dollar General store. The rebate of a portion of the sales tax is based on a calculation set forth in the agreement for a period of five years from the date of first sales. As of June 30, 2016 the City has not received the information necessary to calculate and distribute the rebate.

Stewardship, Compliance and Accountability

By its nature as a local government entity, the City and its component units are subject to various federal, state and local laws and contractual regulations. Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2016, the City did not have deficits in any funds.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

Employee Retirement Systems and Pension Plans

The City participates in five employee pension systems as follows:

<u>Names of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Contribution Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	City Manager Retirement Plan - Defined Contribution Plan

Oklahoma Police Pension and Retirement System (PPRS)

Plan Description - The City of Harrah, as the employer, participates in the Police Pension & Retirement - a cost-sharing multi-employer defined benefit pension plan administered by the Oklahoma Police Pension & Retirement System (PPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the PPRS. PPRS issues a publicly available financial report that can be obtained at www.ok.gov/pprs.

Benefits Provided - PPRS provides retirement, disability, and death benefits to members of the Plan.

The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participant's contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment had continued uninterrupted, whichever is later.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Monthly retirement benefits are calculated based on two and a half percent (2.5%) of final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participant's final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute eight percent (8%) of their annual pay. Participating cities are required to contribute thirteen percent (13%) of the employees' annual pay. Contributions to the pension plan from the City were \$38,230. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$36,357. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities/Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$4,242 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2015. Based upon this information, the City's proportion was 0.00104%.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

For the year ended June 30, 2016, the City recognized pension expense of \$16,043. At June 30, 2016, 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
Differences between expected and actual experience	\$ 23,457	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	92,339	76,016
Changes in proportion and differences between City contributions and proportionate share of contributions	-	761
City contributions during measurement period	-	-
City contributions subsequent to the measurement date	43,003	-
Total	\$ <u>158,799</u>	\$ <u>76,777</u>

\$43,003 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (17,770)
2017	(17,770)
2018	(17,770)
2019	15,633
2020	<u>(1,342)</u>
	\$ <u>(39,019)</u>

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

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 prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. Active employees (post retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4years with fully generational improvement using Scale AA.

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, 2015, are summarized in the following table:

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	2.24%
Domestic equity	4.87%
International equity	7.68%
Real estate	5.47%
Private equity	5.80%
Commodities	2.96%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds; high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net position liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability(asset) would be if it were calculated using a discount rate that is one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability(asset) \$	254,894	\$ 4,242	\$ (207,075)

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 PPRS; which can be located at www.ok.gov/PPRS.

Oklahoma Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The City of Harrah, as the employer, participates in the Firefighters Pension & Retirement - a cost-sharing multi-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits Provided - FPRS provides retirement, disability, and death benefits to members of the Plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5% 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 of service.

Benefits for members hired after November 1, 2013 are determined as 2.5% 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. Benefits vest with 11 years or more of 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 benefit is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year 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

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

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 services, or \$7.53 per year of service, with a maximum of 30 years.

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

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$30,014. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$71,588. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$832,836 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2015. Based upon this information, the City's proportion was 0.0785%.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

For the year ended June 30, 2016, the City recognized pension expense of \$73,816. At June 30, 2016, 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
Differences between expected and actual experience	\$ 16,454	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	29,524	91,606
Changes in proportion and differences between City contributions and proportionate share of contributions	16,308	-
City contributions during measurement date	-	-
City contributions subsequent to the measurement date	29,674	-
Total	\$ 91,960	\$ 91,606

\$29,674 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (14,250)
2017	(14,250)
2018	(14,250)
2019	10,724
2020	2,200
Thereafter	506
	\$ (29,320)

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

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 prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% averages, 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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	5.13%
Domestic equity	37%	8.02%
International equity	20%	9.94%
Real estate	10%	7.47%
Other assets	13%	6.25%

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 thirty-six percent (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

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 1,081,350	\$ 832,836	\$ 624,406

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.

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF)

Plan Description - The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website - www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detail information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Eligibility Factors and Benefit Provisions

<u>Provision</u>	As of July 1, 2015 <u>OMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	5 years of credited service.
c. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 5 years of service. - Early retirement at age 55 with 5 years of service. - Disability retirement upon disability with 5 years of service. - Death benefit with 5 years of service for married employees.
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
e. Benefit Determination Methods:	
Normal Retirement	-2.625% of final average salary multiplied by credited years of service.
Early Retirement	-Accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
Disability Retirement	-Same as normal retirement.
Death Benefit	-50% of employee's accrued benefit, but terminates upon spouse remarriage.
Prior to 5 Years Service	-No benefits.
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

Employees Covered by Benefit Terms -

Active Employees	17
Deferred Vested Former Employees	2
Retirees or Retiree Beneficiaries	7
	<hr/>
Total	26
	<hr/>

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Contribution Requirements - The City Council has the authority to set and amend contribution rates by ordinance for the OMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 18.04% of covered payroll as of July 1, 2015 and 17.55% of covered payroll as of July 1, 2014. For the year ended June 30, 2015, the City recognized \$95,351 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$696,231. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions -

Date of Last Actuarial Valuation	July 1, 2015
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	3%
f. Mortality Table	UP 1994
g. Percent of Married Employees	100%
h. Spouse Age Difference	3 years (female spouses younger)
i. Turnover	Selected and ultimate rates Ultimate rates are age related as shown Additional rates per thousand are added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40

Discount Rate - The discount rate used to value benefits was the long-term expected rate of return on the plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. 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. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

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, 2015 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks			
S&P 500	25%	5.40%	1.35%
Small/mid cap stocks			
Russell 2500	10%	7.50%	0.75%
Long/short equity			
MSCI ACWI	10%	6.10%	0.61%
International stocks			
MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds			
Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate			
NCREIF	5%	4.80%	0.24%
Cash equivalents			
3 month Treasury	0%	0.00%	0.00%
TOTAL	100%		
Average Real Return			4.75%
Inflation			3.00%
Long-term expected return			7.75%

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Changes in Net Pension Liability - The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the City's report ending date of June 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)-(b)
Balances Beginning of Year	\$ 2,120,354	1,751,558	368,796
Changes for the Year:			
Service cost	76,600	-	76,600
Interest expense	161,833	-	161,833
Difference between expected and actual experience	(29,127)		(29,127)
Contributions - City	-	95,351	(95,351)
Contributions - Members	-	35,757	(35,757)
Net investment income	-	50,111	(50,111)
Benefits payments, including refunds of employee contributions	(65,608)	(65,608)	-
Benefit changes due to plan amendments	-	-	-
Plan administrative expenses	-	(3,686)	3,686
Other changes	-	-	-
Net Changes	143,698	111,925	31,773
Balances End of Year	\$ 2,264,052	1,863,483	400,569

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of the City, calculated using the discount rate of 7.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower - (6.75%) or one percentage point higher - (8.75%) than the current rate:

	(6.75%)	Rate (7.75%)	(8.75%)
Employer's total pension liability	\$ 2,587,552	\$ 2,264,052	\$ 1,995,534
Employer's plan net fiduciary position	1,863,483	1,863,483	1,863,483
Employers' net pension liability	<u>\$ 724,069</u>	<u>\$ 400,569</u>	<u>\$ 132,051</u>

The City reported \$120,363 in pension expense for the year ended June 30, 2016. At June 30, 2016, 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
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	69,941
City contributions subsequent to the measurement date	<u>78,547</u>	<u>-</u>
Total	<u>\$ 78,547</u>	<u>\$ 69,941</u>

Amortization of Pension Deferrals - Amounts reported as deferred outflows of resources (excluding deferred outflows related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (9,192)
2018	(9,192)
2019	(9,192)
2020	14,118
2021	(1,547)
Thereafter	-

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

OMRF Defined Contribution Plan (DC) -

The City has provided a defined contribution plan and trust known as the City of Harrah Plan and Trust (the Plan) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JP Morgan Chase Bank, Oklahoma. The defined contribution plan is available to all full-time employees except those participating in state fire and police programs. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment, and may make contributions at their option with the City matching their contributions up to a maximum amount equal to 5% of their compensation. By City ordinance, the City, as employer, is required to make contributions at a current rate of 5% of covered payroll. The City's contributions for each employee (and interest allocated to the employee account) are vested at a rate of 100% after 5 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining participants. The authority to establish and amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2016, the City contributed \$35,722 to the plan, while the employee contributions totaled \$41,767 on a covered payroll of \$743,181.

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

OMRF City Manager Defined Contribution Plan (CMO) -

The City has also provided a defined contribution plan and trust known as the City of Harrah City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. This plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund. For the current year, the employer contribution was \$10,250.

Deferred Compensation Plan

The City makes available to all full-time employees a deferred compensation plan. The DC Plan was created in accordance with Section 457 of the *Internal Revenue Code*, and permits employees to defer a portion of their salary until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in case of an unforeseeable emergency.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

The City makes no contributions to the Deferred Compensation Plan which the employees may contribute up to a maximum of 25% of compensation of \$18,000 annually, whichever is less. Vesting in such contributions is 100% immediately. During the year ended June 30, 2016, employees contributed \$3,941 to the DC Plan.

Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug and dental benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State Law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan.

A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 55 and 65. As of June 30, 2016, approximately no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier.

There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2016, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2016 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reporting amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year effective, and the City's consideration of the impact of these pronouncements are described below:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes accounting and financial reporting standards related to improving the usefulness of information about postemployment benefits other than pension plans (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. It is the result of a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This standard is effective for financial reporting period beginning after June 15, 2016. Earlier application is encouraged. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. GASB Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, GASB Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This standard is effective for financial reporting periods beginning after June 15, 2017. Earlier application is encouraged. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (1) agreements that are entered into by the reporting government and (2) agreements that are entered into by other governments and reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. This standard is effective for financial reporting periods beginning after December 15, 2016. Earlier application is encouraged. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

Subsequent Events

Management has evaluated subsequent events through August 31, 2016, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Harrah, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015
1. Employer's proportion of the net pension liability (asset)	0.103100%	0.104000%
2. Employer's proportionate share of the net pension liability (asset)	\$ (34,718)	\$ 4,242
3. Employer's covered-employee payroll	\$ 267,062	\$ 294,077
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-13.00%	1.44%
5. Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2015.

City of Harrah, Oklahoma
Schedule of Employer Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015
Statutorily required contribution	\$ 37,501	\$ 38,230
Contributions in relation to the statutorily required contribution	\$ (37,501)	\$ (38,230)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 290,649	\$ 294,077
Contributions as a percentage of covered-employee payroll	12.90%	13.00%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2015.

City of Harrah, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015
1. Employer's proportion of the net pension liability (asset)	0.076800%	0.078500%
2. Employer's proportionate share of the net pension liability (asset)	\$ 789,690	\$ 832,836
3. Employer's covered-employee payroll	\$ 203,260	\$ 214,386
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	388.51%	388.47%
5. Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2015.

City of Harrah, Oklahoma
Schedule of Employer Contributions
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015
Statutorily required contribution	\$ 28,701	\$ 30,014
Contributions in relation to the statutorily required contribution	\$ (28,701)	\$ (30,014)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 203,260	\$ 214,386
Contributions as a percentage of covered-employee payroll	14.12%	14.00%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2015.

City of Harrah, Oklahoma
Schedule of Changes in Net Pension Liability and Related Ratios
Oklahoma Municipal Retirement Fund
Last 10 Fiscal Years*

	2014	2015
Total pension liability		
Service cost	\$ 71,309	76,600
Interest	154,897	161,833
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(29,127)
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(65,202)	(65,608)
Net change in total pension liability	<u>161,004</u>	<u>143,698</u>
Total pension liability - beginning	<u>1,959,350</u>	<u>2,120,354</u>
Total pension liability - ending (a)	<u>\$ 2,120,354</u>	<u>2,264,052</u>
Plan fiduciary net position		
Contributions - employer	\$ 93,722	95,351
Contributions - member	35,145	35,757
Net investment income	241,750	50,111
Benefit payments, including refunds of member contributions	(65,202)	(65,608)
Administrative expense	(3,586)	(3,686)
Other	-	-
Net change in plan fiduciary net position	<u>301,829</u>	<u>111,925</u>
Plan fiduciary net position - beginning	<u>1,449,729</u>	<u>1,751,558</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,751,558</u>	<u>1,863,483</u>
Net pension liability - ending (a) - (b)	<u>\$ 368,796</u>	<u>400,569</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%	82.31%
Covered employee payroll	\$ 667,383	696,231
Net pension liability as a percentage of covered - employee payroll	55.26%	57.53%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2015.

**City of Harrah, Oklahoma
Schedule of Employer Contributions
Oklahoma Municipal Retirement Fund
Last 10 Fiscal Years***

	2014	2015
Actuarially determined contribution	\$ 120,396	120,597
Contributions in relation to the actuarially determined contribution	120,396	120,597
Contribution deficiency (excess)	\$ -	-
Covered employee payroll	\$ 667,383	696,231
Contributions as a percentage of covered-employee payroll	18.04%	17.32%

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not available.
2. Latest Valuation Date: July 1, 2015
3. Actuarially determined contribution rate is calculated as of July 1, 2013, 2014 and 2015
 - 2013 - 17.55%
 - 2014 - 18.04%
 - 2015 - 17.32%
4. Methods and assumptions used to determine contribution rates:

Actuarial cost method - Entry age normal
 Amortization method - Level percent of payroll, closed
 Remaining amortization period - 29 years
 Asset valuation method - Actuarial:
 Smoothing period - 4 years
 Recognition method - Non-asymptotic
 Corridor - 70% - 130%
 Salary increases - 4.00% to 7.42% (varies by attained age)
 Investment rate of return - 7.75%

City of Harrah, Oklahoma
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 2,428,000	2,426,000	2,602,854	176,854
Intergovernmental	4,500	4,500	4,290	(210)
Licenses and permits	70,000	70,000	91,656	21,656
Fines and forfeitures	230,000	230,000	220,764	(9,236)
Interest	500	500	576	76
Miscellaneous	17,800	19,800	56,933	37,133
Total revenues	<u>2,750,800</u>	<u>2,750,800</u>	<u>2,977,073</u>	<u>226,273</u>
EXPENDITURES				
General government:				
General government	214,254	216,207	224,157	(7,950)
City manager	4,200	4,200	3,026	1,174
Administration	313,699	313,699	304,352	9,347
Code enforcement	73,066	63,066	53,011	10,055
Legal	28,674	28,674	19,377	9,297
Public safety:				
Police	906,432	906,432	769,897	136,535
K-9	2,500	2,500	1,598	902
Fire	514,751	460,007	358,316	101,691
Culture and recreation:				
Senior citizen center	58,700	58,700	53,729	4,971
Total expenditures	<u>2,116,276</u>	<u>2,053,485</u>	<u>1,787,463</u>	<u>266,022</u>
Excess (deficiency) of revenues over (under) expenditures	634,524	697,315	1,189,610	492,295
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(926,300)</u>	<u>(989,091)</u>	<u>(1,029,040)</u>	<u>(39,949)</u>
Net change in fund balances	(291,776)	(291,776)	160,570	452,346
Fund balances - beginning	291,776	291,776	291,776	-
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>452,346</u>	<u>452,346</u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Intergovernmental	\$ 140,000	140,000	950	(139,050)
Interest	-	-	313	313
Miscellaneous	500	500	1,020	520
Total revenues	<u>140,500</u>	<u>140,500</u>	<u>2,283</u>	<u>(138,217)</u>
EXPENDITURES				
General government:				
General government	253,532	253,532	103,012	150,520
Public safety:				
Police	107,300	107,300	62,205	45,095
Fire	271,049	271,049	113,204	157,845
Culture and recreation:				
Senior citizen center	16,000	16,000	15,510	490
Parks	100,000	100,000	51,473	48,527
Streets	-	-	-	-
Public works	227,178	227,178	114,619	112,559
Total expenditures	<u>975,059</u>	<u>975,059</u>	<u>460,023</u>	<u>515,036</u>
Excess (deficiency) of revenues over (under) expenditures	(834,559)	(834,559)	(457,740)	376,819
OTHER FINANCING SOURCES (USES)				
Transfers	<u>453,800</u>	<u>453,800</u>	<u>490,316</u>	<u>36,516</u>
Net change in fund balances	(380,759)	(380,759)	32,576	413,335
Fund balances - beginning	380,759	380,759	661,502	280,743
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>694,078</u>	<u>694,078</u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Notes to Required Supplemental Information
On Budgetary Accounting and Control
For the Year Ended June 30, 2016

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

All funds with revenues and/or expenditures/expenses as defined by State law are required to have annual budgets under this section of state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between funds also require the approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Harrah Public Works Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal spending limit.

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on a modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers most all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the next year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

OTHER SUPPLEMENTARY INFORMATION

City of Harrah, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue</u>			Total
	<u>Street & Alley</u>	<u>Harrah Ind. Econ. Dev. Trust</u>	<u>Park Funds</u>	<u>Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 74,089	12,239	9,072	95,400
Due from other governments	<u>4,639</u>	<u>-</u>	<u>-</u>	<u>4,639</u>
TOTAL	<u>78,728</u>	<u>12,239</u>	<u>9,072</u>	<u>100,039</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Deposits subject to refund	-	-	3,022	3,022
Due to other funds	<u>-</u>	<u>94,165</u>	<u>-</u>	<u>94,165</u>
Total Liabilities	<u>-</u>	<u>94,165</u>	<u>3,022</u>	<u>97,187</u>
Fund balances:				
Restricted	78,728	(81,926)	6,050	2,852
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>78,728</u>	<u>(81,926)</u>	<u>6,050</u>	<u>2,852</u>
TOTAL	<u>\$ 78,728</u>	<u>12,239</u>	<u>9,072</u>	<u>100,039</u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue</u>			Total
	Street & Alley	Harrah Ind. Econ. Dev. Trust	Park Funds	Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 50,931	-	-	50,931
Charge for services	-	-	4,015	4,015
Interest	-	6	2	8
Miscellaneous	-	-	-	-
Total revenues	<u>50,931</u>	<u>6</u>	<u>4,017</u>	<u>54,954</u>
EXPENDITURES				
Maintenance & operations	54,433	14	38,994	93,441
Capital outlay	-	-	-	-
Total expenditures	<u>54,433</u>	<u>14</u>	<u>38,994</u>	<u>93,441</u>
Excess (deficiency) of revenues over expenditures	<u>(3,502)</u>	<u>(8)</u>	<u>(34,977)</u>	<u>(38,487)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	34,828	34,828
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>34,828</u>	<u>34,828</u>
Net change in fund balances	(3,502)	(8)	(149)	(3,659)
Fund balances-beginning	82,230	(81,918)	6,199	6,511
Fund balances-ending	<u>\$ 78,728</u>	<u>(81,926)</u>	<u>6,050</u>	<u>2,852</u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Debt Service Coverage Schedule
For the Year Ended June 30, 2016

Gross Revenue Available For Debt Service:

Pledged sales tax (3 cents)	\$	1,638,188
System-wide (water and sewer) gross revenues		<u>1,382,452</u>

Total Gross Revenues Available		<u>3,020,640</u>
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System-wide operating expense - Exclusive of capital improvements, debt service and depreciation		<u>976,165</u>
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Net Revenues Available for Debt Service	\$	<u><u>2,044,475</u></u>
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Debt Service Requirements:

Revenue note - Series 2015		104,480
Revenue note - Series 2011		37,941
Revenue note - Series 2009		113,569
Revenue note - Series 2008		148,930
Revenue note - Series 2004		<u>62,048</u>

Maximum annual debt service	\$	<u><u>466,968</u></u>
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Coverage		<u><u>4.38</u></u>
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Coverage requirement		<u><u>1.25</u></u>
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DILLON & ASSOCIATES, P.C.

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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

Honorable Mayor and City Council Members
City of Harrah, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrah, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Harrah's basic financial statements and have issued our report thereon dated August 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Harrah's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Harrah's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Harrah'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Harrah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Dillon & Associates, P.C.

Midwest City, Oklahoma
August 31, 2016

City of Harrah, Oklahoma
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2016

STATE GRANTOR/ PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	<u>GRANTOR NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>STATE EXPENDITURES</u>
STATE PROGRAMS			
<u>State of Oklahoma</u>			
Oklahoma Department of Agriculture Rural Fire Program		4,290	4,290
Oklahoma State Arts Council Small Grant Support		<u>4,500</u>	<u>4,500</u>
Total State of Oklahoma		<u>8,790</u>	<u>8,790</u>
Total State Assistance		\$ <u><u>8,790</u></u>	<u><u>8,790</u></u>