

THE CITY OF
BETHANY, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

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

THE CITY OF BETHANY, OKLAHOMA

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

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

**CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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**CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Bethany, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and 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, budgetary comparison information, pension and other post-employment benefit schedules on pages 65-71 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed above are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC

Tulsa, Oklahoma

June 19, 2019

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

MANAGEMENT DISCUSSION AND ANALYSIS

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

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

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2018, the City's total net position increased by \$1,101,326 or 3.0% from the prior year.
- During the year, the City's expenses for governmental activities were \$11.7 million and were funded by program revenues of \$3.9 million and further funded with taxes and other general revenues that totaled \$7 million.
- In the City's business-type activities, such as utilities, program revenues exceeded expenses by \$1.2 million.
- At June 30, 2018, the General Fund reported an unassigned fund balance of \$1,433,712.
- For budgetary reporting purposes, the General Fund reported revenues below estimates of \$25,868 or .32%, while expenditures were under the final appropriations by \$2,470,590 or 18.7%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Bethany (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, 39, and 61. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets), and deferred outflows of resources, as well as all liabilities (including all long-term debt) and deferred inflows of resources.

About the City

The City of Bethany is an incorporated municipality with a population of approximately 19,400 located in central Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government.

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

The City's Financial Reporting Entity

This annual report includes all activities for which the City Council of the City of Bethany is fiscally responsible. These activities are operated within several separate legal entities that are reported together to make up the City's financial reporting entity.

The City's financial reporting entity includes the City of Bethany and four blended component units.

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

Primary Government:

The City of Bethany— an incorporated municipality that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities of the City

Blended Component Units:

Bethany Public Works Authority (BPWA) – public trust created pursuant to 60 O.S. § 176 that operates the water and sanitation services for the residents. In addition, the trust collects wastewater service charges and remits collections to the Bethany/Warr Acres Public Works Authority which operates the wastewater system. The City Council serves as the governing body.

Bethany Economic Development Authority (BEDA) – – public trust created pursuant to 60 O.S. § 176 to promote economic development within the City. The City Council appoints the governing body.

Bethany Development Authority (BDA) – – public trust created pursuant to 60 O.S. § 176 to promote economic development within the City. The City Council serves as five of the nine trustees with the remaining trustees appointed by the Chamber and approved by the City Council.

Bethany Hospital Trust (BHT) – is a public trust created to provide health care and health care financing services to the community and surrounding area. The City Council serves as the governing body.

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

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial position and changes therein at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements.

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

- **Supplemental Information** – that provide additional information about specified elements of the financial statements, such as budgetary comparison information, and capital assets and long-term debt information.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets, deferred outflows, liabilities, and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

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 and financial statement.

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$38,083,625 at the close of the most recent fiscal year.

**TABLE 1
NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	Restated, 2017		2018	Restated, 2017		2018	Restated, 2017	
Current assets	\$ 16,865	\$ 15,548	8%	\$ 9,627	\$ 14,696	-34%	\$ 26,492	\$ 30,244	-12%
Capital assets, net	8,524	5,541	54%	31,599	30,138	5%	40,123	35,679	12%
Other non-current assets	-	-	0%	4,374	4,107	7%	4,374	4,107	7%
Total assets	25,389	21,089	20%	45,600	48,941	-7%	70,989	70,030	1%
Deferred outflows	2,278	4,209	-46%	1,014	473	114%	3,292	4,682	-30%
Current liabilities	1,836	1,405	31%	1,815	1,864	-3%	3,651	3,269	12%
Non-current liabilities	15,666	16,639	-6%	12,591	15,623	-19%	28,257	32,262	-12%
Total liabilities	17,502	18,044	-3%	14,406	17,487	-18%	31,908	35,531	-10%
Deferred inflows	1,310	1,902	-31%	2,980	297	903%	4,290	2,199	95%
Net position									
Net investment capital assets	5,488	5,289	4%	19,567	13,720	43%	25,055	19,009	32%
Restricted	3,959	-	100%	540	6,095	-91%	4,499	6,095	-26%
Unrestricted (deficit)	(592)	63	-1040%	9,121	11,815	-23%	8,529	11,878	-28%
Total net positin	\$ 8,855	\$ 5,352	65%	\$ 29,228	\$ 31,630	-8%	\$ 38,083	\$ 36,982	3%

The largest portion of the City's net position reflects its net investment capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. For 2018, the net investment in capital assets amounted to \$25,054,638. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

A major portion of the City's net position, \$4,499,158 also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is position \$8,529,829 and can be used to pay general operating cost.

Explanations of significant changes displayed in Table 1 are as follows:

Governmental Activities:

Capital assets – Increase of \$3.0 million (54%) due to the construction of the library and park project.

Deferred outflows – Decrease of \$1.9 million (46%) due to changes in pension elements.

Net position unrestricted – Decrease of \$.7 million (1040%) due to restricted net position.

Business-Type Activities:

Current Assets – Decrease of \$5.4 million (36%) due to a decrease in cash and cash equivalents.

Deferred outflows – Increases of \$0.5 million (114%) due to changes in OPEB.

Deferred inflows – Increases of \$2.7 million (903%) due to changes in OPEB.

Net position unrestricted – Decrease in of \$2.7 million (23%) due to expenses exceeding revenues in the current year.

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

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017*		2018	2017*		2018	2017*	
Revenues									
Charges for service	\$ 2,392	\$ 2,659	-10%	\$ 8,294	\$ 8,789	-6%	\$ 10,686	\$ 11,448	-7%
Operating grants and contributions	1,529	-	100%	1	-	100%	1,530	-	100%
Capital grants and contributions	-	-	0%	215	-	100%	215	-	100%
Taxes	6,772	7,085	-4%	-	-	-	6,772	7,085	-4%
Investment income	69	67	3%	433	45	862%	502	112	348%
Miscellaneous	199	-	100%	226	-	100%	425	-	100%
Total revenues	10,961	9,811	12%	9,169	8,834	4%	20,130	18,645	8%
Expenses									
General government	2,121	1,743	22%	-	-	-	2,121	1,743	22%
Public safety	7,071	6,088	16%	-	-	-	7,071	6,088	16%
Streets	1,105	578	91%	-	-	-	1,105	578	91%
Culture and recreation	637	1,414	-55%	-	-	-	637	1,414	-55%
Community development	568	-	100%	-	-	-	568	-	100%
Economic development	74	29	155%	-	-	-	74	29	155%
Interest on debt	167	-	100%	-	-	-	167	-	100%
Water	-	-	-	2,931	3,758	-22%	2,931	3,758	-22%
Wastewater	-	-	-	2,200	1,035	113%	2,200	1,035	113%
Sanitation	-	-	-	1,726	1,687	2%	1,726	1,687	2%
Hospital	-	-	-	428	424	1%	428	424	1%
Total expenses	11,743	9,852	19%	7,285	6,904	6%	19,028	16,756	-14%
Excess (deficiency) before transfers	(782)	(41)	-1807%	1,884	1,930	-2%	1,102	1,889	-42%
Transfers	4,285	1,683	155%	(4,285)	(1,683)	155%	-	-	-
Change in net position	\$ 3,503	\$ 1,642	113%	\$ (2,401)	\$ 247	-1072%	\$ 1,102	\$ 1,889	-42%

*2017 has not been restated for the impact of OPEB and the correction or errors in the prior year.

Explanations of significant changes in Table 2 are as follows:

Governmental Activities:

Operating grants and contributions – Increase of \$1.5 million due to the recording of state on-behalf police and fire pension payments and the receipt of grant revenue related to a prior year disaster.

Expenditures – increases in most categories are due to pension and OPEB expenses.

Business-Type Activities:

Wastewater expense – Increase of \$1.2 million due to increased operational costs.

Governmental Activities

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

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2018	2017*		2018	2017*	
	General government	\$ 2,121		\$ 1,743	22%	
Public safety	7,071	6,088	16%	(5,976)	(4,597)	30%
Streets	1,105	578	91%	(825)	(413)	100%
Culture, parks and recreation	637	1,414	-55%	(580)	(869)	-33%
Community development	568	-	100%	(491)	-	100%
Economic development	74	29	155%	(74)	93	-180%
Interest on long-term debt	167	-	100%	(167)	-	100%
Total	\$ 11,745	\$ 9,852	19%	\$ (7,821)	\$ (7,192)	9%

*2017 has not been restated for the impact of OPEB and the correction of errors in the prior year.

For the year ended June 30, 2018 total expenses for governmental activities amounted to approximately \$11.7 million which was an increase from the prior year of 19%. See Table 2 above for explanations of changes.

Business-type Activities

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2018	2017*		2018	2017*	
	Water	\$ 2,931		\$ 3,758	-22%	
Wastewater	2,200	1,035	113%	100	1,163	-91%
Sanitation	1,726	1,687	2%	430	512	-16%
Hospital	429	424	1%	(111)	152	-173%
Total	\$ 7,286	\$ 6,904	6%	\$ 1,225	\$ 1,886	-35%

*2017 has not been restated for the impact of OPEB and the correction of errors in the prior year.

The City's business-type activities include utility services for water, electric, wastewater, sanitation and airport.

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenues of \$1,224,863 for the year ended June 30, 2018.

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2018 fiscal year, the governmental funds reported a combined fund balance of \$14.9 million or a 6.8% decrease of approximately \$1,092,000 mainly due to the use of construction proceeds. The enterprise funds reported combined net position of \$29.2 million or a 7.6% decrease from 2017.

<u>Fund Balance/Net Position</u>			
Governmental Funds		Proprietary Funds	
Restricted	\$ 10,399,360	Net investment in capital assets	\$ 19,541,952
Assigned	3,011,638	Restricted for debt service and other	539,601
Unassigned	<u>1,477,202</u>	Unrestricted	<u>9,121,493</u>
Total Fund Balance	<u>\$ 14,888,200</u>	Total Net Position	<u>\$ 29,203,046</u>

General Fund Budgetary Highlights

For budgetary reporting purposes, the General Fund reported revenues below estimates of \$25,868 or .32%, while expenditures were under the final appropriations by \$2,470,590 or 18.7%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the City had \$40.1 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a net increase of \$4.4 million or 12.4% from the prior year.

**TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,692	\$ 1,692	\$ 487	\$ 487	2,179	\$ 2,179
Buildings	558	556	6,798	7,279	7,356	7,835
Machinery, furniture and equipment	730	635	449	287	1,179	922
Infrastructure	1,986	2,171	21,259	20,897	23,245	23,068
Construction in progress	<u>3,558</u>	<u>487</u>	<u>2,607</u>	<u>1,213</u>	<u>6,165</u>	<u>1,700</u>
Totals	<u>\$ 8,524</u>	<u>\$ 5,541</u>	<u>\$ 31,600</u>	<u>\$ 30,163</u>	<u>\$ 40,124</u>	<u>\$ 35,704</u>

This year's more significant capital asset additions included:

Sanitary Sewer	\$1,212,000
Library CIP Project	\$3,047,000

**CITY OF BETHANY, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018**

See Note 5 to the financial statements for more detail information on the City's capital assets and changes therein.

Long- Term Debt

At year-end, the City had \$21.6 million in long-term debt outstanding which represents a \$1.8 million increase, or 7.6%, from the prior year. The City's changes in long-term debt by type of debt are as follows:

**TABLE 6
Long-Term Debt
(In Thousands)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	Restated, <u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	Restated, <u>2017</u>
Accrued absences	\$ 737	\$ 747	\$ 120	\$ 135	\$ 857	\$ 882
General obligation bonds	7,750	8,180	-	-	7,750	8,180
Revenue Bonds	-	-	1,900	2,250	1,900	2,250
Bond Premium (Discount)	163	172	-	-	163	172
Notes Payable	-	272	10,910	11,588	10,910	11,860
Totals	\$ 8,650	\$ 9,371	\$ 12,930	\$ 13,973	\$ 21,580	\$ 23,344

See Note 7 to the financial statements for more detail information on the City's long-term debt and changes therein.

The Upcoming Year

The City will spend the upcoming year completing projects with an emphasis on the Library construction project and the all-inclusive playground, the projects are funded with a general obligation bond.

The FY 2018-2019 budget will remain level with the 2017-2018 budget.

The primary sources of revenue for the City of Bethany are Sales Tax and water and wastewater revenue. Sales tax requires a vote of the people and cannot be adjusted without the people's consent. The City continues to look for ways to enhance our revenue base that will assist in operations.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City of Bethany, Finance Director, P.O. Box 219, Bethany, OK 73088.

**CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Net Position– June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 8,283,007	5,473,613	\$ 13,756,620
Investments	3,773,364	2,902,335	6,675,699
Interest receivable	22,149	10,014	32,163
Accounts receivable, net	688,120	464,323	1,152,443
Due from other governments	874,307	-	874,307
Other receivables	73,312	448,565	521,877
Internal balances	3,150,904	(3,150,904)	-
Cash and equivalents, restricted	-	1,901,474	1,901,474
Investments - restricted	-	1,577,375	1,577,375
Investment in joint venture	-	4,373,672	4,373,672
Capital Assets			
Land and construction in progress	5,250,348	3,093,758	8,344,106
Other capital assets, net of depreciation	3,273,684	28,505,775	31,779,459
Total assets	<u>25,389,195</u>	<u>45,600,000</u>	<u>70,989,195</u>
DEFERRED OUTFLOWS:			
Deferred amounts related to pensions	2,255,122	1,012,291	3,267,413
Deferred amounts related to OPEB	22,789	1,715	24,504
Total deferred outflows of resources	<u>2,277,911</u>	<u>1,014,006</u>	<u>3,291,917</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,318,329	591,727	1,910,056
Accrued interest payable	13,998	108,666	122,664
Long-term liabilities			
Due within one year	503,728	1,114,660	1,618,388
Due in more than one year	15,665,763	12,590,920	28,256,683
Total liabilities	<u>17,501,818</u>	<u>14,405,973</u>	<u>31,907,791</u>
DEFERRED INFLOWS:			
Deferred amounts related to pensions	1,217,074	588,341	1,805,415
Deferred amounts related to OPEB	92,633	6,972	99,605
Deferred lease revenue	-	2,384,676	2,384,676
Total deferred inflows of resources	<u>1,309,707</u>	<u>2,979,989</u>	<u>4,289,696</u>
NET POSITION:			
Net investment in capital assets	5,487,688	19,566,950	25,054,638
Restricted	3,959,557	539,601	4,499,158
Unrestricted (deficit)	(591,664)	9,121,493	8,529,829
Total net position	<u>\$ 8,855,581</u>	<u>\$ 29,228,044</u>	<u>\$ 38,083,625</u>

See accompanying notes to the basic financial statements.

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Activities – Year Ended June 30, 2018

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 2,120,703	\$ 1,870,354	\$ 541,891	\$ -	\$ 291,542	\$ -	\$ 291,542
Public Safety	7,071,468	280,453	815,429	-	(5,975,586)	-	(5,975,586)
Public Works and Streets	1,105,172	108,408	171,660	-	(825,104)	-	(825,104)
Culture and Recreation	637,185	56,895	-	-	(580,290)	-	(580,290)
Community Development	567,489	76,101	-	-	(491,388)	-	(491,388)
Economic Development	74,137	-	-	-	(74,137)	-	(74,137)
Interest on Long-Term Debt	167,071	-	-	-	(167,071)	-	(167,071)
Total governmental activities	11,743,225	2,392,211	1,528,980	-	(7,822,034)	-	(7,822,034)
Business-type activities							
Water	2,930,750	3,623,474	-	112,943	-	805,667	805,667
Wastewater	2,199,599	2,300,023	-	-	-	100,424	100,424
Sanitation	1,725,908	2,154,412	1,244	-	-	429,748	429,748
Hospital	428,584	216,000	-	101,608	-	(110,976)	(110,976)
Total business-type activities	7,284,841	8,293,909	1,244	214,551	-	1,224,863	1,224,863
Total primary government	\$ 19,028,066	\$ 10,686,120	\$ 1,530,224	\$ 214,551	(7,822,034)	1,224,863	(6,597,171)
General revenues:							
Taxes:							
Sales and use taxes					5,204,226	-	5,204,226
Property tax					597,027	-	597,027
Franchise and public service taxes					799,371	-	799,371
Other taxes					172,350	-	172,350
Investment income					68,574	432,621	501,195
Miscellaneous					198,353	225,975	424,328
Transfers - internal activity					4,285,052	(4,285,052)	-
Total general revenues and transfers					11,324,953	(3,626,456)	7,698,497
Change in net position					3,502,919	(2,401,595)	1,101,326
Net position - beginning, restated					5,352,662	31,629,637	36,982,299
Net position - ending					\$ 8,855,581	\$ 29,228,041	\$ 38,083,622

See accompanying notes to the basic financial statements.

**CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Governmental Funds Balance Sheet - June 30, 2018

	<u>General Fund</u>	<u>Library GO Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,404,832	\$ 3,663,739	\$ 3,214,436	\$ 8,283,007
Investments	342,289	3,189,264	241,811	3,773,364
Receivables:				
Accounts receivable	688,120	-	-	688,120
Due from other funds	3,236,755	-	443,164	3,679,919
Taxes	653,650	-	134,744	788,394
Interest	439	21,473	237	22,149
Other	159,225	-	-	159,225
Total assets	<u>\$ 6,485,310</u>	<u>\$ 6,874,476</u>	<u>\$ 4,034,392</u>	<u>\$ 17,394,178</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 360,879	\$ 595,513	\$ 4,495	\$ 960,887
Wages payable	328,388	2,444	1,464	332,296
Due to other funds	529,015	-	-	529,015
Escrow liability	25,146	-	-	25,146
Total liabilities	<u>1,243,428</u>	<u>597,957</u>	<u>5,959</u>	<u>1,847,344</u>
 DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	<u>647,246</u>	<u>-</u>	<u>11,388</u>	<u>658,634</u>
 Fund balances:				
Restricted	149,286	6,276,519	3,973,555	10,399,360
Assigned	3,011,638	-	-	3,011,638
Unassigned	1,433,712	-	43,490	1,477,202
Total fund balances	<u>4,594,636</u>	<u>6,276,519</u>	<u>4,017,045</u>	<u>14,888,200</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,485,310</u>	<u>\$ 6,874,476</u>	<u>\$ 4,034,392</u>	<u>\$ 17,394,178</u>

See accompanying notes to the basic financial statements.

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2018

	<u>General Fund</u>	<u>Library GO Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 5,250,818	\$ -	\$ 1,480,696	\$ 6,731,514
Intergovernmental	1,418,233	-	134,670	1,552,903
Charges for services	502,652	-	123,480	626,132
Fines and forfeitures	1,150,823	-	4,624	1,155,447
Licenses and permits	76,101	-	-	76,101
Investment income	20,673	44,441	3,460	68,574
Miscellaneous	167,553	-	18,351	185,904
Total revenues	<u>8,586,853</u>	<u>44,441</u>	<u>1,765,281</u>	<u>10,396,575</u>
EXPENDITURES				
Current:				
General government	1,974,303	-	-	1,974,303
Public Safety	7,056,877	-	125,952	7,182,829
Public works and streets	1,052,104	-	-	1,052,104
Culture and recreation	593,516	59,095	-	652,611
Economic development	494,059	-	74,137	568,196
Capital Outlay	399,560	2,987,843	77,758	3,465,161
Debt Service:				
Principal	272,147	-	430,000	702,147
Interest and other charges	-	-	176,875	176,875
Total expenditures	<u>11,842,566</u>	<u>3,046,938</u>	<u>884,722</u>	<u>15,774,226</u>
Excess (deficiency) of revenues over expenditures	(3,255,713)	(3,002,497)	880,559	(5,377,651)
OTHER FINANCING SOURCES (USES)				
Transfers in	8,619,435	-	454,419	9,073,854
Transfers out	(4,633,680)	-	(155,122)	(4,788,802)
Total other financing sources and uses	<u>3,985,755</u>	<u>-</u>	<u>299,297</u>	<u>4,285,052</u>
Net change in fund balances	730,042	(3,002,497)	1,179,856	(1,092,599)
Fund balances - beginning, restated	3,864,594	9,279,016	2,837,189	15,980,799
Fund balances - ending	<u>\$ 4,594,636</u>	<u>\$ 6,276,519</u>	<u>\$ 4,017,045</u>	<u>\$ 14,888,200</u>

See accompanying notes to the basic financial statements.

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	14,888,200
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		8,524,032
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds.		658,634
Certain other long-term elements are not available to pay current period expenditures and are classified as deferred outflows and are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Pension related deferred outflows		2,255,122
OPEB related deferred outflows		22,789
Some liabilities are not due and payable in the current period and they, along with deferred inflows, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:		
Interest payable		(13,998)
Net pension liability		(6,173,227)
Pension related deferred inflows		(1,217,074)
Total OPEB liability		(1,346,171)
OPEB related deferred inflows		(92,633)
Accrued compensated absences		(737,284)
Unamortized debt premium		(162,809)
General obligation bond payable		(7,750,000)
Net Position of Governmental Activities in the Statement of Net Position	\$	8,855,581

See accompanying notes to the basic financial statements.

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds: \$ (1,092,599)

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	3,427,001
Depreciation expense	(443,610)

In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as expenditures. This amount represents the difference between pension contributions and calculated pension expense.

309,397

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in deferred revenue	658,634
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Note principal payments	272,147
General obligation bond principal payments	430,000

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 interest payable	716
Change in accrued compensated absences	10,196
Change in total OPEB liability	(78,050)
Change in amortization of bond discount/premium	9,087

Change in net position of governmental activities	\$ 3,502,919
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See accompanying notes to the basic financial statements.

**CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Net Position - June 30, 2018

	<u>Enterprise Funds</u>		
	<u>Bethany Public Works Authority</u>	<u>Bethany Hospital Trust</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,534,059	\$ 1,939,554	\$ 5,473,613
Cash and cash equivalents, restricted	1,901,474	-	1,901,474
Investments	1,794,323	1,108,012	2,902,335
Accounts receivable, net	464,323	-	464,323
Other receivable	448,565	-	448,565
Accrued interest receivable	4,771	5,243	10,014
Due from other funds	85,851	-	85,851
Total current assets	<u>8,233,366</u>	<u>3,052,809</u>	<u>11,286,175</u>
Non-current assets:			
Investments	-	1,577,375	1,577,375
Investment in joint venture	4,373,672	-	4,373,672
Capital assets:			
Land, construction in progress, and water rights	2,717,208	376,550	3,093,758
Other capital assets, net of accumulated depreciation	23,372,484	5,133,291	28,505,775
Total non-current assets	<u>30,463,364</u>	<u>7,087,216</u>	<u>37,550,580</u>
Total assets	<u>38,696,730</u>	<u>10,140,025</u>	<u>48,836,755</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	1,012,291	-	1,012,291
Deferred amounts related to OPEB	1,715	-	1,715
Total deferred outflows of resources	<u>1,014,006</u>	<u>-</u>	<u>1,014,006</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	517,280	-	517,280
Wages payable	74,447	-	74,447
Due to other funds	3,236,755	-	3,236,755
Accrued interest payable	108,666	-	108,666
Accrued compensated absences	11,989	-	11,989
Refundable deposits	47,271	-	47,271
Notes payable	1,055,400	-	1,055,400
Total current liabilities	<u>5,051,808</u>	<u>-</u>	<u>5,051,808</u>
Non-current liabilities:			
Accrued compensated absences	107,899	-	107,899
Net pension liability	202,095	-	202,095
Total OPEB liability	101,325	-	101,325
Refundable deposits	425,436	-	425,436
Notes payable, net	11,754,165	-	11,754,165
Total non-current liabilities	<u>12,590,920</u>	<u>-</u>	<u>12,590,920</u>
Total liabilities	<u>17,642,728</u>	<u>-</u>	<u>17,642,728</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	588,341	-	588,341
Deferred amounts related to OPEB	6,972	-	6,972
Deferred amounts related hospital lease	-	2,384,676	2,384,676
Total deferred inflows of resources	<u>595,313</u>	<u>2,384,676</u>	<u>2,979,989</u>
NET POSITION			
Net investment in capital assets	14,057,109	5,509,841	19,566,950
Restricted for debt service	539,601	-	539,601
Unrestricted	6,875,985	2,245,508	9,121,493
Total net position	<u>\$ 21,472,695</u>	<u>\$ 7,755,349</u>	<u>\$ 29,228,044</u>

See accompanying notes to the basic financial statements.

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Changes in Net Position - Year Ended June 30, 2018

	Enterprise Funds		Total
	Bethany Public Works Authority	Bethany Hospital Trust	
REVENUES			
Charges for services	\$ 8,077,909	\$ 216,000	\$ 8,293,909
Total operating revenues	<u>8,077,909</u>	<u>216,000</u>	<u>8,293,909</u>
OPERATING EXPENSES			
Personal services	2,060,302	-	2,060,302
Materials and supplies	688,300	-	688,300
Other services and charges	2,598,469	8,719	2,607,188
Depreciation expense	1,032,563	428,584	1,461,147
Total operating expenses	<u>6,379,634</u>	<u>437,303</u>	<u>6,816,937</u>
Operating income (loss)	<u>1,698,275</u>	<u>(221,303)</u>	<u>1,476,972</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	328,448	104,173	432,621
Miscellaneous	227,219	-	227,219
Interest expense and fiscal charges	(467,904)	-	(467,904)
Total non-operating revenue (expenses)	<u>87,763</u>	<u>104,173</u>	<u>191,936</u>
Income (loss) before contributions and transfers	<u>1,786,038</u>	<u>(117,130)</u>	<u>1,668,908</u>
Contributed capital revenue	112,943	101,608	214,551
Transfers in	4,314,945	-	4,314,945
Transfers out	(8,599,997)	-	(8,599,997)
Change in net position	<u>(2,386,071)</u>	<u>(15,522)</u>	<u>(2,401,593)</u>
Total net position - beginning, restated	23,858,766	7,770,871	31,629,637
Total net position - ending	<u>\$ 21,472,695</u>	<u>\$ 7,755,349</u>	<u>\$ 29,228,044</u>

See accompanying notes to the basic financial statements.

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2018

	<u>Enterprise Funds</u>		
	<u>Bethany Public Works Authority</u>	<u>Bethany Hospital Trust</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 8,087,603	\$ -	\$ 8,087,603
Payments to suppliers	(2,916,267)	(8,719)	(2,924,986)
Payments to employees	(2,073,436)	-	(2,073,436)
Receipts from other funds	3,236,755	-	3,236,755
Payments to other funds	(75,464)	-	(75,464)
Receipts of customer meter deposits	120,974	-	120,974
Refunds of customer meter deposits	(75,440)	-	(75,440)
Net cash provided by (used in) operating activities	6,304,725	(8,719)	6,296,006
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	4,314,945	-	4,314,945
Transfers to other funds	(8,599,997)	-	(8,599,997)
Net cash provided by (used in) noncapital financing activities	(4,285,052)	-	(4,285,052)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets purchases	(3,035,985)	-	(3,035,985)
Principal paid on debt	(1,028,137)	-	(1,028,137)
Interest and fiscal agent fees paid on debt	(471,992)	-	(471,992)
Net cash provided by (used in) capital and related financing activities	(4,536,114)	-	(4,536,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (Purchase) of investments	758,454	(248,270)	510,184
Interest and dividends	57,401	98,930	156,331
Net cash provided by (used in) investing activities	815,855	(149,340)	666,515
Net increase (decrease) in cash and cash equivalents	(1,700,586)	(158,059)	(1,858,645)
Balances - beginning of year	7,136,119	2,097,613	9,233,732
Balances - end of year	\$ 5,435,533	\$ 1,939,554	\$ 7,375,087
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 3,534,059	\$ 1,939,554	\$ 5,473,613
Restricted cash and cash equivalents - current	1,901,474	-	1,901,474
Total cash and cash equivalents, end of year	\$ 5,435,533	\$ 1,939,554	\$ 7,375,087
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 1,698,275	\$ (221,303)	\$ 1,476,972
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	1,032,563	428,584	1,461,147
Other nonoperating revenue	227,219	-	227,219
Change in assets and liabilities:			
Receivables, net	324,010	-	324,010
Other receivable	(448,565)	-	(448,565)
Due from other funds	(75,464)	-	(75,464)
Deferred outflows related to pension	(541,524)	-	(541,524)
Deferred outflows related to OPEB	485	-	485
Accounts payable	277,532	-	277,532
Deferred inflows related to lease	-	(216,000)	(216,000)
Due to other funds	3,236,755	-	3,236,755
Due to employees	57,180	-	57,180
Refundable deposits	45,534	-	45,534
Total OPEB liability	101,325	-	101,325
Net pension liability	189,189	-	189,189
Accrued compensated absences	(15,455)	-	(15,455)
Deferred inflows related to pension	291,601	-	291,601
Deferred inflows related to OPEB	(95,935)	-	(95,935)
Net cash provided by (used in) operating activities	\$ 6,304,725	\$ (8,719)	\$ 6,296,006
Noncash activities:			
Donated sewer treatment cost	\$ 92,970	\$ -	\$ 92,970
Asset contributed by others	112,943	101,608	214,551
	\$ 205,913	\$ 101,608	\$ 307,521

See accompanying notes to the basic financial statements.

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

FOOTNOTES TO BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

In determining the financial reporting entity, the City uses the integrated approach as prescribed by Governmental Accounting Standards Board Statements No. 14 “The Financial Reporting Entity”, and Statement No. 61, “*The Financial Reporting Entity: Omnibus*”, and includes all component units for which the City is financially accountable/fiscally responsible. The City’s financial reporting entity primary government presentation includes the City of Bethany and the certain component units as follows:

The City of Bethany – that operates the public safety, health and welfare, streets and highways, culture and recreation, and administrative activities.

The City of Bethany is an incorporated municipality with a population of approximately 19,400 located in central Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government:

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

Blended Component Units (separate legal entities for which the City Council is fiscally responsible, and for which the City Council members serve as the trustees/governing body of the entity):

Bethany Public Works Authority (BPWA) – public trust created pursuant to 60 O.S. § 176 that operates the water and sanitation services for the residents. In addition, the trust collects wastewater service charges and remits collections to the Bethany/Warr Acres Public Works Authority which operates the wastewater system. The City Council serves as the governing body.

Bethany Economic Development Authority (BEDA) – – public trust created pursuant to 60 O.S. § 176 to promote economic development within the City. The City Council appoints the governing body.

Bethany Development Authority (BEDA) – – public trust created pursuant to 60 O.S. § 176 to promote economic development within the City. The City Council serves as five of the nine trustees with the remaining trustees appointed by the Chamber and approved by the City Council.

Bethany Hospital Trust (BHT) – is a public trust created to provide health care and health care financing services to the community and surrounding area. The City Council serves as the governing body.

Each of these component units listed above are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, the City Council must approve, by two-thirds vote, all debt obligations of

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these public trusts prior to incurring the obligation. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

Participation in Joint Venture

The City participates (with equity interest) in the general operations portion of the Bethany-Warr Acres Public Works Authority. The City maintains approximately 63% equity interest in the Bethany-Warr Acres Public Works Authority.

The Bethany Public Works Authority has entered into an operation and maintenance contract with the Bethany-Warr Acres Public Works Authority for the provision of sewer services for the residents of the City. The contract requires that the Warr Acres Public Works Authority and the Bethany Public Works Authority remit all sewer billings on or before the fifteenth day of each month to the Bethany-Warr Acres Public Works Authority.

The Bethany-Warr Acres Public Works Authority is also permitted to transfer any surplus receipts, after the payment of operating and maintenance cost, current principal and interest on indebtedness, and capital improvements, back to the cities of Bethany and Warr Acres. These distributions are made in the proportion that the total revenues billed within the corporate limits of each said municipality bears to the total revenues collected.

The Bethany-Warr Acres Public Works Authority is jointly governed by the two governments. The governments do not exercise specific control over the budgeting and financing of the Authority's activities, and do not have a specified equity interest in the joint venture. For the year ended June 30, 2018, \$1,016,863 was remitted to the Bethany-Warr Acres Public Works Authority by the Bethany Public Works Authority.

For the year ended June 30, 2018, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	\$4,107,396
Current year contributions	<u>266,276</u>
Ending investment in joint venture	<u>\$4,373,672</u>

The following summary is segment information from the Bethany-Warr Acres Public Works Authority's most recently issued annual audited financial report, which was for the period ended June 30, 2018:

Total Assets	\$7,378,369
Deferred Outflows	\$113,695
Total Liabilities	\$472,179
Deferred Inflows	\$70,731
Total Net Position	\$6,949,154
Total Revenues	\$1,805,456
Total Expenses	\$1,375,978
Increase in Net Position	\$429,478

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In addition, at June 30, 2018, the Bethany-Warr Acres Public Works Authority had paid off all notes payable. Separate financial statements for the fiscal year ended June 30, 2018, are available from the Finance Department, P.O. Box 219, Bethany, OK 73008-0219.

2. Basis of Presentation and Accounting

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

Government-Wide Financial Statements:

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets, parks and recreation. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

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

The Statements of Net Position and Activities are reported on the accrual basis of accounting and economic resources measurement focus. 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.

Fund Financial Statements:

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. Governmental funds report their activities on the modified accrual basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City's governmental funds include:

Major Funds:

- **General Fund** – accounts for all activities not accounted for in other special-purpose funds. For reporting purposes the General Fund includes the activities of the Prepaid Inspection Account,

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Performance Bond Account, and the Court Account. The General Fund's major funding source is sales tax, franchise fees, hotel/motel tax, and miscellaneous charges for services.

- Library GO Fund – is a capital project fund that accounts for a general obligation bond proceeds legally restricted for the construction of a library and park.

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

Special Revenue Funds include the Public Safety Fund, E911 Fund, CDBG Fund, Juvenile Fund, Cemetery Fund, Bethany Economic Development Authority, and the Bethany Development Authority.

Debt Service Funds – accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments, general obligation bonds, and their related interest expenses.

Capital Project Funds:

- Capital Improvement Fund accounts for sales tax restricted for city capital improvements.
- Street/Park CIP Fund accounts for revenues restricted for street and park improvements.

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

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

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

The City's proprietary funds include the following:

Enterprise Funds

Major Funds:

- Bethany Public Works Authority (BPWA) that accounts for the activities of the public trust in providing water, wastewater, and sanitation/solid waste services to the public.
- Bethany Hospital Trust (BHT) account for transactions related to the Bethany Hospital building and related improvements, contracting, debt and other matters that require a commitment for more than one year.

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3. Cash and Cash Equivalents, Deposits and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less, and money market investments. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments consist of long-term certificates of deposits and government money market funds. Certificates of deposit are reported at cost.

Deposits and Investments Risks

The City of Bethany primary government and component units are governed by the deposit and investment limitations of state law and trust indentures. The deposits and investments held at June 30, 2018 by these entities are as follows:

Type	Fair Value	Credit Rating	Maturities in Years		
			On Demand	Less Than One	1 - 5
Demand deposits	\$ 11,288,849	N/A	\$ 11,288,849	\$ -	\$ -
Cash on hand	1,428	N/A	1,428	-	-
Time deposits	6,676,326	N/A	-	4,552,964	2,123,362
Money Market Funds	4,367,190	Not rated	4,367,190	-	-
Sub-Total	<u>\$ 22,333,793</u>		<u>\$ 15,657,467</u>	<u>\$ 4,552,964</u>	<u>\$ 2,123,362</u>
Annuity	1,577,375				
Total Deposits and Investments	<u>\$ 23,911,168</u>				
Reconciliation to Financial Statements:					
Cash and cash equivalents	\$ 13,756,620				
Investments	6,675,699				
Cash and cash equivalents, restricted	1,901,474				
Investments, restricted	1,577,375				
	<u>\$ 23,911,168</u>				

GASB Statement No. 72, *Fair Value Measurement and Application*, established a hierarchy based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2018:

- Money Market Mutual Funds of \$4,367,190 were valued using quoted market prices (Level 1 inputs).

Annuity – the BHT has an annuity through Allstate related to a settle over a contract dispute of the Bethany hospital building. The annuity is payable in increments of \$200,000 annually through September 2028. The annuity is recorded at its net present value using a discount rate of 6%.

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the

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City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. The City's policy limits acceptable collateral to U.S. Treasury securities, federally insured obligations, or direct debt obligations of municipalities, counties, and school districts in Oklahoma.

Also, as required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2018, the City was exposed to custodial credit risk at one financial institution by \$683.

Investment Credit Risk – The City's limits investments, to the following as allowed by state statute:

- a. Obligations of the U. S. Government, its agencies and instrumentalities;
- b. Collateralized or insured non-negotiable certificates of deposit or other evidences of deposit that are either insured or secured with acceptable collateral with an in-state financial institution, and fully insured deposits in out-of-state institutions;
- c. Insured or fully collateralized negotiable certificates of deposit;
- d. Repurchase agreements that have underlying collateral consisting of those items specified in paragraph a above; and
- e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph a.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments by date range.

As noted in the schedule of deposits and investments above, at June 30, 2018, the investments held by the City mature between 2018 through 2022.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed).

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Restricted Cash and Investments

The amounts reported as restricted assets of the Enterprise Funds on the Statement of Net Position are comprised of amounts held by the BPWA Enterprise Fund in accounts for the revenue bonds/notes and other accounts with restricted uses. The restricted assets as of June 30, 2018 are as follows:

Cash and cash equivalents:		
Cash Restricted for Refundable deposits	\$	473,566
Restricted for Construction		776,982
Restricted for Debt Service		650,926
		\$ 1,901,474

4. Receivables

Material receivables in the governmental fund types and the governmental activities include revenue accruals such as court fines and taxes. Non-exchange transactions collectible but not available are deferred in the fund financial statements. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Business-type activities and the proprietary type fund consist of revenues earned at year-end and not yet received. Billed and unbilled utility accounts receivable comprise the majority of these receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Taxes	\$ 779,408	\$ -	\$ 779,408
Due from other governments	94,899	-	94,899
Court fines	6,590,896	(5,931,806)	659,090
Other	102,342	-	102,342
Total Governmental Activities	\$ 7,567,545	\$ (5,931,806)	\$ 1,635,739
Reconciliation to Statement of Net Position:			
Accounts receivable, net			\$ 688,120
Due from other governmental agencies			874,307
Other receivable			73,312
Total			\$ 1,635,739
Business-Type Activities:			
Utilities	\$ 491,911	\$ (27,588)	\$ 464,323

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5. Capital Assets and Depreciation

Capital Assets:

For the primary government and component units, capital assets are reported at actual or estimated historical cost, net of accumulated depreciation where applicable. Donated capital assets are reported at their fair value at date of donation. Estimated historical cost was used to value the majority of the capital assets acquired prior to June 30, 1992. The capitalization threshold is capital assets with a cost of \$500 or more.

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

	Restated, Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018
PRIMARY GOVERNMENT:				
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,692,059	\$ -	\$ -	\$ 1,692,059
Construction in progress	486,702	3,071,587	-	3,558,289
Total capital assets not being depreciated	<u>2,178,761</u>	<u>3,071,587</u>	<u>-</u>	<u>5,250,348</u>
Other capital assets:				
Buildings	2,824,894	68,855	-	2,893,749
Infrastructure	13,434,657	-	-	13,434,657
Machinery, furniture and equipment	5,824,219	286,559	-	6,110,778
Total other capital assets at historical cost	<u>22,083,770</u>	<u>355,414</u>	<u>-</u>	<u>22,439,184</u>
Less accumulated depreciation for:				
Buildings	2,268,833	66,593	-	2,335,426
Infrastructure	11,263,744	185,073	-	11,448,817
Machinery, furniture and equipment	5,189,313	191,944	-	5,381,257
Total accumulated depreciation	<u>18,721,890</u>	<u>443,610</u>	<u>-</u>	<u>19,165,500</u>
Other capital assets, net	<u>3,361,880</u>	<u>(88,196)</u>	<u>-</u>	<u>3,273,684</u>
Governmental activities capital assets, net	<u>\$ 5,540,641</u>	<u>\$ 2,983,391</u>	<u>\$ -</u>	<u>\$ 8,524,032</u>

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	Restated, Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 486,609	\$ -	\$ -	\$ 486,609
Construction in progress	1,212,929	2,607,149	1,212,929	2,607,149
Total capital assets not being depreciated	<u>1,699,538</u>	<u>2,607,149</u>	<u>1,212,929</u>	<u>3,093,758</u>
Other capital assets:				
Buildings and utility infrastructure	13,465,289	-	-	13,465,289
Machinery, furniture and equipment	2,059,284	241,756	-	2,301,040
Infrastructure	36,404,410	1,262,472	-	37,666,882
Total other capital assets at historical cost	<u>51,928,983</u>	<u>1,504,228</u>	<u>-</u>	<u>53,433,211</u>
Less accumulated depreciation for:				
Buildings and utility infrastructure	6,186,445	480,414	-	6,666,859
Machinery, furniture and equipment	1,772,210	80,323	-	1,852,533
Infrastructure	15,507,634	900,410	-	16,408,044
Total accumulated depreciation	<u>23,466,289</u>	<u>1,461,147</u>	<u>-</u>	<u>24,927,436</u>
Other capital assets, net	<u>28,462,694</u>	<u>43,081</u>	<u>-</u>	<u>28,505,775</u>
Business-type activities capital assets, net	<u>\$ 30,162,232</u>	<u>\$ 2,650,230</u>	<u>\$ 1,212,929</u>	<u>\$ 31,599,533</u>

Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their useful lives. The range of estimated lives by type of assets is as follows:

- Buildings 40-50 years
- Improvements other than buildings 10-25 years
- Utility property and improvements 10-50 years
- Infrastructure 25-50 years
- Machinery, furniture, and equipment 3-20 years

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:	
General Government	\$ 204,880
Public Safety	171,312
Streets	39,371
Culture and Recreation	24,945
Community Development	3,102
Total	<u>\$ 443,610</u>
Business-Type Activities:	
Hospital	\$ 428,584
Water	504,913
Wastewater	427,140
Sanitation	100,510
Total	<u>\$ 1,461,147</u>

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6. Internal and Interfund Balances and Transfers

Internal and Interfund Balances:

The City's policy is to eliminate interfund receivable and payables between funds in the Statement of Net Position to avoid the grossing up of balances. Only the residual balances due between governmental and business-type activities are reported as internal balances and then offset in the total column.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
* General Fund	* BPWA	\$ 3,236,755	Negative cash
Capital Improvement Fund	General Fund	432,343	Sales tax due
Debt Service Fund	General Fund	4,265	Posting correction
Juvenile Fund	General Fund	3,291	Posting Correction
BEDA	General Fund	3,265	Posting Correction
* BPWA	* General Fund	85,851	Posting correction
Total		<u>\$ 3,765,770</u>	

* Denotes major fund.

<u>Reconciliation to Fund Financial Statements:</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 3,679,919	\$ 529,015	\$ 3,150,904
Proprietary Funds	11,286,175	3,236,755	8,049,420
Total	<u>\$ 14,966,094</u>	<u>\$ 3,765,770</u>	<u>\$ 11,200,324</u>

Internal and Interfund Transfers:

The City's policy is to eliminate interfund transfers between funds in the Statement of Activities to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and then offset in the total column. Internal activities between funds and activities for the year ended June 30, 2018 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
* General Fund	* BPWA	\$ 8,599,997	Operating subsidy/pledged sales tax
* General Fund	Debt service fund	19,438	To correct posting
BEDA	General Fund	312,900	Operating subsidy to start trust
BEDA	BDA	135,684	Operating subsidy
Capital Improvem	* General Fund	5,835	Debt Service payments
* BPWA	* General Fund	4,314,945	Operating subsidy/return of pledged sales tax
		<u>\$ 13,388,799</u>	

<u>Reconciliation to fund financial statements:</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>	<u>Net Transfers</u>
Governmental Funds	\$ (4,788,802)	\$ 9,073,854	\$ 4,285,052
Enterprise Funds	(8,599,997)	4,314,945	(4,285,052)
Totals	<u>\$ (13,388,799)</u>	<u>\$ 13,388,799</u>	<u>\$ -</u>

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7. Long-Term Debt

The City's long term debt consists of revenue bonds and notes, capital lease obligations, accrued compensated absences and long-term deposits subject to refund.

For the year ended June 30, 2018, the City's long-term debt balances changed as follows:

Primary Government:

<u>Type of Debt</u>	<u>Restated, Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 8,180,000	\$ -	\$ 430,000	\$ 7,750,000	\$ 430,000
General Obligation Bond Premium	171,896	-	9,087	162,809	-
Sales tax obligation	272,147	-	272,147	-	-
Accrued Compensated Absences	747,480	-	10,196	737,284	73,728
Total Governmental Activities	<u>\$ 9,371,523</u>	<u>\$ -</u>	<u>\$ 721,430</u>	\$ 8,650,093	\$ 503,728
Plus: Total OPEB liability				1,346,171	-
Net pension liability				6,173,227	-
				<u>\$ 16,169,491</u>	<u>\$ 503,728</u>
Reconciliation to Statement of Net Position:					
Due within one year				\$ 503,728	
Due in more than one year				15,665,763	
				<u>\$ 16,169,491</u>	

<u>Type of Debt</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Notes Payable	\$ 11,587,702	\$ -	\$ 678,137	\$ 10,909,565	\$ 695,400
Revenue Bonds	2,250,000	-	350,000	1,900,000	360,000
Accrued Compensated Absences	135,343	-	15,455	119,888	11,989
Total Business-Type Activities	<u>\$ 13,973,045</u>	<u>\$ -</u>	<u>\$ 1,043,592</u>	\$ 12,929,453	\$ 1,067,389
Plus: Total OPEB liability				101,325	-
Net pension liability				202,095	-
Refundable deposits				472,707	47,271
				<u>\$ 13,705,580</u>	<u>\$ 1,114,660</u>
Reconciliation to Statement of Net Position:					
Due within one year				\$ 1,114,660	
Due in more than one year				12,590,920	
				<u>\$ 13,705,580</u>	

Governmental activities long-term debt payable from property tax levies or other governmental revenues includes the following:

General Obligation Bond Payable –

2016 General Obligation Bond for \$8,180,000 with interest from 2.00% to 2.75%
Debt service payments are due semi-annually through June 2036. Proceeds were used to construct, equip, and furnish the Bethany Library. Bonds are secured with ad valorem taxes.

\$7,750,000

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Business-type activities long-term debt payable from net revenues generated by water and wastewater revenue and taxes pledged to the City's business-type activities include the following:

Revenue Bond Payable –

2012 Refunding Revenue Bond for \$3,585,000 with interest from 1.00% to 3.40%
Debt service payments are due semi-annually through July 2022. Bonds are
secured with net revenues of the Public Works Authority and pledged sales tax. \$1,900,000

Notes Payable –

Oklahoma Water Resources Board:

Series 2008 CWSRF Note for \$5,140,000 with interest at 3.1%;
Debt service payments are due semi-annually through March 2029.
Note is secured by the revenues of the Bethany Public Works Authority
and pledged sales tax. \$3,164,565

Series 2013 Sales Tax and Utility System Revenue Note for \$9,665,000 with
interest rate of 2.86%. Debt service payments are due semi-annually through
April 2028. Secured by revenue of the Public Works Authority and pledged
sales tax. 7,745,000

Total Notes Payable \$10,909,565

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

Governmental-Type Activities		
Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2019	\$ 430,000	\$ 167,975
2020	430,000	159,375
2021	430,000	150,775
2022	430,000	142,175
2023	430,000	133,575
2024-2028	2,150,000	538,875
2029-2033	2,150,000	320,650
2034-2038	1,300,000	70,700
Total	\$ 7,750,000	\$ 1,684,100

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Year Ending June 30,	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2019	\$ 695,400	\$ 303,338	\$ 360,000	\$ 52,155
2020	717,644	283,131	370,000	42,568
2021	735,614	261,920	380,000	31,780
2022	758,589	240,309	390,000	19,840
2023	1,191,816	215,156	400,000	6,800
2024-2028	6,524,546	525,529	-	-
2029	285,956	1,013	-	-
Total	\$ 10,909,565	\$ 1,830,396	\$ 1,900,000	\$ 153,143

Pledge of Future Revenues

Utility Net Revenues and Sales Tax Pledge - The City and Public Works Authority have pledged water of the water and wastewater systems and 3.00 cents sales tax to repay the OWRB Series 2008, promissory notes payable, the 2012 Refunding Bond, and the 2013 Sales Tax and Utility Revenue Bond. Proceeds from the notes provided financing for capital assets. The notes are payable from net utility revenues and are payable through 2029, 2023, and 2028. The 3.00 sales tax is pledged to pay the debt service on the bonds and the three cents is sent back to the general fund if not needed for debt service. The total principal and interest payable for the remainder of the life of these notes is \$5,813,567. Net water revenues and sales tax received in the current year were \$5,007,669. Debt service payments of \$1,411,825 for the current fiscal year were 28.2% of pledged net utility revenues and sales tax.

8. Deferred Revenue - Lease

During fiscal year 2015, the Bethany Hospital Trust leased the Bethany hospital building to an outside party. The lease calls for monthly lease payments of \$18,000 through 2026 and \$20,000 monthly through 2029. In order for the lessee to make substantial infrastructure improvements to the building, the lease agreement called for the abatement of rents up to \$2,000,000 for these improvements. In addition after the initial improvements, any further improvements would be split 50/50 with the BHT and the cost would be abated. To date \$3,777,352 of improvements have been made to the facility. During FY 2018, \$216,000 of cost were recognized as rental revenue. At June 30, 2018, \$2,384,676 of cost are recognized as deferred revenue.

9. Net Position and Fund Balances

Government-wide net position is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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

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

At June 30, 2018 net position restricted by enabling legislation totaled \$149,286.

Fund Balance:

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

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

The City’s policy for the use of fund balance amounts require that committed amounts would be reduced first followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

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	General Fund	Major Capital Project Fund		Other Governmental Fund	Total
		Library GO Bonds			
Fund Balance:					
Restricted For:					
Police operations	\$ -	\$ -		\$ 635,158	\$ 635,158
General obligation debt service	-	-		288,718	288,718
Capital improvements	-	6,276,519		2,324,846	8,601,365
Emergency Services	52,412	-		-	52,412
Stormwater management	96,874	-		-	96,874
Economic development	-	-		447,001	447,001
Cemetery improvements	-	-		277,832	277,832
Sub-total restricted	149,286	6,276,519		3,973,555	10,399,360
Assigned for:					
Supplement next year's budget	3,011,638	-		-	3,011,638
Sub-total assigned	3,011,638	-		-	3,011,638
Unassigned:	1,433,712	-		43,490	1,477,202
TOTAL FUND BALANCE	\$ 4,594,636	\$ 6,276,519		\$ 4,017,045	\$ 14,888,200

Beginning net position/fund balance was restated as follows:

Statement of Activities:	Governmental Activities:		Business-type Activities:
	Government-wide	Fund Level	Fund Level/Government Wide
Beginning net position as previously reported	\$6,662,642	\$14,799,645	\$28,029,744
Under (over) statement of cash and investments	1,124,955	1,124,955	(373,887)
Under (over) statement of capital assets	251,214	-	(32,598)
Under (over) equity interest in joint venture	-	-	4,107,396
Under (over) statement of due from other governments	(178,023)	(178,023)	-
Overstatement of accounts payable	65,090	65,090	-
Overstatement of interest payable	(147)	14,028	-
Understatement of bond discount	7,248	-	-
Understatement of long term debt	(125,096)	147,051	-
Understatement of pension liability	(1,125,309)	-	-
Restatement of fund type	8,053	8,053	(311)
Implementation of GASB Pension Statements 75, OPEB liability and deferred outflow	(1,337,965)	-	(100,707)
Beginning net position, restated	<u>\$5,352,662</u>	<u>\$15,980,799</u>	<u>\$31,629,637</u>

10. Revenues

Program Revenues:

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

- Public Safety – Fire, Police, Emergency Management, E911 fees and operating capital grants
- Public Works and Streets – Commercial vehicle and gasoline excise tax shared by the State and stormwater compliance fees
- Culture and recreation – pool fees, library fees, recreation fees operating and capital grants

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- General Government – fines and forfeitures, cemetery revenue, animal shelter, and operating grants
- Community Development – license and permits
- Economic Development – operating grants

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

Sales Tax Revenue:

Sales tax revenue represents a 4.00 cents tax on each dollar of taxable sales of which is collected by the Oklahoma Tax Commission and remitted to the City. The sales tax is deposited 3.30 cents in the general fund and .70 cents in the Capital Improvement Fund. The entire sales tax initially reported in the General Fund is then transferred to the BPWA per the bond indenture pledge then transferred back to the general funds. The .70 cents is legally restricted for capital improvement purposes by a vote of the citizens.

Property Tax Revenue:

In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City. The City's property taxes are billed and collected by the County and remitted to the City. Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2018, the City's net assessed valuation of taxable property was \$96,725,269. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2018 was \$6.17.

11. Risk Management

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

- General Liability – Covered through purchased insurance
- Physical Property – Covered through purchased insurance.
- Workers' Compensation – covered through purchased commercial insurance.
- Employee's Group Medical –Covered through purchased commercial insurance
- Unemployment – covered through purchased commercial insurance.

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past two fiscal years.

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12. Retirement Plan Participation

The City of Bethany participates in three pension plans:

- Oklahoma Municipal Retirement Plan (OkMRF) – agent multi-employer
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Fire Pension and Retirement System (OFPRS) – a statewide cost-sharing plan

Summary of Deferred Outflows, Inflows and Net Pension Liability by plan:

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Deferred Outflows:			
Police Pension	\$ 550,472	\$ -	\$ 550,472
Fire Pension	1,082,837	-	1,082,837
OkMRF	621,813	1,012,291	1,634,104
Total	<u>\$ 2,255,122</u>	<u>\$ 1,012,291</u>	<u>\$ 3,267,413</u>
Deferred Inflows:			
Police Pension	\$ 257,233	\$ -	\$ 257,233
Fire Pension	170,701	-	170,701
OkMRF	789,140	588,341	1,377,481
Total	<u>\$ 1,217,074</u>	<u>\$ 588,341</u>	<u>\$ 1,805,415</u>
Net Pension Liability:			
Police Pension	\$ 42,373	\$ -	\$ 42,373
Fire Pension	5,969,747	-	5,969,747
OkMRF	161,107	202,095	363,202
Total	<u>\$ 6,173,227</u>	<u>\$ 202,095</u>	<u>\$ 6,375,322</u>

Oklahoma Municipal Retirement Plan (OkMRF) – Defined Benefit Plan

A. 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.

B. 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. Detailed information about the OkMRF plans’ fiduciary net position is available in the separately issued OkMRF financial report.

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C. Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/17 OkMRF 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	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 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	-3.0% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 10 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.

D. Employees Covered by Benefit Terms

Active Employees	80
Deferred Vested Former Employees	5
Retirees or Retiree Beneficiaries	<u>40</u>
Total	<u>125</u>

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E. Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF 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 12.60% of covered payroll as of July 1, 2017. For the year ended June 30, 2018, the City recognized \$483,625 of employer contributions to the plan which is in excess of the actuarially determined amount by \$4,694 based on covered payroll of \$3,916,031. Employees contribute 4.60% to the plan in accordance with the plan provisions adopted by the City Council. Employee contributions for fiscal 2018 were \$180,137.

F. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.50%
c. Projected Salary Increase	Varies between 7.50% and 4.50% based on age
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select 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
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

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G. Discount Rate –

The discount rate used to value benefits was the long-term expected rate of return on plan investments of 7.50% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of 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, 2017 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	0.64%
Long/short equity MSCI ACWI	10%	5.00%	0.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF	5%	4.60%	0.23%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
	100%		
Average Real Return			4.75%
Inflation			<u>2.72%</u>
Long-term expected return			<u>7.50%</u>

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H. Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017 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, 2017 and the City’s report ending date of June 30, 2018, 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	<u>\$ 24,176,140</u>	<u>\$ 22,989,373</u>	<u>\$ 1,186,767</u>
Changes for the Year:			
Service cost	525,983	-	525,983
Interest expense	1,829,496	-	1,829,496
Benefit changes	821	-	821
Experience losses (gains) - (amortized over avg remain svc period of actives & inactive)	(213,851)	-	(213,851)
Changes of assumptions	522,579	-	522,579
Contributions--City	-	558,723	(558,723)
Contributions--members	-	164,120	(164,120)
Net investment income	-	2,815,616	(2,815,616)
Benefits paid	(1,161,143)	(1,161,143)	-
Plan administrative expenses	-	(49,866)	49,866
Net Changes	<u>1,503,885</u>	<u>2,327,450</u>	<u>(823,565)</u>
Balances End of Year	<u>\$ 25,680,025</u>	<u>\$ 25,316,823</u>	<u>\$ 363,202</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (asset)	<u>\$ 2,866,868</u>	<u>\$ 363,202</u>	<u>\$ (2,206,703)</u>

The City reported \$236,850 in pension expense for the year ended June 30, 2018. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 629,622
Changes of assumptions	407,726	-
Net difference between projected and actual earnings on pension plan investments	11,614	-
Changes in proportion and differences between City contributions and proportionate share of contributions	509,857	509,857
City contributions during measurement date	221,282	238,002
City contributions subsequent to the measurement date	483,625	-
Total	\$ 1,634,104	\$ 1,377,481

The \$483,625 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, 2019. Any 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:

2019	\$ (246,794)
2020	137,258
2021	66,697
2022	(184,163)
2023	-
	\$ (227,002)

Oklahoma Firefighter’s Pension – Statewide Cost Sharing Plan

Plan description - The City of Bethany, as the employer, participates in the Firefighters Pension & Retirement—a cost-sharing multiple-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

Summary 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 Oklahoma Firefighters Pension & Retirement System (FPRS) and additions to/deductions from FPRS’s fiduciary net position have been determined on the same basis as they are reported by FPRS. 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.

Benefits provided - FPRS provides retirement, disability, and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee’s final average compensation times the employee’s years of service and have reached the age of 50 or have complete 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.

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Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more 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 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 opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

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% percent 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 \$210,544. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$472,221 this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$418,324. 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, 2018, the City reported a liability of \$5,969,747 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was .4746%.

For the year ended June 30, 2018, the City recognized pension expense of \$673,278. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 797,455	\$ -
Net difference between projected and actual earnings on pension plan investments	-	166,357
Changes in proportion and differences between City contributions and proportionate share of contributions	74,838	-
City contributions during the measurement date	-	4,344
City contributions subsequent to the measurement date	210,544	-
Total	<u>\$ 1,082,837</u>	<u>\$ 170,701</u>

The \$210,544 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, 2019. 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:

2019	\$ 59,998
2020	244,711
2021	186,418
2022	30,200
2023	147,284
Thereafter	<u>32,981</u>
Total	<u>\$ 701,592</u>

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of

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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, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension 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 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability	\$ 7,831,434	\$ 5,969,747	\$ 4,392,009

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 Police Pension – Statewide Cost Sharing Plan

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

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 Oklahoma Police Pension & Retirement System (OPPRS) and additions to/deductions from OPPRS's fiduciary net position have been determined on the same basis as they are reported by OPPRS. 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.

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Benefits provided - OPPRS 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. Participants' 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 continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the 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 participants' 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 determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$232,740. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$229,064 this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$188,854. 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, 2018, the City reported a liability of \$42,373 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was .5509%.

For the year ended June 30, 2018, the City recognized pension expense of \$258,538. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,128	\$ 256,174
Net difference between projected and actual earnings on pension plan investments	315,604	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	510
City contributions during measurement date		549
City contributions subsequent to the measurement date	<u>232,740</u>	<u>-</u>
Total	<u>\$ 550,472</u>	<u>\$ 257,233</u>

The \$232,740 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, 2019. 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:

2019	\$ (10,370)
2020	155,538
2022	72,036
2023	(127,430)
2024	<u>(29,275)</u>
Total	<u>\$ 60,499</u>

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% average, 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.

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Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.51%
Domestic equity	6.62%
International equity	9.70%
Real estate	6.96%
Private Equity	9.86%
Commodities	5.18%

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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension 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 1-percentage point lower (6.5%) or 1-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)	\$ 1,432,086	\$ 42,373	\$ (1,131,450)

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

City of Bethany 457 Deferred Compensation Plan (DC Plan)

Oklahoma Municipal Retirement Fund Defined Contribution City Manager Plan – Effective January 1, 2017, the city offers a defined contribution plan to the city manager administered by OkMRF. The Plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. Separate audited GAAP basis financial statements are not available. OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The authority to establish and amend the provisions of the Plan rests with the City Commission. Benefits depend solely on amounts contributed to the plan plus investment earnings.

Under the plan the employer contributed 3% of compensation through December 2017 and 4% for January through June 2018. Employees may voluntarily contribute to the plan. Employees are 100% vested in the plan. During the year ended June 30, 2018, employees contributed \$4,930 and the employer contributed \$1,095.

ICMA Retirement Deferred Compensation Plan (the ICMA Plan) – The City of Bethany makes available to all full-time employees a Section 457 deferred compensation plans. The DC Plan was created in accordance with Section 457 of the *Internal Revenue Code*, and permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to the employee until retirement, termination, death, or unforeseeable emergency. Separate audited financial statements are not available.

Funding Policy – Plan participants may contribute up to \$18,500 of eligible compensation per year. During the year ended June 30, 2018, employees contributed \$102,539 and the employer contributed \$0 to the Plan.

13. Postemployment Healthcare Plan

Plan Description. The City sponsors Medical and prescription drug coverage to qualifying retirees and their dependents who elect to make the required contributions. Coverage is provided through fully-insured arrangements that collectively operate as a substantive single-employer defined benefit plan. A substantive plan is one in which the plan terms are understood by the employer and the plan members. This understanding is based on communication between the employer and the plan member and historical pattern of practice with regard to the sharing of benefit costs. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter's Pension and Retirement System, or the City of Bethany Retirement Plan. Retirees may continue coverage with the City by paying the carrier premium rate. Coverage is available for each of the lifetimes of retirees and their spouses. Authority to establish and amend benefit provisions rest with the City Council. Retirees may continue coverage with the City by paying the premium rate. Benefits are paid from general operating assets of the City.

Benefits provided - The Plan covers all current retirees of the City who elected postretirement medical coverage through the City Health Plan and future retired employees of the City health plan. In accordance with administrative policy, the benefit levels are the same as those afforded to active employees; this creates an implicit rate subsidy. The benefits offered by the City to retirees include health and prescription drug benefits. The retiree retains coverage with the City, by making an election within 30 days of termination of

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service and have 10+ years of creditable service in with the City and are at least 55 years old at the time of termination. Police and firefighters must retire under the statewide retirement system and have 20 years of credited service. Coverage stops at age 65 for the retiree and spouse.

The amount of benefit payments during fiscal year June 30, 2018 were \$31,435.

Employees Covered by Benefit Terms

Active Employees	131
Inactive or beneficiaries receiving benefits	<u>12</u>
Total	<u>143</u>

Total OPEB Liability - The total OPEB liability was determined based on an alternative measurement method valuation performed as of June 30, 2017 which is also the measurement date.

Actuarial Assumptions- The total OPEB liability in the June 30, 2017 valuation, was determined using the following actuarial assumptions:

- Actuarial cost method – Entry Age
- Discount rate – 3.58% based on the yield for 20 year municipal bonds on the measurement date
- Retirement age – Civilians – 55 with 10 years of service; Police and Fiere 20 years of service
- Medical trend rates –

2018	6.05%
2019	6.02%
2020	5.99%
2025	5.86%
2030	5.99%
2035	5.87%
2040	5.33%
2045	5.15%
2050	5.03%
2060	4.87%

Changes in Total OPEB Liability -

	Total OPEB Liability
Balances at Beginning of Year	<u>\$ 1,470,106</u>
Changes for the Year:	
Service cost	83,719
Interest expense	40,545
Change in assumptions	(115,440)
Benefits paid	<u>(31,435)</u>
Net Changes	<u>(22,611)</u>
Balances End of Year	<u>\$ 1,447,495</u>

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OPEB liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the City recognized OPEB expenses of \$108,429. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 99,605
City Contributions subsequent to the measurement date	24,504	-
Total	\$ 24,504	\$ 99,605

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2019	\$ (15,835)
2020	(15,835)
2021	(15,835)
2022	(15,835)
2023	(15,835)
Thereafter	(20,430)
	\$ (99,605)

Sensitivity of the City's total OPEB liability to changes in the discount rate- The following presents the City's total OPEB liability, as well as what the City's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1- percentage point higher (4.58 percent) than the current discount rate:

	Current Discount Rate		
	1% Decrease (2.58%)	(3.58%)	1% Increase (4.58%)
Employers' total OPEB liability	\$ 1,763,107	\$ 1,447,495	\$ 1,203,082

Sensitivity of the City's total OPEB liability to changes in the healthcare cost trend rates – The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.90 percent decreasing to 3.87 percent) or 1- percentage point higher (7.09 percent decreasing to 5.87 percent) than the current healthcare cost trend rates:

	Current Discount Rate		
	1% Decrease 5.09% decreasing to 3.87%)	(6.09% decreasing to 4.84%)	1% Increase (7.09% decreasing to 5.87%)
Employers' total OPEB liability	\$ 1,211,095	\$ 1,447,495	\$ 1,744,525

14. Commitments and Contingencies

Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include 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 insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Grant Programs

The City of Bethany participates in various federal or state grant/loan programs from year to year. In 2018, the City's involvement in federal and state award programs is relatively material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

15. Subsequent Events

In April 2019, the City created two Improvement Districts under the Local Development Act. The districts include the areas around Northwest 23rd Street and the undeveloped area north of Northwest 39th Expressway and east of the Lake Hefner Canal and scattered redevelopment along Northwest 39th Expressway. The districts will provide needed public improvement to stimulate private development within the areas. The projects will be financed from a combination of public and private sources, including apportionment of ad valorem and sales tax increments.

16. Future Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. The City has not yet determined the impact implementation will have on its net position.

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GASB Statement 84, *Fiduciary Activities*, issued January 2018, will be effective for the City beginning with its fiscal year ending June 30, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City has not yet determined the impact that implementation of GASB 84 will have on its net position.

GASB Statement 87, *Leases*, issued June 2018, will be effective for the City beginning with its fiscal year ending December 31, 2020. The primary objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

GASB Statement 88, *Certain Disclosures Related to Debt* - GASB No. 88 was issued April 2018, the primary objective of this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date of the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The City has not yet determined the impact that implementation of GASB 88 will have on its net position.

GASB Statement 90, *Majority Equity Interests (An amendment of GASB Statement 14 and 61)* –issued August 2018, will be effective for the City beginning with its fiscal year ending June 30, 2020. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The City has not yet determined the impact that implementation of GASB 90 will have on its net position.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budget basis)	Final Budget Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 5,066,297	\$ 5,066,297	\$ 3,866,651	\$ (1,199,646)
Resources (Inflows):				
Taxes	6,084,363	6,084,363	5,967,831	(116,532)
Intergovernmental	258,048	258,048	267,344	9,296
Fees, licenses and permits	169,694	169,694	76,101	(93,593)
Charges for services	447,900	477,400	471,852	(5,548)
Fines and forfeitures	1,033,844	1,033,844	719,777	(314,067)
Interest earned		21,310	20,673	(637)
Miscellaneous	207,650	156,840	652,053	495,213
Total Resources (Inflows)	<u>8,201,499</u>	<u>8,201,499</u>	<u>8,175,631</u>	<u>(25,868)</u>
Amounts available for appropriation	<u>13,267,796</u>	<u>13,267,796</u>	<u>12,042,282</u>	<u>(1,225,514)</u>
Charges to Appropriations (Outflows):				
General Government				
Management	1,320,679	1,318,678	1,066,872	251,806
Finance	403,130	403,131	305,886	97,245
Legal and court	687,923	687,922	487,877	200,045
Engineering	174,341	174,341	95,423	78,918
Administration	480,000	480,000	88,391	391,609
Community Development	547,456	504,756	491,587	13,169
Public Safety				
Police	4,303,606	4,304,606	3,991,973	312,633
Fire	2,505,043	2,505,043	2,474,481	30,562
Public Works and Streets				
Administration	176,834	180,334	181,377	(1,043)
Streets	1,061,761	1,142,261	776,566	365,695
Maintenance	186,073	186,073	77,428	108,645
Culture and Recreation				
Parks	1,401,314	1,317,314	696,008	621,306
Total Charges to Appropriations	<u>13,248,160</u>	<u>13,204,459</u>	<u>10,733,869</u>	<u>2,470,590</u>
Other financing sources (uses)				
Transfers from other funds	9,787,098	9,014,293	8,619,435	(394,858)
Transfers to other funds	(4,988,042)	(4,988,042)	(5,038,327)	(50,285)
Total other financing sources (uses)	<u>4,799,056</u>	<u>4,026,251</u>	<u>3,581,108</u>	<u>(445,143)</u>
Ending Budgetary Fund Balance	<u>\$ 4,818,692</u>	<u>\$ 4,089,588</u>	<u>\$ 4,889,521</u>	<u>\$ 799,933</u>

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Schedule Footnotes to Budgetary Comparison:

1. The budgetary comparison schedules and budgetary fund balance amounts are reported on a non-GAAP basis that report revenues on a cash basis, and expenditures in the period the invoice is received, except for payroll expenditures that are recorded when paid. In addition, obligations that are required to be funded from ending budgetary fund balances are subtracted from total ending budgetary fund balances to arrive at the unassigned budgetary fund balance. This presentation of unassigned fund balances on a budgetary basis is used to demonstrate compliance with Article 10, § 26 of the Oklahoma State Constitution.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

3. The budgetary basis differs from the modified accrual (GAAP) basis as shown in the schedule below:

	<u>Fund Balance</u> <u>July 1, 2017</u>	<u>Net Change in</u> <u>Fund Balance</u>	<u>Fund Balance</u> <u>June 30, 2018</u>
Budget to GAAP Reconciliation:			
Fund Balance - GAAP Basis	\$3,874,393	\$720,243	\$4,594,636
Increases (Decreases):			
Revenues:			
Accounts receivable	(1,400,032)	50,511	(1,349,521)
State on behalf pension payments	-	(701,285)	(701,285)
Combining accounts	(7,742)	-	(7,742)
Expenditures:			
Accrued payroll	504,274	(29,695)	474,579
Other expenditures	895,758	281,811	1,177,569
State on behalf pension payments	-	701,285	701,285
Fund Balance - Budgetary Basis	<u>\$3,866,651</u>	<u>\$1,022,870</u>	<u>\$4,889,521</u>

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Pension Information

**Schedules of Required Supplementary Information
SCHEDULE OF THE CITY OF BETHANY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.4666469%	0.4746469%
City's proportionate share of the net pension liability	\$ 5,701,081	\$ 5,969,747
City's covered-employee payroll	\$ 1,305,306	\$ 1,330,221
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	437%	449%
Plan fiduciary net position as a percentage of the total pension liability	64.87%	66.61%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the previous two fiscal years are presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorially required contribution	\$ 179,255	\$ 182,743	\$ 186,231	\$ 210,544
Contributions in relation to the statutorially required contribution	<u>179,255</u>	<u>182,743</u>	<u>186,231</u>	<u>210,544</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,280,394	\$ 1,305,306	\$ 1,330,221	\$ 1,503,888
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

Notes to Schedule:

Only the previous four fiscal years are presented because 10-year data is not yet available.

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**SCHEDULE OF THE CITY OF BETHANY PORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.5536%	0.5509%
City's proportionate share of the net pension liability	\$ 847,805	\$ 42,373
City's covered-employee payroll	\$ 1,591,163	\$1,642,700
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.28%	2.58%
Plan fiduciary net position as a percentage of the total pension liability	93.50%	99.68%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the previous two fiscal years are presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorially required contribution	\$ 195,488	\$ 206,851	\$ 213,551	\$ 232,740
Contributions in relation to the statutorially required contribution	<u>198,160</u>	<u>200,614</u>	<u>213,551</u>	<u>232,740</u>
Contribution deficiency (excess)	<u>\$ (2,672)</u>	<u>\$ 6,237.19</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,503,757	\$ 1,591,163	\$ 1,642,700	\$ 1,790,307
Contributions as a percentage of covered-employee payroll	13.18%	12.61%	13.00%	13.00%

Notes to Schedule:

Only the previous four fiscal years are presented because 10-year data is not yet available.

CITY OF BETHANY, OKLAHOMA
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Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Four Fiscal Year

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 350,458	\$ 385,355	\$ 504,132	\$ 525,983
Interest	1,732,533	1,759,621	1,761,976	1,829,496
Changes of benefit terms	-	-	-	821
Differences between expected and actual experience	-	(665,220)	(288,129)	(213,851)
Changes of assumptions	-	-	-	522,579
Benefit payments, including refunds of member contributions	(952,501)	(1,829,907)	(1,054,351)	(1,161,143)
Net change in total pension liability	<u>1,130,490</u>	<u>(350,151)</u>	<u>923,628</u>	<u>1,503,885</u>
Total pension liability - beginning	<u>22,472,174</u>	<u>23,602,663</u>	<u>23,252,512</u>	<u>24,176,140</u>
Total pension liability - ending (a)	<u>\$ 23,602,664</u>	<u>\$ 23,252,512</u>	<u>\$ 24,176,140</u>	<u>\$ 25,680,025</u>
Plan fiduciary net position				
Contributions - employer	\$ 537,682	\$ 583,840	\$ 536,856	\$ 558,723
Contributions - member	150,355	153,204	157,696	164,120
Net investment income	3,380,397	650,013	203,962	2,815,616
Benefit payments, including refunds of member contributions	(952,501)	(1,829,907)	(1,054,351)	(1,161,143)
Administrative expense	(49,979)	(48,861)	(45,845)	(49,866)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>3,065,954</u>	<u>(491,711)</u>	<u>(201,682)</u>	<u>2,327,450</u>
Plan fiduciary net position - beginning	<u>20,616,812</u>	<u>23,682,766</u>	<u>23,191,055</u>	<u>22,989,373</u>
Plan fiduciary net position - ending (b)	<u>\$ 23,682,766</u>	<u>\$ 23,191,055</u>	<u>\$ 22,989,373</u>	<u>\$ 25,316,823</u>
Net pension liability - ending (a) - (b)	<u>\$ (80,102)</u>	<u>\$ 61,457</u>	<u>\$ 1,186,767</u>	<u>\$ 363,202</u>
Plan fiduciary net position as a percentage of the total pension liability	100.34%	99.74%	95.09%	98.59%
Covered employee payroll	\$ 3,256,228	\$ 3,149,951	\$ 3,296,442	\$ 3,481,527
Net pension liability as a percentage of covered-employee payroll	-2.46%	1.95%	36.00%	10.43%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the previous four fiscal years are presented because 10-year data is not yet available.

**CITY OF BETHANY, OKLAHOMA
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**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions	Last Four Fiscal Year			
	2015	2016	2017	2018
Actuarially determined contribution	\$ 583,839	\$ 536,856	\$ 537,293	\$ 478,931
Contributions in relation to the actuarially determined contribution	583,839	536,856	537,293	483,625
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,694)</u>
Covered employee payroll	\$ 3,330,517	\$ 3,296,442	\$ 3,481,527	\$ 3,916,031
Contributions as a percentage of covered-employee payroll	17.53%	16.29%	15.43%	12.35%

Notes to Schedule:

1. Only the previous four fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2017
3. Actuarially determined contribution rate is calculated as of July 1, 2017
July 2017 through June 2018 contributions were at a rate of 12.23%.
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 - 7.50%

CITY OF BETHANY, OKLAHOMA
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Schedule of Changes in Total OPEB Liability and Related Ratios
Postemployment Health Insurance Implicit Rate Subsidy Plan

		<u>2018</u>
Total OPEB Liability		
Service cost	\$	83,719
Interest		40,545
Changes in assumptions		(115,440)
Experience Gain/(Loss)		-
Benefit payments		(31,435)
Net change in total OPEB liability		<u>(22,611)</u>
Balances at Beginning of Year		<u>1,470,106</u>
Balances End of Year	\$	<u><u>1,447,495</u></u>
Covered employee payroll	\$	10,760,000
Total OPEB liability as a percentage of covered- employee payroll		13.45%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available

**CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
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OTHER SUPPLEMENTARY INFORMATION

**CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Combining Balance Sheet – General Fund Accounts - June 30, 2018

	<u>GENERAL FUND</u>	<u>PREPAID INSPECTION ACCOUNT</u>	<u>PERFORMANCE BOND ACCOUNT</u>	<u>COURT ACCOUNT</u>	<u>TOTAL GENERAL FUND</u>
ASSETS					
Cash and cash equivalents	\$ 893,434	\$ 25,146	\$ 27,863	\$ 458,389	\$ 1,404,832
Investments	342,289	-	-	-	342,289
Receivables:					
Accounts receivable	688,120	-	-	-	688,120
Due from other funds	3,236,755	-	-	-	3,236,755
Due from other accounts	353,822	-	-	-	353,822
Taxes receivable, net	653,650	-	-	-	653,650
Interest	439	-	-	-	439
Other receivables	159,225	-	-	-	159,225
Total assets	<u>\$ 6,327,734</u>	<u>\$ 25,146</u>	<u>\$ 27,863</u>	<u>\$ 458,389</u>	<u>\$ 6,839,132</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 236,191	\$ -	\$ 27,863	\$ 96,825	\$ 360,879
Wages payable	328,388	-	-	-	328,388
Due to other funds	529,015	-	-	-	529,015
Escrow liability	-	25,146	-	-	25,146
Due to other accounts	-	-	-	353,822	353,822
Total liabilities	<u>1,093,594</u>	<u>25,146</u>	<u>27,863</u>	<u>450,647</u>	<u>1,597,250</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	<u>647,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>647,246</u>
Fund balances:					
Restricted	149,286	-	-	-	149,286
Assigned	3,011,638	-	-	-	3,011,638
Unassigned	1,425,970	-	-	7,742	1,433,712
Total fund balances	<u>4,586,894</u>	<u>-</u>	<u>-</u>	<u>7,742</u>	<u>4,594,636</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,327,734</u>	<u>\$ 25,146</u>	<u>\$ 27,863</u>	<u>\$ 458,389</u>	<u>\$ 6,839,132</u>

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund
Accounts – Year Ended June 30, 2018

	<u>General Fund</u>	<u>PREPAID INSPECTION ACCOUNT</u>	<u>PERFORMANCE BOND ACCOUNT</u>	<u>COURT ACCOUNT</u>	<u>TOTAL GENERAL FUND</u>
REVENUES					
Taxes	\$ 5,250,818	\$ -	\$ -	\$ -	\$ 5,250,818
Intergovernmental	1,418,233	-	-	-	1,418,233
Charges for services	502,652	-	-	-	502,652
Fines and forfeitures	1,150,823	-	-	-	1,150,823
Licenses and permits	76,101	-	-	-	76,101
Investment income	20,673	-	-	-	20,673
Miscellaneous	167,553	-	-	-	167,553
Total revenues	<u>8,586,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,586,853</u>
EXPENDITURES					
Current:					
General government	1,974,303	-	-	-	1,974,303
Public safety	7,056,877	-	-	-	7,056,877
Public works and streets	1,052,104	-	-	-	1,052,104
Culture and recreation	593,516	-	-	-	593,516
Community development	494,059	-	-	-	494,059
Capital Outlay	399,560	-	-	-	399,560
Debt Service:					
Principal	272,147	-	-	-	272,147
Total expenditures	<u>11,842,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,842,566</u>
Excess (deficiency) of revenues over expenditures	<u>(3,255,713)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,255,713)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,619,435	-	-	-	8,619,435
Transfers out	<u>(4,633,680)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,633,680)</u>
Total other financing sources and uses	<u>3,985,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,985,755</u>
Net change in fund balances	730,042	-	-	-	730,042
Fund balances - beginning, restated	3,856,852	-	-	7,742	3,864,594
Fund balances - ending	<u>\$ 4,586,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,742</u>	<u>\$ 4,594,636</u>

**CITY OF BETHANY, OKLAHOMA
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Combining Balance Sheet - Non-Major Governmental Funds - June 30, 2018

	SPECIAL REVENUE FUNDS							DEBT SERVICE FUND				CAPITAL PROJECT FUNDS			TOTALS
	Public Safety Fund	E911 FUND	CDBG FUND	JUVENILE FUND	CEMETERY FUND	BETHANY DEVELOPMENT AUTHORITY	BETHANY ECONOMIC DEVELOPMENT AUTHORITY	G.O. BOND SINKING FUND	STREET/PARK CIP FUND	CAPITAL IMPROVEMENT FUND					
ASSETS															
Cash and cash equivalents	\$ 378,323	\$ 65,557	\$ -	\$ 179,001	\$ 277,832	\$ 27,261	\$ 417,939	\$ 273,274	\$ 47,985	\$ 1,547,264	\$ -	\$ -	\$ -	\$ 3,214,436	
Investments	-	-	-	-	-	-	-	-	-	241,811	-	-	-	241,811	
Due from other governments	8,986	-	-	-	-	-	-	22,567	-	103,191	-	-	-	134,744	
Due from other funds	-	-	-	3,291	-	-	3,265	4,265	-	432,343	-	-	-	443,164	
Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-	237	237	
Total assets	\$ 387,309	\$ 65,557	\$ -	\$ 182,292	\$ 277,832	\$ 27,261	\$ 421,204	\$ 300,106	\$ 47,985	\$ 2,324,846	\$ -	\$ -	\$ -	\$ 4,034,392	
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES															
Liabilities:															
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 4,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,495	
Wages payable	-	-	4,495	-	-	-	1,464	-	-	-	-	-	-	1,464	
Total liabilities	-	-	4,495	-	-	-	1,464	-	-	-	-	-	-	5,959	
Deferred inflows:															
Deferred revenue	-	-	-	-	-	-	-	11,388	-	-	-	-	-	11,388	
Fund balances:															
Restricted	387,309	65,557	-	182,292	277,832	27,261	419,740	288,718	-	2,324,846	-	-	-	3,973,555	
Unassigned (deficit)	-	-	(4,495)	-	-	-	-	-	47,985	-	-	-	-	43,490	
Total fund balances	\$ 387,309	\$ 65,557	\$ (4,495)	\$ 182,292	\$ 277,832	\$ 27,261	\$ 419,740	\$ 288,718	\$ 47,985	\$ 2,324,846	\$ -	\$ -	\$ -	\$ 4,017,045	
Total liabilities, deferred inflows and fund balances	\$ 387,309	\$ 65,557	\$ -	\$ 182,292	\$ 277,832	\$ 27,261	\$ 421,204	\$ 300,106	\$ 47,985	\$ 2,324,846	\$ -	\$ -	\$ -	\$ 4,034,392	

CITY OF BETHANY, OKLAHOMA
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2018

	SPECIAL REVENUE FUNDS						DEBT SERVICE FUND	CAPITAL PROJECT FUNDS		TOTALS	
	PUBLIC SAFETY FUND	E911 FUND	CDBG FUND	JUVENILE FUND	CEMETERY FUND	BETHANY DEVELOPMENT AUTHORITY	BETHANY ECONOMIC DEVELOPMENT AUTHORITY	G.O. BOND SINKING FUND	STREET/PARK CIP FUND		CAPITAL IMPROVEMENT FUND
REVENUES											
Taxes	\$ -	\$ 59,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,639	\$ -	\$ 835,819	\$ 1,480,696
Intergovernmental	134,670	-	-	-	-	-	-	-	-	-	134,670
Charges for services	99,176	-	-	-	14,300	10,004	-	-	-	-	123,480
Investment income	-	-	-	-	-	-	-	-	9	3,451	3,460
Fines and forfeitures	-	-	-	4,624	-	-	-	-	-	-	4,624
Miscellaneous	18,351	-	-	-	-	-	-	-	-	-	18,351
Total revenues	<u>252,197</u>	<u>59,238</u>	<u>-</u>	<u>4,624</u>	<u>14,300</u>	<u>10,004</u>	<u>-</u>	<u>585,639</u>	<u>9</u>	<u>839,270</u>	<u>1,765,281</u>
EXPENDITURES											
Current:											
Public safety	125,952	-	-	-	-	-	-	-	-	-	125,952
Economic development	-	-	-	-	-	50,388	23,749	-	-	-	74,137
Capital Outlay	-	-	4,495	-	2,700	-	5,095	-	-	65,468	77,758
Debt Service											
Principal retirement	-	-	-	-	-	-	-	430,000	-	-	430,000
Interest and fiscal charges	-	-	-	-	-	-	-	176,875	-	-	176,875
Total Expenditures	<u>125,952</u>	<u>-</u>	<u>4,495</u>	<u>-</u>	<u>2,700</u>	<u>50,388</u>	<u>28,844</u>	<u>606,875</u>	<u>-</u>	<u>65,468</u>	<u>884,722</u>
Revenues over (under) expenditures	126,245	59,238	(4,495)	4,624	11,600	(40,384)	(28,844)	(21,236)	9	773,802	880,559
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	-	-	448,584	-	-	5,835	454,419
Transfers out	-	-	-	-	-	(135,684)	-	(19,438)	-	-	(155,122)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(135,684)</u>	<u>448,584</u>	<u>(19,438)</u>	<u>-</u>	<u>5,835</u>	<u>299,297</u>
Net change in fund balances	126,245	59,238	(4,495)	4,624	11,600	(176,068)	419,740	(40,674)	9	779,637	1,179,856
Fund balances - beginning, restated	261,064	6,319	-	177,668	266,232	203,329	-	329,392	47,976	1,545,209	2,837,189
Fund balances - ending	<u>\$ 387,309</u>	<u>\$ 65,557</u>	<u>\$ (4,495)</u>	<u>\$ 182,292</u>	<u>\$ 277,832</u>	<u>\$ 27,261</u>	<u>\$ 419,740</u>	<u>\$ 288,718</u>	<u>\$ 47,985</u>	<u>\$ 2,324,846</u>	<u>\$ 4,017,045</u>

CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Schedule of Net Position – Public Works Authority Accounts – June 30, 2018

Bethany Public Works Authority Accounts			
	BPWA	METER DEPOSIT	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,534,059	\$ -	\$ 3,534,059
Cash and cash equivalents, restricted	1,427,908	473,566	1,901,474
Investments	1,794,323	-	1,794,323
Accounts receivable, net	464,323	-	464,323
Other receivable	448,565	-	448,565
Accrued interest receivable	4,771	-	4,771
Due from other funds	85,851	-	85,851
Total current assets	<u>7,759,800</u>	<u>473,566</u>	<u>8,233,366</u>
Non-current assets:			
Investment in joint venture	4,373,672	-	4,373,672
Capital assets:			
Land, construction in progress, and water rights	2,717,208	-	2,717,208
Other capital assets, net of accumulated depreciation	23,372,484	-	23,372,484
Total non-current assets	<u>30,463,364</u>	<u>-</u>	<u>30,463,364</u>
Total assets	<u>38,223,164</u>	<u>473,566</u>	<u>38,696,730</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pension	1,012,291	-	1,012,291
Deferred amounts related to OPEB	1,715	-	1,715
Total deferred outflows of resources	<u>1,014,006</u>	<u>-</u>	<u>1,014,006</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	517,280	-	517,280
Wages payable	74,447	-	74,447
Due to other funds	3,236,755	-	3,236,755
Accrued interest payable	108,666	-	108,666
Accrued compensated absences	11,989	-	11,989
Refundable deposits	-	47,271	47,271
Notes payable	1,055,400	-	1,055,400
Total current liabilities	<u>5,004,537</u>	<u>47,271</u>	<u>5,051,808</u>
Non-current liabilities:			
Accrued compensated absences	107,899	-	107,899
Net pension liability	202,095	-	202,095
Total OPEB liability	101,325	-	101,325
Refundable deposits	-	425,436	425,436
Notes payable	11,754,165	-	11,754,165
Total non-current liabilities	<u>12,165,484</u>	<u>425,436</u>	<u>12,590,920</u>
Total liabilities	<u>17,170,021</u>	<u>472,707</u>	<u>17,642,728</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	588,341	-	588,341
Deferred amounts related to OPEB	6,972	-	6,972
Total deferred inflows of resources	<u>595,313</u>	<u>-</u>	<u>595,313</u>
NET POSITION			
Net investment in capital assets	14,057,109	-	14,057,109
Restricted for debt service	539,601	-	539,601
Unrestricted	6,875,126	859	6,875,985
Total net position	<u>\$ 21,471,836</u>	<u>\$ 859</u>	<u>\$ 21,472,695</u>

**CITY OF BETHANY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

**Combining Schedule of Revenues, Expenses and Changes in Net Position – Public Works Authority
Accounts - Year Ended June 30, 2018**

	Bethany Public Works Authority Accounts		
	BPWA	METER DEPOSIT	Total
REVENUES			
Charges for services	\$ 8,077,909	\$ -	\$ 8,077,909
Total operating revenues	<u>8,077,909</u>	<u>-</u>	<u>8,077,909</u>
OPERATING EXPENSES			
Personal services	2,060,302	-	2,060,302
Materials and supplies	688,300	-	688,300
Other services and charges	2,598,469	-	2,598,469
Depreciation expense	<u>1,032,563</u>	<u>-</u>	<u>1,032,563</u>
Total operating expenses	<u>6,379,634</u>	<u>-</u>	<u>6,379,634</u>
Operating income	<u>1,698,275</u>	<u>-</u>	<u>1,698,275</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	327,958	490	328,448
Miscellaneous	227,219	-	227,219
Interest expense and fiscal charges	<u>(467,904)</u>	<u>-</u>	<u>(467,904)</u>
Total non-operating revenue (expenses)	<u>87,273</u>	<u>490</u>	<u>87,763</u>
Income before contributions and transfers	<u>1,785,548</u>	<u>490</u>	<u>1,786,038</u>
Capital contributions	112,943	-	112,943
Transfers in	4,314,945	-	4,314,945
Transfers out	<u>(8,599,997)</u>	<u>-</u>	<u>(8,599,997)</u>
Change in net position	<u>(2,386,561)</u>	<u>490</u>	<u>(2,386,071)</u>
Total net position - beginning, restated	23,858,397	369	23,858,766
Total net position - ending	<u>\$ 21,471,836</u>	<u>\$ 859</u>	<u>\$ 21,472,695</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council
City of Bethany, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bethany, Oklahoma ("City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 19, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies [2018-02, 2018-03, 2018-04] and material weaknesses. [2018-01, 2018-05].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

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

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC

Tulsa, Oklahoma

June 19, 2019

CITY OF BETHANY, OKLAHOMA
FISCAL YEAR ENDED JUNE 30, 2018
SCHEDULE OF FINDINGS AND RESPONSES

This schedule is presented as an addendum to accompany the “*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*”. Consideration of items listed should be made in conjunction with that report.

2018-01 – Water and Sewer Rate Tables

CONDITION: We performed a random sample of 34 meter bill calculations for the month of June 2018 and, based on the water consumption shown as well as the rate tables published on the City’s website, calculated the expected bill amount and compared it to the actual bill amount. 26 of the 34 records showed sewer charges that were different from those we calculated from the published tables. Of the 26, 9 also had discrepancies in the water calculations. We obtained the rate tables from the system and noted that 72 different rate types were being utilized. In addition, the utility billing supervisor explained that some sewer customers are assigned a “constant” that results in a minimum billing quantity despite the actual usage. New utility customers were assigned a constant of “5” (thousand gallons) until their usage pattern was identified at which time, if their actual usage pattern is less, they could call and request a credit. We did not see a reference to a “constant” in the published sewer rates. In addition, some sewer customers’ bills were reduced by “2” (thousand gallons) due to a complaint that was filed a year ago. Staff were unsure as to when this reduction should end.

CRITERIA: City Code 50.02(C)(1) states “The City Council shall, by resolution, approve and set an effective date for any water rate structure or sewer user fee structure before it shall become effective.

CAUSE OF CONDITION: Due to turnover in City personnel and staff shortages as well as potentially unclear direction to the staff, the conditions may have developed over time.

POTENTIAL EFFECT OF CONDITION: Utility rates could be applied incorrectly and/or inconsistently.

RECOMMENDATION: Utility billing procedures should be reviewed, documented, and compared to the policies approved by the City Council as well as published online. Consideration should be given to streamlining the rate tables. A reference guide for office personnel establishing new customers should be developed. Existing accounts should be reviewed to assure that the rates are consistent with those approved by the City Council and applied evenly to all similar customers.

RESPONSE: Due to change in personnel, some confusion has occurred related to the utility billing process. Management will review the rates in the system and compare to those approved by City Council to ensure billing is accurate. In addition, training will be performed on the proper rates to charge.

2018-02 – Segregation of Duties – Municipal Court

CONDITION: In reviewing the assignment of duties, we noted that the municipal court office processes tickets and complaint forms, maintains and prepares court dockets, receives fines, bonds and other court payments, records the payments in the municipal court system, and reconciles the court receipts to the daily posting reports.

CRITERIA: Segregation of duties is a basic building block of sustainable risk management and internal control. It is based on shared responsibility that disperses the critical functions of a process to more than one person or department. Ideally, no one person should be able to initiate, record, authorize and reconcile a transaction.

CAUSE OF CONDITION: Historically, the full transaction cycle for citations has been centralized in one department and/or person.

POTENTIAL EFFECT OF CONDITION: Errors, fraud, waste, or abuse could occur and not be detected timely.

RECOMMENDATION: The City should evaluate the municipal court transaction cycle to identify steps in the cycle that could be performed by another department. For instance, the receipt of fines, bonds, and other court payments could be assigned to the Finance Department. Or, the Finance Department could apply the payments to the outstanding citations based on the deposit detail received from the Municipal Court Department (which would no longer have access to apply a payment on the system).

RESPONSE: In August 2018, an internal audit was performed of the Municipal Court function. During fiscal year 2019, court has updated the internal control system to streamline processes and segregate duties. The court and general ledger system and now integrated and finance can access reports and update deposits electronically. The Court Administrator does not collect payments and all adjustments are approved by the Judge. Deposits are being made daily and the Court Marshal takes the locked bag to the bank on a daily basis. Court is continuing to evaluate and strengthen controls.

2018-03 – Deposit of Funds

CONDITION: We noted that animal welfare deposits are brought to the finance department monthly and court deposits are brought to the finance department sporadically throughout the month rather than daily.

CRITERIA: Oklahoma State Title 62 Section 511 requires that all funds shall be deposited daily (not later than the immediately next business day).

CAUSE OF CONDITION: The departments have followed a policy that has been in place for some time but is inconsistent with the State statutes.

POTENTIAL EFFECT OF CONDITION: Fraud, errors, or abuse could occur and not be detected on a timely basis. Cash could be pilfered.

RECOMMENDATION: All cash should be brought to the finance department for inclusion in the daily deposit to the bank.

RESPONSE: Court changed procedures in FY 2019 and deposits are being made daily. Finance will work with animal control to change procedures and make deposits on a daily basis.

2017-04 – Signature Stamp

CONDITION: Two signatures are required for checks; however, the mayor's signature is a stamp, and Finance Department personnel have access to the stamp. The Finance Director is also an authorized signer on the account. This means that the Finance Department has the ability to provide both signatures on a check. In addition, two out of 50 random disbursements we reviewed did not have the two required signatures on the checks but were instead issued with only the signature stamp. We noted, however, that each of these transactions had the required purchase authorization supporting it. Regardless, an ability exists, and apparently has taken place, to issue checks bypassing the two signature requirement.

CRITERIA: Requiring two signatures on a check is an internal control to mitigate the possibility of a check being issued that was not authorized. When the signature stamp is in the possession of someone who can initiate a transaction as well as print the check, the internal control has been overridden.

CAUSE OF CONDITION: The mayor's signature stamp is being maintained in the Finance Department and several staff members have access to it.

POTENTIAL EFFECT OF CONDITION: A check could be issued inappropriately. Fraud or abuse could occur and be undetected in a timely manner.

RECOMMENDATION: The Finance Department should only be able to provide one of the required signatures. A second signature should be provided by a knowledgeable, authorized person outside of the finance department. If a stamp is used, it should be maintained in a secure, locked location. The person applying the stamp should review a list of approved claims and compare them to the check prior to applying the stamp. A log of sequential check number ranges should be maintained by the second signer to assure that all checks have been submitted for review and signing and internal controls have not been overridden.

Procedures could be streamlined by the implementation of electronic signatures, however, the two-step approval process prior to being printed should be maintained, with the check printer and check stock maintained in a secure location.

RESPONSE: The finance department will implement controls have an outside department maintain the signature stamp. In addition, a review will be performed of check numbers and checks written to the claims ledger.

2018-05 – Financial Reporting – Grant Receivable

CONDITION: The City utilizes a budgetary basis of accounting for its daily accounting records and only converts to an accrual basis of accounting on an annual basis for its year-end financial reporting. During the course of the audit, we encountered the need to propose a correcting entry to accrue a receivable from the Oklahoma Department of Energy Management related to disaster assistance in the amount of \$85,913. The accrual was required to be recorded to the City's records in order for the financial statements to be issued in compliance with GAAP and correctly match revenue with expense.

CRITERIA: Management is responsible for establishing and maintaining effective internal control over financial reporting. Accurate GAAP basis financial statements are critical to communicating financial position and results of operations to the citizens of the City and other interested parties.

CAUSE OF CONDITION: There was a change in accounting personnel during the year and the new personnel were not aware of the outstanding receivable from the State of Oklahoma related to the grant.

POTENTIAL EFFECT OF CONDITION: Adjusting entries were required during the audit process to correct the City's accounting records.

RECOMMENDATION: The City should develop a mechanism to track earning and receipt of grant awards to assure that they are properly recorded in the City's records.

RESPONSE: The adjustment was need due to a change in personnel who were not aware of the outstanding grant. In the future finance will maintain a log of all grants awarded and properly match grant revenue with expenditures.