

CITY OF DUNCAN, OKLAHOMA



ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2020**

THE CITY OF DUNCAN, OKLAHOMA

**Annual Financial Statements
And Independent Auditor's Report**

**As of and For the Fiscal Year Ended
December 31, 2020**

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Elfrink and Associates, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duncan, Oklahoma (the City), as of and for the year ended December 31, 2020, 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 did not audit the financial statements of the Duncan Industrial Authority and Duncan Area Economic Development Foundation, Inc. discretely presented component units of the City, which represent 99.6%, 99.9% and 100%, respectively, of the assets, net position, and revenues. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Duncan Industrial Authority and Duncan Area Economic Development Foundation, Inc. are based solely on the reports of the other auditors.

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. The financial statements of the Duncan Area Economic Development Foundation, Inc. were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duncan, Oklahoma, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Government Accounting and Auditing

Other Matters

Required Supplementary Information

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

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 and individual nonmajor fund financial statements, the schedule of debt service requirements, and other schedules as presented in the Supplementary Information section of the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit procedures performed and the report of the other auditors, the combining and individual nonmajor fund financial statements, other schedules, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021, 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

Tulsa, Oklahoma
June 30, 2021

Management's Discussion and Analysis

Our discussion and analysis of the City of Duncan's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended December 31, 2020, the City's total net position decreased by \$1,099,657 or (1.59%) from the prior year.
- In the City's governmental activities, program expenses exceeded program revenues by \$17,118,670, while the governmental activities total net position increased by \$706,068 for the fiscal year.
- In the City's business-type activities, such as utilities, program expenses exceeded program revenues by \$912,713. The business-type activities total net position decreased by \$1,805,725 for the fiscal year.
- At December 31, 2020, the General Fund reported an unassigned fund balance of \$2,420,694.
- At December 31, 2020, the Worker's Compensation Internal Service Fund reported a net position of \$248,517.
- For budgetary reporting purposes, the General Fund reported revenues above estimates of \$2,152,230 or 18.67%, while expenditures were under the final appropriations by \$177,725 or 1.08%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Duncan (the "City") and its component units using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB) Statements No. 14, 34, 39, and 61. Included in this report are governmental-wide statements for each of three categories of activities – governmental, business-type, and discretely presented component units. 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 Duncan is an incorporated municipality with a population of approximately 23,000 located in southwestern 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 Duncan 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 Duncan, three blended component units, and three discretely presented component units.

Primary Government:

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

Blended Component Units:

Duncan Public Utilities Authority (DPUA) – public trust that operates the electric, water, wastewater, solid waste/sanitation, airport and lake services of the City.

Duncan Economic Development Trust Authority – public trust that accounts for sales tax restricted for the promotion of economic development.

Duncan Enhancement Trust Authority (DETA) – public trust that finances and promotes beautification and aesthetic enhancement of the appearance of the City.

Discretely Presented Component Units:

Duncan Industrial Authority (DIA) - created to finance, promote, develop and maintain industry within the City of Duncan and the surrounding area. The DIA issues separate financial statements, which are available by contacting that entity at Box 1468, Duncan, OK 73534.

Duncan Hospital Authority (DHA) - created to provide financing for physical plant facilities, improvements, equipment, and medical services for the purpose of providing or improving health care within the City of Duncan. The Authority does not issue separate financial statements.

Duncan Area Economic Development Foundation (DAEDF) - created as a non-profit corporation December 19, 1954 to promote industry development and job creation within the City and surrounding area. A majority of the Foundation revenues are derived from sales tax proceeds, which are passed through the Duncan Economic Development Trust Authority (DEDTA). The DAEDF issues separate financial statements, which are available by contacting that entity at Box 1051, Duncan, OK 73534.

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 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)

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.
- **Supplemental Schedules** – that provide additional information about specified elements of the financial statements, such as budgetary comparison information, combining non-major fund schedules, and information related to the City's participation in pension systems and other post-employment benefit plans.

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, liabilities and deferrals 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 three 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, wastewater, electric, airport, lake and sanitation activities are reported here.
- **Discretely-presented component units** -- Accounts for various activities related to industrial and economic development and hospital development.

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 service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental fund financial statement.

Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way in 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 that the city reports in the government-wide statements but provide more detail and additional information, such as cash flows.

Fiduciary funds - When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or others parties, these activities are reported as fiduciary funds, such as the Employee Retirement Trust Fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance operations.

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 \$68,006,678 at the close of the most recent fiscal year.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

TABLE 1
NET POSITION (In Thousands)

| | Governmental Activities | | % Inc. (Dec.) | Business-Type Activities | | % Inc. (Dec.) | Total | | % Inc. (Dec.) |
|---|--------------------------------|------------------|----------------------|---------------------------------|------------------|----------------------|------------------|------------------|----------------------|
| | 2020 | 2019 | | 2020 | 2019 | | 2020 | 2019 | |
| Current assets | \$ 24,955 | \$ 24,078 | 4% | \$ 25,950 | \$ 24,183 | 7% | \$ 50,905 | \$ 48,261 | 5% |
| Capital assets, net | 40,390 | 40,659 | -1% | 56,359 | 56,014 | 1% | 96,749 | 96,673 | 0% |
| Deferred outflows | 8,156 | 8,127 | 0% | 7,923 | 8,791 | -10% | 16,079 | 16,918 | -5% |
| Total assets and deferred outflows | 73,501 | 72,864 | 1% | 90,232 | 88,988 | 1% | 163,733 | 161,852 | 1% |
| Current liabilities | 2,506 | 2,739 | -9% | 8,385 | 8,163 | 3% | 10,891 | 10,902 | 0% |
| Non-current liabilities | 21,540 | 18,708 | 15% | 53,442 | 50,097 | 7% | 74,982 | 68,805 | 9% |
| Deferred inflows | 5,154 | 7,822 | -34% | 4,700 | 5,217 | -10% | 9,854 | 13,039 | -24% |
| Total liabilities and deferred inflows | 29,200 | 29,269 | 0% | 66,527 | 63,477 | 5% | 95,727 | 92,746 | 3% |
| Net position | | | | | | | | | |
| Net investment in capital assets | 38,642 | 39,577 | -2% | 25,466 | 24,129 | 6% | 64,108 | 63,706 | 1% |
| Restricted | 18,347 | 18,699 | -2% | 5,096 | 5,654 | -10% | 23,443 | 24,353 | -4% |
| Unrestricted (deficit) | (12,688) | (14,681) | -14% | (6,857) | (4,272) | 61% | (19,545) | (18,953) | 3% |
| Total net position | \$ 44,301 | \$ 43,595 | 2% | \$ 23,705 | \$ 25,511 | -7% | \$ 68,006 | \$ 69,106 | -2% |

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. For 2020, the net investment in capital assets amounted to \$64,107,905. 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.

A major portion of the City's net position, \$23,442,678 also represents resources that are subject to external restrictions on how they may be used.

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

Governmental Activities:

Non-current liabilities – Increase of \$2.83 million (15%) due to an increase in the net pension liability.

Deferred inflows – Decrease of \$2.12 million (27%) due to a decrease in the deferred amount related to pension.

Business-type Activities:

Net position unrestricted (deficit) – The deficit unrestricted net position increased by \$2.58 million (61%) due to a net loss on operations during the year.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

Changes in Net Position

For the year ended December 31, 2020, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

| | Governmental Activities | | % Inc. (Dec.) | Business-Type Activities | | % Inc. (Dec.) | Total | | % Inc. (Dec.) |
|--------------------------------------|--------------------------------|------------------|----------------------|---------------------------------|------------------|----------------------|------------------|------------------|----------------------|
| | <u>2020</u> | <u>2019</u> | | <u>2020</u> | <u>2019</u> | | <u>2020</u> | <u>2019</u> | |
| Revenues | | | | | | | | | |
| Charges for service | \$ 1,204 | \$ 1,434 | -16% | \$ 32,830 | \$ 34,416 | -5% | \$ 34,034 | \$ 35,850 | -5% |
| Operating grants and contributions | 3,440 | 1,434 | 140% | 483 | 232 | 108% | 3,923 | 1,666 | 136% |
| Capital grants and contributions | 459 | 251 | 83% | 48 | 433 | -89% | 507 | 684 | -26% |
| Taxes | 15,720 | 16,474 | -5% | - | - | - | 15,720 | 16,474 | -5% |
| Intergovernmental revenue | 485 | 403 | 20% | - | - | - | 485 | 403 | 20% |
| Investment income | 137 | 164 | -16% | 67 | 142 | 53% | 204 | 306 | -33% |
| Miscellaneous | 394 | 398 | -1% | 128 | 166 | -23% | 522 | 564 | -7% |
| Total revenues | 21,840 | 20,558 | 6% | 33,556 | 35,389 | -5% | 55,396 | 55,947 | -1% |
| Expenses | | | | | | | | | |
| General government | 2,230 | 1,524 | 46% | - | - | - | 2,230 | 1,524 | 46% |
| Public safety | 13,319 | 11,332 | 18% | - | - | - | 13,319 | 11,332 | 18% |
| Highways and streets | 3,436 | 3,105 | 11% | - | - | - | 3,436 | 3,105 | 11% |
| Culture and recreation | 1,347 | 815 | 65% | - | - | - | 1,347 | 815 | 65% |
| Health | 351 | 215 | 63% | - | - | - | 351 | 215 | 63% |
| Community development | 536 | 570 | -6% | - | - | - | 536 | 570 | -6% |
| Economic development | 970 | 858 | 13% | - | - | - | 970 | 858 | 13% |
| Interest on long-term debt | 33 | 34 | -3% | - | - | - | 33 | 34 | -3% |
| Water | - | - | - | 8,917 | 8,305 | 7% | 8,917 | 8,305 | 7% |
| Wastewater | - | - | - | 2,344 | 2,289 | 2% | 2,344 | 2,289 | 2% |
| Sanitation | - | - | - | 4,360 | 4,227 | 3% | 4,360 | 4,227 | 3% |
| Electric | - | - | - | 16,760 | 15,743 | 6% | 16,760 | 15,743 | 6% |
| Airport | - | - | - | 239 | 230 | 4% | 239 | 230 | 4% |
| Lake | - | - | - | 1,654 | 1,241 | 33% | 1,654 | 1,241 | 33% |
| Total expenses | 22,222 | 18,453 | 20% | 34,274 | 32,035 | 7% | 56,496 | 50,488 | -12% |
| Excess (deficiency) before transfers | (382) | 2,105 | -118% | (718) | 3,354 | -121% | (1,100) | 5,459 | -120% |
| Transfers | 1,088 | (1,254) | -187% | (1,088) | 1,254 | -187% | - | - | |
| Change in net position | 706 | 851 | -17% | (1,806) | 4,608 | -139% | (1,100) | 5,459 | -120% |
| Beginning net position | 43,595 | 42,744 | 2% | 25,511 | 20,903 | 22% | 69,106 | 63,647 | 9% |
| Ending net position | \$ 44,301 | \$ 43,595 | 2% | \$ 23,705 | \$ 25,511 | -7% | \$ 68,006 | \$ 69,106 | -2% |

Explanations of significant changes (changes in excess of \$1 million and 20%) in Table 2 are as follows:

Governmental:

Operating grants and contributions – increase of 140% due to grant revenue received under the CARES Act.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

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. 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.

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

| | Total Expense of Services | | % Inc. (Dec.) | Net Revenue (Expense) of Services | | % Inc. (Dec.) |
|----------------------------|--------------------------------------|------------------|--------------------------|--|--------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | | <u>2020</u> | <u>2019</u> | |
| General government | \$ 2,230 | \$ 1,524 | 46% | (\$1,632) | \$ (1,249) | 31% |
| Public safety | 13,319 | 11,332 | 18% | (9,536) | (9,097) | 5% |
| Highways and streets | 3,436 | 3,105 | 11% | (3,160) | (2,890) | 9% |
| Culture and recreation | 1,347 | 815 | 65% | (1,268) | (709) | 79% |
| Health | 351 | 215 | 63% | (246) | (132) | 86% |
| Community development | 536 | 570 | -6% | (309) | (396) | -22% |
| Economic development | 970 | 858 | 13% | (935) | (826) | 13% |
| Interest on long-term debt | 33 | 34 | 3% | (33) | (34) | -3% |
| Total | <u>\$ 22,222</u> | <u>\$ 18,453</u> | 20% | <u>(\$17,119)</u> | <u>\$ (15,333)</u> | 12% |

For the year ended December 31, 2020 total expenses for governmental activities amounted to \$21.8 million which was an increase from the prior year of 18%. 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. |
|--------------|--------------------------------------|-----------------|------------------------|--|-----------------|------------------------|
| | <u>2020</u> | <u>2019</u> | | <u>2020</u> | <u>2019</u> | |
| Water | \$ 8,917 | \$ 8,305 | 7% | \$ (351) | \$ 377 | -193% |
| Wastewater | 2,344 | 2,289 | 2% | 15 | 97 | -85% |
| Sanitation | 4,360 | 4,227 | 3% | (694) | (548) | 27% |
| Electric | 16,760 | 15,743 | 6% | 1,696 | 3,951 | -57% |
| Airport | 239 | 230 | 4% | (147) | 245 | -160% |
| Lake | 1,654 | 1,241 | 33% | (1,431) | (1,077) | 33% |
| Total | <u>\$ 34,274</u> | <u>\$32,035</u> | 7% | <u>\$ (912)</u> | <u>\$ 3,045</u> | -130% |

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

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

- Total business-type activities reported a decrease in net position of \$1,805,725 for the year ended December 31, 2020.
- The wastewater and electric utilities operating revenues exceeded operational expenses.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2020 fiscal year, the governmental funds reported a combined total fund balance of \$22.6 million, or a 5.1% increase of \$1,106,267, mainly due to the unspent proceeds from the issuance of debt.

The enterprise funds reported combined total net position of \$23.5 million, or a 7.37% decrease from 2019, mainly related to a decrease in operating revenues.

General Fund Budgetary Highlights

For budgetary reporting purposes, the General Fund reported revenues above estimates of \$2,152,230 or 18.67%, while expenditures were under the final appropriations by \$177,725 or 1.08%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2020, the City had \$96.7 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, electrical infrastructure, water lines and sewer lines, along with other capital (See table below). This represents a net increase of \$.08 million or 0.08% compared to last year.

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

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total</u> | |
|------------------------------------|----------------------------|--------------------|-----------------------------|--------------------|---------------------|--------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Land | \$ 1,235 | \$ 1,235 | \$ 374 | \$ 374 | 1,609 | \$ 1,609 |
| Buildings | 13,450 | 12,766 | 13,248 | 12,837 | 26,698 | 25,603 |
| Machinery, furniture and equipment | 5,456 | 4,280 | 3,779 | 2,777 | 9,235 | 7,057 |
| Infrastructure | 20,045 | 22,321 | 27,598 | 30,151 | 47,643 | 52,472 |
| Water rights | - | - | 6,989 | 7,222 | 6,989 | 7,222 |
| Construction in progress | 203 | 57 | 4,371 | 2,653 | 4,574 | 2,710 |
| Totals | \$ 40,389 | \$ 40,659 | \$ 56,359 | \$ 56,014 | \$ 96,748 | \$ 96,673 |

This year's more significant capital asset additions included:

| | |
|-----------------------|-------------|
| Water improvements | \$2,116,000 |
| Electric improvements | \$340,000 |

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| | |
|--------------------|-----------|
| Sewer improvements | \$570,000 |
| Lake improvements | \$250,000 |

See Note III. D. 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 \$35.5 in long-term debt outstanding which represents a \$1.6 million or 4.3% decrease 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>Activities</u> | | <u>Business-Type</u> <u>Activities</u> | | <u>Total</u> | | <u>Total</u> <u>Percentage</u> <u>Change</u> |
|------------------------------|--|-----------------|---|------------------|------------------|------------------|--|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2019-2020</u> |
| Notes payable | \$ - | \$ - | \$ 29,018 | \$ 31,431 | \$ 29,018 | \$ 31,431 | -7.7% |
| Debt premium | - | - | 554 | 591 | 554 | 591 | -6.3% |
| Capital leases | 1,748 | 1,082 | 528 | 710 | 2,276 | 1,792 | 27.0% |
| Meter deposits | - | - | 1,082 | 1,093 | 1,082 | 1,093 | -1.0% |
| Accrued compensated absences | 1,686 | 1,504 | 363 | 323 | 2,049 | 1,827 | 12.2% |
| Claims liability | 532 | 378 | - | - | 532 | 378 | 40.6% |
| Totals | <u>\$ 3,966</u> | <u>\$ 2,964</u> | <u>\$ 31,545</u> | <u>\$ 34,148</u> | <u>\$ 35,511</u> | <u>\$ 37,112</u> | -4.3% |

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

Economic Factors and Next Year's Budget

Duncan's economy has not recovered from the loss of Halliburton, as well as other oil and gas businesses, and the Pandemic of 2020 which has continued into 2021. While the decrease in sales tax has continued to remain a loss it has not bottomed out as it held a modest decrease of 6.6% from 2019. June 2020 local businesses re-opened their doors under new health guidelines to promote the health and safety of our community but the city did not recognize an increase in the sales tax as families remained cautious with their spending. The loss of the oil and gas business did create the environment for Aerospace industry expansions with a local manufacturing company beginning their preparation in 2019 and currently still listed on the OKC Commerce website (<https://www.okcommerce.gov/mro/>). The current workforce ended December with a 6% unemployment rate which is just under 2% higher than December of 2019. Duncan, despite a downward turn, is presenting a hopeful future as jobs are posting across the town in an attempt to reclaim our workforce. Recovery over the past years has been slow and is forecasted to remain slow. Ready for the challenge, the City of Duncan staff and constituents are committed to make efforts to improve fiscally.

The sales tax collection for 2020 was \$12,981,078.48. For 2021 budget year the City stated \$13,208,934 dollars for sales tax revenue (1.75529% increase from 2020 collected sales tax). The complete city budget was created from inception to be 5% less than the 2019 budget in an effort to recognize that recovery would be slow.

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Sales Tax remains to be one of the principal sources of revenue that supports the City of Duncan's governmental functions. We are a consumer driven economy with retail purchases and tourism playing vital roles in the funding of our community. The retail consulting firm that was engaged to assist in bringing new retail businesses to our community is in its second year which has slowed plans due to the national pandemic. The four natural resources that are Duncan's stable tourist attraction, the lakes, continue their revamping and marketing to bring tourism to our town. The efforts have been successful and do promise future improved tourism to come.

The chart below shows total sales taxes for Duncan and Stephens County, as well as, the unemployment rate. Sources for the information are: Oklahoma Tax Commission, Oklahoma Workforce, the Oklahoma Employment Security Commission and Baker Hughes.

| Year | City and County Annual Sales Tax | Stephens County Unemployment Rate | End of Year Oil Prices | End of Year Rig Count |
|-------------|---|--|-----------------------------------|----------------------------------|
| 2011 | \$13,065,145 | 5.8% | \$98.83 | 2007 |
| 2012 | \$14,046,199 | 4.9% | \$91.83 | 1763 |
| 2013 | \$14,130,286 | 5.4% | \$94.25 | 1757 |
| 2014 | \$15,295,481 | 4.5% | \$87.07 | 1840 |
| 2015 | \$14,734,521 | 6.0% | \$42.53 | 698 |
| 2016 | \$13,747,370 | 9.5% | \$34.13 | 658 |
| 2017 | \$13,095,207 | 6.2% | \$60.46 | 929 |
| 2018 | \$14,304,855 | 3.9% | \$45.15 | 1093 |
| 2019 | \$13,904,069 | 3.4% | \$60.52 | 773 |
| 2020 | \$12,981,078 | 6.0% | \$44.00 | 51 |

Duncan wages are expected to remain stable as the City of Duncan and its entire workforce is now in a perpetual alignment and evaluation of the city and national labor market trends. Business retention and expansion activity will continue to be our main concern throughout 2021. Confidently moving forward in 2021 the City will diligently continue the budget conservation mindset knowing that recovery is our future goal.

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:

City of Duncan
PO Box 969
Duncan OK 73534

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

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Statement of Net Position – December 31, 2020

| | Governmental Activities | Business-type Activities | Total | Aggregate Discretely Presented Component Units |
|---|------------------------------------|-------------------------------------|----------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 19,380,994 | \$ 14,276,766 | \$ 33,657,760 | \$ 3,523,072 |
| Investments | 3,257,529 | - | 3,257,529 | 3,199,927 |
| Interest receivable | - | - | - | 11,028 |
| Accounts receivable, net of allowance | 570,481 | 4,058,067 | 4,628,548 | 103,064 |
| Other receivable | - | - | - | 49,041 |
| Internal balances | (511,995) | 511,995 | - | - |
| Due from other governmental agencies | 2,258,362 | 48,420 | 2,306,782 | - |
| Inventories | - | 658,581 | 658,581 | - |
| Other assets | - | 16 | 16 | - |
| Prepaid items | - | - | - | 1,052 |
| Cash and cash equivalents, restricted | - | 2,183,042 | 2,183,042 | 205,803 |
| Investment in joint venture | - | 74,665 | 74,665 | - |
| Investments, restricted | - | 4,139,043 | 4,139,043 | - |
| Land available for development | - | - | - | 1,156,274 |
| Capital assets: | | | | |
| Land and construction in progress | 1,438,190 | 4,744,914 | 6,183,104 | - |
| Other capital assets, net of depreciation | 38,951,385 | 51,613,911 | 90,565,296 | 9,682,299 |
| Total assets | <u>65,344,946</u> | <u>82,309,420</u> | <u>147,654,366</u> | <u>17,931,560</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Deferred amounts related to pensions | 7,679,844 | 6,732,264 | 14,412,108 | - |
| Deferred amounts related to OPEB | 476,318 | 397,353 | 873,671 | - |
| Deferred amounts on refunding | - | 793,418 | 793,418 | - |
| Total deferred outflows | <u>8,156,162</u> | <u>7,923,035</u> | <u>16,079,197</u> | <u>-</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 1,533,553 | 3,001,494 | 4,535,047 | 36,617 |
| Accrued interest payable | 25,414 | 165,400 | 190,814 | 1,007 |
| Due to depositors | 21,985 | - | 21,985 | - |
| Unearned income | - | - | - | 67,139 |
| Long-term liabilities | | | | |
| Due within one year | 924,659 | 5,218,557 | 6,143,216 | 417,672 |
| Due in more than one year | 21,540,532 | 53,441,917 | 74,982,449 | - |
| Total liabilities | <u>24,046,143</u> | <u>61,827,368</u> | <u>85,873,511</u> | <u>522,435</u> |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred amounts related to pensions | 3,326,150 | 4,069,855 | 7,396,005 | - |
| Deferred amounts related to OPEB | 1,827,422 | 629,947 | 2,457,369 | - |
| Total deferred inflows | <u>5,153,572</u> | <u>4,699,802</u> | <u>9,853,374</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 38,641,984 | 25,465,921 | 64,107,905 | 9,759,023 |
| Restricted for: | | | | |
| Debt service | 184,047 | 5,095,707 | 5,279,754 | - |
| Public safety | 282,277 | - | 282,277 | - |
| Capital projects | 9,136,004 | - | 9,136,004 | - |
| Economic development | 8,349,834 | - | 8,349,834 | - |
| Other | 394,809 | - | 394,809 | 7,591,480 |
| Unrestricted (deficit) | (12,687,562) | (6,856,343) | (19,543,905) | 58,622 |
| Total net position | <u>\$ 44,301,393</u> | <u>\$ 23,705,285</u> | <u>\$ 68,006,678</u> | <u>\$ 17,409,125</u> |

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

CITY OF DUNCAN, OKLAHOMA
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Statement of Activities – Year Ended December 31, 2020

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | | Aggregate Discretely Presented Component Units |
|--|-----------------|-----------------------------|---|---|--|---------------------------------|----------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | Component Units |
| Governmental activities: | | | | | | | | |
| General government | \$ 2,229,853 | \$ 45,863 | \$ 92,230 | \$ 459,278 | \$ (1,632,482) | \$ - | \$ (1,632,482) | \$ - |
| Public safety | 13,319,352 | 766,009 | 3,017,181 | - | (9,536,162) | - | (9,536,162) | - |
| Highways and streets | 3,436,204 | - | 275,962 | - | (3,160,242) | - | (3,160,242) | - |
| Culture and recreation | 1,346,839 | 59,905 | 18,983 | - | (1,267,951) | - | (1,267,951) | - |
| Health | 350,627 | 104,846 | - | - | (245,781) | - | (245,781) | - |
| Community development | 535,858 | 227,112 | - | - | (308,746) | - | (308,746) | - |
| Economic development | 970,303 | - | 35,765 | - | (934,538) | - | (934,538) | - |
| Interest on long-term debt | 32,768 | - | - | - | (32,768) | - | (32,768) | - |
| Total governmental activities | 22,221,804 | 1,203,735 | 3,440,121 | 459,278 | (17,118,670) | - | (17,118,670) | - |
| Business-type activities: | | | | | | | | |
| Water | 8,917,480 | 8,088,400 | 478,408 | - | - | (350,672) | (350,672) | - |
| Wastewater | 2,343,606 | 2,356,399 | 2,233 | - | - | 15,026 | 15,026 | - |
| Sanitation | 4,359,828 | 3,665,611 | - | - | - | (694,217) | (694,217) | - |
| Electric | 16,759,870 | 18,453,540 | 2,118 | - | - | 1,695,788 | 1,695,788 | - |
| Airport | 239,549 | 43,808 | - | 48,420 | - | (147,321) | (147,321) | - |
| Lake | 1,653,870 | 222,553 | - | - | - | (1,431,317) | (1,431,317) | - |
| Total business-type activities | 34,274,203 | 32,830,311 | 482,759 | 48,420 | - | (912,713) | (912,713) | - |
| Total primary government | \$ 56,496,007 | \$ 34,034,046 | \$ 3,922,880 | \$ 507,698 | \$ (17,118,670) | (912,713) | (18,031,383) | |
| Component Unit | | | | | | | | |
| Industrial Development | \$ 178,507 | \$ 566 | \$ - | \$ - | | | | (177,941) |
| Economic Development | 1,240,101 | 1,192,415 | 2,085 | - | | | | (45,601) |
| Health and Welfare | - | 53 | - | - | | | | 53 |
| Total component units | \$ 1,418,608 | \$ 1,193,034 | \$ 2,085 | \$ - | | | | (223,489) |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Sales and use taxes | | | | | 14,878,378 | - | 14,878,378 | - |
| Franchise taxes and public service taxes | | | | | 599,516 | - | 599,516 | - |
| Hotel/motel taxes | | | | | 241,843 | - | 241,843 | - |
| Intergovernmental | | | | | 484,804 | - | 484,804 | - |
| Unrestricted investment earnings | | | | | 138,486 | 66,475 | 204,961 | - |
| Miscellaneous | | | | | 394,068 | 128,156 | 522,224 | - |
| Transfers | | | | | 1,087,643 | (1,087,643) | - | - |
| Total general revenues and transfers | | | | | 17,824,738 | (893,012) | 16,931,726 | - |
| Change in net position | | | | | 706,068 | (1,805,725) | (1,099,657) | (223,489) |
| Net position - beginning | | | | | 43,595,325 | 25,511,010 | 69,106,335 | 17,632,614 |
| Net position - ending | | | | | \$ 44,301,393 | \$ 23,705,285 | \$ 68,006,678 | \$ 17,409,125 |

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

CITY OF DUNCAN, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF DUNCAN, OKLAHOMA
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Balance Sheet – Governmental Funds – December 31, 2020

| | | <u>Special Revenue</u> | <u>Capital Project</u> | | |
|--|---------------------|--------------------------|-------------------------|---------------------|----------------------|
| | | <u>Duncan Economic</u> | <u>Capital</u> | <u>Other</u> | <u>Total</u> |
| | <u>General Fund</u> | <u>Development Trust</u> | <u>Improvement Fund</u> | <u>Governmental</u> | <u>Governmental</u> |
| | | <u>Authority (DEDTA)</u> | | <u>Funds</u> | <u>Funds</u> |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,639,986 | \$ 6,177,563 | \$ 8,032,726 | \$ 791,018 | \$ 18,641,293 |
| Investments | - | 2,297,334 | 960,195 | - | 3,257,529 |
| Receivable from other governments | 1,388,773 | 240,940 | 481,882 | 57,181 | 2,168,776 |
| Due from other funds | - | - | 109,526 | 2,183 | 111,709 |
| Taxes receivable, net | 126,181 | - | - | - | 126,181 |
| Court fines receivable, net | 294,525 | - | - | - | 294,525 |
| Other receivables | 103,868 | - | - | 89,586 | 193,454 |
| Total assets | <u>\$ 5,553,333</u> | <u>\$ 8,715,837</u> | <u>\$ 9,584,329</u> | <u>\$ 939,968</u> | <u>\$ 24,793,467</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 226,388 | \$ 267,543 | \$ 448,325 | \$ 12,507 | \$ 954,763 |
| Accrued payroll payable | 573,658 | - | - | - | 573,658 |
| Due to other funds | 329,008 | 109,526 | - | - | 438,534 |
| Due to bondholders | 22,585 | - | - | - | 22,585 |
| Unearned revenue | - | - | - | 11,517 | 11,517 |
| Total liabilities | <u>1,151,639</u> | <u>377,069</u> | <u>448,325</u> | <u>24,024</u> | <u>2,001,057</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | <u>195,342</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>195,342</u> |
| Fund balances: | | | | | |
| Restricted | - | 8,338,768 | 9,136,004 | 897,613 | 18,372,385 |
| Committed | - | - | - | 18,331 | 18,331 |
| Assigned | 1,785,658 | - | - | - | 1,785,658 |
| Unassigned | 2,420,694 | - | - | - | 2,420,694 |
| Total fund balances | <u>4,206,352</u> | <u>8,338,768</u> | <u>9,136,004</u> | <u>915,944</u> | <u>22,597,068</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 5,553,333</u> | <u>\$ 8,715,837</u> | <u>\$ 9,584,329</u> | <u>\$ 939,968</u> | <u>\$ 24,793,467</u> |

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

CITY OF DUNCAN, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances –Year Ended December 31, 2020

| | | <u>Special Revenue</u> | <u>Capital Project</u> | | |
|---|---------------------|--|---|---|---|
| | <u>General Fund</u> | <u>Duncan Economic Development Trust Authority (DEDTA)</u> | <u>Capital Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| REVENUES | | | | | |
| Taxes | \$ 9,991,415 | \$ 1,843,710 | \$ 3,687,418 | \$ 354,632 | \$ 15,877,175 |
| Intergovernmental | 3,413,852 | - | - | 231,863 | 3,645,715 |
| Licenses and permits | 184,713 | - | - | - | 184,713 |
| Charges for services | 366,830 | - | - | 12,524 | 379,354 |
| Fees and fines | 620,330 | - | - | 24,776 | 645,106 |
| Investment earnings | 15,463 | 39,545 | 83,478 | - | 138,486 |
| Miscellaneous | 285,355 | 35,765 | 726,713 | 17,751 | 1,065,584 |
| Total revenues | <u>14,877,958</u> | <u>1,919,020</u> | <u>4,497,609</u> | <u>641,546</u> | <u>21,936,133</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 2,475,429 | - | 11,176 | 6,198 | 2,492,803 |
| Community development | 556,411 | - | - | - | 556,411 |
| Public safety | 11,850,841 | - | - | 47,598 | 11,898,439 |
| Highways and streets | 932,918 | - | - | 147,586 | 1,080,504 |
| Health | 399,161 | - | - | - | 399,161 |
| Culture and recreation | 1,266,171 | - | - | 15,714 | 1,281,885 |
| Economic development | - | 743,833 | - | - | 743,833 |
| Capital outlay | - | 1,206,199 | 5,439,094 | 131,403 | 6,776,696 |
| Debt Service: | | | | | |
| Principal | - | - | 458,015 | - | 458,015 |
| Interest and other charges | - | - | 30,416 | - | 30,416 |
| Total expenditures | <u>17,480,931</u> | <u>1,950,032</u> | <u>5,938,701</u> | <u>348,499</u> | <u>25,718,163</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,602,973)</u> | <u>(31,012)</u> | <u>(1,441,092)</u> | <u>293,047</u> | <u>(3,782,030)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from long-term debt | - | - | 1,123,619 | - | 1,123,619 |
| Transfers in | 4,093,090 | - | - | 60,000 | 4,153,090 |
| Transfers out | (60,000) | (34,112) | (201,210) | (93,090) | (388,412) |
| Total other financing sources and uses | <u>4,033,090</u> | <u>(34,112)</u> | <u>922,409</u> | <u>(33,090)</u> | <u>4,888,297</u> |
| Net change in fund balances | 1,430,117 | (65,124) | (518,683) | 259,957 | 1,106,267 |
| Fund balances - beginning | 2,776,235 | 8,403,892 | 9,654,687 | 655,987 | 21,490,801 |
| Fund balances - ending | <u>\$ 4,206,352</u> | <u>\$ 8,338,768</u> | <u>\$ 9,136,004</u> | <u>\$ 915,944</u> | <u>\$ 22,597,068</u> |

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

CITY OF DUNCAN, OKLAHOMA
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As of and for the Year Ended December 31, 2020

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – December 31, 2020

| | |
|---|-----------------------------|
| Total fund balance, governmental funds | \$ 22,597,068 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. | 40,389,575 |
| Certain outflows and inflows are a consumption of or acquisition of resources applicable to a future period, and therefore are not reported in the funds: | |
| Pension related deferred outflows | 8,229,035 |
| Pension related deferred inflows | (3,875,341) |
| OPEB related deferred outflows | 476,318 |
| OPEB related deferred inflows | (1,827,422) |
| Certain assets are not available to pay for current fund liabilities and therefore are deferred inflows in the funds: | |
| Unavailable revenues | 206,859 |
| Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position: | |
| Interest payable | (25,414) |
| Net pension liability | (15,735,247) |
| Total OPEB liability | (2,763,748) |
| Accrued compensated absences | (1,686,046) |
| Capital leases payable | (1,747,591) |
| Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds are reported in governmental activities: | |
| Internal service fund net position (deficit) | 63,347 |
| Net Position of Governmental Activities in the Statement of Net Position | <u><u>\$ 44,301,393</u></u> |

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

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Year Ended December 31, 2020

Net change in fund balances - total governmental funds: \$ 1,106,267

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

| | |
|-------------------------------------|-------------|
| Capital asset purchases capitalized | 4,029,190 |
| Depreciation expense | (4,298,319) |

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The governmental fund financial statements report pension contributions as expenditures.

| | |
|--|---------|
| | 392,796 |
|--|---------|

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

| | |
|-------------------------------|----------|
| Change in unavailable revenue | (94,493) |
|-------------------------------|----------|

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

| | |
|--|-------------|
| Change in accrued compensated absences | (181,233) |
| Change in total OPEB liability | 179,575 |
| Capital lease proceeds | (1,123,619) |
| Payments on capital leases payable | 458,015 |

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 | (12,294) |
|------------------------------------|----------|

Internal service fund activity is reported as a proprietary fund in fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities:

| | |
|--|---------|
| Total change in net position of governmental activities, net of amount allocated to business type activities -internal service funds | 250,183 |
|--|---------|

| | |
|---|--------------------------|
| Change in net position of governmental activities | <u><u>\$ 706,068</u></u> |
|---|--------------------------|

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

CITY OF DUNCAN, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

Proprietary Funds Statement of Net Position –December 31, 2020

| | Duncan Public Utilities Authority Enterprise Fund | Internal Service Fund |
|--|--|----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 14,276,766 | \$ 739,701 |
| Restricted: | | |
| Cash and cash equivalents | 2,183,042 | - |
| Due from other funds | 326,825 | - |
| Accounts receivable, net | 4,038,698 | - |
| Receivables from other governments | 48,420 | - |
| Other receivables | 19,369 | - |
| Inventories | 658,581 | - |
| Prepaid items | 16 | - |
| Annuities receivable | - | 45,907 |
| Total current assets | <u>21,551,717</u> | <u>785,608</u> |
| Non-current assets: | | |
| Restricted: | | |
| Investments | 4,139,043 | - |
| Investment in joint venture | 74,665 | - |
| Capital assets: | | |
| Land and construction in progress | 4,744,914 | - |
| Other capital assets, net of accumulated depreciation | <u>51,613,911</u> | <u>-</u> |
| Total non-current assets | <u>60,572,533</u> | <u>-</u> |
| Total assets | <u>82,124,250</u> | <u>785,608</u> |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Deferred amounts related to pension | 6,732,264 | - |
| Deferred amounts on refunding | 793,418 | - |
| Deferred amounts related to OPEB | <u>397,353</u> | <u>-</u> |
| | <u>7,923,035</u> | <u>-</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 2,921,166 | 4,532 |
| Salaries payable | 44,428 | - |
| Accrued interest payable | 165,400 | - |
| Payable to other governments | 35,900 | - |
| Deposits subject to refund | 1,081,908 | - |
| Compensated absences | 36,319 | - |
| Capital lease obligation | 186,663 | - |
| Claims and judgments | - | 213,024 |
| Notes payable | <u>3,913,667</u> | <u>-</u> |
| Total current liabilities | <u>8,385,451</u> | <u>217,556</u> |
| Non-current liabilities: | | |
| Compensated absences, net of current portion | 326,873 | - |
| Capital lease obligation | 341,611 | - |
| Claims and judgments, net of current portion | - | 319,535 |
| Net pension liability | 26,073,559 | - |
| Total OPEB liability | 1,042,329 | - |
| Notes payable, net of current portion | <u>25,657,545</u> | <u>-</u> |
| Total non-current liabilities | <u>53,441,917</u> | <u>319,535</u> |
| Total liabilities | <u>61,827,368</u> | <u>537,091</u> |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred amounts related to pension | 4,069,855 | - |
| Deferred amounts related to OPEB | <u>629,947</u> | <u>-</u> |
| | <u>4,699,802</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 17,331,019 | - |
| Restricted for debt service | 5,166,405 | - |
| Unrestricted | <u>1,022,691</u> | <u>248,517</u> |
| Total net position | <u>\$ 23,520,115</u> | <u>\$ 248,517</u> |
| Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund balances are included with business-type activities and reported as interfund balances | | |
| | \$ 185,170 | |
| Total net position per Government-Wide financial statements | <u>\$ 23,705,285</u> | |

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

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position –Year Ended December 31, 2020

| | Duncan Public Utilities Authority Enterprise Fund | Internal Service Fund |
|---|--|----------------------------------|
| REVENUES | | |
| Water | \$ 7,921,334 | \$ - |
| Electric | 18,381,332 | - |
| Wastewater | 2,356,399 | - |
| Sanitation | 3,665,611 | - |
| Lake | 222,553 | - |
| Airport | 43,808 | - |
| Charges for services | - | 760,205 |
| Miscellaneous | 239,274 | - |
| Total operating revenues | <u>32,830,311</u> | <u>760,205</u> |
| OPERATING EXPENSES | | |
| General government | 2,532,652 | 159,550 |
| Water | 4,872,753 | - |
| Wastewater | 994,246 | - |
| Sanitation | 3,483,716 | - |
| Electric | 16,094,050 | - |
| Lake | 1,033,535 | - |
| Airport | 37,275 | - |
| Claims expense | - | 296,310 |
| Depreciation | 4,050,503 | - |
| Total operating expenses | <u>33,098,730</u> | <u>455,860</u> |
| Operating income loss | <u>(268,419)</u> | <u>304,345</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest and investment revenue | 66,475 | 233 |
| Miscellaneous revenue | 360,310 | 12,014 |
| Operating grants and contributions | 4,351 | - |
| Forgiveness of debt | 246,254 | - |
| Interest expense | (953,156) | - |
| Total non-operating revenue (expenses) | <u>(275,766)</u> | <u>12,247</u> |
| Income (loss) before contributions and transfers | <u>(544,185)</u> | <u>316,592</u> |
| Capital grants and contributions | 48,420 | - |
| Capital contributions from governmental activities | 2,388,309 | - |
| Transfers in | 235,322 | - |
| Transfers out | (4,000,000) | - |
| Change in net position | <u>(1,872,134)</u> | <u>316,592</u> |
| Total net position - beginning | 25,392,249 | (68,075) |
| Total net position - ending | <u>\$ 23,520,115</u> | <u>\$ 248,517</u> |
| Change in net position per above | \$ (1,872,134) | |
| Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue of certain internal service fund are reported with business-type activities | 66,409 | |
| Change in Business-Type Activities in Net Postion per Government-Wide Financial Statements | <u>\$ (1,805,725)</u> | |

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

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

Proprietary Funds Statement of Cash Flows – Year Ended December 31, 2020

| | Duncan Public Utilities Authority | Internal Service Funds |
|--|--|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 33,418,945 | \$ 783,511 |
| Payments to suppliers and employees | (22,508,269) | (161,456) |
| Claims and judgments paid | - | (142,237) |
| Receipts of customer meter deposits | 365,801 | - |
| Refunds of customer meter deposits | (377,354) | - |
| Interfund payments | (26,825) | - |
| Net cash provided by (used in) operating activities | <u>10,872,298</u> | <u>479,818</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from other funds | 235,322 | - |
| Transfers to other funds | (4,000,000) | - |
| Net cash provided by (used in) noncapital financing activities | <u>(3,764,678)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchases of capital assets | (2,007,281) | - |
| Proceeds of capital grants | 86,400 | - |
| Principal paid on debt | (2,348,960) | - |
| Interest and fiscal agent fees paid on debt | (951,884) | - |
| Net cash provided by (used in) capital and related financing activities | <u>(5,221,725)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sales of investments | 468,490 | - |
| Interest and dividends | 107,840 | 233 |
| Net cash provided by investing activities | <u>576,330</u> | <u>233</u> |
| Net increase in cash and cash equivalents | 2,462,225 | 480,051 |
| Balances - beginning of year | <u>13,997,583</u> | <u>259,650</u> |
| Balances - end of year | <u>\$ 16,459,808</u> | <u>\$ 739,701</u> |
| Reconciliation to Statement of Net Position: | | |
| Cash and cash equivalents | \$ 14,276,766 | \$ 739,701 |
| Restricted cash and cash equivalents - current | 2,183,042 | - |
| Total cash and cash equivalents, end of year | <u>\$ 16,459,808</u> | <u>\$ 739,701</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ (268,419) | \$ 304,345 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 4,050,503 | - |
| Miscellaneous income | 364,661 | 12,014 |
| Change in assets, liabilities, and deferrals: | | |
| Due from other funds | (26,825) | - |
| Accounts receivable | 224,995 | - |
| Other receivable | (1,022) | - |
| Inventory | 15,536 | - |
| Deferred outflows related to pension | 840,668 | - |
| Deferred outflows related to OPEB | (26,129) | - |
| Accounts payable | 669,614 | 11,292 |
| Accrued payroll payable | 15,874 | - |
| Deposits subject to refund | (11,553) | - |
| Due to other funds | - | (1,906) |
| Due to other governments | 24,699 | - |
| Total OPEB liability | (221,078) | - |
| Deferred inflows related to OPEB | 215,589 | - |
| Accrued compensated absences | 40,609 | 154,073 |
| Deferred inflows related to pension | (732,315) | - |
| Net pension liability | 5,696,891 | - |
| Net cash provided by operating activities | <u>\$ 10,872,298</u> | <u>\$ 479,818</u> |
| Noncash activities: | | |
| Assets acquired by capital lease | \$ - | \$ - |
| Assets transferred from other funds | 2,388,309 | - |
| | <u>\$ 2,388,309</u> | <u>\$ -</u> |

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

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

BASIC FINANCIAL STATEMENTS – FIDUCIARY FUNDS

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

Fiduciary Funds Statement of Net Position –December 31, 2020

| | City Employees Retirement Trust Funds |
|--|--|
| ASSETS | |
| Cash and cash equivalents | \$ 282,164 |
| Investments, at fair value: | |
| Common trust funds | 3,011,764 |
| Mutual fund equity | 1,657,111 |
| Mutual fund fixed income | 3,430,367 |
| Accrued interest receivable | 2,771 |
| Total assets | <u>\$ 8,384,177</u> |
| LIABILITIES | |
| Total liabilities | <u>\$ 6,705</u> |
| NET POSITION | |
| Restricted for employees' pension benefits held in trust | <u>\$ 8,377,472</u> |

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

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2020

Fiduciary Funds Statement of Changes in Plan Net Position – Year Ended December 31, 2020

| | City Employees Retirement Trust Funds |
|---|--|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 739,350 |
| Plan members | 115,094 |
| Total contributions | <u>854,444</u> |
| Investment earnings: | |
| Net increase in fair value of investments | 681,328 |
| Interest and dividends | 177,426 |
| Total net investment earnings | <u>858,754</u> |
| Total additions | <u>1,713,198</u> |
| DEDUCTIONS | |
| Benefits paid to participants or beneficiaries | 1,710,937 |
| Refunds of contributions | 132,745 |
| Administrative | 33,566 |
| Total deductions | <u>1,877,248</u> |
| Change in net position held in trust for employees' pension benefits | (164,050) |
| Net position held in trust for employees' pension benefits - beginning, restated | <u>8,541,522</u> |
| Net position held in trust for employees' pension benefits- ending | <u>\$ 8,377,472</u> |

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

CITY OF DUNCAN, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – DISCRETELY PRESENTED COMPONENT UNITS

CITY OF DUNCAN, OKLAHOMA
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Discretely Presented Component Units Combining Statement of Net Position –December 31, 2020

| | Major Component Units | | Nonmajor Component Unit | |
|--|--|--|--------------------------------------|----------------------|
| | Duncan Area Economic Development Foundation | Duncan Industrial Authority | Duncan Hospital Authority | TOTALS |
| <u>ASSETS</u> | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 3,464,042 | \$ 33,364 | \$ 25,666 | \$ 3,523,072 |
| Investments | 3,199,927 | - | - | 3,199,927 |
| Receivables: | | | | |
| Accounts receivable | 103,064 | - | - | 103,064 |
| Interest receivable | 11,028 | - | - | 11,028 |
| Other | 47,544 | 1,497 | - | 49,041 |
| Cash and cash equivalents, restricted | 205,803 | - | - | 205,803 |
| Prepaid building lease | 1,052 | - | - | 1,052 |
| Total current assets | 7,032,460 | 34,861 | 25,666 | 7,092,987 |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Depreciable, net of accumulated depreciation | 9,682,299 | - | - | 9,682,299 |
| Land available for development | 1,079,550 | 76,724 | - | 1,156,274 |
| Total noncurrent assets | 10,761,849 | 76,724 | - | 10,838,573 |
| Total Assets | \$ 17,794,309 | \$ 111,585 | \$ 25,666 | \$ 17,931,560 |
| <u>LIABILITIES</u> | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 34,511 | \$ 1,905 | \$ - | \$ 36,416 |
| Wages payable | 201 | - | - | 201 |
| Interest payable | 1,007 | - | - | 1,007 |
| Unearned lease revenue | 67,139 | - | - | 67,139 |
| Real estate mortgage loan | 417,672 | - | - | 417,672 |
| Total Liabilities | 520,530 | 1,905 | - | 522,435 |
| <u>NET POSITION</u> | | | | |
| Net investment in capital assets | 9,682,299 | 76,724 | - | 9,759,023 |
| Restricted | 7,591,480 | - | - | 7,591,480 |
| Unrestricted | - | 32,956 | 25,666 | 58,622 |
| Total Net Position | \$ 17,273,779 | \$ 109,680 | \$ 25,666 | \$ 17,409,125 |

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

CITY OF DUNCAN, OKLAHOMA
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Discretely Presented Component Units Combining Statement of Activities - Year Ended December 31, 2020

| | Major Component Units | | Nonmajor Component Unit | |
|--|--|--|--------------------------------------|----------------------|
| | Duncan Area Economic Development Foundation | Duncan Industrial Authority | Duncan Hospital Authority | TOTALS |
| Operating Revenues: | | | | |
| Contributions | \$ 879,772 | \$ - | \$ - | \$ 879,772 |
| Rentals | 222,933 | - | - | 222,933 |
| Total Operating Revenues | 1,102,705 | - | - | 1,102,705 |
| Operating Expenses: | | | | |
| Economic development | 1,240,101 | 178,507 | - | 1,418,608 |
| Total Operating Expenses | 1,240,101 | 178,507 | - | 1,418,608 |
| Operating Income (Loss) | (137,396) | (178,507) | - | (315,903) |
| Non-Operating Revenues: | | | | |
| Investment income | 64,546 | 566 | 53 | 65,165 |
| Miscellaneous income | 2,085 | - | - | 2,085 |
| Gain on sale of assets | 25,164 | - | - | 25,164 |
| Total non-operating revenues | 91,795 | 566 | 53 | 92,414 |
| Change in Net Position | (45,601) | (177,941) | 53 | (223,489) |
| Net Position, beginning of year | 17,319,380 | 287,621 | 25,613 | 17,632,614 |
| Net Position, end of year | \$ 17,273,779 | \$ 109,680 | \$ 25,666 | \$ 17,409,125 |

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

CITY OF DUNCAN, OKLAHOMA
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As of and for the Year Ended December 31, 2020

I. Organization

The City of Duncan, Oklahoma, (the City) operates under a Council-Manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

II. Summary of significant accounting policies

A. Reporting entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations. The City's financial statements also include three discretely presented component units, which are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended component units. The Duncan Public Utilities Authority (DPUA) was created to finance, develop, and operate the electric, water, sewer, and solid waste activities. The current City Council serves as the entire governing body (trustees) and city management has operational responsibility of the DPUA. Any issuance of debt would require a two-thirds approval of the City Council. DPUA is reported as an enterprise fund.

The Duncan Economic Development Trust Authority (DEDTA) was created to develop, finance, and promote the development of industry within the City of Duncan and the surrounding area. The current City Council serves as its entire governing body (trustees) and city management has operational responsibility of the DEDTA. Any issuance of debt would require a two-thirds approval of the City Council. DEDTA is reported as a special revenue fund.

Duncan Enhancement Trust Authority (DETA) was created to develop, finance, and promote the beautification and aesthetic enhancement of the appearance of the City. The current City Council serves as its entire governing body (trustees) and city management has operational responsibility of the DETA. Any issuance of debt would require a two-thirds approval of the City Council. DETA is reported as a special revenue fund.

Separate, stand-alone financial statements are not prepared for the blended component units.

Discretely presented component units. Duncan Industrial Authority (DIA) was created to finance, promote, develop and maintain industry within the City of Duncan and the surrounding area. The governing body is appointed by the City Council. Any issuance of debt requires a two-thirds approval of the City Council. The DIA issues separate, stand-alone financial statements, which are available by contacting that entity at Box 1468, Duncan, OK 73534. The DIA fiscal year end is June 30, and this information included herein for DIA is as of and for the fiscal year ended June 30, 2020.

Duncan Hospital Authority (DHA) was created to provide financing for physical plant facilities, improvements, equipment, and medical services for the purpose of providing or improving health care within the City of Duncan. The governing body is appointed by the City Council. Any

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issuance of debt requires a two-thirds approval of the City Council. The DHA assets consists of a savings account remaining from when the City owned and operated the hospital. The Authority does not issue separate, stand-alone financial statements.

Duncan Area Economic Development Foundation (the “DAEDF”) was created as a non-profit corporation December 19, 1954 to promote industry development and job creation within the City and surrounding area. It is a legally separate, tax-exempt component unit of the City. The DAEDF receives the majority of its resources through a sales tax allocation from the City and these resources are restricted to directly benefit the constituents of the City, or the City itself. Because these restricted resources held by the DAEDF can only be used by, or for the benefit of the City or the City’s constituents, the DAEDF is considered a component unit of the City and its financial statements are discretely presented in the City’s financial statements. The DAEDF issues separate, stand-alone financial statements, which are available by contacting that entity at Box 1051, Duncan, OK 73534.

Each of these components, with the exception of the DAEDF (which is a non-profit organization), listed above are Public Trusts established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through 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 the state law, the City Council must approve, by two-thirds vote, all debt obligations of 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 from the Authorities 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.

Jointly Governed Organizations

The City, participates (with equity interest) in the general operations portion of the South Central Oklahoma Environmental Authority (SCOEA). The City maintains approximately 78.9% equity interest in the Authority with the City’s of Marlow and Comanche.

The SCOEA’s Board is composed of three trustees one appointed by each governing body. SCOEA was created for the purpose of providing sanitation services to the three cities. SCOEA has contracted with a third party to perform these services. SCOEA operates on a fiscal year ending each June 30. The City paid the SCOEA \$3,483,716 in FY 2020 in connection with these sanitation services.

For the year ended June 30, 2020, the “investments in joint venture” balance changed as follows:

| | |
|---------------------------------------|-----------------|
| Beginning investment in joint venture | \$87,139 |
| Current year contributions | <u>(12,473)</u> |
| Beginning investment in joint venture | <u>\$74,666</u> |

The Following summary is segment information from the SCOEA most recently issued annual audited financial report, which was for the period ended June 30, 2020:

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| | |
|--------------------------|-----------|
| Total Assets | \$821,240 |
| Total Liabilities | 726,608 |
| Total Net Position | 94,632 |
| Total Revenues | 4,345,191 |
| Total Expenses | 4,361,000 |
| Increase in Net Position | (15,809) |

In addition, at June 30, 2020, SCOEA had paid off all notes payable. Separate financial statements are available from the Finance Department of the City Duncan.

B. Government-wide and fund financial statements

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Combined and/or individual financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and budgeted. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement type grants are recorded as revenues when the related expenditures are incurred. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, property taxes, franchise taxes, licenses, court fines and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following fund types:

General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for certain purposes.

Debt Service Funds are used to account for ad-valorem taxes levied by the City for use in retiring judgments rendered against the City.

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects.

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-type activities provided to the general public. Internal service funds are used to account for business-type activities provided and charged to other funds or entities within the reporting entity.

Fiduciary funds are used to report net position and changes therein of assets held by the City in a fiduciary capacity. The net position is not available for operations of the City and is not included in the Government-wide financial statements. The City reports a Pension Trust Fund.

The funds of the financial reporting entity are described below:

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The most significant operating revenue is the sales tax. For reporting purposes the General Fund also includes the activities of the following accounts: Fire Uniform Allowance, Hunting and Fishing, and Deposit and Refund.
- The Duncan Economic Development Trust Authority is a special revenue fund that accounts for sales tax restricted for the promotion of economic development.

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- The Capital Improvement fund accounts for the purchase of capital equipment and construction of facilities funded with sales tax.

The City reports the following major proprietary fund:

- The Duncan Public Utilities Authority, accounts for the City's electric, water, sewer, sanitation, lake and airport operations. The funds major revenue source is user charges.

The City reports the following internal service funds:

- Worker's Comp internal service fund accounts for workers' compensation insurance services provided to other departments or agencies of the City based on premiums charged per full-time employee.
- Self-Insurance/Internal service fund accounts for liability claim services and unemployment claims provided to other departments or agencies of the City based on premiums charged per full-time employee.

Included in the aggregated other governmental fund totals are the following funds:

- The Street and Alley Fund accounts for the operation and maintenance of local streets and thoroughfares through dedicated taxes.
- The Cemetery Care Fund accounts for the continuing care and maintenance as well as future capital investments of the City owned cemetery funded with fees restricted by external sources.
- The Library Gifts and Grants Fund accounts for grants and donations restricted for the operations of the library.
- The CDBG Grant Funds account for federal funds received by the City and expenditures related to the operation of these grants.
- The E-911 Dispatch Fund accounts for the operations and maintenance of the City's 911 emergency services through dedicated taxes.
- The Police Grants and Seizures Fund account for grants and seized property funds for police operations.
- The Technology Fund accounts for funds committed for technology improvements related to municipal court.
- Duncan Enhancement Trust Authority accounts for funds restricted for city wide beautification.
- The Sinking Fund accounts for ad valorem tax collected to retire judgments levied against the City.

The City reports one fiduciary fund:

- City Employees Retirement Trust Fund accounts for assets and changes therein of the City's single employer defined benefit plan for non-uniform personnel hired before March 2015, and the defined contribution plan for certain long-term city employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges

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between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Duncan Public Utilities Authority enterprise fund and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, deferred outflows, liabilities, deferred inflows, and fund equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less at the date of acquisition. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments consist of long-term certificates of deposit, U.S. Treasury bonds and notes, U.S. agency securities, government money market funds, mutual funds and common stock (in the employee retirement fund only). Although classified as investments for purposes of the statement of cash flows, certificates of deposit are considered deposits and are reported at cost, while all other investments are reported at fair value. Fair value is the price that would be received in an orderly transaction between market participants at the measurement date.

2. Receivable and payable

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In addition, because the City has a pooled cash arrangement for the majority of its funds, for financial reporting purposes, a negative position in the pooled cash fund is reflected as a due to other funds, with corresponding due from other funds presented in funds with positive cash positions in the pooled cash fund.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for governmental activities include sale and use taxes, franchise taxes, grant and court fines. Non-exchange transactions collectible but not available are deferred inflows (unavailable revenues) in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Business-type activities report utilities as its major

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receivable, and include receivables for which services have been provided but not billed as of the end of the fiscal year. Accounts receivable are net of the allowance for doubtful accounts.

3. *Restricted assets*

Certain proceeds of the DPUA enterprise fund promissory notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the Proprietary Funds Statement of Net Position because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants. The projects fund account is used to report those proceeds that are restricted for use in construction. The debt service fund account is used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt services account. The Waurika debt service account is used to segregate resources from a one-cent restricted sales tax accumulated for debt service payments over the remaining life of the notes.

4. *Inventories*

Inventories in proprietary funds consist of transformers, electrical supplies and other materials held for utility installation. The items are recorded at cost when purchased and transferred to capital assets when used if the item is an improvement that extends the life of the asset, or they are expensed.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------------------|--------------|
| Buildings | 25-50 |
| Improvements other than buildings | 10-50 |
| Infrastructure | 20-75 |
| Furniture, equipment, and vehicles | 2-40 |

DAEDF capitalizes individual items of property and equipment when the cost exceeds \$5,000.

6. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation benefits after six months of employment. Sick leave is earned by full-time, permanent employees upon hire. City employees are entitled to payment for accrued vacation benefits upon termination with a maximum of 520 hours and accrued compensatory time with a maximum of 40 hours. Firefighters are paid 85% of excess sick leave over 1,040 hours per year, not to exceed 108 hours. Upon retirement, police officers are paid 20% of total accrued sick leave up to a maximum of 1,040 hours. The General Fund is used to liquidate compensated absences in the governmental activities.

Vacation pay is accrued when earned and sick leave is recorded when vested in the government-wide and proprietary fund financial statements. In governmental funds, these amounts are recorded when they are due and payable.

7. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statements of Net Position. If applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using a neutral method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

8. *Deferred Outflow/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenues) until that time. The City reports deferred outflows and deferred inflows for items related to pensions, OPEB, and deferred costs related to refundings. The City also reports deferred inflows of resources for unavailable revenues, court fines and grants, in its governmental funds financial statements.

9. Fund equity

Government-Wide and Proprietary Fund Financial Statements:

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.
- 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.”

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements:

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance, while the DETA and DEDTA’s highest levels of decision-making authority are by resolution.
- 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, motion or resolution, or by management decision when the city council has authorized management (city manager) to make the decision. Assignments for transfers and interest income for governmental funds are made through the 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.

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

E. Revenues, Expenditures, and Expenses

1. Sales Tax

The City levies a three and one-half cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded as follows:

- Two (2) cents recorded in the General Fund for general operations. Fifty-five one hundredths (.55) of one cent is then transferred from the General Fund to the DPUA as pledged revenue for the 2007 Sales Tax Revenue Note, in accordance with the pledged sales tax agreement.
- One (1) cent recorded in the Capital Improvement Fund as restricted by the voters for capital improvement or for debt service payments on capital projects.
- One-half (.50) cent recorded in the Duncan Economic Development Trust Authority (DEDTA) as restricted by the voters for economic development (.25) and capital improvements (.25).

2. Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

Oklahoma State Statutes give the City the ability to levy a property tax to fund court assessed judgments and general obligation bonds. The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent or more than 13 ½ percent.

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 considered delinquent the following October. Property taxes levied, but not collected during the year or within 60 days of the year-end are reported as deferred inflows of resources.

For the year ended December 31, 2020, the City's net assessed valuation of taxable property was \$161,531,563. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended December 31, 2020 was \$0.58.

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3. Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each category:

- General Government – rents and royalties, special assessments, and federal and state operating and capital grants.
- Public Safety – court fines and fees, fire runs, restitution, school resource officer reimbursements, state on-behalf pension payments, property seizures, and federal and state capital and operating grants.
- Streets – reimbursements, motor fuel and commercial vehicle taxes, and federal and state grants.
- Cemetery – cemetery opening and closings, lot sales, and monument fees.
- Culture and Recreation – park and recreation fees, library fines and fees, donations, swimming pool fees, lake permits and fees, donations and federal and state capital and operating grants.
- Community Development – license and permits.
- Economic Development – reimbursements and fees.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

4. Expenditures/Expenses

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by function, capital outlay, and debt service. In proprietary fund financial statements, expenses are reported by activity. Fiduciary funds report deductions to net position.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles general accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

III. Detailed Notes on All Funds

A. Deposits and investments – The City held the following deposits/investments at December 31, 2020:

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PRIMARY GOVERNMENT:

Schedule of Deposits and Investments by Type

| Type | Fair Value | Credit Rating | Fair Value Category | Maturities in Years | | | | |
|--|----------------------|---------------|---------------------|---------------------|-------------|-------------|-------------|---------------------|
| | | | | Less Than One | 1 - 5 | 6 - 10 | 11-20 | 20+ |
| Government money markets | \$ 881,686 | AAAm | n/a | 881,686 | - | - | - | - |
| US Agency | 7,396,572 | AA+ | Level 2 | - | - | - | - | 7,396,572 |
| Mutual funds fixed income | 7,876,426 | not rated | Level 2 | 7,876,426 | - | - | - | - |
| Sub-total | 16,154,684 | | | <u>\$ 8,758,112</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,396,572</u> |
| Demand accounts | \$ 30,791,403 | n/a | n/a | | | | | |
| Cash on hand | 3,818 | n/a | n/a | | | | | |
| Mutual Funds: | | | | | | | | |
| Equity | 1,657,111 | n/a | Level 1 | | | | | |
| Common trust fund equity | 3,011,764 | n/a | Level 1 | | | | | |
| | <u>\$ 51,618,780</u> | | | | | | | |
| Reconciliation to Statement of Net Position: | | | | | | | | |
| Cash and cash equivalents | \$ 33,657,760 | | | | | | | |
| Cash and cash equivalents restricted | 2,183,042 | | | | | | | |
| Investments | 3,257,529 | | | | | | | |
| Investments, restricted | 4,139,043 | | | | | | | |
| Pension cash and cash equivalents | 282,164 | | | | | | | |
| Pension investments | 8,099,242 | | | | | | | |
| | <u>\$ 51,618,780</u> | | | | | | | |

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of an asset. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date; Level 2 inputs are quoted prices for similar assets or significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical investments. Fixed income investments classified in Level 2 of the fair value hierarchy are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors. Valuation estimates from service providers' internal models use observable inputs such as interest rates, graded curves, credit/risk spreads and default rates. Matrix pricing techniques value securities based on their relationship to benchmark quoted market prices.

The City has adopted an investment policy for the general City accounts, Duncan Public Utilities Authority, and the Duncan Economic Development Trust Authority, as discussed below in the City's policies on Investment Credit Risk. A separate policy has been adopted for the City Retirement Plan.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than a market value of 102% of the uninsured deposits. The City's policy limits acceptable collateral to U.S. Treasury bills, notes or bonds; Government National Mortgage Association obligations; Student Loan Marketing Association obligations; Federal National Mortgage Association obligations; Federal Home Loan Mortgage Corporation obligations; Small Business Association obligations; Federal Farm Credit Bank obligations; Federal Land Bank obligations; Federal Home Loan Bank obligations; and insured or

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direct obligations of the State of Oklahoma or its' agencies, counties or school districts. At December 31, 2020, the City's deposits were fully insured and collateralized.

Exposure to custodial credit risk related to investments exists when the 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. At December 31, 2020, the City had no investments that are exposed to custodial credit risk.

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 outlined in the table above. The City of Duncan's formal investment policy requires that the portfolio be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the City's legal constraints, investment risk constraints and the cash flow characteristics of the portfolio.

Investment Credit Risk. Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The City's investments are subject to credit risk as shown in the table above. The City of Duncan's policy limits investments to those items allowed in State Statutes: a) obligations of the U.S. Government, its agencies or instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; b) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; c) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; d) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes or public trusts whose beneficiary is a county, municipality or school district; and e) government money market funds regulated by the SEC.

Concentration of Investment Credit Risk. Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this consideration. All U.S. Agencies investments held by the city are explicitly guaranteed by the U.S. government.

PENSION PLAN INVESTMENTS:

The Plan policy provides that assets be invested to provide for "growth and income" with the primary objective to provide a balance between capital appreciation and current income. The Plan shall be invested in a diversified portfolio that will provide current income to pay retirees and equity investments for long-term growth. The overall rate of return objective of the portfolio is a reasonable "real" rate, consistent with the risk levels established by the Pension Board. The minimum acceptable long-term rate of return over a full market cycle (5 year) is that which achieves the total return of its benchmark while maintaining a risk level similar to, or less than, that of the benchmark.

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Asset allocation guidelines for the Plan are as follows:

| Class | Target Percent | December 2020 Percent |
|------------------------|-----------------------|------------------------------|
| Equities | 45-65% | 31% |
| Small Cap Equities | Up to 25% | 21% |
| International Equities | Up to 15% | 4% |
| Fixed Income | 35%-55% | 40% |
| Cash and equivalents | 0% to 5% | 4% |

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 Plan (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this consideration. All investments of the plan are in common trust funds, money markets or cash at December 31, 2020.

Rate of return – For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.6 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

COMPONENT UNITS:

The DIA was not exposed to custodial credit risk at December 31, 2020. The \$33,364 of cash and cash equivalents was held in cash deposits and interest-bearing certificate of deposits were insured by Federal Depository Insurance (FDIC). The DIA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The DHA was not exposed to custodial credit risk at December 31, 2020. The \$25,666 of cash and cash equivalents was held in cash deposits fully insured by Federal Depository Insurance (FDIC) or direct obligations of the U.S. government. The DHA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The DAEDF total demand deposits and certificates of deposit in banks were \$1,257,355 of which \$1,162,263 were covered by FDIC insurance. The deposits are placed with quality financial institutions and management believes the risk of loss is minimal. In addition, DAEDF certificates of deposit totaling \$3,172,164 with interest from .75% to 1.93% with maturities from February 2021 to April 2022.

B. Receivables

Receivables as of December 31, 2020, for the City of Duncan's governmental and business-type activities, including the applicable allowances for uncollectible accounts are as follows:

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| | Accounts Receivable | Less: Allowance for Uncollectible Accounts | Net Accounts Receivable |
|-------------------------------|------------------------|--|-------------------------------|
| Governmental Activities: | | | |
| Taxes | \$ 126,181 | \$ - | \$ 126,181 |
| Court fines | 1,489,072 | (1,194,547) | 294,525 |
| Annuities | 45,907 | - | 45,907 |
| Other | 103,868 | - | 103,868 |
| Total Governmental Activities | <u>\$ 1,765,028</u> | <u>\$ (1,194,547)</u> | <u>\$ 570,481</u> |
| Business-Type Activities: | | | |
| Utilities | <u>\$ 4,381,883</u> | <u>\$ (323,816)</u> | <u>\$ 4,058,067</u> |

C. Restricted assets

The amounts reported as restricted assets of the business-type activities are comprised of assets held by the trustee bank on behalf of the Duncan Public Utilities Authority related to their required revenue note and bond accounts, as well as deposits held for refund.

| <u>Type of Restricted Assets</u> | Current Cash and Cash Equivalents | Noncurrent <u>Investments</u> | Total |
|----------------------------------|---|----------------------------------|---------------------|
| Due to Depositors | \$ 1,061,913 | \$ - | \$ 1,061,913 |
| Trustee Accounts: | | | |
| 2009A Debt Service Account | 86,430 | - | 86,430 |
| 2009A SRF | 44,177 | - | 44,177 |
| OWRB 2002A Debt Service Account | 63,530 | - | 63,530 |
| 2012 Note Revenue Account | 307,845 | - | 307,845 |
| Waurika Debt Service | 619,147 | 4,139,043 | 4,758,190 |
| Total Restricted Assets | <u>\$ 2,183,042</u> | <u>\$ 4,139,043</u> | <u>\$ 6,322,085</u> |

DAEDF restricted assets consist of unexpended sales tax funds transferred from the primary government to be used for economic development.

D. Capital Assets

The following is a summary of changes in capital assets during fiscal year 2020 for the primary government:

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PRIMARY GOVERNMENT:

| | Balance at January 1, 2020 | Additions | Deductions | Interfund Transfers | Balance at December 31, 2020 |
|---|-------------------------------|--------------|------------|------------------------|---------------------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,234,712 | \$ - | \$ - | \$ - | \$ 1,234,712 |
| Construction in progress | 57,144 | 296,347 | 150,013 | - | 203,478 |
| Total capital assets not being depreciated | 1,291,856 | 296,347 | 150,013 | - | 1,438,190 |
| Capital assets being depreciated: | | | | | |
| Buildings | 26,222,342 | 1,630,234 | - | - | 27,852,576 |
| Machinery, furniture and equipment | 15,682,819 | 2,252,623 | 405,526 | - | 17,529,916 |
| Infrastructure | 93,551,763 | - | - | - | 93,551,763 |
| Total other capital assets at historical cost | 135,456,924 | 3,882,857 | 405,526 | - | 138,934,255 |
| Less accumulated depreciation for: | | | | | |
| Buildings | 13,456,344 | 938,893 | - | 7,674 | 14,402,911 |
| Machinery, furniture and equipment | 11,403,310 | 1,083,392 | 405,526 | (7,674) | 12,073,502 |
| Infrastructure | 71,230,422 | 2,276,035 | - | - | 73,506,457 |
| Total accumulated depreciation | 96,090,076 | 4,298,320 | 405,526 | - | 99,982,870 |
| Capital assets being depreciated, net | 39,366,848 | (415,463) | - | - | 38,951,385 |
| Governmental activities capital assets, net | \$ 40,658,704 | \$ (119,116) | \$ 150,013 | \$ - | \$ 40,389,575 |

| | Balance at January 1, 2020 | Additions | Deductions | Interfund Transfers | Balance at December 31, 2020 |
|---|-------------------------------|--------------|--------------|------------------------|---------------------------------|
| Business-type activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 374,176 | \$ - | \$ - | \$ - | \$ 374,176 |
| Construction in progress | 2,652,652 | 3,242,318 | 1,524,232 | - | 4,370,738 |
| Total capital assets not being depreciated | 3,026,828 | 3,242,318 | 1,524,232 | - | 4,744,914 |
| Capital assets being depreciated: | | | | | |
| Buildings | 24,630,922 | 1,202,115 | - | 178,165 | 26,011,202 |
| Machinery, furniture and equipment | 8,142,685 | 1,475,389 | 69,301 | - | 9,548,773 |
| Utility property | 99,200,908 | - | - | (178,165) | 99,022,743 |
| Water rights | 18,785,708 | - | - | - | 18,785,708 |
| Total other capital assets at historical cost | 150,760,223 | 2,677,504 | 69,301 | - | 153,368,426 |
| Less accumulated depreciation for: | | | | | |
| Buildings | 11,794,073 | 959,658 | - | 8,908 | 12,762,639 |
| Machinery, furniture and equipment | 5,365,212 | 473,897 | 69,301 | - | 5,769,808 |
| Utility property | 69,049,957 | 2,383,992 | - | (8,908) | 71,425,041 |
| Water rights | 11,564,071 | 232,956 | - | - | 11,797,027 |
| Total accumulated depreciation | 97,773,313 | 4,050,503 | 69,301 | - | 101,754,515 |
| Capital assets being depreciated, net | 52,986,910 | (1,372,999) | - | - | 51,613,911 |
| Business-type activities capital assets, net | \$ 56,013,738 | \$ 1,869,319 | \$ 1,524,232 | \$ - | \$ 56,358,825 |

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

| | |
|------------------------|------------|
| General government | \$ 192,705 |
| Culture and recreation | 337,322 |
| Community development | 11,950 |
| Health and welfare | 47,727 |
| Economic development | 226,470 |
| Public safety | 843,870 |
| Streets | 2,638,276 |

\$ 4,298,320

Business-Type Activities:

| | |
|------------|--------------|
| Water | \$ 1,869,441 |
| Wastewater | 936,708 |
| Sanitation | 243,771 |
| Electric | 479,995 |
| Lake | 318,314 |
| Airport | 202,274 |

\$ 4,050,503

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DAEDF capital assets were as follows:

| Duncan Area Economic Development Foundation: | Balance, December 31, 2020 |
|---|---|
| Capital assets, being depreciated: | |
| Buildings and improvements | \$ 16,069,560 |
| Equipment | 264,579 |
| Total capital assets, being depreciated | <u>16,334,139</u> |
| Less accumulated depreciation | <u>(6,651,840)</u> |
| Total capital assets, being depreciated, net | <u>9,682,299</u> |
| Governmental activities capital assets, net | <u><u>\$ 9,682,299</u></u> |

E. Long-term liabilities

Long-term liabilities of the City of Duncan as of December 31, 2020, are summarized as follows:

Governmental Activities

Capital Leases Payable:

| | |
|---|------------|
| \$624,888 capital lease agreement for the purchase of a 2017 fire truck, payable to First Bank in annual installments of \$161,621, including interest at 2.00%, with final payment due January 2021. | \$ 158,261 |
| \$118,180 capital lease agreement for the purchase of an asphalt machine, payable to OK State Bank in annual installments of \$25,358, including interest at 2.39%, with final payment due September 2022. | 48,969 |
| \$41,946 capital lease agreement for the purchase of a tractor, payable to OK State Bank in annual installments of \$9,001, including interest at 2.39%, with final payment due September 2022. | 17,381 |
| \$73,136 capital lease agreement for the purchase of a 3-2018 Ford F150 pickups, payable to First Bank & Trust Co. in annual installments of \$25,500, including interest at 2.25%, with final payment due August 2021. | 24,905 |

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Capital Leases Payable (continued):

| | |
|--|--------------|
| \$29,228 capital lease agreement for the purchase of a 2019 Chevrolet pickup, payable to First Bank & Trust Co. in annual installments of \$7,798, including interest at 2.75%, with final payment due August 2021. | 14,981 |
| \$76,471 capital lease agreement for the purchase of a 2019 Chevrolet street sweeper, payable to First Bank & Trust Co. in annual installments of \$16,357, including interest at 2.25%, with final payment due June 2023. | 46,857 |
| \$30,821 capital lease agreement for the purchase of a 2018 Ford F150 pickup, payable to First Bank & Trust Co. in annual installments of \$6,593, including interest at 2.25%, with final payment due August 2022. | 18,902 |
| \$46,969 capital lease agreement for the purchase of a brush truck, payable to First Bank & Trust Co. in annual installments of \$10,121, including interest at 2.50%, with final payment due September 2023. | 28,855 |
| \$29,863 capital lease agreement for the purchase of a 2018 Ford F150, payable to First Bank & Trust Co. in annual installments of \$10,432, including interest at 2.25%, with final payment due July 2021. | 10,268 |
| \$31,876 capital lease agreement for the purchase of a 2018 Ford van, payable to First Bank & Trust Co. in annual installments of \$11,224, including interest at 2.75%, with final payment due October 2021. | 10,896 |
| \$31,007 capital lease agreement for the purchase of a 2019 Ford F150, payable to First Bank & Trust Co. in annual installments of \$8,351, including interest at 3.00%, with final payment due December 2022. | 15,914 |
| \$25,652 capital lease agreement for the purchase of a 2018 Ford F250, payable to First Bank & Trust Co. in annual installments of \$6,737, including interest at 2.00%, with final payment due June 2022. | 13,145 |
| \$95,723 capital lease agreement for the purchase of a brush apparatus bed, payable to First Bank & Trust Co. in annual installments of \$20,928, including interest at 3.00%, with final payment due January 2024. | 77,683 |
| \$241,488 capital lease agreement for the purchase of a motor grader, payable to Prosperity Bank, in monthly installments of \$2,230, including interest at 3.50%, with final payment due August 2024. | 214,932 |
| \$561,101 capital lease agreement for the purchase of a pumper truck, payable to First Bank in annual installments of \$119,245, including interest at 2.03%, with final payment due June 2025. | 561,101 |
| \$183,110 capital lease agreement for the purchase of an excavator, payable to First Bank in annual installments of \$39,824, including interest at 2.85%, with final payment due March 2025. | 183,110 |
| \$379,408 capital lease agreement for the purchase of radio equipment, payable to Motorola in annual installments of \$80,408 including interest at 2.60%, with final payment due January 2024. | 301,431 |
| | \$ 1,747,591 |

Compensated Absences:

Accrued compensated absences. The general fund typically has been used to liquidate this liability.

\$ 1,686,046

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Business-type Activities

Notes payable -direct borrowings:

| | |
|---|--------------|
| \$12,068,282 note payable to the Waurika Lake Master Conservancy District, issued January 10, 1978, payable in monthly installments of \$55,060, including principal and interest at 3.463%, final payment due June 30, 2030. The note is secured by pledged revenues of the DPUA and a one percent sales tax restricted for debt retirement. Debt was issued for the City's use of water rights. | \$ 4,526,818 |
| \$3,080,000 note payable to the Waurika Master Conservancy District, issued May 26, 2015, payable in monthly variable amounts, final payment due October 1, 2040. The note is secured by pledged water revenues of the DPUA. Debt was issued for the City's use of water system improvements. | 2,636,663 |
| \$6,666,600 note payable to the Waurika Master Conservancy District, issued December 2017, payable in monthly variable amounts, final payment due October 1, 2035. The note is secured by pledged water revenues of the DPUA. Debt was issued for the City's use of water system improvements. | 6,269,521 |
| \$3,606,378 note payable to the Oklahoma Water Resources Board, issued September 12, 2002, payable semi-annually with interest at 0.0%, the DPUA pays a 0.5% administrative fee, final payment due August 15, 2022. The note is secured by pledged revenues of the DPUA. Debt was issued for wastewater system improvements. | 360,637 |
| \$7,635,000 note payable to the Oklahoma Water Resources Board, originally issued September 28, 2005 and amended September 12, 2013, payable semi-annually with interest at 2.75% and an administrative fee of 0.5%, final payment due March 15, 2026. The note is secured by pledged revenues of the DPUA. Debt was issued for water system improvements. | 517,000 |
| \$7,755,000 note payable to the Oklahoma Water Resources Board, originally issued September 26, 2007 and amended September 12, 2013, payable semi-annually with interest at 3.20% and an administrative fee of 0.5%, final payment due September 15, 2029. The note is secured by pledged revenues of the DPUA. Debt was issued for water system improvements. | 973,000 |
| \$4,130,000 note payable to the Oklahoma Water Resources Board, issued March 17, 2009, payable semi-annually with interest at 3.13%, and an administrative fee of 0.5%, final payment due September 15, 2030. The note is secured by pledged revenues of the DPUA. Debt was issued for a construction of a new water tower. | 2,940,000 |

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Notes payable - direct borrowings (continued):

| | |
|--|-----------------------------|
| \$11,245,000 note payable to the Oklahoma Water Resources Board, issued August 26, 2009, payable semi-annually with interest at 2.79% and an administrative fee of 0.5%, final payment due September 15, 2030. The note is secured by pledged revenues of the DPUA. Debt was issued to upgrade pump stations and install automated meters. | 7,075,000 |
| \$7,390,000 Series 2012 Utility System Revenue Note, issued October 12, 2012, payable to BancFirst semi-annually with interest at 2.350%, final payment due September 2021. The note is secured by pledged revenues of the DPUA. Debt was issued for the refunding of the 2002B and 2009 Notes. | 906,000 |
| \$20,446,00 note payable to the Oklahoma Water Resources Board, issued December 6, 2019, payable semi-annually with interest at 2.16%, and an administrative fee of 0.5%, final payment due March 15, 2052. The note is secured by pledged revenues of the DPUA. Debt was issued for a sewer infiltration reduction program. | 1,883,764 |
| \$11,325,000 note payable to the Oklahoma Water Resources Board, issued December 26, 2018, payable semi-annually with interest at 2.28%, and an administrative fee of 0.5%, final payment due September 15, 2050. The note is secured by pledged revenues of the DPUA. Debt was issued for a rehabilitation of the dam spillway. | <u>929,117</u> |
| Total notes payable | <u>\$ 29,017,520</u> |

Capital Leases Payable:

| | |
|---|-----------|
| \$73,660 capital lease agreement for the purchase of a backhoe, payable to First Bank & Trust Co. in annual installments of \$15,157, including interest at 2.25%, with final payment due July 2023. | \$ 46,392 |
| \$254,532 capital lease agreement for the purchase of a 2018 Freightliner - Jetta Truck, payable to First Bank & Trust Co. in annual installments of \$54,445, including interest at 2.25%, with final payment due July 2023. | 155,898 |
| \$102,385 capital lease agreement for the purchase of a 2018 Ford F550 bucket truck, payable to First Bank & Trust Co. in annual installments of \$22,223, including interest at 2.75%, with final payment due December 2023. | 63,058 |
| \$26,004 capital lease agreement for the purchase of a 2019 Ford F250, payable to First Bank & Trust Co. in annual installments of \$9,156, including interest at 2.75%, with final payment due October 2021. | 8,889 |

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Capital Leases Payable (continued):

\$24,129 capital lease agreement for the purchase of a 2018 Chevrolet half ton pickup, payable to First Bank & Trust Co. in annual installments of \$8,413, including interest at 2.25%, with final payment due August 2021. 8,214

\$192,443 capital lease agreement for the purchase of a 2019 M2-106 Truck with digger, payable to First Bank & Trust Co. in annual installments of \$41,769, including interest at 2.75%, with final payment due October 2023. 118,465

\$29,378 capital lease agreement for the purchase of a 2018 Chevrolet, payable to First Bank & Trust Co. in annual installments of \$7,768, including interest at 2.25%, with final payment due June 2022. 15,016

\$40,000 capital lease agreement for the purchase of four payment kiosk, payable to VenTek International, in monthly installments of \$830, including interest at 9.0%, with final payment due May 2023. 20,900

\$120,431 capital lease agreement for the purchase of 2019 bucket truck, payable to First Bank & Trust Co., in annual installments of \$32,316, including interest at 2.85%, with final payment due November 2023. 91,442

Total capital leases \$ 528,274

Compensated Absences:

Accrued compensated absences. The Duncan Public Utilities Authority typically has been used to liquidate this liability. \$ 363,192

In the event of default on debt borrowed from the Oklahoma Water Resources Board (OWRB) and the DPUA Utility system Revenue Note, Series 2012 the lenders may 1) file suit for specific performance of covenants contained in the agreement; 2) accelerate maturity; 3) gain control of operations through temporary trustees; or 4) file suit to enforce or enjoin action of parties under provisions of the indenture, security agreement or lease agreement.

In the event of default on debt issued through the Waurika Master Conservancy District the District shall have all the rights and remedies at law or equity as may be allowed by law, including but not limited to, suit for specific performance of any or all of the covenants of the Authority or the City contained in the debt agreement.

Long-term liability transactions for the year ended December 31, 2020 and changes therein were as follows:

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| Type of Debt | Balance January 1, 2020 | Additions | Deductions | Balance December 31, 2020 | Due Within One Year |
|-----------------------------------|----------------------------|----------------------------|---------------------|------------------------------|------------------------|
| Governmental Activities: | | | | | |
| Capital leases payable | \$ 1,081,987 | \$ 1,123,619 | \$ 458,015 | \$ 1,747,591 | \$ 543,030 |
| Accrued compensated absences | 1,504,813 | 181,233 | - | 1,686,046 | 168,605 |
| Claims liability | 378,486 | 296,310 | 142,237 | 532,559 | 213,024 |
| Total Governmental Activities | <u>\$ 2,965,286</u> | <u>\$ 1,601,162</u> | <u>\$ 600,252</u> | <u>\$ 3,966,196</u> | <u>\$ 924,659</u> |
| | | Add: Total OPEB liability | | 2,763,748 | |
| | | Add: Net Pension Liability | | 15,735,247 | |
| | | | | <u>\$ 22,465,191</u> | |
| Business-Type Activities: | | | | | |
| Notes Payable (direct borrowings) | \$ 31,430,841 | \$ 1,984,733 | \$ 4,398,054 | \$ 29,017,520 | \$ 3,913,667 |
| Premium on debt issued | 591,229 | - | 37,538 | 553,691 | - |
| Capital leases payable | 710,168 | - | 181,894 | 528,274 | 186,663 |
| Meter deposits | 1,093,461 | - | 11,552 | 1,081,909 | 1,081,908 |
| Accrued compensated absences | 322,583 | 40,609 | - | 363,192 | 36,319 |
| Total Business-Type Activities | <u>\$ 34,148,282</u> | <u>\$ 2,025,342</u> | <u>\$ 4,629,038</u> | <u>\$ 31,544,586</u> | <u>\$ 5,218,557</u> |
| | | Add: Total OPEB liability | | 1,042,329 | |
| | | Add: Net Pension Liability | | 26,073,559 | |
| | | | | <u>\$ 58,660,474</u> | |

Annual debt service requirements to maturity for long-term debt are as follows:

| Fiscal Year Ending December 31, | Governmental Activities | | | |
|---------------------------------|-----------------------------------|---------------------|-------------------|------------------|
| | Capital Leases | | | |
| | Principal | | Interest | |
| 2021 | \$ 543,030 | | \$ 43,077 | |
| 2022 | 346,998 | | 30,352 | |
| 2023 | 298,139 | | 21,934 | |
| 2024 | 404,580 | | 12,943 | |
| 2025 | 154,844 | | 3,459 | |
| | <u>\$ 1,747,591</u> | | <u>\$ 111,765</u> | |
| | | | | |
| Fiscal Year Ending December 31, | Business-Type Activities | | | |
| | Notes Payable (direct borrowings) | | Capital Lease | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 3,913,667 | \$ 815,959 | \$ 186,663 | \$ 1,460 |
| 2022 | 3,839,514 | 754,968 | 174,433 | 9,142 |
| 2023 | 3,926,141 | 655,605 | 167,178 | 10,894 |
| 2024 | 4,055,650 | 549,158 | - | - |
| 2025 | 2,029,528 | 450,525 | - | - |
| 2026-2030 | 6,164,935 | 1,506,846 | - | - |
| 2031-2035 | 4,110,897 | 621,419 | - | - |
| 2036-2040 | 977,188 | 83,314 | - | - |
| | <u>\$ 29,017,520</u> | <u>\$ 5,437,794</u> | <u>\$ 528,274</u> | <u>\$ 21,496</u> |

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DAEDF has a mortgage loan payable to finance expansion of a commercial property; permanent financing of the construction project was completed in November 2009 in the amount of \$4,500,000. The loan requires monthly payments of \$42,842 including interest at 5.508 percent until maturity on October 15, 2021. The loan is secured by commercial real estate with a net book value of \$3,773,365. Total interest paid during 2020 was \$36,776. The current loan balance is \$417,672. Future debt service requirements are as follows:

| Fiscal Year Ending December 31, | DAEDF Component Unit | |
|---------------------------------------|----------------------|------------------|
| | Notes Payable | |
| | Principal | Interest |
| 2021 | \$ 417,672 | \$ 10,772 |
| | <u>\$ 417,672</u> | <u>\$ 10,772</u> |

Pledge of Future Revenues

Utility Revenues Pledge – The City has also pledged future gross water, wastewater, electric and garbage revenues to repay \$3,606,378 of the 2002A Series OWRB Note Payable, \$7,635,000 of the 2005 Series OWRB Note Payable, \$7,755,000 of the 2007 Series OWRB Note Payable, \$4,130,000 of the 2009 Series OWRB Note Payable, \$11,245,000 of the 2009A series OWRB Note Payable, \$7,390,000 of the 2012 Utility Revenue Note, \$11,325,000 of the 2018 series OWRB Note Payable, and \$20,446,000 of the 2019 series OWRB Note Payable. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2022, 2026, 2029, 2030, 2030, 2021, 2050 and 2052, respectively. The total principal and interest payable for the remainder of the life of these notes is \$16,938,805. The notes are payable from the above-mentioned utility revenues. The debt service payments on the notes this year were \$3,727,253 which was 11.5% of pledged utility revenues of \$32,375,211.

Water Revenues Pledge - The City has also pledged future gross water revenues to repay \$9,318,240 of Waurika Master Conservancy District Debt. The debt was refinanced in 2017. Proceeds from the note provided water rights. The note is payable through 2035. The total principal and interest payable for the remainder of the life of the note is \$8,442,497. The note is payable from the above-mentioned utility revenues. The debt service payments on the note this year were \$806,101 which was 10.2% of pledged utility revenues of \$7,921,334.

F. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2020 is as follows:

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| Receivable Fund | Payable Fund | Amount | Nature of Interfund Balance |
|----------------------------|--------------|-------------------|----------------------------------|
| * Capital Improvement Fund | * DEDTA | \$ 109,526 | Project funding |
| Sinking Fund | * General | 2,183 | Revenue posted to incorrect fund |
| * DPUA | * General | 326,825 | Revenue posted to incorrect fund |
| | | <u>\$ 438,534</u> | |

* Denotes major fund.

Reconciliation to Fund Financial Statements:

| | Due From | Due to | Net Interfund Balances |
|--------------------|-------------------|-------------------|------------------------|
| Governmental Funds | \$ 111,709 | \$ 438,534 | \$ (326,825) |
| Proprietary Funds | 326,825 | - | 326,825 |
| | <u>\$ 438,534</u> | <u>\$ 438,534</u> | <u>\$ -</u> |

Reconciliation to Statement of Net Position:

| | |
|---|-------------------|
| Net Internal Balances | \$ 326,825 |
| Internal Service Fund Activity reported in Business-type Activities | 185,170 |
| Net Internal Balances - Government Wide | <u>\$ 511,995</u> |

A summary of interfund transfers for the fiscal year ended December 31, 2020 is as follows:

| Transfer From | Transfer To | Amount | Purpose of Transfer |
|----------------------------|-------------|---------------------|-------------------------------|
| 911 Telephone | * General | \$ 93,090 | Budgeted operational transfer |
| DEDTA | * DPUA | 34,112 | operational cost |
| * DPUA | * General | 4,000,000 | Budgeted operational transfer |
| * General | DETA | 60,000 | Budgeted operational transfer |
| * Capital Improvement Fund | * DPUA | 201,210 | Capital projects |
| Total | | <u>\$ 4,388,412</u> | |

* Denotes major fund.

Reconciliation to Fund Financial Statements:

| | Transfers In | Transfers Out | Net Transfers |
|--------------------|---------------------|-----------------------|---------------|
| Governmental Funds | \$ 4,153,090 | \$ (388,412) | \$ 3,764,678 |
| Proprietary Funds | 235,322 | (4,000,000) | (3,764,678) |
| | <u>\$ 4,388,412</u> | <u>\$ (4,388,412)</u> | <u>\$ -</u> |

Reconciliation to Statement of Activities:

| | |
|---|---------------------|
| Net transfers governmental activities | \$ 3,764,678 |
| Transfer of capital assets to business-type activities | (2,388,309) |
| Transfer of operation expense to business-type activities | (288,726) |
| Transfers - internal activity | <u>\$ 1,087,643</u> |

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G. Net Position

Government-Wide and Proprietary Fund Financial Statements

The following table shows the net position restricted for other purposes shown on the Statement of Net Position:

| Fund | Restricted By | Amount |
|--|------------------------|-----------------------------|
| Governmental Activities: | | |
| Cemetery Fund | Statutory requirements | \$ 146,034 |
| Street and Alley Fund | Statutory requirements | 152,259 |
| E911 Fund | Statutory requirements | 179,796 |
| | | <u>\$ 478,089</u> |
| CDBG Fund | External sources | \$ 90,700 |
| Police grants and seizures | External sources | 102,481 |
| Library grants | External sources | 5,816 |
| Economic Development Fund | External sources | 8,349,834 |
| Capital Projects Fund | External sources | 9,136,004 |
| Debt Service Fund | External sources | 184,047 |
| | | <u>\$ 17,868,882</u> |
| Total Governmental Restricted | | <u><u>\$ 18,346,971</u></u> |
| Reconciliation to Statement of Net Position: | | |
| Restricted for: | | |
| Debt service | | \$ 184,047 |
| Public Safety | | 282,277 |
| Capital projects | | 9,136,004 |
| Economic development | | 8,349,834 |
| Other | | 394,809 |
| Total Governmental Restricted | | <u><u>\$ 18,346,971</u></u> |

Governmental Fund Financial Statements:

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

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| | General Fund | DEDTA | Capital Improvement Fund | Other Governmental Funds | Total |
|------------------------------------|-----------------|--------------|--------------------------------|--------------------------------|---------------|
| Restricted for: | | | | | |
| Street improvements | \$ - | \$ - | \$ - | \$ 152,259 | \$ 152,259 |
| Cemetery improvements | - | - | - | 146,034 | 146,034 |
| CDBG programs | - | - | - | 90,700 | 90,700 |
| E911 dispatch | - | - | - | 179,796 | 179,796 |
| Debt service | - | - | - | 209,461 | 209,461 |
| Police | - | - | - | 102,481 | 102,481 |
| Economic development | - | 8,338,768 | - | 11,066 | 8,349,834 |
| Culture and recreation | - | - | - | 5,816 | 5,816 |
| Capital improvements | - | - | 9,136,004 | - | 9,136,004 |
| Sub-total restricted | - | 8,338,768 | 9,136,004 | 897,613 | 18,372,385 |
| Committed for: | | | | | |
| Technology | - | - | - | 18,331 | 18,331 |
| Assigned for: | | | | | |
| Supplement next fiscal year budget | 1,785,658 | - | - | - | 1,785,658 |
| Sub-total assigned | 1,785,658 | - | - | - | 1,785,658 |
| Unassigned | 2,420,694 | - | - | - | 2,420,694 |
| TOTAL FUND BALANCE | \$ 4,206,352 | \$ 8,338,768 | \$ 9,136,004 | \$ 915,944 | \$ 22,597,068 |

H. Postemployment Healthcare Plan

Plan Description. The City offers post-employment benefits (OPEB) for medical insurance to qualifying retirees and their dependents. 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 cost. 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 Duncan Employees Retirement System. Retirees may continue coverage with the City by paying a portion (approximately 49% at the end of 2020) of the carrier premium rate. Coverage is available until the age of 65 for retirees. Authority to establish and amend benefit provisions rests with the City Council. Benefits are paid from general operating assets of the City. No assets are accumulated in a trust to pay benefits. The plan does not issue separate financial statements.

Benefits provided - The Plan covers all current retirees of the City who elected post-retirement medical coverage through the City Health Plan and future retired employees of the City's 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, prescription, dental and vision. Beginning July 1, 2017 and each July 1 thereafter, retirees will pay the cost of any premium increases annually to their health plan coverage. In addition, they will pay an additional 10% of the current premium cost until the retiree is paying 100% of the premium cost.

Contributions - Retirees continue coverage with the City by paying a portion (approximately 60% at the end of 2020) of the carrier premium rate. Authority to establish and amend contributions rests with the City Council. The amount of benefit payments during fiscal year December 31, 2020 were \$182,859.

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Employees Covered by Benefit Terms

| | |
|--|-------------------|
| Active Employees | 228 |
| Inactive not yet receiving benefits | 0 |
| Inactive or beneficiaries receiving benefits | <u>24</u> |
| Total | <u><u>252</u></u> |

Total OPEB Liability – The total OPEB liability was determined based on an actuarial valuation performed as of December 31, 2020 which is also the measurement date.

Actuarial Assumptions- The total OPEB liability in the December 31, 2020 valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 2.12% based on the 20 year municipal bond yield
- Pay increases – 3.0% per annum
- Retirement Age – Civilians - 55 with 10 years of service, Police and Fire 20 years of service
- Mortality – RP-2014, with improvement scale MP-2020
- Inflation rate – 2.5% per annum
- Medical Trend Rates

| <u>Year</u> | <u>Rate</u> |
|-------------|-------------|
| 2021 | 6.0% |
| 2022 | 5.5% |
| 2023 | 4.5% |
| 2024 | 4.5% |
| 2025+ | 4.0% |

Changes in Total OPEB Liability –

| | Total OPEB Liability |
|--|-----------------------------|
| Balances at Beginning of Year | <u>\$ 4,772,871</u> |
| Changes for the Year: | |
| Service cost | 33,944 |
| Interest expense | 121,522 |
| Difference in expected and actual experience | (1,053,956) |
| Difference due to changes in actuarial assumptions | 86,310 |
| Employer contributions | <u>(154,614)</u> |
| Net Changes | <u><u>(966,794)</u></u> |
| Balances End of Year | <u><u>\$ 3,806,077</u></u> |

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The total OPEB liability of \$3,806,077 is allocated \$2,763,748 to governmental activities and \$1,042,329 to business-type activities based on the number of employees covered by benefit terms.

The changes in assumptions relate to a change in the discount rate from 2.74% at January 1, 2020 to 2.12% at December 31, 2020. The mortality table was changed to reflect recent improvements in mortality.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2020, the City recognized OPEB expense of \$56,580. At December 31, 2020, 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 |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 2,148,684 |
| Changes of assumptions | 655,958 | 90,972 |
| Changes in proportion on OPEB plan investments | 217,713 | 217,713 |
| Total | <u>\$ 873,671</u> | <u>\$ 2,457,369</u> |

Any amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in pension expense in future years as follows:

Year Ended June 30:

| | |
|------------|-----------------------|
| 2021 | \$ (212,046) |
| 2022 | (212,046) |
| 2023 | (212,046) |
| 2024 | (212,046) |
| 2025 | (215,153) |
| Thereafter | (520,361) |
| | <u>\$ (1,583,698)</u> |

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 total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12 percent) or 1-percentage-point higher (3.12 percent) than the current discount rate:

| | 1% Decrease (1.12%) | Current Discount Rate (2.12%) | 1% Increase (3.12%) |
|---------------------------------|----------------------|--------------------------------|----------------------|
| Employer's total OPEB liability | \$3,950,698 | \$3,806,077 | \$3,668,125 |

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 (5.0 percent decreasing to 3.0 percent) or 1-percentage-point higher (7.0 percent decreasing to 5.0 percent) than the current healthcare cost trend rates:

| | 1% Decrease (5.00% decreasing to 3.0%) | Current Rate (6.00% decreasing to 4.0%) | 1% Increase (7.00% decreasing to 5.0%) |
|---------------------------------|---|---|--|
| Employer's total OPEB liability | \$3,646,906 | \$3,806,077 | \$3,975,844 |

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IV. Other Information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has insurance for the major risks such as property and general liability, and is self-insured for workers' compensation and employee health.

- General Liability – Covered through purchased insurance.
- Physical Property – Covered through purchase insurance with a \$1,000 deductible.
- Workers Compensation – self-insured using a third party administrator that process claims and establish reserves. The City has a stop-loss policy which covers individual claims in excess of \$600,000, per occurrence. The maximum indemnity limit is \$2,000,000.
- Employee's Group Medical –Covered through purchased commercial insurance.
- Judgments against the City may be paid by a property tax assessment over a three-year period. Claims have not exceeded coverage in the past three years.

Claims Liability Analysis

The claims liabilities related to the above noted risk of loss that is retained is determined in accordance with Generally Accepted Accounting Principles, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For the internal service self-insurance workers' compensation fund changes in the claims liability for the City from December 31, 2018 to December 31, 2020, are as follows:

CLAIMS LIABILITY ANALYSIS

| | Worker's Comp |
|-------------------------------------|----------------------|
| Claims liability, December 31, 2018 | \$ 515,267 |
| Claims and changes in estimates | 59,919 |
| Claims payments | (196,700) |
| Claims liability, December 31, 2019 | 378,486 |
| Claims and changes in estimates | 296,310 |
| Claims payments | (142,237) |
| Claims liability, December 31, 2020 | <u>\$ 532,559</u> |

The City estimates that the liability of \$532,559 is \$213,024 (40%) current and \$319,535 (60%) long-term.

B. Commitments and contingent liabilities

Grant Programs

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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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.

Construction Commitments

The City had the following outstanding construction commitments at December 31, 2020.

| Fund/Project | Balance Remaining at December 31, 2020 |
|-------------------------------------|---|
| Outfall Line | \$ 29,800 |
| SCADA (chlorination/dechlorination) | 50,592 |
| SCADA (chlorination/dechlorination) | 21,261 |
| Dam Replacement | 230,999 |
| Clear Creek Spillway Replacement | 6,319,608 |
| Permacast Wall Plato Security Fence | 92,143 |
| Storm Drain repair - Simmons Center | 43,338 |
| Sewer Line Improvement Project | 90,500 |

Purchased Power

The Duncan Public Utilities Authority has entered into a long term contract with the Oklahoma Municipal Power Authority (OMPA), to purchase electrical power and transmission services required for the operations of the electrical system. Purchased power requirements are based upon average demand.

Asset Retirement Obligation

The City has incurred certain asset retirement obligations related to the operation of its wastewater utility system. The estimated liability of the legally required closure costs for the wastewater utility system cannot be reasonably estimated as of December 31, 2020, since the specific legally required costs of retirement has not yet been identified. The City anticipates identifying those specific legally required costs and obtaining an estimate of those costs in a subsequent fiscal year.

C. Tax Abatement

The City enters into sales tax rebate agreements with local businesses as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic Development programs and provide sales tax increments for development as part of its economic development plan.

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Due to confidentiality laws in Oklahoma Statutes Title 68, Section 1354.11, the amounts of sales taxes rebated will not be disclosed. The following business had rebate agreement with the City:

The City entered in a tax abatement agreement with a developer for the construction of a hotel. Under the terms of the agreement the city will rebate 2% the sales tax collected for a period of five years. Amount to be rebated cannot exceed \$500,000 over five years. The Hotel opened in June 2020.

D. Employee retirement systems and pensions plans

The City of Duncan participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Copies of the State of Oklahoma sponsored multiple-employer plans and a schedule of funding progress is available, for each from the respective Plan. Additionally, for City employees not covered by these plans, the City of Duncan maintains the City of Duncan Employee Retirement Plan, a single employer defined benefit pension plan, and also a defined contribution plan designated as the Employee Retirement System of City of Duncan, Oklahoma, Defined Contribution Plan. A summary of all the amounts recorded in the City's financial statements for the plans is as follows:

| | Governmental Activities | Business Type Activites | Total |
|--------------------------------------|----------------------------|----------------------------|---------------|
| Net Pension Liability | | | |
| Police Pension System | \$ 922,330 | \$ - | \$ 922,330 |
| Firefighter's Pension System | 9,800,483 | - | 9,800,483 |
| Single Employer Plan | 5,012,434 | 26,073,559 | 31,085,993 |
| Total Net Pension Liability | \$ 15,735,247 | \$ 26,073,559 | \$ 41,808,806 |
| Deferred Outflows of Resources | | | |
| Police Pension System | \$ 1,449,978 | \$ - | \$ 1,449,978 |
| Firefighter's Pension System | 1,825,200 | - | 1,825,200 |
| Single Employer Plan | 4,404,666 | 6,732,264 | 11,136,930 |
| Total Deferred Outflows of Resources | \$ 7,679,844 | \$ 6,732,264 | \$ 14,412,108 |
| Deferred Inflows of Resources | | | |
| Police Pension System | \$ 332,424 | \$ - | \$ 332,424 |
| Firefighter's Pension System | 876,645 | - | 876,645 |
| Single Employer Plan | 2,117,081 | 4,069,855 | 6,186,936 |
| Total Deferred Inflows of Resources | \$ 3,326,150 | \$ 4,069,855 | \$ 7,396,005 |
| Pension Expense | | | |
| Police Pension System | \$ 1,044,866 | \$ - | \$ 1,044,866 |
| Firefighter's Pension System | 1,683,490 | - | 1,683,490 |
| Single Employer Plan | 873,931 | 4,545,990 | 5,419,921 |
| Total Pension Expense | \$ 3,602,287 | \$ 4,545,990 | \$ 8,148,277 |

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Oklahoma State Police Pension and Retirement System (OPPRS)

Plan description - The City of Duncan, 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.

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 determined 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 \$348,368. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$323,610 during the current fiscal year and this is reported as both expense and revenue 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 \$348,368. These on-behalf payments did not meet the criteria of a special funding situation.

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - At December 31, 2020, the City reported a liability of \$922,330 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30,

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2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2020. Based upon this information, the City's proportion was 0.803108%.

For the year ended December 31, 2020, the City recognized pension expense of \$1,044,866. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 23,861 | \$ 250,480 |
| Changes of assumptions | 94,750 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,088,205 | - |
| Changes in proportion | 1,932 | 14,499 |
| Contributions during measurement date | 771 | 67,445 |
| City contributions subsequent to the measurement date | 240,459 | - |
| Total | <u>\$ 1,449,978</u> | <u>\$ 332,424</u> |

Deferred outflows of resources related to pensions totaling \$240,459 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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 December 31:

| | |
|------|-------------------|
| 2021 | \$ 103,635 |
| 2022 | 262,204 |
| 2023 | 342,080 |
| 2024 | 194,956 |
| 2025 | (25,780) |
| | <u>\$ 877,095</u> |

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------|---|
| Inflation: | 2.75% |
| Salary increases: | 3.5% to 12% average, including inflation |
| Investment rate of return: | 7.5% net of pension plan investment expense |
| Cost-of-living adjustments: | Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 |

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to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation).

Mortality rates:

Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2017.

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, 2020, are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|---|
| Fixed income | 5.11% |
| Domestic equity | 6.80% |
| International equity | 11.45% |
| Real estate | 8.60% |
| Private equity | 11.58% |
| Commodities | 0.00% |

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 revenue collected by the state, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was

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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 (Asset) 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 (asset) 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) | \$3,258,219 | \$922,330 | (\$1,053,341) |

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.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan description - The City of Duncan, 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 (OFPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OFPRS. OFPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided - FPRS provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

Normal Retirement:

- **Hired Prior to November 1, 2013**
Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.
- **Hired After November 1, 2013**
Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

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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-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

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 determine 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 \$364,000. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$824,123 during the current fiscal year and this is reported as both expense and revenue 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 \$824,123. These on-behalf payments did not meet the criteria of a special funding situation.

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - At December 31, 2020, the City reported a liability of \$9,800,483 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2020. Based upon this information, the City's proportion was 0.7956%.

For the year ended December 31, 2020, the City recognized a pension expense of \$1,683,490. At December 31, 2020, 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 | \$ 1,249,076 | \$ 131,499 |
| Changes of assumptions | - | 166,079 |
| Net difference between projected and actual earnings on pension plan investments | 144,056 | - |
| Changes in proportion | 171,093 | 314,031 |
| City contributions during measurement date | 448 | 265,037 |
| City contributions subsequent to the measurement date | 260,528 | - |
| Total | <u>\$ 1,825,201</u> | <u>\$ 876,646</u> |

Deferred outflows of resources related to pensions totaling \$260,528 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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:

| | |
|------|-------------------|
| 2021 | \$ 51,453 |
| 2022 | 253,740 |
| 2023 | 219,740 |
| 2024 | 163,094 |
| 2025 | - |
| | <u>\$ 688,027</u> |

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|----------------------------|--|
| Inflation: | 2.75% |
| Salary increases: | 2.75% to 10% average, including inflation |
| Investment rate of return: | 7.5% net of pension plan investment expense |
| Mortality rates | PubS-210 with generational mortality improvement using MP-2018 |

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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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, 2020, 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% | 7.41% |
| International equity | 15% | 9.82% |
| Real estate | 10% | 7.70% |
| Other assets | 8% | 5.67% |

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 employer 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> |
|----------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| Employer's net pension liability | \$ 12,727,740 | \$ 9,800,483 | \$ 7,351,378 |

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

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City of Duncan Employee Retirement Plan (the Plan) – Single-Employer, Defined Benefit Pension Plan

Plan Description – The City maintains a single-employer defined benefit retirement plan, the City of Duncan Employee Retirement Plan (the Plan), which covers employees not covered by other plans. The Plan is administered by a five member Board consisting of two department heads appointed by the City Council, the city clerk/treasurer, and two other city employees elected by their fellow employees. The City Council must approve all amendments to The Plan. The Plan does not issue separate financial statements.

Plan Participation and Benefits: Plan benefits and contribution rates are set by Ordinance approved by the City Council. All regular, full-time City employees hired prior to March 12, 2015 and not covered by other plans are required to participate in the Plan and temporary employees with 12 consecutive months of employment with the City. Benefits partially vest after ten years with full vesting after twenty years of service.

Employees hired prior to November 1, 1994, who retire at age 65 with completion of five years of service, are entitled to an annual retirement benefit, payable monthly in an amount equal to 3% of final average compensation multiplied by the number of years of credited service through April 30, 1995, plus 2.5% of the final average earning multiplied by years of credited service earned after April 30, 1995. Final average earnings for service are not to exceed 75% of final average earnings. Final average compensation is defined as the average over a 30 month continuous period.

For employees hired after November 1, 1994 and terminated prior to July 1, 2020, the monthly benefit is 2.5% of the final average earnings multiplied by the number of years of credited service, not to exceed 75% of final average compensation. Final average compensation is equal to 1/12th of the average of a participant's compensation over a 60 month consecutive period of employment resulting in the highest average. A participant who has completed eleven years of credited service will have a 10% vested interest in the Plan. This interest will increase to 100% after 20 years of credited service.

Because of the plan freeze, there is no further accrual of plan benefits after July 1, 2020.

Employees who have reached the maximum accrual rate may choose to freeze their accrued benefit and have future contributions made to a defined contribution account. See additional information at the section "City of Duncan Employee Retirement Plan Defined Contribution Plan".

Effective March 12, 2015 the plan was closed to new participants. Employees hired after that date participate in a defined contribution plan administered by the Oklahoma Municipal Retirement Fund. Effective for 2015 and later years, pay for purposes of the retirement plan is limited to no more than the annual rate of pay as of March 1, 2015.

Effective July 1, 2020, the plan was amended to freeze the accrual of plan benefits for all plan participants as of July 1, 2020. Also, no further employee contributions are required after July 1, 2020. As a result the plan is considered to have undergone a "hard freeze". In addition, all plan benefits are considered to be 100% fully vested for all City employees who are plan participants and who are employed on July 1, 2020.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed five years of service if hired prior to November 1, 1994 and ten years of service if hired after November

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1, 1994. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the amount of benefit will not be reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

A participant who becomes totally and permanently disabled will be entitled to a disability benefit based on a monthly benefit equal to the amount he would be entitled to on the Plan freeze date.

A death benefit is payable based upon the employees' accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse.

Plan Membership -

| | |
|--|------------|
| Active participants | 47 |
| Retired participants and beneficiaries | 98 |
| Inactive plan members not yet receiving benefits | <u>6</u> |
| Total Members | <u>151</u> |

Summary of Significant Accounting Policies and Plan Asset Matters - Basis of Accounting – Disclosures of the Plan's financial condition are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as Plan revenues in the period in which they are due to the plan per the plan agreement. Benefits and refunds are recognized when due and payable per plan provisions.

Measurement Dates - The net pension liability, changes in net pension liability and other information presented below as it pertains to the Plan is as of the actuarial valuation date of December 31, 2019, the end of the Plan's fiscal year. GASB Statement No. 67 requires that the Plan use a measurement date as of the end of the Plan's fiscal year. The net pension liability, changes in net pension liability and other information presented below as it pertains to the amounts recorded in the City's government-wide and proprietary funds financial statements is as of the December 31, 2019 actuarial valuation date. As permitted by GASB Statement No. 68, the City elected to adopt the beginning of the fiscal year for purposes measuring the net pension liability, deferred inflows and outflows of resources and pension expense recorded in the government-wide and proprietary funds financial statements.

Changes in Net Pension Liability – As stated above, the total pension liability recognized by the City was determined based on an actuarial valuation performed as of December 31, 2019, which is the measurement date elected by the City for purposes of recognizing the net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense. The mortality tables were updated in the current actuarial assumptions that affected the measurement of the total pension liability. As discussed above, effective in 2015, the plan is closed to new participants and is frozen as of July 1, 2020 and salaries for purposes of computing retirement plan benefits was frozen to the annual rate of pay as of March 1, 2015.

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City of Duncan Net Pension Liability - December 31, 2019 Plan Year

| | Total Pension Liability | Plan Net Position | Net Pension Liability |
|---|-------------------------|-------------------|-----------------------|
| Balances at beginning of year, January 1, 2019 | \$ 32,274,026 | \$ 7,279,925 | \$ 24,994,101 |
| Charges for year: | | | |
| Service cost | 445,081 | - | 445,081 |
| Interest expense | 1,467,009 | - | 1,467,009 |
| Contributions - employer | - | 750,283 | (750,283) |
| Contributions - employee | - | 200,428 | (200,428) |
| Net investment income | - | 1,208,634 | (1,208,634) |
| Changes of benefit terms | - | - | - |
| Difference between actual and expected experience | (209,790) | - | (209,790) |
| Changes in assumptions | 6,521,874 | - | 6,521,874 |
| Benefit payments, including refunds of member contributions | (1,730,223) | (1,730,223) | - |
| Plan administrative expenses | - | (27,060) | 27,060 |
| Net changes | \$ 6,493,951 | \$ 402,062 | \$ 6,091,889 |
| Balances at end of year, December 31, 2019 | \$ 38,767,977 | \$ 7,681,987 | \$ 31,085,990 |

City of Duncan Net Pension Liability - December 31, 2020 Plan Year

| | Total Pension Liability | Plan Net Position | Net Pension Liability |
|---|-------------------------|-------------------|-----------------------|
| Balances at beginning of year, January 1, 2020 | \$ 38,767,977 | \$ 7,681,987 | \$ 31,085,990 |
| Charges for year: | | | |
| Service cost | 240,971 | - | 240,971 |
| Interest expense | 1,192,499 | - | 1,192,499 |
| Contributions - employer | - | 708,130 | (708,130) |
| Contributions - employee | - | 90,849 | (90,849) |
| Net investment income | - | 784,889 | (784,889) |
| Changes of benefit terms | - | - | - |
| Difference between actual and expected experience | 968,970 | - | 968,970 |
| Changes in assumptions | 4,307,541 | - | 4,307,541 |
| Benefit payments, including refunds of member contributions | (1,790,572) | (1,790,572) | - |
| Plan administrative expenses | - | (20,567) | 20,567 |
| Net changes | \$ 4,919,409 | \$ (227,271) | \$ 5,146,680 |
| Balances at end of year, December 31, 2020 | \$ 43,687,386 | \$ 7,454,716 | \$ 36,232,670 |

The City reported \$5,419,921 in pension expense for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 349,209 | \$ 263,950 |
| Changes of assumptions | 4,462,458 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 193,832 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 5,625,755 | 5,729,154 |
| City contributions subsequent to the measurement date | 699,508 | - |
| Total | \$ 11,136,930 | \$ 6,186,936 |

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The \$699,508 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 December 31, 2021. Deferred Inflows of Resources related to the differences between expected and actual experience are amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period which was 2.64 and 2.21 years as of December 31, 2019 and 2020, respectively. Deferred outflows of resources related to the difference between expected and actual investment earnings are being amortized over a closed 5-year period as of the beginning of each measurement period. Other amounts reported as deferred outflows and inflows will be recognized in pension expense as follows:

| | | |
|-------------------------|----|------------------|
| Year ended December 31: | | |
| 2021 | \$ | 3,522,884 |
| 2022 | | 666,443 |
| 2023 | | 146,542 |
| 2024 | | (85,383) |
| 2025 | | - |
| | \$ | <u>4,250,486</u> |

Actuarial Assumptions – Unless stated otherwise, the assumptions described below are as of the actuarial valuation date of December 31, 2018 and December 31, 2019:

| | |
|------------------------------|---|
| Investment rate of return - | 7% |
| Projected salary increases - | 4% (0% after 2015) |
| Inflation - | 3% |
| Mortality - | RP-2017 Mortality Table, with Mortality Improvement scale MP-2020 |

Actuarial Method - GASB 67 requires the use of the Entry Age Normal Cost Method. Under the *Entry Age Normal Cost Method* the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability. It is equal to the theoretical asset accumulation had the plan always been in effect, all actuarial assumptions were perfectly met and the employer contributed the normal cost each year.

Rate of Return on Investments – The long-term expected rate of return on pension plan investments (7%) 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 percentages and by adding expected inflation (3.0%) and deducting investment-related expenses. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 are summarized in the following table:

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| Asset Class | Target Allocation | Real Return |
|-----------------------------------|-------------------|-------------|
| Equities | 50% | 2.90% |
| Fixed income | 46% | 1.10% |
| Cash equivalents 3 month Treasury | 4% | 0.00% |
| Inflation | N/A | 3.00% |

Money-Weighted Rate of Return on Investments – For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was a 10.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - The discount rate used to measure the total pension liability was a blended rate of 2.34 percent for the measurement date ended December 31, 2020. This was based on the expected rate of return of pension plan investments of 7.0% and the municipal bond rate of 2.12%. The discount rate includes no allowance for administrative expenses, which are expensed separately. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be 8 percent of pay and that City contributions will be 10 percent of pay until July 1, 2020. Beginning July 1, 2020 plan member contributions will be zero and the City contributions will be 5 percent of pay with additional supplementary contributions from the City under the established funding policy. By making additional contributions of an average of \$.7 million per year for twenty years there is a depletion date in year 24 within the 40 year projection period. Supplemental annual contributions of approximately \$.5 million have been made in recent years.

For the plan year ended December 31, 2019 the discount rate is 3.15%. This was based on the expected rate of return of pension plan investments of 7.0% and the municipal bond rate of 2.742%. The discount rate includes no allowance for administrative expenses, which are expensed separately. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be 8 percent of pay and that City contributions will be 10 percent of pay with additional supplementary contributions from the City under the established funding policy. By making additional contributions of \$.7 million per year for twenty years there is a depletion date in year 21 within the 40 year projection period. Supplemental annual contributions of approximately \$.7 million have been made in recent years.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the Plan, calculated using the discount rate of 3.15 and 2.34 percent, 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 (2.13 or 1.34 percent) or 1-percentage-point higher (4.15 or 3.34 percent) than the current rate:

| | 1% Decrease - 2.15% | Current Discount Rate - 3.15% | 1% Increase - 4.15% |
|--|---------------------|----------------------------------|---------------------|
| Plan Net Pension Liability - December 31, 2019 Plan Year | \$ 36,763,226 | \$ 31,085,990 | \$ 26,503,390 |
| | | | |
| | 1% Decrease - 1.34% | Current Discount Rate - 2.34% | 1% Increase - 3.34% |
| Plan Net Pension Liability - December 31, 2020 Plan Year | \$ 43,312,421 | \$ 36,232,670 | \$ 30,639,145 |

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The components of the net pension liability of the City and the Plan at December 31, 2020, were as follows:

| | City - Primary Government Financial Statements | Pension Plan |
|---|--|----------------------|
| Total Pension Liability | \$ 38,767,977 | \$ 43,687,386 |
| Plan Fiduciary Net Position | 7,681,987 | 7,454,716 |
| Net Pension Liability | <u>\$ 31,085,990</u> | <u>\$ 36,232,670</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | <u>19.82%</u> | <u>17.06%</u> |

Pension Fund Contingency - For the single-employer pension plan to remain solvent, the actuary has determined that the City must continue to make the annual contribution amount required by ordinance of 8% of covered wages for employees and 10% for employer. In addition, the employer must make additional contributions of approximately \$.7 million in year four (FY 2021) and for each of the next sixteen years.

City of Duncan Employee Retirement Plan - Defined Contribution Plan

Plan Description – As part of the City’s retirement system, the City has also provided a defined contribution plan and trust known as the City of Duncan “New Plan” Defined Contribution Plan under Section 401(a) of the IRS Code. The defined contribution plan is available to all full-time employees who have completed at least 30 years of credited service or are entitled to a monthly pension benefit of at least 75% of the Participant’s Final Average Earnings and who elects termination of coverage under the Defined Benefit Plan. Separate audited financial statements are not available.

The New Plan is administered by a five member Board of city employees. The City Council must approve changes to the plan. Benefits depend solely on amounts contributed to the Plan plus investment earnings. At December 31, 2020, there were eight (8) participants in the New Plan. The assets of the New Plan are held in trust for the benefit of the participants and are included in the Fiduciary Funds financial statements. At December 31, 2020, total assets held in trust were \$949,262.

Funding Policy – Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate upon thirty years of employment, and must make a mandatory minimum pre-tax contribution of 8%. By City ordinance, the City, as the employer, is required to make contributions to the Plan, based on an amount equal to the city contributions that would have been made under the Defined Benefit Plan. City contributions for fiscal year 2020 were 10%. The employee is always fully vested in the New Plan. The authority to establish and amend the provisions of the Plan rests with the City Commission. Contributions to the Plan for the year ended December 31, 2020, by employees and employer were \$29,184 and \$23,347, respectively, on a covered payroll of \$341,806.

City of Duncan Defined Contribution Plan Administered by OkMRF (the Plan)

Plan Description – Effective March 2015, the City began providing a defined contribution plan and trust known as the City of Duncan Plan “the Plan” in the form of The Oklahoma Municipal Retirement

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Master Defined Contribution Plan (OkMRF). OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The defined contribution plan is available to all full-time employees hired after March 12, 2015 except those participating in state police or fire programs.

Funding Policy – Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees must make a mandatory minimum pre-tax contribution of 5%. By City ordinance, the City, as employer, is required to make contributions to the plan based upon employee contributions under the pick-up option, at a current rate of 5% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) are vested at 50% after 5 years of service, 10% thereafter until fully vested after 10 years of service. The authority to establish and amend the provisions of the Plan rests with the City Council. Contributions to the Plan for the year ended December 31, 2020, for employees and employer were \$233,958 and \$233,958, respectively, on a covered payroll of \$4,679,124. Employer and employee contributions are held in trust by OkMRF.

City of Duncan Defined Contribution City Manager Plan Administered by OkMRF (the Plan)

Plan Description – Effective October 2016, the City began providing a defined contribution plan and trust known as the City of Duncan Plan "the Plan" in the form of The Oklahoma Municipal Retirement Master Defined Contribution Plan (OkMRF). OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The defined contribution plan is available to the City Manager. At December 31, 2020, there was one (1) participant in the Plan.

Funding Policy – Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees must make a mandatory minimum pre-tax contribution of 8%. By City ordinance, the City, as employer, is required to make contributions to the plan based upon employee contributions under the pick-up option, at a current rate of 8% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) immediately 100% vested. The authority to establish and amend the provisions of the Plan rests with the City Council. Contributions to the Plan for the year ended December 31, 2020, for employees and employer were \$12,648 and \$15,811, respectively, on a covered payroll of \$158,105. Employer and employee contributions are held in trust by OkMRF.

ICMA Retirement Deferred Compensation Plan

In addition to the above plans, the City of Duncan offers a retirement plan through ICMA which is funded 10 percent by the employer and 8 percent by employee contributions. Employee and employer contributions to the plan for the year ended December 31, 2020, the employer contributions were \$12,395 and employee contributions were \$9,915 on a covered payroll of \$123,950. Separate audited financial statements are not available.

E. DAEDF Operating Lease

In 2003, DAEDF leased an industrial building to a private company for twelve years with monthly rental payments of \$14,215. On November 1, 2009 a major expansion of the facilities was completed and the original lease was replaced with a new agreement providing for monthly rental payments of \$60,459 for an initial term of fifteen years and option for another five years. Future minimum lease payments are \$2,781,114.

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The Foundation receives other rental income from various tenants in exchange for office, manufacturing and warehouse space in connection with its business incubator program, Duncan Center for Business Development.

The Foundation completed construction on a new building and leased it for a period of eight years beginning April 2016 at a monthly rental of \$24,000 which began September 2016. During 2020 lease income on this property was \$150,000 and future minimum lease payments at \$2,040,000 as of December 31, 2020.

Total lease revenues from all properties for 2020 was \$1,191,326. Real estate lease revenue presented in the statement of activities is reflected net of direct expense in the amount of \$968,393, for a net decrease of \$222,933.

Cost and carrying amount of property held for leasing as of December 31, 2020:

| | |
|--------------------------|--------------------|
| Building and land (cost) | \$15,900,423 |
| Accumulated depreciation | <u>(6,550,983)</u> |
| Net book value | <u>\$9,349,437</u> |

Future minimum lease payments on lease agreements in existence at December 31, 2020 are approximately \$1,181,671 for 2021, \$1,033,651 for 2022, \$1,021,051 for 2023, \$900,133 for 2024 and \$295,543 for 2025.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules – General Fund - (Budgetary Basis) – Year Ended December 31, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts,</u> | <u>Variance with</u> |
|---|-------------------------|--------------------|------------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Budgetary Basis</u> | <u>Final Budget</u> |
| REVENUES | | | | |
| Taxes | \$ 9,700,482 | \$ 10,090,182 | \$ 9,991,415 | \$ (98,767) |
| Licenses and permits | 152,661 | 152,661 | 143,338 | (9,323) |
| Intergovernmental | 694,000 | 304,300 | 2,266,119 | 1,961,819 |
| Charges for services | 80,300 | 80,300 | 366,830 | 286,530 |
| Fees and fines | 707,600 | 707,600 | 620,330 | (87,270) |
| Investment earnings | 9,000 | 9,000 | 15,438 | 6,438 |
| Miscellaneous | 186,371 | 186,371 | 279,174 | 92,803 |
| Total revenues | <u>11,530,414</u> | <u>11,530,414</u> | <u>13,682,644</u> | <u>2,152,230</u> |
| EXPENDITURES | | | | |
| Departmental: | | | | |
| General government | 2,871,340 | 2,629,186 | 2,475,429 | 153,757 |
| Community development | 682,414 | 610,026 | 556,411 | 53,615 |
| Public safety | 10,317,251 | 10,511,520 | 10,674,515 | (162,995) |
| Highways and streets | 872,548 | 986,053 | 932,918 | 53,135 |
| Health | 402,465 | 402,464 | 399,161 | 3,303 |
| Culture and recreation | 1,334,045 | 1,340,814 | 1,263,904 | 76,910 |
| Total expenditures | <u>16,480,063</u> | <u>16,480,063</u> | <u>16,302,338</u> | <u>177,725</u> |
| Excess (deficiency) of revenues over expenditures | <u>(4,949,649)</u> | <u>(4,949,649)</u> | <u>(2,619,694)</u> | <u>2,329,955</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 4,097,845 | 4,097,845 | 4,093,090 | (4,755) |
| Transfers out | (108,000) | (108,000) | (108,000) | - |
| Total other financing sources and uses | <u>3,989,845</u> | <u>3,989,845</u> | <u>3,985,090</u> | <u>(4,755)</u> |
| Net change in fund balances | (959,804) | (959,804) | 1,365,396 | 2,325,200 |
| Fund balances - beginning | 959,804 | 959,804 | 2,643,909 | 1,684,105 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,009,305</u> | <u>\$ 4,009,305</u> |

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**Budgetary Comparison Schedules – DEDTA Major Special Revenue Fund - (Budgetary Basis) –
Year Ended December 31, 2020**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts, Budgetary Basis</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|--------------|--|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | \$ 1,986,294 | \$ 1,993,340 | \$ 1,843,710 | \$ (149,630) |
| Investment earnings | 68,580 | 57,759 | 39,545 | (18,214) |
| Miscellaneous | 6,820,000 | - | 35,765 | 35,765 |
| Total revenues | 8,874,874 | 2,051,099 | 1,919,020 | (132,079) |
| EXPENDITURES | | | | |
| Departmental: | | | | |
| Economic development | 10,776,325 | 1,711,027 | 1,950,032 | (239,005) |
| Total expenditures | 10,776,325 | 1,711,027 | 1,950,032 | (239,005) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (34,112) | (34,112) |
| Total other financing sources and uses | - | - | (34,112) | (34,112) |
| Net change in fund balances | (1,901,451) | 340,072 | (65,124) | (405,196) |
| Fund balances - beginning | 8,403,892 | 8,403,892 | 8,403,892 | - |
| Fund balances - ending | \$ 6,502,441 | \$ 8,743,964 | \$ 8,338,768 | \$ (405,196) |

Footnotes to Budgetary Comparison Schedule:

Budget Law

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

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

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

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

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In accordance with Title 60 of the Oklahoma State Statutes, the Duncan Public Utilities Authority, the Duncan Economic Development Trust Authority, the Duncan Industrial Authority and the Duncan Hospital Authority are required to prepare an annual budget and submit a copy to the city as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal spending limit.

Budgetary Accounting

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

The following is a reconciliation of the difference in budget and actual:

| | General Fund |
|---|---------------------|
| Total revenue - budgetary basis | \$ 17,775,734 |
| Total expenses - budgetary basis | (16,410,338) |
| Change in fund balance - budgetary basis | 1,365,396 |
| Add change in fund balance of sub-accounts combined for reporting purposes: | |
| Fire Uniform Allowance Account | 19,407 |
| Hunting and Fishing Account | 39,108 |
| Deposit and Refund | 6,206 |
| Change in fund balance - GAAP basis | <u>\$ 1,430,117</u> |

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

The city exceeded appropriations in the Highways and Streets function by \$162,995.

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CITY OF DUNCAN EMPLOYEE RETIREMENT PLAN -SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

| | Year Ended December 31, 2014 | Year Ended December 31, 2015 | Year Ended December 31, 2016 | Year Ended December 31, 2017 | Year Ended December 31, 2018 | Year Ended December 31, 2019 | Year Ended December 31, 2020 |
|--|---------------------------------|---------------------------------|---------------------------------|--|--|--|--|
| Total pension liability | | | | | | | |
| Service cost | \$ 819,768 | \$ 553,112 | \$ 526,133 | \$ 475,144 | \$ 415,875 | \$ 445,081 | \$ 240,971 |
| Interest | 1,507,326 | 1,573,160 | 1,560,485 | 1,562,236 | 1,445,573 | 1,467,009 | 1,192,499 |
| Changes of benefit terms | - | (1,104,023) | - | - | - | - | - |
| Difference between expected and actual experience | - | (483,444) | (286,458) | (1,222,112) | (614,991) | (209,790) | 968,970 |
| Changes of assumptions | - | - | - | 1,860,722 | 3,678,085 | 6,521,874 | 4,307,541 |
| Benefit payments, including refunds of member contributions | (1,585,149) | (1,585,679) | (1,781,876) | (1,674,840) | (1,739,203) | (1,730,223) | (1,790,572) |
| Net change in total pension liability | \$ 741,945 | \$ (1,046,874) | \$ 18,284 | \$ 1,001,150 | \$ 3,185,339 | \$ 6,493,951 | \$ 4,919,409 |
| Total pension liability - beginning | 28,321,561 | 29,063,506 | 28,016,632 | 28,087,537 | 29,088,687 | 32,274,026 | 38,767,977 |
| Total pension liability - ending (a) | \$ 29,063,506 | \$ 28,016,632 | \$ 28,034,916 | \$ 29,088,687 | \$ 32,274,026 | \$ 38,767,977 | \$ 43,687,386 |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 1,436,483 | \$ 1,880,420 | \$ 1,877,217 | \$ 806,899 | \$ 778,849 | \$ 750,283 | \$ 708,130 |
| Contributions - members | 368,322 | 334,780 | 303,402 | 249,490 | 240,438 | 200,428 | 90,849 |
| Net investment income | 342,804 | (76,239) | 666,290 | 963,257 | (410,245) | 1,208,634 | 784,889 |
| Benefit payments, including refunds of member contributions | (1,585,149) | (1,585,679) | (1,781,876) | (1,674,840) | (1,739,203) | (1,730,223) | (1,790,572) |
| Administrative expense | (54,172) | (29,434) | (64,067) | (65,576) | (22,473) | (27,060) | (20,567) |
| Other | - | - | - | - | - | - | - |
| Net change in plan fiduciary net position | 508,288 | 523,848 | 1,000,966 | 279,230 | (1,152,634) | 402,062 | (227,271) |
| Plan fiduciary net position - beginning | 6,067,606 | 6,575,894 | 7,099,742 | 8,153,329 | 8,432,559 | 7,279,925 | 7,681,987 |
| Plan fiduciary net position - ending (b) | \$ 6,575,894 | \$ 7,099,742 | \$ 8,100,708 | \$ 8,432,559 | \$ 7,279,925 | \$ 7,681,987 | \$ 7,454,716 |
| City's net pension liability - ending (a-b) | \$ 22,487,612 | \$ 20,916,891 | \$ 19,934,208 | \$ 20,656,128 | \$ 24,994,101 | \$ 31,085,990 | \$ 36,232,670 |
| Plan fiduciary net position as a percentage of the total pension liability | 22.63% | 25.34% | 28.90% | 29.00% | 22.56% | 19.82% | 17.06% |
| Covered-employee payroll | \$ 4,261,764 | \$ 4,046,479 | \$ 4,007,413 | \$ 2,535,041 | \$ 2,516,819 | \$ 2,017,753 | \$ 3,215,811 |
| City's net pension liability as a percentage of covered employee payroll | 527.66% | 516.92% | 497.43% | 814.82% | 993.08% | 1540.62% | 1126.70% |
| Actuarial Assumptions: | | | | | | | |
| Valuation date | December 31, 2013 | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 | December 31, 2018 | December 31, 2019 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization method | Level Dollar | Level Dollar | Level Dollar | Level Dollar | Level Dollar | Level Dollar | Level Dollar |
| Amortization period | 40 years rolling | 40 years rolling | 40 years rolling | 40 years rolling | 40 years rolling | 40 years rolling | 40 years rolling |
| Actuarial asset valuation method | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value |
| Investment rate of return | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% |
| Projected salary increases | 4.00% | 4.00% | N/A - compensation is frozen | N/A - compensation is frozen | N/A - compensation is frozen | N/A - compensation is frozen | N/A - compensation is frozen |
| Mortality table | RP 2000 projected | RP 2000 projected | RP 2000 projected | RP 2000 projected, with cohort projections | RP 2000 projected, with cohort projections | RP 2000 projected, with cohort projections | RP 2000 projected, with cohort projections |
| Experience study | | | | | | | |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten-year trend is compiled, pension plans should present information for those years for which information is available.

Note 1 - Changes of Benefit Terms - There were no significant changes of benefit terms.

Note 2 - Changes of Assumptions - The discount rate changed from 5.74% in 2016 to 5.12% in 2017 to 4.67% in 2018.

The discount rate changed from 4.67% in 2018 to 3.15% in 2019.

The discount rate changed from 3.15% in 2019 to 2.34% in 2020.

The mortality table improvement scale was changed in 2018, 2019 and 2020

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**CITY OF DUNCAN EMPLOYEE RETIREMENT PLAN
SCHEDULE OF CITY'S CONTRIBUTIONS
Last Ten Fiscal Years**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 1,026,297 | \$ 1,214,612 | \$ 950,603 | \$ 957,485 | \$ 1,345,314 | \$ 1,326,214 | \$ 1,477,104 | \$ 1,580,051 | \$ 1,555,638 | \$ 1,384,412 |
| Contributions in relation to the actuarially determined contribution | 708,130 | 750,283 | 778,849 | 806,899 | 1,877,216 | 1,918,481 | 1,442,614 | 1,446,929 | 1,235,749 | 940,566 |
| Contribution deficiency (excess) | \$ 318,167 | \$ 464,329 | \$ 171,754 | \$ 150,586 | \$ (531,902) | \$ (592,267) | \$ 34,490 | \$ 133,122 | \$ 319,889 | \$ 443,846 |
| Covered-employee payroll | \$ 2,717,229 | \$ 3,215,811 | \$ 2,516,819 | \$ 2,535,041 | \$ 4,007,413 | \$ 4,046,479 | \$ 4,046,479 | \$ 4,261,764 | \$ 4,440,377 | \$ 4,235,881 |
| Contributions as a percentage of covered-employee payroll | 26.1% | 23.3% | 30.9% | 31.8% | 46.8% | 47.4% | 35.7% | 34.0% | 27.8% | 22.2% |

Notes to Schedule:

| | |
|---|---|
| Valuation Date | December 31, 2019 |
| Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported. | |
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry Age Normal - percentage of pay basis |
| Amortization method | Level dollar |
| Remaining amortization period | 40 years rolling (funding) |
| Asset valuation method | Market Value |
| Inflation | 3.0% |
| Salary increases | 4%, including inflation. Not applicable after 2015. |
| Investment rate of return | 7.0% (before admin expenses) |
| Retirement age | Oklahoma municipal experience |

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**CITY OF DUNCAN EMPLOYEE RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS**

Last Ten Fiscal Years

| Year Ended | Annual money-weighted rate of return, net of investment expense |
|-------------------|--|
| 2020 | 10.60% |
| 2019 | 17.10% |
| 2018 | -5.40% |
| 2017 | 11.40% |
| 2016 | 9.13% |
| 2015 | -1.64% |
| 2014 | 5.61% |
| 2013 | 16.94% |
| 2012 | 9.87% |
| 2011 | -3.51% |

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SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability (asset) | 0.8122% | 0.7539% | 0.7799% | 0.7699% | 0.7965% | 0.8031% |
| City's proportionate share of the net pension liability (asset) | \$ 33,116 | \$ 1,154,578 | \$ 59,987 | \$ (366,733) | \$ (50,850) | \$ 922,330 |
| City's covered payroll | \$ 2,230,110 | \$ 2,230,110 | \$ 2,296,727 | \$ 2,248,877 | \$ 2,440,080 | \$ 2,762,849 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 1.48% | 51.77% | 2.61% | -16.31% | -2.08% | 33.38% |
| Plan fiduciary net position as a percentage of the total pension liability | 99.82% | 93.50% | 99.68% | 101.89% | 100.24% | 95.80% |

* Only six fiscal years are presented because 10-year data is not yet available.
Note 1 - Changes of Benefit terms - There were no significant changes of benefit terms.
Note 2 - Changes of Assumptions - There were no significant changes in assumptions

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

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorially required contribution | \$ 288,707 | \$ 298,575 | \$ 292,354 | \$ 317,210 | \$ 359,170 | \$ 348,368 |
| Contributions in relation to the statutorially required contribution | 288,707 | 298,575 | 293,559 | 317,607 | 359,170 | 348,368 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ (1,205) | \$ (397) | - | - |
| City's covered payroll | \$ 2,230,110 | \$ 2,296,727 | \$ 2,248,877 | \$ 2,440,080 | \$ 2,762,849 | \$ 2,679,757 |
| Contributions as a percentage of covered-employee payroll | 12.95% | 13.00% | 13.05% | 13.02% | 13.00% | 13.00% |

* Only six fiscal years are presented because 10-year data is not yet available.

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SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|---------------|---------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.8242% | 0.8372% | 0.8158% | 0.7754% | 0.7853% | 0.7956% |
| City's proportionate share of the net pension liability | \$ 8,747,637 | \$ 10,228,267 | \$ 10,260,242 | \$ 8,728,801 | \$ 8,297,546 | \$ 9,800,483 |
| City's covered payroll | \$ 2,282,721 | \$ 2,282,721 | \$ 2,265,861 | \$ 2,300,403 | \$ 2,314,922 | \$ 2,596,872 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 383% | 448% | 453% | 379% | 358% | 377% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.27% | 64.87% | 66.61% | 70.73% | 72.58% | 69.98% |

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

Note 1 - Changes of Benefit terms - There were no significant changes of benefit terms.

Note 2 - Changes of Assumptions - There were no significant changes in assumptions

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

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contribution | \$ 319,270 | \$ 320,327 | \$ 320,327 | \$ 324,089 | \$ 363,563 | \$ 364,000 |
| Contributions in relation to the statutorially required contribution | 319,270 | 320,327 | 322,149 | 324,089 | 363,563 | 364,000 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ (1,822) | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 2,282,721 | \$ 2,265,861 | \$ 2,300,403 | \$ 2,314,922 | \$ 2,596,872 | \$ 2,600,000 |
| Contributions as a percentage of covered payroll | 13.99% | 14.14% | 14.00% | 14.00% | 14.00% | 14.00% |

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

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Other Post-Employment Benefits

Schedule of Changes in Net OPEB Liability and Related Ratios
Postemployment Health Insurance Implicit Rate Subsidy Plan

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| <i>Total OPEB Liability</i> | | | | |
| Service cost | \$ 318,425 | \$ 32,020 | \$ 30,178 | \$ 33,944 |
| Interest expense | 602,632 | 190,601 | 196,530 | 121,522 |
| Difference in expected and actual experience | (521,176) | (635,258) | (642,624) | (1,053,956) |
| Difference due to changes in actuarial assumptions | 704,657 | (140,505) | 244,313 | 86,310 |
| Difference due to changes in plan provision | (11,278,547) | - | - | - |
| Employer contributions | (227,919) | (240,012) | (189,999) | (154,614) |
| Net change in total OPEB liability | <u>(10,401,928)</u> | <u>(793,154)</u> | <u>(361,602)</u> | <u>(966,794)</u> |
| Balances at Beginning of Year | <u>16,329,555</u> | <u>5,927,627</u> | <u>5,134,473</u> | <u>4,772,871</u> |
| Balances End of Year | <u><u>\$ 5,927,627</u></u> | <u><u>\$ 5,134,473</u></u> | <u><u>\$ 4,772,871</u></u> | <u><u>\$ 3,806,077</u></u> |
| Covered employee payroll | \$ 8,174,099 | \$ 9,564,912 | \$ 13,325,670 | \$ 12,253,131 |
| Total OPEB liability as a percentage of covered- employee payroll | 72.52% | 53.68% | 35.82% | 31.06% |

Notes to Schedule:

Only three fiscal years are presented because 10-year data is not yet available

The plan is not held in a trust and no assets are accumulated.

Changes in assumptions (measurement date):

| | |
|---------------|--|
| Discount rate | Decreased from 3.78% at 12/31/2016 to 3.44% at December 31, 2017 |
| Discount rate | Increased from 3.44% at 12/31/2017 to 4.10% at December 31, 2018 |
| Discount rate | Decreased from 4.10% at 12/31/2018 to 2.74% at December 31, 2019 |
| Discount rate | Decreased from 2.74% at 12/31/2018 to 2.12% at December 31, 2020 |

SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts – December 31, 2020

| | General Fund | Fire Uniform Allowance | Hunting and Fishing | Deposit and Refund | Total General Fund |
|--|---------------------|-----------------------------------|--------------------------------|-------------------------------|-------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,409,767 | \$ 64,711 | \$ 137,317 | \$ 28,191 | \$ 3,639,986 |
| Receivable from other governments | 1,388,773 | - | - | - | 1,388,773 |
| Taxes receivable, net | 126,181 | - | - | - | 126,181 |
| Court fines receivable, net | 294,525 | - | - | - | 294,525 |
| Other receivables | 103,868 | - | - | - | 103,868 |
| Total assets | <u>5,323,114</u> | <u>64,711</u> | <u>137,317</u> | <u>28,191</u> | <u>5,553,333</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 215,801 | 3,313 | 7,274 | - | 226,388 |
| Accrued payroll payable | 573,658 | - | - | - | 573,658 |
| Due to other funds | 329,008 | - | - | - | 329,008 |
| Due to bondholders | - | - | 600 | 21,985 | 22,585 |
| Total liabilities | <u>1,118,467</u> | <u>3,313</u> | <u>7,874</u> | <u>21,985</u> | <u>1,151,639</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue | <u>195,342</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>195,342</u> |
| Fund balances: | | | | | |
| Assigned | 1,785,658 | - | - | - | 1,785,658 |
| Unassigned | <u>2,223,647</u> | <u>61,398</u> | <u>129,443</u> | <u>6,206</u> | <u>2,420,694</u> |
| Total fund balances | <u>4,009,305</u> | <u>61,398</u> | <u>129,443</u> | <u>6,206</u> | <u>4,206,352</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 5,323,114</u> | <u>\$ 64,711</u> | <u>\$ 137,317</u> | <u>\$ 28,191</u> | <u>\$ 5,553,333</u> |

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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund Accounts
– December 31, 2020**

| | General Fund | Fire Uniform Allowance | Hunting and Fishing | Deposit and Refund | Total General Fund |
|---|---------------------|-----------------------------------|--------------------------------|-------------------------------|-------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 9,991,415 | \$ - | \$ - | \$ - | \$ 9,991,415 |
| Intergovernmental | 3,413,852 | - | - | - | 3,413,852 |
| Licenses and permits | 143,338 | - | 41,375 | - | 184,713 |
| Charges for services | 366,830 | - | - | - | 366,830 |
| Fees and fines | 620,330 | - | - | - | 620,330 |
| Investment earnings | 15,438 | - | - | 25 | 15,463 |
| Miscellaneous | 279,174 | - | - | 6,181 | 285,355 |
| Total revenues | <u>14,830,377</u> | <u>-</u> | <u>41,375</u> | <u>6,206</u> | <u>14,877,958</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 2,475,429 | - | - | - | 2,475,429 |
| Community development | 556,411 | - | - | - | 556,411 |
| Public safety | 11,822,248 | 28,593 | - | - | 11,850,841 |
| Highways and streets | 932,918 | - | - | - | 932,918 |
| Health | 399,161 | - | - | - | 399,161 |
| Culture and recreation | 1,263,904 | - | 2,267 | - | 1,266,171 |
| Total expenditures | <u>17,450,071</u> | <u>28,593</u> | <u>2,267</u> | <u>-</u> | <u>17,480,931</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,619,694)</u> | <u>(28,593)</u> | <u>39,108</u> | <u>6,206</u> | <u>(2,602,973)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in - interaccount | - | 48,000 | - | - | 48,000 |
| Transfers out - interaccount | (48,000) | - | - | - | (48,000) |
| Transfers in | 4,093,090 | - | - | - | 4,093,090 |
| Transfers out | (60,000) | - | - | - | (60,000) |
| Total other financing sources and uses | <u>3,985,090</u> | <u>48,000</u> | <u>-</u> | <u>-</u> | <u>4,033,090</u> |
| Net change in fund balances | 1,365,396 | 19,407 | 39,108 | 6,206 | 1,430,117 |
| Fund balances - beginning | 2,643,909 | 41,991 | 90,335 | - | 2,776,235 |
| Fund balances - ending | <u>\$ 4,009,305</u> | <u>\$ 61,398</u> | <u>\$ 129,443</u> | <u>\$ 6,206</u> | <u>\$ 4,206,352</u> |

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Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2020

| | Street and Alley Fund | Cemetery Care | Library Gifts and Grants | CDBG | E911 Dispatch |
|--|--------------------------|-------------------|-----------------------------|------------------|-------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 132,989 | \$ 146,034 | \$ 5,830 | \$ 90,700 | \$ 153,400 |
| Receivable from other governments | 28,976 | - | 1,684 | - | 26,521 |
| Due from other funds | - | - | - | - | - |
| Other receivables | - | - | - | - | - |
| Total assets | <u>161,965</u> | <u>146,034</u> | <u>7,514</u> | <u>90,700</u> | <u>179,921</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | 9,706 | - | 1,698 | - | 125 |
| Unearned revenue | - | - | - | - | - |
| Total liabilities | <u>9,706</u> | <u>-</u> | <u>1,698</u> | <u>-</u> | <u>125</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue | - | - | - | - | - |
| Fund balances: | | | | | |
| Restricted | 152,259 | 146,034 | 5,816 | 90,700 | 179,796 |
| Committed | - | - | - | - | - |
| Total fund balances | <u>152,259</u> | <u>146,034</u> | <u>5,816</u> | <u>90,700</u> | <u>179,796</u> |
| Total liabilities and fund balances | <u>\$ 161,965</u> | <u>\$ 146,034</u> | <u>\$ 7,514</u> | <u>\$ 90,700</u> | <u>\$ 179,921</u> |

(continued)

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Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2020, continued

| | Police Grants and Seizures | Technology Fee | Duncan Enhancement Trust Authority | Ad Valorem Sinking | Total Other Governmental Funds |
|--|---------------------------------------|-----------------------|---|-------------------------------|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 103,086 | \$ 18,331 | \$ 11,439 | \$ 129,209 | \$ 791,018 |
| Receivable from other governments | - | - | - | - | 57,181 |
| Due from other funds | - | - | - | 2,183 | 2,183 |
| Other receivables | - | - | - | 89,586 | 89,586 |
| Total assets | <u>103,086</u> | <u>18,331</u> | <u>11,439</u> | <u>220,978</u> | <u>939,968</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | 605 | - | 373 | - | 12,507 |
| Unearned revenue | - | - | - | 11,517 | 11,517 |
| Total liabilities | <u>605</u> | <u>-</u> | <u>373</u> | <u>11,517</u> | <u>24,024</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue | - | - | - | - | - |
| Fund balances: | | | | | |
| Restricted | 102,481 | - | 11,066 | 209,461 | 897,613 |
| Committed | - | 18,331 | - | - | 18,331 |
| Total fund balances | <u>102,481</u> | <u>18,331</u> | <u>11,066</u> | <u>209,461</u> | <u>915,944</u> |
| Total liabilities and fund balances | <u>\$ 103,086</u> | <u>\$ 18,331</u> | <u>\$ 11,439</u> | <u>\$ 220,978</u> | <u>\$ 939,968</u> |

**CITY OF DUNCAN, OKLAHOMA
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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor
Governmental Funds – December 31, 2020**

| | Street and Alley Fund | Cemetery Care | Library Gifts and Grants | CDBG | E911 Dispatch |
|---|--------------------------|-------------------|-----------------------------|------------------|-------------------|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 271,164 |
| Fees and fines | - | - | - | - | - |
| Intergovernmental | 215,906 | - | 15,957 | - | - |
| Charges for services | - | 12,524 | - | - | - |
| Miscellaneous | - | - | 4,440 | - | 8 |
| Total revenues | <u>215,906</u> | <u>12,524</u> | <u>20,397</u> | <u>-</u> | <u>271,172</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public safety | - | - | - | - | 39,346 |
| Highways and streets | 147,586 | - | - | - | - |
| Culture and recreation | - | - | 15,714 | - | - |
| General government | - | 400 | - | - | - |
| Capital outlay | - | 2,272 | 5,396 | - | 53,080 |
| Total expenditures | <u>147,586</u> | <u>2,672</u> | <u>21,110</u> | <u>-</u> | <u>92,426</u> |
| Excess (deficiency) of revenues over expenditures | <u>68,320</u> | <u>9,852</u> | <u>(713)</u> | <u>-</u> | <u>178,746</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | (93,090) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(93,090)</u> |
| Net change in fund balances | 68,320 | 9,852 | (713) | - | 85,656 |
| Fund balances - beginning | 83,939 | 136,182 | 6,529 | 90,700 | 94,140 |
| Fund balances - ending | <u>\$ 152,259</u> | <u>\$ 146,034</u> | <u>\$ 5,816</u> | <u>\$ 90,700</u> | <u>\$ 179,796</u> |

(continued)

CITY OF DUNCAN, OKLAHOMA
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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor
Governmental Funds – December 31, 2020, continued**

| | Police Grants and Seizures | Technology Fee | Duncan Enhancement Trust Authority | Ad Valorem Sinking | Total Other Governmental Funds |
|--|---------------------------------------|---------------------------|---|-------------------------------|---|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 83,468 | \$ 354,632 |
| Fees and fines | - | 24,776 | - | - | 24,776 |
| Intergovernmental | - | - | - | - | 231,863 |
| Charges for services | - | - | - | - | 12,524 |
| Miscellaneous | 13,303 | - | - | - | 17,751 |
| Total revenues | <u>13,303</u> | <u>24,776</u> | <u>-</u> | <u>83,468</u> | <u>641,546</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public safety | 5,852 | - | - | 2,400 | 47,598 |
| Streets | - | - | - | - | 147,586 |
| Culture and recreation | - | - | - | - | 15,714 |
| General government | - | - | 5,798 | - | 6,198 |
| Capital outlay | 18,390 | 15,645 | 36,620 | - | 131,403 |
| Total expenditures | <u>24,242</u> | <u>15,645</u> | <u>42,418</u> | <u>2,400</u> | <u>348,499</u> |
| Excess (deficiency) of revenues over expenditures | <u>(10,939)</u> | <u>9,131</u> | <u>(42,418)</u> | <u>81,068</u> | <u>293,047</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | 60,000 | - | 60,000 |
| Transfers out | - | - | - | - | (93,090) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>60,000</u> | <u>-</u> | <u>(33,090)</u> |
| Net change in fund balances | (10,939) | 9,131 | 17,582 | 81,068 | 259,957 |
| Fund balances - beginning | 113,420 | 9,200 | (6,516) | 128,393 | 655,987 |
| Fund balances - ending | <u>\$ 102,481</u> | <u>\$ 18,331</u> | <u>\$ 11,066</u> | <u>\$ 209,461</u> | <u>\$ 915,944</u> |

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Combining Schedule of Net Position – Duncan Public Utilities Authority – December 31, 2020

| | DPUA Enterprise Fund Accounts | | | | | | |
|---|-------------------------------|---------------------|---------------------|---------------------------|------------------|------------------|----------------------|
| | DPUA - Other Utilities | DPUA - Electric | DPUA Airport | DPUA Sinking - Waurika | Redeposit Cash | Meter Deposit | Total |
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 4,456,309 | \$ 9,649,312 | \$ 159,461 | \$ - | \$ 11,684 | \$ - | \$ 14,276,766 |
| Restricted: | | | | | | | |
| Cash and cash equivalents | 801,554 | - | - | 619,147 | - | 762,341 | 2,183,042 |
| Due from other funds | 26,825 | 300,000 | - | - | - | - | 326,825 |
| Due from other funds - interaccount | - | - | - | - | - | 297,786 | 297,786 |
| Accounts receivable, net | 1,869,541 | 2,163,637 | 5,520 | - | - | - | 4,038,698 |
| Receivables from other governments | - | - | 48,420 | - | - | - | 48,420 |
| Other receivables | 7,683 | 2,340 | - | - | 9,346 | - | 19,369 |
| Inventories | - | 658,581 | - | - | - | - | 658,581 |
| Prepaid Expenses | 16 | - | - | - | - | - | 16 |
| Total current assets | <u>7,161,928</u> | <u>12,773,870</u> | <u>213,401</u> | <u>619,147</u> | <u>21,030</u> | <u>1,060,127</u> | <u>21,849,503</u> |
| Non-current assets: | | | | | | | |
| Restricted: | | | | | | | |
| Investments | - | - | - | 4,139,043 | - | - | 4,139,043 |
| Investment in joint venture | 74,665 | - | - | - | - | - | 74,665 |
| Capital assets: | | | | | | | |
| Land and construction in progress | 3,357,822 | 1,286,548 | 100,544 | - | - | - | 4,744,914 |
| Other capital assets, net of accumulated depreciation | 44,301,822 | 4,412,818 | 2,899,271 | - | - | - | 51,613,911 |
| Total non-current assets | <u>47,734,309</u> | <u>5,699,366</u> | <u>2,999,815</u> | <u>4,139,043</u> | <u>-</u> | <u>-</u> | <u>60,572,533</u> |
| Total assets | <u>54,896,237</u> | <u>18,473,236</u> | <u>3,213,216</u> | <u>4,758,190</u> | <u>21,030</u> | <u>1,060,127</u> | <u>82,422,036</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | | | | |
| Deferred amounts on refunding | 793,418 | - | - | - | - | - | 793,418 |
| Deferred amounts related to pension | 3,739,799 | 2,992,465 | - | - | - | - | 6,732,264 |
| Deferred amounts related to OPEB | 353,804 | 43,549 | - | - | - | - | 397,353 |
| Total deferred inflows | <u>4,887,021</u> | <u>3,036,014</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,923,035</u> |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | 1,727,486 | 1,189,316 | 4,364 | - | - | - | 2,921,166 |
| Salaries payable | 29,285 | 15,143 | - | - | - | - | 44,428 |
| Accrued interest payable | 164,465 | 935 | - | - | - | - | 165,400 |
| Due to other funds - interaccount | 297,786 | - | - | - | - | - | 297,786 |
| Payable to other governments | - | 35,900 | - | - | - | - | 35,900 |
| Deposits subject to refund | - | 33,330 | - | - | - | 1,048,578 | 1,081,908 |
| Compensated absences | 20,353 | 15,966 | - | - | - | - | 36,319 |
| Capital lease obligation | 80,851 | 105,812 | - | - | - | - | 186,663 |
| Notes payable | 3,913,667 | - | - | - | - | - | 3,913,667 |
| Total current liabilities | <u>6,233,893</u> | <u>1,396,402</u> | <u>4,364</u> | <u>-</u> | <u>-</u> | <u>1,048,578</u> | <u>8,683,237</u> |
| Non-current liabilities: | | | | | | | |
| Compensated absences, net of current portion | 183,180 | 143,693 | - | - | - | - | 326,873 |
| Capital lease obligation | 157,354 | 184,257 | - | - | - | - | 341,611 |
| Total OPEB liability | 789,643 | 252,686 | - | - | - | - | 1,042,329 |
| Net pension liability | 13,864,416 | 12,209,143 | - | - | - | - | 26,073,559 |
| Notes payable, net of current portion | 25,657,545 | - | - | - | - | - | 25,657,545 |
| Total non-current liabilities | <u>40,652,138</u> | <u>12,789,779</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>53,441,917</u> |
| Total liabilities | <u>46,886,031</u> | <u>14,186,181</u> | <u>4,364</u> | <u>-</u> | <u>-</u> | <u>1,048,578</u> | <u>62,125,154</u> |
| DEFERRED INFLOW OF RESOURCES | | | | | | | |
| Deferred amounts related to pension | 2,093,949 | 1,975,906 | - | - | - | - | 4,069,855 |
| Deferred amounts related to OPEB | 464,659 | 165,288 | - | - | - | - | 629,947 |
| Total deferred inflows | <u>2,558,608</u> | <u>2,141,194</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,699,802</u> |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 11,603,073 | 2,729,639 | 2,998,307 | - | - | - | 17,331,019 |
| Restricted for debt service | 408,215 | - | - | 4,758,190 | - | - | 5,166,405 |
| Unrestricted (deficit) | (1,672,669) | 2,452,236 | 210,545 | - | 21,030 | 11,549 | 1,022,691 |
| Total net position | <u>\$ 10,338,619</u> | <u>\$ 5,181,875</u> | <u>\$ 3,208,852</u> | <u>\$ 4,758,190</u> | <u>\$ 21,030</u> | <u>\$ 11,549</u> | <u>\$ 23,520,115</u> |

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Combining Schedule of Revenues, Expenses, and Changes in Net Position – Duncan Public Utilities Authority – Year Ended December 31, 2020

| | Enterprise Fund Accounts | | | | | | Total |
|--|---------------------------|---------------------|---------------------|---------------------------|------------------|------------------|----------------------|
| | DPUA - Other Utilities | DPUA - Electric | DPUA Airport | DPUA Sinking - Waurika | Redeposit Cash | Meter Deposit | |
| REVENUES | | | | | | | |
| Water | \$ 7,921,334 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,921,334 |
| Electric | - | 18,381,332 | - | - | - | - | 18,381,332 |
| Sewer | 2,356,399 | - | - | - | - | - | 2,356,399 |
| Sanitation | 3,665,611 | - | - | - | - | - | 3,665,611 |
| Lake | 222,553 | - | - | - | - | - | 222,553 |
| Airport | - | - | 43,808 | - | - | - | 43,808 |
| Miscellaneous | 167,066 | 72,208 | - | - | - | - | 239,274 |
| Total operating revenues | <u>14,332,963</u> | <u>18,453,540</u> | <u>43,808</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,830,311</u> |
| OPERATING EXPENSES | | | | | | | |
| General government | 2,532,652 | - | - | - | - | - | 2,532,652 |
| Water | 4,872,753 | - | - | - | - | - | 4,872,753 |
| Wastewater | 994,246 | - | - | - | - | - | 994,246 |
| Sanitation | 3,483,716 | - | - | - | - | - | 3,483,716 |
| Electric | - | 16,094,050 | - | - | - | - | 16,094,050 |
| Lake | 1,033,535 | - | - | - | - | - | 1,033,535 |
| Airport | - | - | 37,275 | - | - | - | 37,275 |
| Depreciation | 3,368,234 | 479,995 | 202,274 | - | - | - | 4,050,503 |
| Total operating expenses | <u>16,285,136</u> | <u>16,574,045</u> | <u>239,549</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>33,098,730</u> |
| Operating income (loss) | <u>(1,952,173)</u> | <u>1,879,495</u> | <u>(195,741)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(268,419)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | |
| Interest and investment revenue | (10,720) | 48,782 | - | 26,362 | - | 2,051 | 66,475 |
| Miscellaneous revenue | 325,267 | 25,218 | 9,725 | - | - | 100 | 360,310 |
| Operating grants and contributions | 2,233 | 2,118 | - | - | - | - | 4,351 |
| Forgiveness of debt | 246,254 | - | - | - | - | - | 246,254 |
| Interest expense | (942,824) | (10,332) | - | - | - | - | (953,156) |
| Total non-operating revenue (expenses) | <u>(379,790)</u> | <u>65,786</u> | <u>9,725</u> | <u>26,362</u> | <u>-</u> | <u>2,151</u> | <u>(275,766)</u> |
| Income (loss) before contributions and transfers | <u>(2,331,963)</u> | <u>1,945,281</u> | <u>(186,016)</u> | <u>26,362</u> | <u>-</u> | <u>2,151</u> | <u>(544,185)</u> |
| Capital grants and contributions | - | - | 48,420 | - | - | - | 48,420 |
| Capital contributions from governmental activities | 1,213,408 | 1,174,901 | - | - | - | - | 2,388,309 |
| Transfers in - interaccount | 598,304 | - | 27,600 | - | - | - | 625,904 |
| Transfers out - interaccount | (27,600) | - | - | (598,304) | - | - | (625,904) |
| Transfers in | 121,445 | 113,877 | - | - | - | - | 235,322 |
| Transfers out | - | (4,000,000) | - | - | - | - | (4,000,000) |
| Change in net position | <u>(426,406)</u> | <u>(765,941)</u> | <u>(109,996)</u> | <u>(571,942)</u> | <u>-</u> | <u>2,151</u> | <u>(1,872,134)</u> |
| Total net position - beginning, restated | <u>10,765,025</u> | <u>5,947,816</u> | <u>3,318,848</u> | <u>5,330,132</u> | <u>21,030</u> | <u>9,398</u> | <u>25,392,249</u> |
| Total net position - ending | <u>\$ 10,338,619</u> | <u>\$ 5,181,875</u> | <u>\$ 3,208,852</u> | <u>\$ 4,758,190</u> | <u>\$ 21,030</u> | <u>\$ 11,549</u> | <u>\$ 23,520,115</u> |

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Combining Schedule of Cash Flows – Duncan Public Utilities Authority – Year Ended December 31, 2020

| | Enterprise Fund Accounts | | | | | | Total |
|--|--------------------------|-----------------|--------------|------------------------|----------------|---------------|---------------|
| | DPUA - Other Utilities | DPUA - Electric | DPUA Airport | DPUA Sinking - Waurika | Redeposit Cash | Meter Deposit | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Receipts from customers | \$ 14,734,392 | \$ 18,629,220 | \$ 54,733 | \$ - | \$ - | \$ 600 | \$ 33,418,945 |
| Payments to suppliers and employees | (9,203,894) | (13,157,685) | (146,690) | - | - | - | (22,508,269) |
| Receipts of customer meter deposits | - | 69,598 | - | - | - | 296,203 | 365,801 |
| Refunds of customer meter deposits | - | (51,070) | - | - | - | (326,284) | (377,354) |
| Interfund payments | (26,825) | - | - | - | - | - | (26,825) |
| Net cash provided by (used in) operating activities | 5,503,673 | 5,490,063 | (91,957) | - | - | (29,481) | 10,872,298 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Transfers from other funds - interaccount | 598,304 | - | 27,600 | - | - | - | 625,904 |
| Transfers to other funds - interaccount | (27,600) | - | - | (598,304) | - | - | (625,904) |
| Transfers from other funds | 121,445 | 113,877 | - | - | - | - | 235,322 |
| Transfers to other funds | - | (4,900,000) | - | - | - | - | (4,900,000) |
| Net cash provided by (used in) noncapital financing activities | 692,149 | (3,886,123) | 27,600 | (598,304) | - | - | (3,764,678) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Purchases of capital assets | (1,840,812) | (130,797) | (35,672) | - | - | - | (2,007,281) |
| Proceeds of capital grants | - | - | 86,400 | - | - | - | 86,400 |
| Principal paid on debt | (2,245,774) | (103,186) | - | - | - | - | (2,348,960) |
| Interest and fiscal agent fees paid on debt | (941,193) | (10,691) | - | - | - | - | (951,884) |
| Net cash provided by (used in) capital and related financing activities | (5,027,779) | (244,674) | 50,728 | - | - | - | (5,221,725) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Sale of investments | - | - | - | 468,490 | - | - | 468,490 |
| Interest and dividends | 1,753 | 48,782 | - | 55,254 | - | 2,051 | 107,840 |
| Net cash provided by investing activities | 1,753 | 48,782 | - | 523,744 | - | 2,051 | 576,330 |
| Net increase (decrease) in cash and cash equivalents | 1,169,796 | 1,408,048 | (13,629) | (74,560) | - | (27,430) | 2,462,225 |
| Balances - beginning of year | 4,088,067 | 8,241,264 | 173,090 | 693,707 | 11,684 | 789,771 | 13,997,583 |
| Balances - end of year | \$ 5,257,863 | \$ 9,649,312 | \$ 159,461 | \$ 619,147 | \$ 11,684 | \$ 762,341 | \$ 16,459,808 |
| Reconciliation to Statement of Net Position: | | | | | | | |
| Cash and cash equivalents | \$ 4,456,309 | \$ 9,649,312 | \$ 159,461 | \$ - | \$ 11,684 | \$ - | \$ 14,276,766 |
| Restricted cash and cash equivalents - current | 801,554 | - | - | 619,147 | - | 762,341 | 2,183,042 |
| Total cash and cash equivalents, end of year | \$ 5,257,863 | \$ 9,649,312 | \$ 159,461 | \$ 619,147 | \$ 11,684 | \$ 762,341 | \$ 16,459,808 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Operating income (loss) | \$ (1,952,173) | \$ 1,879,495 | \$ (195,741) | \$ - | \$ - | \$ - | \$ (268,419) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Depreciation expense | 3,368,254 | 479,995 | 202,274 | - | - | - | 4,050,503 |
| Miscellaneous revenue | 327,500 | 27,336 | 9,725 | - | - | 100 | 364,661 |
| Change in assets and liabilities: | | | | | | | |
| Due from other funds | (26,825) | - | - | - | - | - | (26,825) |
| Due from other funds - interaccount | - | - | - | - | - | - | - |
| Accounts receivable | 73,111 | 150,684 | 1,200 | - | - | - | 224,995 |
| Other receivable | 818 | (2,340) | - | - | - | 500 | (1,022) |
| Inventory | - | 15,536 | - | - | - | - | 15,536 |
| Deferred outflows related to pension | 36,704 | 803,964 | - | - | - | - | 840,668 |
| Deferred outflows related to OPEB | (28,571) | 2,442 | - | - | - | - | (26,129) |
| Accounts payable | 444,340 | 334,689 | (109,415) | - | - | - | 669,614 |
| Accrued payroll payable | 10,330 | 5,544 | - | - | - | - | 15,874 |
| Deposits subject to refund | - | 18,528 | - | - | - | (30,081) | (11,553) |
| Due to other funds - interaccount | - | - | - | - | - | - | - |
| Due to other governments | - | 24,699 | - | - | - | - | 24,699 |
| Total OPEB liability | (152,899) | (68,179) | - | - | - | - | (221,078) |
| Deferred inflows related to OPEB | 166,029 | 49,560 | - | - | - | - | 215,589 |
| Accrued compensated absences | 26,946 | 13,663 | - | - | - | - | 40,609 |
| Deferred inflows related to pension | (475,397) | (256,918) | - | - | - | - | (732,315) |
| Net pension liability | 3,685,526 | 2,011,365 | - | - | - | - | 5,696,891 |
| Net cash provided by (used in) operating activities | \$ 5,503,673 | \$ 5,490,063 | \$ (91,957) | \$ - | \$ - | \$ (29,481) | \$ 10,872,298 |
| Noncash activities: | | | | | | | |
| Principal forgiven on capital debt | \$ 246,254 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 246,254 |
| Asset transferred from other funds | 1,213,408 | 1,174,901 | - | - | - | - | 2,388,309 |
| | \$ 1,459,662 | \$ 1,174,901 | \$ - | \$ - | \$ - | \$ - | \$ 2,634,563 |

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Combining Statement of Net Position – Pension Trust Funds – December 31, 2020

| | City Employees Retirement Trust Fund - Defined Benefit | City Employees Retirement Trust Fund - Defined Contribution | Totals |
|--|---|--|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 257,110 | \$ 25,054 | \$ 282,164 |
| Investments, at fair value: | | | |
| Common trust funds | 3,011,764 | - | 3,011,764 |
| Mutual fund equity | 1,203,241 | 453,870 | 1,657,111 |
| Mutual fund fixed | 2,962,801 | 467,566 | 3,430,367 |
| Accrued interest receivable | - | 2,771 | 2,771 |
| Total assets | <u>\$ 7,434,916</u> | <u>\$ 949,261</u> | <u>\$ 8,384,177</u> |
| LIABILITIES | | | |
| Other accrued expenses | \$ 6,705 | \$ - | \$ 6,705 |
| Total liabilities | <u>\$ 6,705</u> | <u>\$ -</u> | <u>\$ 6,705</u> |
| NET POSITION | | | |
| Restricted for employees' pension benefits held in trust | <u>\$ 7,428,211</u> | <u>\$ 949,261</u> | <u>\$ 8,377,472</u> |

**CITY OF DUNCAN, OKLAHOMA
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Combining Statement of Changes in Plan Net Position – Pension Trust Funds – December 31, 2020

| | City Employees Retirement Trust Fund | City Employees Retirement Trust Fund - Defined Contribution | Totals |
|--|---|--|--------------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 709,044 | \$ 30,306 | \$ 739,350 |
| Plan members | 90,849 | 24,245 | 115,094 |
| Total contributions | <u>799,893</u> | <u>54,551</u> | <u>854,444</u> |
| Investment earnings: | | | |
| Increase in fair value of investments | 643,858 | 37,470 | 681,328 |
| Interest and dividends | 142,899 | 34,527 | 177,426 |
| Total net investment earnings | <u>786,757</u> | <u>71,997</u> | <u>858,754</u> |
| Total additions | <u>1,586,650</u> | <u>126,548</u> | <u>1,713,198</u> |
| DEDUCTIONS | | | |
| Benefits paid to participants or beneficiaries | 1,667,992 | 42,945 | 1,710,937 |
| Refunds of contributions | 132,745 | - | 132,745 |
| Administrative | 31,913 | 1,653 | 33,566 |
| Total deductions | <u>1,832,650</u> | <u>44,598</u> | <u>1,877,248</u> |
| Change in net position held in trust for employees' pension benefits | (246,000) | 81,950 | (164,050) |
| Net position held in trust for employees' pension benefits - beginning | <u>7,674,211</u> | <u>867,312</u> | <u>8,541,523</u> |
| Net position held in trust for employees' pension benefits- ending | <u><u>\$ 7,428,211</u></u> | <u><u>\$ 949,261</u></u> | <u><u>\$ 8,377,472</u></u> |

**SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE
INFORMATION**

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Elfrink and Associates, PLLC

Certified Public Accountants

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 Duncan, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duncan, Oklahoma ("City"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 30, 2021. Our report includes a reference to other auditors who audited the financial statements of Duncan Industrial Authority and Duncan Area Economic Development Foundation, Inc., discretely presented component units of the City. This report does not include the results of Duncan Industrial Authority auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The Duncan Area Economic Development Foundation, Inc. was not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

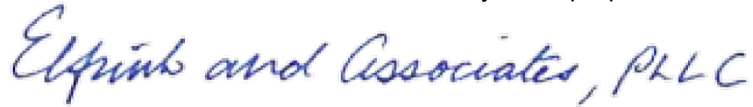
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

A handwritten signature in blue ink that reads "Elfrink and Associates, PLLC". The script is cursive and fluid.

Elfrink and Associates, PLLC

Tulsa, Oklahoma

June 30, 2021



Elfrink and Associates, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited City of Duncan, Oklahoma's ("City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Duncan, Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Duncan, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed no instance of noncompliance which is required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of the City of Duncan, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.



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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC

Tulsa, Oklahoma

June 30, 2021

**CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2020**

Schedule of Expenditures of Federal Awards – Year Ended December 31, 2020

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 20, 2020**

| Federal/State Grantor/Pass through agency Grantor/Program Title | Federal Assistance Listing Number | Agency or Pass Thru Number | Program or Award Amount | Federal Expenditures |
|--|--|---|--|---------------------------------|
| FEDERAL ASSISTANCE: | | | | |
| <u>U.S. DEPARTMENT OF JUSTICE:</u> | | | | |
| State and Local HIDTA Task Force Grant | 16.809 | N/A | \$ 6,327 | \$ 6,327 |
| Equitable Sharing Program | 16.922 | OK0690200 | 18,041 | 18,041 |
| Total U.S. Department of Justice | | | <u>24,368</u> | <u>24,368</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION:</u> | | | | |
| Airport Improvement Program | 20.106 | 3-40-0024-018-2019 | 481,027 | 48,420 |
| Total U.S. Department of Transportation | | | <u>481,027</u> | <u>48,420</u> |
| <u>U.S. DEPARTMENT OF THE TREASURY:</u> | | | | |
| Passed through Oklahoma Management Enterprise Systems Department: COVID-19 - Coronavirus Relief Funds | 21.019 | N/A | 1,722,281 | 1,722,281 |
| Total U.S. Department of Treasury | | | <u>1,722,281</u> | <u>1,722,281</u> |
| <u>DEPARTMENT OF HOMELAND SECURITY:</u> | | | | |
| Passed through Oklahoma Emergency Management Disaster Grants - Public Assistance | 97.036 | FEMA 4453 | 54,416 | 54,416 |
| Hazard Mitigation Grant | 97.039 | FEMA DR 4373 | 139,900 | 139,900 |
| COVID-19 - Emergency Management Performance Grants | 97.042 | 2020-EMPG-OK | 13,888 | 13,888 |
| Total U.S. Department of Homeland Security | | | <u>208,204</u> | <u>208,204</u> |
| TOTAL FEDERAL ASSISTANCE | | | <u>\$ 2,435,880</u> | <u>\$ 2,003,273</u> |

**CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2020**

CITY OF DUNCAN, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2020. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

