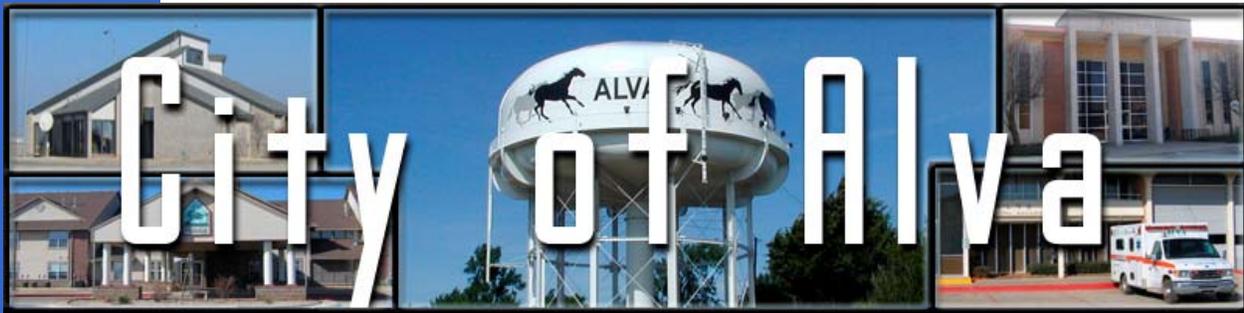


# CITY OF ALVA, OKLAHOMA



INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR  
ENDED JUNE 30, 2017

**THE CITY OF ALVA,  
OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

**TABLE OF CONTENTS**

---

<b>Independent Auditor’s Report on Financial Statements</b> .....	5-7
<b>Management’s Discussion and Analysis</b> .....	9-16
<b>The Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position.....	18
Statement of Activities .....	19
<b>Governmental Funds Financial Statements:</b>	
Balance Sheet.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances .....	22
Reconciliation of Governmental Funds and Government-Wide Financial Statements.....	23
<b>Proprietary Funds Financial Statements:</b>	
Statement of Net Position .....	25
Statement of Revenues, Expenses and Changes in Net Position.....	26
Statement of Cash Flows .....	27
<b>Footnotes to the Basic Financial Statements</b> .....	28-60
<b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Information</b>	
Budgetary Comparison Schedule – General Fund.....	62
Budgetary Comparison Schedules– Hotel Tax Fund.....	62
Budgetary Comparison Schedules– Airport Fund.....	63
Footnotes to Budgetary Comparison Schedules.....	63
<b>Pension Plan Information</b>	
Schedule of Proportionate Share of Net Pension Liability – Police Pension.....	64
Schedule of City Contributions – Police Pension .....	65
Schedule of Proportionate Share of Net Pension Liability – Fire Pension.....	66
Schedule of City Contributions – Fire Pension.....	67
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - OkMRF.....	68
Schedule of Employer Contributions - OkMRF.....	69
<b>Other Supplementary Information:</b>	
<b>Combining Non-Major Governmental Fund Statements</b>	
Combining Balance Sheet .....	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	71

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

**TABLE OF CONTENTS**

**Federal Awards Information**

Schedule of Expenditures of Federal Awards.....	72
Schedule of Debt Service Coverage Requirements.....	73

**Internal Control and Compliance Over Financial Reporting Information:**

Independent Auditor’s Report on Internal Control and Compliance.....	75-76
Schedule of Findings.....	77-78
Prior Year Schedule of Findings.....	79



## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Alva, Oklahoma

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alva, Oklahoma, as of and for the year ended June 30, 2017, 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 Alva Hospital Authority d/b/a Share Medical Authority, which represent 80 percent, 86 percent, and 83 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts for Alva Hospital Authority d/b/a Share Medical Authority, is based solely on the report 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alva, Oklahoma, as of June 30, 2017, 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.

### **Emphasis of Matter**

The accompanying financial statements have been prepared assuming the Alva Hospital Authority d/b/a Share Medical Authority, a business-type activity, will continue as a going concern. As discussed in Note 20, the Authority has suffered recurring operating losses and has negative working capital that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are discussed in Note 20. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan 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 inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

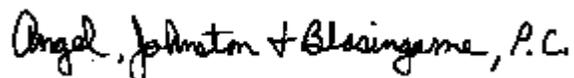
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alva's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, the combining general fund statements, the schedule of federal awards, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the combining general fund statements, the schedule of federal awards, and statistical section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the combining general fund statements, and the schedule of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Audit Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alva's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
April 26, 2018

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

---

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF ALVA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

---

The management of the City of Alva is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended June 30, 2017. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts

## **FINANCIAL HIGHLIGHTS**

- As reported on an accrual basis, the City's total net position decreased by \$47,621, and the assets and deferred outflows of the City exceed its liabilities and deferred inflows for the year ended June 30, 2017, by \$17,526,989 (net position).
- For the fiscal year ended June 30, 2017, the City's governmental funds reported combined ending fund balances of \$3,868,327. The City had negative unassigned fund balance of \$544,919 at June 30, 2017.
- For the year ended June 30, 2017, committed fund balance for the General Fund was \$772,204 or 14.6% of General Fund revenues. This amount is committed to the stabilization reserve fund and leaves the General Fund with a negative unassigned fund balance.

## **ABOUT THE CITY**

The City of Alva is a municipality with a population of approximately 4,945 located in Woods County in northern Oklahoma. The City is a statutory aldermanic form of government with a weak mayor. The City is governed by the Mayor and an eight-member Board and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Board is an eight-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is hired by the City Board
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Board

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Utility Authority, certain utility services including water, wastewater, sanitation and landfill.

### ***The City's Financial Reporting Entity***

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

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

- **The City of Alva** – that operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*
- **The Alva Economic Development Authority** – public trust created pursuant to 60 O.S. § 176 to promote the economic development of the City of Alva (*blended component unit*)
- **The Alva Utility Authority (AUA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, sewer, and sanitation services of the City, with the City Council members serving as the trustees – (*blended component unit*)
- **The Alva Hospital Authority** – public trust created pursuant to 60 O.S. § 176 to operate the hospital. The Alva Hospital Authority prepares separate financial statements and can be obtained by contacting the Authority's administration by telephoning 580-327-2800 – (*blended component unit*)

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Alva (the "City") and the three blended component units mentioned above. Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The governmental-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) and deferred outflows as well as all liabilities and deferred inflows (including long-term debt).

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the period's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of

**CITY OF ALVA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

---

service to assess the overall health of the City. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, sanitation and landfill utilities, among others, are reported as business-type activities.

### **Reporting the City's Most Significant Funds - Fund Financial Statements**

#### ***Fund Financial Statements***

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The 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, through the Utility Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on an accrual basis of accounting. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Alva Utility Authority that accounts for the operation of the water, sewer, sanitation and landfill activities and the Alva Hospital Authority which operates the Hospital.

**CITY OF ALVA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-58 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, Hotel Tax Fund and the Airport Fund.

**THE CITY AS A WHOLE**

For the fiscal year ended June 30, 2017, net position for the governmental and business-type activities decreased by \$47,621.

Following is a summary of net position reported on an accrual basis for the City of Alva.

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
	*						*		
Current assets	\$ 4,566	\$ 5,589	-18%	\$ 3,543	\$ 3,509	1%	\$ 8,109	\$ 9,098	-11%
Capital assets, net	8,322	7,907	5%	15,160	15,535	-2%	23,482	23,442	0%
Other non-current assets	27	235	-89%	11	91	-88%	38	326	-88%
<b>Total assets</b>	<u>12,915</u>	<u>13,731</u>	-6%	<u>18,714</u>	<u>19,135</u>	-2%	<u>31,629</u>	<u>32,866</u>	-4%
<b>Deferred outflow of resources</b>	<u>889</u>	<u>418</u>	112%	<u>556</u>	<u>522</u>	7%	<u>1,445</u>	<u>940</u>	54%
Current liabilities	925	894	3%	3,941	3,918	1%	4,866	4,812	1%
Non-current liabilities	2,546	2,566	-1%	7,934	8,619	-8%	10,480	11,185	-6%
<b>Total liabilities</b>	<u>3,471</u>	<u>3,460</u>	0%	<u>11,875</u>	<u>12,537</u>	-5%	<u>15,346</u>	<u>15,997</u>	-4%
<b>Deferred inflow of resources</b>	<u>194</u>	<u>202</u>	-4%	<u>7</u>	<u>18</u>	-61%	<u>201</u>	<u>220</u>	-9%
Net position:									
Net investment in capital assets	7,373	6,694	10%	7,605	7,304	4%	14,978	13,998	7%
Restricted	1,626	3,968	-59%	731	531	38%	2,357	4,499	-48%
Unrestricted (deficit)	1,140	(175)	-751%	(948)	(734)	29%	192	(909)	-121%
<b>Total net position</b>	<u>\$ 10,139</u>	<u>\$ 10,487</u>	-3%	<u>\$ 7,388</u>	<u>\$ 7,101</u>	4%	<u>\$ 17,527</u>	<u>\$ 17,588</u>	0%

\* prior year amounts not restated for MD&A purposes

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets amounted to \$14,978,081.

**CITY OF ALVA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$2,356,579, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing needs. The governmental activities had unrestricted net position of \$1,140,115 and the business-type activities negative unrestricted net position was \$947,786.

**TABLE 2**  
**CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
<b>Revenues</b>									
Charges for service	\$ 877	\$ 1,176	-25%	\$ 13,928	\$ 14,124	-1%	\$ 14,805	\$ 15,300	-3%
Operating grants and contributions	289	391	-26%	-	-	-	289	391	-26%
Capital grants and contributions	12	582	-98%	777	88	783%	789	670	18%
Taxes	4,511	5,151	-12%	-	-	-	4,511	5,151	-12%
Investment income	31	31	0%	8	6	33%	39	37	5%
Miscellaneous	598	790	-24%	1,422	-	-	2,020	790	156%
<b>Total revenues</b>	<b>6,318</b>	<b>8,121</b>	<b>-22%</b>	<b>16,135</b>	<b>14,218</b>	<b>13%</b>	<b>22,453</b>	<b>22,339</b>	<b>1%</b>
<b>Expenses</b>									
General government	1,818	1,659	10%	-	-	-	1,818	1,659	10%
Public safety	1,756	1,730	2%	-	-	-	1,756	1,730	2%
Streets	777	872	-11%	-	-	-	777	872	-11%
Ambulance	628	684	-8%	-	-	-	628	684	-8%
Culture and recreation	922	825	-	-	-	-	922	825	-
Cemetery	68	69	-1%	-	-	-	68	69	-1%
Airport	300	303	-1%	-	-	-	300	303	-1%
Economic development	167	841	-80%	-	-	-	167	841	-80%
Health and Welfare	-	99	-100%	-	-	-	-	99	-100%
Interest on long-term debt	41	45	-9%	-	-	-	41	45	-9%
Water	-	-	-	438	402	9%	438	402	9%
Sewer	-	-	-	400	373	7%	400	373	7%
Homestead	-	-	-	85	106	-20%	85	106	-20%
Landfill	-	-	-	111	125	-11%	111	125	-11%
Hospital	-	-	-	14,239	13,732	-	14,239	13,732	-
Sanitation	-	-	-	751	782	-4%	751	782	-4%
<b>Total expenses</b>	<b>6,477</b>	<b>7,127</b>	<b>-9%</b>	<b>16,024</b>	<b>15,520</b>	<b>3%</b>	<b>22,501</b>	<b>22,647</b>	<b>-1%</b>
Excess (deficiency) before transfers	(159)	994	-116%	111	(1,302)	-109%	(48)	(308)	-84%
Net Transfers	(86)	63	-237%	86	(63)	-237%	-	-	-
<b>Change in net position</b>	<b>(245)</b>	<b>1,057</b>	<b>-123%</b>	<b>197</b>	<b>(1,365)</b>	<b>-114%</b>	<b>(48)</b>	<b>(308)</b>	<b>-84%</b>
<b>Beginning net position, restated</b>	<b>10,384</b>	<b>9,430</b>	<b>10%</b>	<b>7,191</b>	<b>8,466</b>	<b>-15%</b>	<b>17,575</b>	<b>17,896</b>	<b>-2%</b>
<b>Ending net position</b>	<b>\$ 10,139</b>	<b>\$ 10,487</b>	<b>-3%</b>	<b>\$ 7,388</b>	<b>\$ 7,101</b>	<b>4%</b>	<b>\$ 17,527</b>	<b>\$ 17,588</b>	<b>0%</b>

\* prior year amounts not restated for MD&A purposes

The City's governmental activities capital grants and contributions decreased approximately \$570,000 due to FAA grants received in the prior year. The City's governmental activities taxes decreased approximately \$640,000 due primarily to a significant decrease in sales tax revenue in the current year.

Net transfers varied significantly from prior year due to a large operating transfer from the AUA to the General Fund in the prior year.

**CITY OF ALVA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

**Governmental Activities**

The City's governmental activities had a decrease in net position of \$244,619.

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

	<b>Total Expense</b>		<b>% Inc.</b>	<b>Net Revenue</b>		<b>% Inc.</b>
	<b>of Services</b>			<b>(Expense)</b>		
	<b>2017</b>	<b>2016</b>		<b>of Services</b>	<b>(Dec.)</b>	
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
General government	\$ 1,818	\$ 1,659	10%	(\$1,781)	(\$1,607)	11%
Public safety	1,756	1,730	2%	(1,513)	(1,389)	9%
Streets	777	872	-11%	(577)	(679)	-15%
Ambulance	628	684	-8%	(339)	(143)	137%
Culture and recreation	922	825	12%	(767)	(701)	9%
Cemetery	68	69	-1%	(33)	(35)	-6%
Airport	300	303	-1%	(95)	554	-117%
Economic development	167	841	-80%	(154)	(833)	-82%
Health and welfare	-	98	-100%	-	(98)	-100%
Interest on long-term debt	41	45	-9%	(41)	(45)	-9%
<b>Total</b>	<u>\$ 6,477</u>	<u>\$ 7,126</u>	-9%	<u>\$ (5,300)</u>	<u>\$ (4,976)</u>	7%

**Business-type Activities**

The business-type activities had an increase in net position of \$196,998.

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

	<b>Total Expense</b>		<b>% Inc.</b>	<b>Net Revenue</b>		<b>% Inc.</b>
	<b>of Services</b>			<b>(Expense)</b>		
	<b>2017</b>	<b>2016</b>		<b>of Services</b>	<b>Dec.</b>	
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
Water	\$ 438	\$ 402	9%	\$ 739	\$ 776	-5%
Homestead	85	106	-20%	(85)	(105)	-19%
Sanitation	751	782	-4%	488	452	8%
Sewer	400	373	7%	(151)	(119)	27%
Hospital	14,239	13,732	4%	(2,203)	(2,194)	0%
Landfill	111	125	-11%	(108)	(117)	-8%
<b>Total</b>	<u>\$ 16,024</u>	<u>\$ 15,520</u>	3%	<u>\$ (1,320)</u>	<u>\$ (1,307)</u>	1%

**CITY OF ALVA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its fiscal year ended June 30, 2017, the governmental funds reported a combined fund balance of \$3,868,327. For the year ended June 30, 2017, the General Fund's total fund balance decreased by \$463,168.

**Budgetary Highlights**

For fiscal year ended June 30, 2017, the General Fund reported revenues below final estimates by \$2,228,430 or a 27.6% negative variance. General Fund actual expenditures were under final appropriations by \$1,610,358 or a 19.9% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2017, the City had approximately \$23 million in capital assets (net of accumulated depreciation), as reported on an accrual basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of June 30, 2017.<sup>1</sup>

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
		restated				restated
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 719	\$ 719	\$ 133	\$ 133	\$ 852	\$ 852
Buildings and improvements	3,563	3,226	11,234	11,621	14,797	14,847
Machinery, furniture and equipment	2,449	2,597	1,480	2,079	3,929	4,676
Infrastructure	551	317	520	543	1,071	860
Construction in progress	1,040	1,049	1,793	1,159	2,833	2,208
<b>Totals</b>	<u>\$ 8,322</u>	<u>\$ 7,908</u>	<u>\$ 15,160</u>	<u>\$ 15,535</u>	<u>\$ 23,482</u>	<u>\$ 23,443</u>

This year's more significant capital asset additions include the following:

- Airport Hanger Building \$384,084
- 2016 Chevrolet 250 HD \$34,882
- 2017 Ford Interceptor \$37,722

<sup>1</sup> For more detailed information on capital asset activity please refer to pages 36-37, Note 7. Capital Assets and Depreciation

**CITY OF ALVA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

**Debt Administration**

At June 30, 2017, the City had \$11 million in long-term debt outstanding.

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Notes payable	\$ 523	\$ 681	\$ 9,724	\$ 10,349	\$ 10,247	\$ 11,030
Refundable grant obligation	-	-	132	152	132	152
Capital leases	433	531	84	103	517	634
Deposits subject to refund	-	-	166	166	166	166
Accrued compensated absences	97	105	25	26	122	131
<b>Totals</b>	<b>\$ 1,053</b>	<b>\$ 1,317</b>	<b>\$ 10,131</b>	<b>\$ 10,796</b>	<b>\$ 11,184</b>	<b>\$ 12,113</b>

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

- For fiscal year 2017, the Alva Regional Airport will finish construction on the new East/West Runway
- The Alva Recreation Center will erect Shade Structures at each of the Baseball and Softball Pods
- The City of Alva will demolish the existing water tanks and begin construction of new tanks at the Young Street Tank Farm
- The Alva street department will make repairs to Flynn Street and Noble Street
- The City of Alva will continue to make enhancements at the Alva Gun Range

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 415 4<sup>th</sup> Street, Alva, Oklahoma 73717 or telephone at 580-327-1340.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Statement of Net Position – June 30, 2017**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 788,238	\$ 1,299,823	\$ 2,088,061
Investments	2,278,749	181,760	2,460,509
Interest receivable	3,258	256	3,514
Accounts receivable, net of allowance	226,979	1,717,543	1,944,522
Internal balances	367,770	(367,770)	-
Due from other governmental agencies	824,129	-	824,129
Inventories	77,073	257,299	334,372
Other receivables	-	152,722	152,722
Prepaid expense	-	101,165	101,165
Interest in Community Foundation assets	-	200,605	200,605
Net pension asset	27,241	10,632	37,873
Capital Assets:			
Land and construction in progress	1,759,338	1,925,871	3,685,209
Other capital assets, net of depreciation	6,562,438	13,234,122	19,796,560
Total Assets	<u>\$ 12,915,213</u>	<u>\$ 18,714,028</u>	<u>\$ 31,629,241</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	\$ 888,695	\$ 111,588	\$ 1,000,283
Deferred amounts related to hospital	-	444,005	444,005
Total deferred outflows of resources	<u>888,695</u>	<u>555,593</u>	<u>1,444,288</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 493,757	\$ 1,591,763	\$ 2,085,520
Cash overdraft	-	122,930	122,930
Due to depositors	3,352	-	3,352
Accrued interest payable	-	27,940	27,940
Unearned income	92,488	-	92,488
Long-term liabilities			
Due within one year	335,083	2,198,576	2,533,659
Due in more than one year	718,538	7,933,523	8,652,061
Net pension liability	1,827,562	-	1,827,562
Total liabilities	<u>3,470,780</u>	<u>11,874,732</u>	<u>15,345,512</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	<u>194,206</u>	<u>6,822</u>	<u>201,028</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,373,337	7,604,744	14,978,081
Restricted by:			
Other contracts	1,625,470	731,109	2,356,579
Unrestricted (deficit)	1,140,115	(947,786)	192,329
Total net position	<u>\$ 10,138,922</u>	<u>\$ 7,388,067</u>	<u>\$ 17,526,989</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Statement of Activities – Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 1,817,914	\$ -	\$ 36,881	\$ -	\$ (1,781,033)	\$ -	\$ (1,781,033)
Public Safety	1,755,669	45,644	197,096	-	(1,512,929)	-	(1,512,929)
Streets	777,357	155,862	44,928	-	(576,567)	-	(576,567)
Ambulance	628,415	289,751	-	-	(338,664)	-	(338,664)
Culture and Recreation	922,437	135,918	9,697	9,600	(767,222)	-	(767,222)
Cemetery	68,419	35,062	-	-	(33,357)	-	(33,357)
Airport	300,293	202,634	-	2,500	(95,159)	-	(95,159)
Economic Development	166,789	12,592	-	-	(154,197)	-	(154,197)
Interest on Long-term debt	40,045	-	-	-	(40,045)	-	(40,045)
Total governmental activities	<u>6,477,338</u>	<u>877,463</u>	<u>288,602</u>	<u>12,100</u>	<u>(5,299,173)</u>	<u>-</u>	<u>(5,299,173)</u>
Business-Type Activities:							
Water	438,338	1,143,452	-	34,046	-	739,160	739,160
Homestead	84,766	-	-	-	-	(84,766)	(84,766)
Sanitation	751,087	1,239,063	-	-	-	487,976	487,976
Landfill	110,767	3,189	-	-	-	(107,578)	(107,578)
Hospital	14,238,857	11,293,754	-	742,536	-	(2,202,567)	(2,202,567)
Sewer	399,551	248,760	-	-	-	(150,791)	(150,791)
Total business-type activities	<u>16,023,366</u>	<u>13,928,218</u>	<u>-</u>	<u>776,582</u>	<u>-</u>	<u>(1,318,566)</u>	<u>(1,318,566)</u>
<b>Total primary government</b>	<b>\$ 22,500,704</b>	<b>\$ 14,805,681</b>	<b>\$ 288,602</b>	<b>\$ 788,682</b>	<b>\$ (5,299,173)</b>	<b>\$ (1,318,566)</b>	<b>\$ (6,617,739)</b>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 3,963,624	\$ -	\$ 3,963,624
Franchise taxes and public service taxes					380,041	-	380,041
Hotel/motel taxes					167,189	-	167,189
Unrestricted investment earnings					31,462	7,572	39,034
Miscellaneous					598,081	1,422,149	2,020,230
Transfers					(85,843)	85,843	-
Total general revenues and transfers					<u>5,054,554</u>	<u>1,515,564</u>	<u>6,570,118</u>
Change in net position					(244,619)	196,998	(47,621)
Net position - beginning, restated					10,383,541	7,191,069	17,574,610
Net position - ending					<u>\$ 10,138,922</u>	<u>\$ 7,388,067</u>	<u>\$ 17,526,989</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

---

**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

**Governmental Funds Balance Sheet – June 30, 2017**

	<u>General Fund</u>	<u>Hotel Tax Fund</u>	<u>Airport Fund</u>	<u>AEDA Scholarship Fund</u>	<u>AEDA Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 7,874	\$ 360,283	\$ 21,945	\$ 33,781	\$ 313,663	\$ 50,692	\$ 788,238
Investments	132,366	309,204	743,965	515,166	408,647	169,401	2,278,749
Interest receivable	141	437	1,244	729	471	236	3,258
Receivable from other governments	696,999	26,537	92,488	-	-	8,105	824,129
Due from other funds	29,137	5,096	213,131	178,442	71,442	240,931	738,179
Court fines receivable, net	12,131	-	-	-	-	-	12,131
Ambulance receivable, net	175,323	-	-	-	-	-	175,323
Accounts receivable, net	-	-	-	-	-	4,247	4,247
Other receivables	14,378	-	4,640	-	70	16,190	35,278
Inventories	39,108	-	32,302	-	5,449	214	77,073
Total assets	<u>\$ 1,107,457</u>	<u>\$ 701,557</u>	<u>\$ 1,109,715</u>	<u>\$ 728,118</u>	<u>\$ 799,742</u>	<u>\$ 490,016</u>	<u>\$ 4,936,605</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 253,228	\$ -	\$ 1,196	\$ -	\$ 12,723	\$ 97,190	\$ 364,337
Accrued payroll payable	113,191	-	2,417	-	9,115	1,378	126,101
Due to other funds	362,042	-	-	-	-	8,367	370,409
Due to bondholders	3,352	-	-	-	-	-	3,352
Other payables	979	-	-	-	2,340	-	3,319
Total liabilities	<u>732,792</u>	<u>-</u>	<u>3,613</u>	<u>-</u>	<u>24,178</u>	<u>106,935</u>	<u>867,518</u>
<b>Deferred inflows of resources:</b>							
Deferred revenue	108,272	-	92,488	-	-	-	200,760
<b>Fund balances:</b>							
Nonspendable	39,108	-	-	-	-	-	39,108
Restricted	-	701,557	1,013,614	728,118	775,564	196,439	3,415,292
Committed	772,204	-	-	-	-	27,440	799,644
Assigned	-	-	-	-	-	159,202	159,202
Unassigned (deficit)	(544,919)	-	-	-	-	-	(544,919)
Total fund balances	<u>266,393</u>	<u>701,557</u>	<u>1,013,614</u>	<u>728,118</u>	<u>775,564</u>	<u>383,081</u>	<u>3,868,327</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,107,457</u>	<u>\$ 701,557</u>	<u>\$ 1,109,715</u>	<u>\$ 728,118</u>	<u>\$ 799,742</u>	<u>\$ 490,016</u>	<u>\$ 4,936,605</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Hotel Tax Fund</u>	<u>Airport Fund</u>	<u>AEDA Scholarship Fund</u>	<u>AEDA Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Taxes	\$ 4,188,712	\$ 167,189	\$ -	\$ -	\$ -	\$ -	\$ 4,355,901
Intergovernmental	422,056	-	-	-	-	58,059	480,115
Licenses and permits	17,167	-	-	-	-	-	17,167
Charges for services	290,702	-	202,534	-	91,437	190,924	775,597
Fines and forfeitures	53,458	-	-	-	-	-	53,458
Investment earnings	9,477	3,062	6,904	6,432	3,518	2,069	31,462
Miscellaneous	315,909	-	247,659	-	49,372	28,892	641,832
Total revenues	<u>5,297,481</u>	<u>170,251</u>	<u>457,097</u>	<u>6,432</u>	<u>144,327</u>	<u>279,944</u>	<u>6,355,532</u>
<b>EXPENDITURES</b>							
Current:							
General government	1,064,140	-	-	568,531	-	15,346	1,648,017
Public safety	1,771,679	-	-	-	-	23,440	1,795,119
Streets	676,372	-	-	-	-	336	676,708
Ambulance	590,251	-	-	-	-	-	590,251
Culture and recreation	441,927	-	-	-	421,249	7,823	870,999
Economic development	-	176,484	-	-	-	-	176,484
Airport	-	-	326,577	-	-	-	326,577
Cemetery	-	-	-	-	-	62,517	62,517
Capital outlay	90,893	-	404,555	-	23,100	288,944	807,492
Debt service:							
Principal	98,205	-	-	-	157,865	-	256,070
Interest and other charges	18,732	-	-	-	21,313	-	40,045
Total expenditures	<u>4,752,199</u>	<u>176,484</u>	<u>731,132</u>	<u>568,531</u>	<u>623,527</u>	<u>398,406</u>	<u>7,250,279</u>
Excess (deficiency) of revenues over expenditures	<u>545,282</u>	<u>(6,233)</u>	<u>(274,035)</u>	<u>(562,099)</u>	<u>(479,200)</u>	<u>(118,462)</u>	<u>(894,747)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	1,092,373	-	-	459,756	459,755	22,346	2,034,230
Transfers out	(2,100,823)	-	-	-	-	-	(2,100,823)
Total other financing sources and uses	<u>(1,008,450)</u>	<u>-</u>	<u>-</u>	<u>459,756</u>	<u>459,755</u>	<u>22,346</u>	<u>(66,593)</u>
Net change in fund balances	(463,168)	(6,233)	(274,035)	(102,343)	(19,445)	(96,116)	(961,340)
Fund balances - beginning, restated	729,561	707,790	1,287,649	830,461	795,009	479,197	4,829,667
Fund balances - ending	<u>\$ 266,393</u>	<u>\$ 701,557</u>	<u>\$ 1,013,614</u>	<u>\$ 728,118</u>	<u>\$ 775,564</u>	<u>\$ 383,081</u>	<u>\$ 3,868,327</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

<b>Fund Balance - Net Position Reconciliation:</b>	
Total fund balance, governmental funds	\$ 3,868,327
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	8,321,776
Other long-term assets and deferred outflows are not available to pay for current period expenditures and therefore are deferred or not reported in the funds.	
Deferred revenue	108,272
Net pension asset	27,241
Pension related deferred outflows	888,695
Certain long-term liabilities are not due and payable from current financial resources and therefore they, along with deferred inflows, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Capital lease obligation	(433,195)
Notes payable	(523,013)
Accrued compensated absences	(97,413)
Net pension liability	(1,827,562)
Pension related deferred inflows	(194,206)
	<u>(2,051,181)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 10,138,922</u>

**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net change in fund balances - total governmental funds:	\$ (961,340)
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	913,523
Depreciation expense	(498,516)
In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.	27,364
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in deferred revenue	10,716
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:	
Principal payments on long-term debt	256,070
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Change in accrued compensated absences	<u>7,564</u>
Change in net position of governmental activities	<u>\$ (244,619)</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

---

**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Proprietary Funds Statement of Net Position – June 30, 2017**

	<u>Alva Utility Authority</u>	<u>Alva Hospital Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	2,357	\$ 443,864	\$ 446,221
Restricted:			
Cash and cash equivalents	166,220	-	166,220
Investments	142,224	-	142,224
Accrued interest	256	-	256
Accounts receivable, net	320,918	1,396,625	1,717,543
Receivables from third-party payer	-	60,000	60,000
Other receivables	-	92,722	92,722
Notes receivable	-	161,148	161,148
Inventories	96,151	-	96,151
Prepaid expenses	-	101,165	101,165
Total current assets	<u>728,126</u>	<u>2,255,524</u>	<u>2,983,650</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	-	687,382	687,382
Investments	39,536	-	39,536
Interest in Community Foundation assets	-	200,605	200,605
Net pension asset	10,632	-	10,632
Capital assets:			
Land and construction in progress	1,114,939	810,932	1,925,871
Other capital assets, net of accumulated depreciation	1,909,956	11,324,166	13,234,122
Total non-current assets	<u>3,075,063</u>	<u>13,023,085</u>	<u>16,098,148</u>
Total assets	<u>3,803,189</u>	<u>15,278,609</u>	<u>19,081,798</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to pension	111,588	-	111,588
Deferred amounts related to hospital	-	444,005	444,005
Total deferred outflows of resources	<u>111,588</u>	<u>444,005</u>	<u>555,593</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	43,639	1,520,034	1,563,673
Salaries payable	28,090	-	28,090
Accrued interest payable	27,940	-	27,940
Due to other funds	367,770	-	367,770
Cash overdraft	-	122,930	122,930
Deposits subject to refund	24,906	-	24,906
Compensated absences	20,100	-	20,100
Capital lease obligation	19,150	-	19,150
Refundable grant obligations	19,906	-	19,906
Notes payable	220,000	1,894,514	2,114,514
Total current liabilities	<u>771,501</u>	<u>3,537,478</u>	<u>4,308,979</u>
Non-current liabilities:			
Deposits subject to refund	141,078	-	141,078
Compensated absences	4,920	-	4,920
Capital lease obligation	65,283	-	65,283
Refundable grant obligations	112,415	-	112,415
Notes payable	1,760,000	5,849,827	7,609,827
Total non-current liabilities	<u>2,083,696</u>	<u>5,849,827</u>	<u>7,933,523</u>
Total liabilities	<u>2,855,197</u>	<u>9,387,305</u>	<u>12,242,502</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred amounts related to pension	6,822	-	6,822
<b>NET POSITION</b>			
Net investment in capital assets	960,462	6,644,282	7,604,744
Restricted for debt service	142,460	51,614	194,074
Restricted for other purposes	39,536	497,499	537,035
Unrestricted (deficit)	(89,700)	(858,086)	(947,786)
Total net position	<u>\$ 1,052,758</u>	<u>\$ 6,335,309</u>	<u>\$ 7,388,067</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2017**

	<u>Alva Utility Authority</u>	<u>Alva Hospital Authority</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Water	\$ 1,111,486	\$ -	\$ 1,111,486
Sewer	248,760	-	248,760
Landfill	3,189	-	3,189
Sanitation	1,239,063	-	1,239,063
Hospital	-	11,293,754	11,293,754
Penalties	29,781	-	29,781
Grant	34,046	-	34,046
Miscellaneous	-	1,392,219	1,392,219
Total operating revenues	<u>2,666,325</u>	<u>12,685,973</u>	<u>15,352,298</u>
<b>OPERATING EXPENSES</b>			
Water/Sewer	703,698	-	703,698
Sanitation	668,817	-	668,817
Landfill	110,767	-	110,767
Homestead	13,891	-	13,891
Hospital	-	12,814,473	12,814,473
Depreciation	224,788	1,077,849	1,302,637
Total operating expenses	<u>1,721,961</u>	<u>13,892,322</u>	<u>15,614,283</u>
Operating income (loss)	<u>944,364</u>	<u>(1,206,349)</u>	<u>(261,985)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	1,881	5,691	7,572
Miscellaneous revenue	32,115	-	32,115
Interest expense	<u>(62,548)</u>	<u>(346,535)</u>	<u>(409,083)</u>
Total non-operating revenue (expenses)	<u>(28,552)</u>	<u>(340,844)</u>	<u>(369,396)</u>
Income (loss) before contributions and transfers	<u>915,812</u>	<u>(1,547,193)</u>	<u>(631,381)</u>
Capital contributions	-	742,536	742,536
Transfers in	19,250	1,158,966	1,178,216
Transfers out	<u>(1,092,373)</u>	<u>-</u>	<u>(1,092,373)</u>
Change in net position	<u>(157,311)</u>	<u>354,309</u>	<u>196,998</u>
Total net position - beginning	1,210,069	5,981,000	7,191,069
Total net position - ending	<u>\$ 1,052,758</u>	<u>\$ 6,335,309</u>	<u>\$ 7,388,067</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Proprietary Fund Statement of Cash Flows – Year Ended June 30, 2017**

	<u>Alva Utility Authority</u>	<u>Alva Hospital Authority</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,704,681	\$ 11,235,860	\$ 13,940,541
Payments to suppliers	(716,792)	(5,781,806)	(6,498,598)
Payments to employees	(848,580)	(7,182,060)	(8,030,640)
Receipts of customer utility deposits	43,057	-	43,057
Refunds of customer utility deposits	(43,114)	-	(43,114)
Interfund receipts/payments	293,293	-	293,293
Other income	-	1,392,219	1,392,219
	<u>1,432,545</u>	<u>(335,787)</u>	<u>1,096,758</u>
Net Cash Provided by (Used in) Operating Activities			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	19,250	-	19,250
Transfers to other funds	(1,092,373)	-	(1,092,373)
Change in cash overdraft	-	68,670	68,670
Interest paid on line of credit	-	(6,264)	(6,264)
Non-capital gifts	-	165,636	165,636
Non-capital appropriations - City of Alva	-	1,149,387	1,149,387
Principal paid on lines of credit	-	(200,000)	(200,000)
Proceeds from draws on lines of credit	-	200,000	200,000
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,073,123)</u>	<u>1,377,429</u>	<u>304,306</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(109,450)	(734,155)	(843,605)
Principal paid on capital debt	(253,296)	(409,798)	(663,094)
Interest paid on capital debt	(65,810)	(246,117)	(311,927)
Capital grants and gifts	-	576,900	576,900
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(428,556)</u>	<u>(813,170)</u>	<u>(1,241,726)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	1,839	4,788	6,627
(Purchase) Sale of investments	(1,579)	-	(1,579)
Contributions to Communities Foundation of Oklahoma, Inc	-	(47,339)	(47,339)
Net Cash Provided by (Used in) Investing Activities	<u>260</u>	<u>(42,551)</u>	<u>(42,291)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(68,874)	185,921	117,047
Balance - beginning of the year	<u>237,451</u>	<u>945,325</u>	<u>1,182,776</u>
Balance - end of the year	<u>\$ 168,577</u>	<u>\$ 1,131,246</u>	<u>\$ 1,299,823</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	2,357	443,864	446,221
Restricted cash and cash equivalents	166,220	687,382	853,602
Total cash and cash equivalents	<u>\$ 168,577</u>	<u>\$ 1,131,246</u>	<u>\$ 1,299,823</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	944,364	(1,206,349)	(261,985)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Miscellaneous revenue	32,115	-	32,115
Depreciation expense	224,788	1,077,849	1,302,637
Provision for uncollectible accounts	-	1,578,442	1,578,442
Change in assets and liabilities:			
Receivables	6,241	(1,721,336)	(1,715,095)
Supplies and prepaid expenses	-	(2,934)	(2,934)
Interfund receipts/payments	293,293	-	293,293
Inventory	(6,151)	-	(6,151)
Estimated amounts due from third-party payers	-	85,000	85,000
Accounts payable and accrued liabilities	(65,732)	(146,459)	(212,191)
Accrued payroll payable	4,251	-	4,251
Net pension liability	(11,412)	-	(11,412)
Net pension asset	80,237	-	80,237
Deferred outflows	(68,174)	-	(68,174)
Meter deposit liability	(57)	-	(57)
Accrued compensated absences	(1,218)	-	(1,218)
Net cash provided by (used in) operating activities	<u>\$ 1,432,545</u>	<u>\$ (335,787)</u>	<u>\$ 1,096,758</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the basic financial statements:**

**1. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Alva) and three blended component units. This annual report includes all activities for which the City of Alva City Council/Manager is fiscally responsible.

- **The City of Alva** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*
- **The Alva Economic Development Authority**– public trust created pursuant to 60 O.S. § 176 to promote economic development to the City of Alva. The City of Alva is the beneficiary of the trust and the City Council serves as the governing body of the trust. – *blended component unit*
- **The Alva Utility Authority (AUA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, sewer, landfill and sanitation services of the City. The City of Alva is the beneficiary of the trust and the City Council serves as the governing body of the trust.- *blended component unit*
- **The Alva Hospital Authority** – public trust created pursuant to 60 O.S. § 176 to operate the Share Medical Center under a bargain lease agreement with the City. The City of Alva is the beneficiary of the trust and the City Council appoints a majority of the governing body of the trust – *blended component unit*

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, “*The Financial Reporting Entity*” and Statement No. 61, “*The Financial Reporting Entity: Omnibus*” and includes all component units for which the City is financially accountable.

Each of these component units are Public Trust established pursuant to Title 60 of Oklahoma State law. A Public Trust (Authority) has no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authorities. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trusts are dissolved.

The Hospital Authority has a blended component unit called the Share Medical Center Foundation, Inc. The Foundations primary function is to raise and hold funds to support the Hospital Authority and its programs. The Board of the Foundation is self-perpetuating. Although the Hospital Authority does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Authority. Because these restricted resources held by the Foundation can only be used by or for the benefit of the Hospital Authority, the Foundation is considered a component unit of the Hospital Authority and is included in the Authority's financial statements using the blended method. All significant intercompany accounts and transactions between the Hospital Authority and the Foundation have been eliminated in the accompanying financial statements. The Foundation does not issue separate financial statements. The Alva Hospital Authority prepares separate financial statements and can be obtained by contacting the Authority's administration by telephoning 580-327-280.

## **2. Basis of Presentation and Accounting**

### *Government-Wide Financial Statements:*

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the economic resources focus, all assets, deferred outflows, liabilities and deferred inflows are reported, including current and non-current. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation) are recorded when the liability is incurred or economic asset used.

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

- General government: License and permits, inspection fees and operating and capital grants
- Public safety: Fine revenue, fire runs and operating and capital grants
- Streets and highways: Gas excise, commercial vehicle taxes, impact fees and capital and operating grants
- Health and welfare: Hospital funding
- Cemetery: Lot sales and interments
- Airport: charges for services rendered to the airport
- Culture and recreation: operating and capital grants
- Economic development: restricted sales tax for economic development for component unit
- Hospital – charges for services rendered to component unit

### *Governmental Funds:*

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – are used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

### *Proprietary Funds:*

Enterprise Funds – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Alva Utility Authority enterprise fund and the Alva Hospital Authority enterprise fund. These funds account for activities of the public trusts in providing, water, sewer, landfill, sanitation and hospital services to the public.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

The City's governmental funds are comprised of the following:

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds.
- Hotel Tax Fund – accounts for hotel tax collections and related expenditures.
- Airport Fund – accounts for revenue and operations of the airport.
- Alva Economic Development Authority Scholarship Fund – accounts for half of one cent restricted sales tax dedicated to promote economic development for the City of Alva through scholarships.
- Alva Economic Development Authority – accounts for half of one cent restricted sales tax dedicated to promote economic development for the City of Alva.

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

Special Revenue Funds:

- ADP Drug Task Force Fund– accounts for police seizures
- Street and Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes and street maintenance fee legally restricted for street and alley purpose.
- Donation Fund- accounts for donations or gifts
- Cemetery Fund – accounts for cemetery fees restricted for cemetery care.

Capital Project Fund:

- Airport Grant Fund- accounts for airport grant money restricted for airport improvements.
- Homestead Capital Improvement Fund – accounts for funds that have self-imposed restrictions for improvements.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

*Proprietary Funds:*

The City's proprietary funds is comprised of the following:

- Alva Utility Authority (AUA) – accounts for the operation of the water, wastewater, landfill and sanitation activities and manages the Homestead Retirement Community.
- Alva Hospital Authority – accounts for the operations of Share Medical Center under a bargain lease agreement with the City. The Alva Utility Authority manages the administrative, financial and operational activities of the Homestead Retirement Community for a five year period with the option to extend.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

All of the above noted funds are legally required to adopt annual budgets or appropriations. The public trusts (or Authorities) are not required to adopt legal annual appropriations. While each trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

### **3. Cash, Cash Equivalents, and Investments**

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

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

Marketable investments are reported at their fair value, based on quoted market prices.

For the year ended June 30, 2017, the City recognized \$39,034 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

At June 30, 2017, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Demand deposits			\$ 1,636,081
Time deposit			2,460,509
Trustee money market mutual funds	On demand	AAAm	451,980
			<u>4,548,570</u>
<b>Total deposits</b>			<u>\$ 4,548,570</u>
 <b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 2,088,061
Investments			2,460,509
			<u>\$ 4,548,570</u>

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2017, the City's accounts were fully collateralized.

*Investment Interest Rate Risk* - the City 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.

*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

*Concentration of Investment Credit Risk* - the City places no limit on the amount it may invest in any one issuer.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

*Restricted Cash and Investments* – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2017 are as follows:

<u>Type of Restricted Assets</u>	Current	
	Cash and cash equivalents	Investments
Series 2014B Revenue Interest Account	\$ 13,098	\$ -
Series 2014A Revenue Principal Account	110,027	-
Series 2014A Revenue Interest Account	19,335	-
Utility Deposits	23,760	142,224
Total	\$ 166,220	\$ 142,224

<u>Type of Restricted Assets</u>	Non-current	
	Cash and cash equivalents	Other
Hospital - held by trustee for debt service	\$ 309,520	\$ -
Hospital - restricted for specific operating activities	326,248	-
Hospital - restricted for capital acquisition	51,614	-
Stabilization CD	-	39,536
Interest in Community Foundation assets	-	200,605
Net pension asset	-	10,632
	\$ 687,382	\$ 250,773

**4. Interest in Assets at Communities Foundation of Oklahoma, Inc**

The Foundation has transferred assets to Communities Foundation of Oklahoma, Inc. (Communities Foundation) and retained a beneficial interest in those assets. The Foundation is entitled to receive the interest annually. The Foundation may request a return of principal funds contributed to the Communities Foundation in accordance with the agency fund agreement. The Foundation has granted variance power to the Communities Foundation’s board of directors to modify any restriction of the donor as to distributions of the funds if the board of directors determines such restrictions to be unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. The fair value of the retained beneficial interest included in the accompanying statements of net position was \$200,605 at June 30, 2017.

Because the Communities Foundation has variance power over contributions received from third parties amounting to approximately \$45,500 at June 30, 2017, these amounts are not reported as assets by the Foundation even though the Foundation is designated as a beneficiary by the donors.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

**5. Inventories**

Inventories are stated at the lower of cost, determined using first-in, first-out method, or market.

**6. Receivables**

*Primary Government Accounts Receivables:*

Accounts receivable of the business-type activities consists of customer utilities receivable and patient accounts receivable for the Hospital Authority. Accounts receivable of the governmental activities consists of police fines, ambulance fees, and other receivables. Receivables detail at June 30, 2017, is as follows:

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
<b>Governmental Activities:</b>			
Court fines	\$ 80,871	\$ (68,740)	\$ 12,131
Ambulance fees	876,615	(701,292)	175,323
Airport	4,640	-	4,640
Other receivables	34,885	-	34,885
Total Governmental Activities	\$ 997,011	\$ (770,032)	\$ 226,979
<b>Business-Type Activities:</b>			
Utilities	\$ 344,478	\$ (23,560)	\$ 320,918
Hospital	2,690,625	(1,294,000)	1,396,625
Other receivables	152,722	-	152,722
Total Business-Type Activities	\$ 3,187,825	\$ (1,317,560)	\$ 1,870,265

**7. Capital Assets and Depreciation**

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$2,500 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at their fair value at the date of donation.

For the year ended June 30, 2017, capital assets balances changed as follows:

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 718,675	\$ -	\$ -	\$ 718,675
Construction in Progress	1,048,657	476,111	484,105	1,040,663
Total capital assets not being depreciated	<u>1,767,332</u>	<u>476,111</u>	<u>484,105</u>	<u>1,759,338</u>
Other capital assets:				
Buildings	8,503,104	509,821	-	9,012,925
Infrastructure	339,097	244,923	-	584,020
Machinery and Equipment	5,866,397	166,773	104,975	5,928,195
Total other capital assets at historical cost	<u>14,708,598</u>	<u>921,517</u>	<u>104,975</u>	<u>15,525,140</u>
Less accumulated depreciation for:				
Buildings	5,277,343	172,504	-	5,449,847
Infrastructure	22,431	10,885	-	33,316
Machinery and Equipment	3,269,387	315,127	104,975	3,479,539
Total accumulated depreciation	<u>8,569,161</u>	<u>498,516</u>	<u>104,975</u>	<u>8,962,702</u>
Other capital assets, net	<u>6,139,437</u>	<u>423,001</u>	<u>-</u>	<u>6,562,438</u>
Governmental, net capital assets	<u>\$ 7,906,769</u>	<u>\$ 899,112</u>	<u>\$ 484,105</u>	<u>\$ 8,321,776</u>
<b>Business-Type:</b>				
Capital assets not being depreciated:				
Land	\$ 132,829	\$ -	\$ -	\$ 132,829
Construction in Progress	1,159,432	734,078	100,468	1,793,042
Total capital assets not being depreciated	<u>1,292,261</u>	<u>734,078</u>	<u>100,468</u>	<u>1,925,871</u>
Other capital assets:				
Buildings	16,343,344	12,079	-	16,355,423
Machinery and Equipment	11,696,292	275,890	153,480	11,818,702
Infrastructure	1,733,770	10,188	-	1,743,958
Land Improvements	86,208	-	-	86,208
Total other capital assets at historical cost	<u>29,859,614</u>	<u>298,157</u>	<u>153,480</u>	<u>30,004,291</u>
Less accumulated depreciation for:				
Buildings	4,722,946	398,124	-	5,121,070
Machinery and Equipment	9,617,227	870,899	149,558	10,338,568
Infrastructure	1,190,857	33,466	-	1,224,323
Land Improvements	86,060	148	-	86,208
Total accumulated depreciation	<u>15,617,090</u>	<u>1,302,637</u>	<u>149,558</u>	<u>16,770,169</u>
Other capital assets, net	<u>14,242,524</u>	<u>(1,004,480)</u>	<u>3,922</u>	<u>13,234,122</u>
Business-Type, net capital assets	<u>\$ 15,534,785</u>	<u>\$ (270,402)</u>	<u>\$ 104,390</u>	<u>\$ 15,159,993</u>

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

- Buildings 5-40 years
- Machinery, furniture and equipment 3-20 years
- Utility property and improvements 5-40 years
- Infrastructure 20-50 years

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

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

*Governmental Activities:*

General government	\$ 173,379
Public safety	85,768
Highways and streets	99,631
Ambulance	36,093
Culture and recreation	75,344
Cemetery	5,645
Airport	22,656
Total accumulated depreciation	<u>\$ 498,516</u>

*Business-Type Activities:*

Water	\$ 47,703
Sewer	47,702
Sanitation	80,621
Homestead	48,762
Hospital	<u>1,077,849</u>
Total accumulated depreciation	<u>\$1,302,637</u>

The following capital assets were purchased by capital lease. The table discloses the amount capitalized and the related depreciation expense through June 30, 2017.

Machinery and Equipment:

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
3/17/2014	580 Case Loader	\$ 69,654	\$ (15,672)
4/7/2014	2014 E-1 Pumper	240,590	(61,484)
7/7/2014	2012 CAT Wheel Loader	65,500	(19,650)
3/17/2014	924K Caterpillar	134,853	(29,218)
7/2/2014	2014 Freightliner	71,352	(30,579)
7/7/2014	2014 Distributor	85,613	(36,691)
7/21/2014	2014 Spreader	161,338	(69,145)
		<u>\$ 828,900</u>	<u>\$ (262,439)</u>

## 8. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2017, the reporting entity's long-term debt changed as follows:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2017</u>	Amount Due <u>Within One Year</u>
<i>Governmental:</i>					
Capital lease obligation	\$ 531,401	\$ -	\$ 98,205	\$ 433,196	\$ 98,265
Revenue note payable	680,879	-	157,866	523,013	163,480
Accrued compensated absences	104,976	206	7,770	97,412	73,338
Total	<u>\$ 1,317,256</u>	<u>\$ 206</u>	<u>\$ 263,841</u>	<u>\$ 1,053,621</u>	<u>\$ 335,083</u>
<i>Business-Type:</i>					
Notes payable	\$ 10,349,139	\$ -	\$ 624,798	\$ 9,724,341	\$ 2,114,514
Grant obligation payable	152,227	-	19,906	132,321	19,906
Capital lease obligation	102,823	-	18,390	84,433	19,150
Deposits subject to refund	166,041	43,057	43,114	165,984	24,906
Accrued compensated absences	26,238	-	1,218	25,020	20,100
Total	<u>\$ 10,796,468</u>	<u>\$ 43,057</u>	<u>\$ 707,426</u>	<u>\$ 10,132,099</u>	<u>\$ 2,198,576</u>

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

*Governmental Activities:*

At June 30, 2017, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease Obligations:

\$885,000 lease with Community Bank for the purchase of several pieces of equipment , 84% or \$693,746 was used for business-type activites, issued January 2014 with an interest rate of 3.5%, maturing August 2021.

\$ 433,196

Total Capital Lease Obligations

\$ 433,196

Current portion

\$ 98,265

Non-current portion

334,931

Total

\$ 433,196

Notes Payable:

Alva Economic Development Authority:

Series 2013 Sales Tax Revenue Note, original amount of \$1,090,000, issued by the Alva Economic Development Authority, due in monthly installments of \$14,931.49, matures in July 2020, interest at 3.5%.

\$ 523,013

Current portion

\$ 163,480

Non-current portion

359,533

Total

\$ 523,013

*Business-Type Activities:*

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2017, includes the following:

Notes Payable:

Alva Utility Authority:

Series 2014A Utility Revenue Note Original amount of \$1,465,000 issued by the Alva Utility Authority, due in semi-annual installments of \$100,000 to \$115,000 through 2021, interest at 3%

\$ 1,045,000

Series 2014B Utility Revenue Note Original amount of \$935,000 issued by the Alva Utility Authority, due in semi-annual installments of \$10,000 to \$140,000 through 2025, interest at 2.8%

935,000

Total Utility Authority notes payable

\$ 1,980,000

Current portion

\$ 220,000

Non-current portion

1,760,000

Total

\$ 1,980,000

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

Alva Hospital Authority:

Note payable to bank in monthly installments issued by the Alva Hospital Authority, with interest rate of 4% collateralized by certain equipment. \$ 119,060

Note payable to trust due upon demand issued by the Alva Hospital Authority, with interest rate of 4% due annually. 1,500,000

Series 2013 Sales Tax and Utility Revenue Note Original amount of \$7,500,000 issued by the Alva Utility Authority, due in monthly installments of \$51,614 through 2029, interest at 3.8% 6,125,281

Total Hospital Authority notes payable \$ 7,744,341

Current portion	\$ 1,894,514
Non-current portion	<u>5,849,827</u>
Total	<u>\$ 7,744,341</u>

Total notes payable	
Current portion	\$ 2,114,514
Non-current portion	<u>7,609,827</u>
Total	<u>\$ 9,724,341</u>

Refundable Grant Obligation:

Alva Utility Authority:

Oklahoma Department of Commerce obligation payable, original amount of \$125,000, issued by the Alva Utility Authority, due in monthly installments of \$521 through 2019, non-interest bearing. \$ 15,105

Oklahoma Department of Commerce obligation payable, original amount of \$273,123, issued by the Alva Utility Authority, due in monthly installments of \$1,138 through 2026, non-interest bearing. 117,216

Total Utility Authority refunding grant obligations \$ 132,321

Current portion	\$ 19,906
Non-current portion	<u>112,415</u>
Total	<u>\$ 132,321</u>

Capital Lease Obligations:

Alva Utility Authority:

\$885,000 lease with Community Bank for the purchase of several pieces of equipment, 16% or \$135,154 was used for business-type activities, issued January 2014 with an interest rate of 3.5%, maturing August 2021. \$ 84,433

Current portion	\$ 19,150
Non-current portion	<u>65,283</u>
Total	<u>\$ 84,433</u>

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

*Payment Requirements to Maturity:*

Year Ended June 30,	Governmental Activities				Business-Type Activities					
	Capital Lease Obligations		Notes Payable		Grant Obligation Payable		Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	98,265	13,588	163,480	15,698	19,906	-	2,114,514	334,850	19,150	2,648
2019	101,760	10,093	169,294	9,884	19,906	-	671,010	271,182	19,832	1,967
2020	105,379	6,473	175,315	3,863	16,261	-	693,309	247,209	20,537	1,262
2021	109,128	2,725	14,924	7	13,656	-	702,403	222,504	21,267	531
2022	18,664	80	-	-	13,656	-	706,400	198,148	3,647	16
2023-2027	-	-	-	-	48,936	-	3,360,777	603,516	-	-
2028-2032	-	-	-	-	-	-	1,475,928	70,434	-	-
<b>Total</b>	<b>\$433,196</b>	<b>\$32,959</b>	<b>\$523,013</b>	<b>\$29,452</b>	<b>\$132,321</b>	<b>-</b>	<b>\$9,724,341</b>	<b>\$1,947,843</b>	<b>\$84,433</b>	<b>\$6,424</b>

**Pledge of Future Revenues**

*Utility Net Revenues Pledge*

The City has pledged future water, sewer and sanitation net utility revenues to repay the Series 2014A and 2014B Utility System Revenue Notes of \$2,400,000. Proceeds from these notes were used to refund the 2005 Revenue Bond that was used for construction of retirement center and to finance certain water improvements. The notes are payable through 2021 and 2025. The total principal and interest payable for the remainder of the life of the notes is \$2,230,025. Pledged water, sewer and sanitation net utility revenues for the current year were \$1,228,675. Debt service payments of \$277,405 for the current fiscal year were 22.6% of the pledged utility net revenues.

*Sales Tax Pledge*

The City has pledged one-half of one cent of sales tax to repay the 2013 Sales Tax Revenue Note issued by the Economic Development Authority of \$1,090,000. Proceeds from the note were used to refinance the Series 2000 Recreational Facility Note. The note is payable from pledged sales tax and is payable through 2020. The total principal and interest payable for the remainder of the life of this note is \$552,465. Pledged sales tax revenue for the current year was \$441,617. Debt service payments of \$179,178 for the current fiscal year were 40.6% of the pledged sales tax.

**9. Net Position and Fund Balances**

*Net Position:*

Net position as reported in the government-wide and proprietary fund financial statements is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation, 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, net of unexpended debt proceeds.

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

*Prior Period Adjustments:*

	Governmental Funds	Alva Utility Authority	Governmental Activities	Business-type Activities/Funds
Beginning fund balance/net position, as previously reported	\$ 4,933,465	\$ 1,120,069	\$ 10,487,339	\$ 7,101,069
Understatement of inventory	-	90,000	-	90,000
Overstatement of ambulance receivable	(53,112)	-	(53,112)	-
Overstatement of airport receivable	(50,686)	-	(50,686)	-
Beginning fund balance/net position, restated	<u>\$ 4,829,667</u>	<u>\$ 1,210,069</u>	<u>\$ 10,383,541</u>	<u>\$ 7,191,069</u>

*Fund Balances:*

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – 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.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through 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.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

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

	Major Special Revenue		Blended Component Units		Other Governmental Funds	TOTAL	
	General Fund	Hotel Tax Fund	Airport Fund	AEDA Scholarship Fund			AEDA Economic Development Fund
<b>Fund Balances:</b>							
Nonspendable:	39,108	-	-	-	-	39,108	
Restricted for:							
Capital outlay	-	-	-	-	65,867	65,867	
Airport	-	-	1,013,614	-	-	1,013,614	
Streets	-	-	-	-	104,433	104,433	
Police	-	-	-	-	26,139	26,139	
Economic Development Scholarships	-	-	-	728,118	-	728,118	
Economic Development	-	-	-	-	775,564	775,564	
Tourism	-	701,557	-	-	-	701,557	
Sub-total Restricted	-	701,557	1,013,614	728,118	775,564	3,415,292	
Committed to:							
Stabilization Fund	772,204	-	-	-	27,440	799,644	
Assigned to:							
Homestead Capital	-	-	-	-	78,560	78,560	
Cemetery	-	-	-	-	80,642	80,642	
Sub-total Assigned	-	-	-	-	159,202	159,202	
Unassigned:	(544,919)	-	-	-	-	(544,919)	
<b>TOTAL FUND BALANCES</b>	<b>\$ 266,393</b>	<b>\$ 701,557</b>	<b>\$ 1,013,614</b>	<b>\$ 728,118</b>	<b>\$ 775,564</b>	<b>\$ 383,081</b>	<b>\$ 3,868,327</b>

### Stabilization Reserve

The City Council adopted Ordinance No. 2015-050 establishing the fund's purpose establishing minimum and maximum amounts to be held in the fund and guidelines for expenditures from the fund.

The minimum amount to be contained in the Stabilization Reserve Fund is 16% of budgeted annual non-capital operating expenses for each of the funds contributing stabilization reserves into the Stabilization Reserve Fund.

The maximum amount to be contained in the Stabilization Reserve Fund is 35% of budgeted annual non-capital operating expenses for each of the Funds contributing stabilization reserves into the Stabilization Reserve Fund.

Amounts held that are above the minimum balance may be spent for the following purposes:

- i. Expenditures for emergency situations as defined above for life, health, or public safety issues for which no existing appropriation exists;
- ii. Situations where a significant expense or revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;

- iii. Expenditures where the proposed use is of a nonoperational nature involving capital or technical purchases having a useful life of greater than five years that will improve the efficiency of the City government;
- iv. Expenditures where the proposed use is of a nonrecurring nature, such as a study, or for start-up costs of a program whose ongoing costs are otherwise funded;
- v. Correcting the results of an inaccurate estimate, accounting error, or budgeting error.

Amounts held that are below the minimum balance may be spent for the following purposes:

- i. Expenditures for emergency situations as defined above for life, health, or public safety issues for which no existing appropriation exists;
- ii. Situations where a significant expense or revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;
- iii. Correcting the results of an inaccurate estimate, accounting error, or budgeting error.

## **10. Sales Tax Revenue**

Sales tax revenue represents a four and one quarter cent tax on each dollar of taxable sales within the City. All four and one quarter cents is received and recorded in the General Fund. One cent is received and transferred to the Alva Economic Development Authority. This one cent is divided in half and placed in two separate funds for the AEDA where  $\frac{1}{2}$  of the one cent is to be used for scholarships for full time students residing in Alva and attending Northwestern Oklahoma State University Alva campus. The other  $\frac{1}{2}$  of the one cent is for economic development. Another cent and a quarter is received and transferred to the Alva Hospital Authority for the use of capital improvements of the Authority.

## **11. Net Patient Service Revenue**

The Hospital Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known. These third-party payment arrangements include:

- **Medicare** - Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. The Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor. The Authority's

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2015.

- **Medicaid** - The Authority has also been reimbursed for services rendered to patients covered by the state Medicaid program at prospectively determined rates per discharge and fee schedules with no retroactive adjustments. The payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Approximately 35% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the year ended June 30, 2017. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term. The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

## 12. Charity Care

The Hospital Authority provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Authority provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

Uncompensated costs relating to these services are as follows:

Charity allowances	\$ 28,000
State Medicaid programs	<u>35,000</u>
	<u>\$ 63,000</u>

The cost of uncompensated care is estimated by applying the ratio of costs to gross charges to the gross uncompensated charges from the most recent Medicare cost report. In addition to uncompensated charges, the Authority also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, home health programs, community educational services and various support groups.

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

**13. Income Taxes**

The Hospital Authority as an essential government function of the City is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code (IRC) and a similar provision of state law. The Share Medical Center Foundation, Inc is generally exempt from income taxes under Section 501 of the IRC. However, the Hospital Authority and the Share Medical Foundation, Inc are subject to federal income tax on any unrelated business taxable income.

**14. Internal and Interfund Balances and Transfers**

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	AEDA Economic Dev	459,755	Sales tax transfer
General Fund	AEDA Scholarship	459,756	Sales tax transfer
General Fund	Hospital Authority	1,158,966	Sales tax transfer
General Fund	Cemetery Fund	22,346	Operating transfer
AUA	General Fund	1,092,373	Operating transfer
Total		<u>\$ 3,193,196</u>	
 <b>Reconciliation to Fund Financial Statements:</b>			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,034,230	\$ (2,100,823)	\$ (66,593)
Proprietary Funds	1,178,216	(1,092,373)	85,843
	<u>\$ 3,212,446</u>	<u>\$ (3,193,196)</u>	<u>19,250</u>
 <b>Reconciliation to Statement of Activities:</b>			
Net transfers	\$ (66,593)		
Transfer of capital asset	(19,250)		
	<u>\$ (85,843)</u>		

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

*Balances:*

Interfund receivable and payables at June 30, 2017 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Internal Balance</u>
AEDA Economic Dev	General Fund	\$ 71,442	Interfund loan
AEDA Scholarship	General Fund	71,442	Interfund loan
General Fund	Street & Alley Fund	8,367	Deposit in wrong fund
Hotel Motel	General Fund	5,096	Deposit in wrong fund
Airport	General Fund	213,131	Interfund loan
Donation Fund	General Fund	931	Reclass grant proceeds
General Fund	AUA	20,770	Interfund loan
Donation Fund	AUA	60,000	Interfund loan
APD Drug Task Force	AUA	60,000	Interfund loan
Street & Alley Fund	AUA	120,000	Interfund loan
AEDA Scholarship	AUA	107,000	Interfund loan
Total		<u>\$ 738,179</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 738,179	\$ (370,409)	\$ 367,770
Proprietary Funds	-	(367,770)	(367,770)
Total	<u>\$ 738,179</u>	<u>\$ (738,179)</u>	<u>\$ -</u>

**15. Risk Management**

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

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation – Workers' compensation is covered through purchase of commercial insurance – CompSource Oklahoma.
- Employee's Group Health and Life – Covered through participation in Coventry Health Group risk entity pool.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

**16. Contingencies**

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not

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

### **17. Electronic Health Records Incentive Program**

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for three years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payment under both programs is contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Authority recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2017, the Authority completed the fourth-year requirements under the Medicare and Medicaid programs. The Authority recorded revenue of approximately \$382,000, which is included in other revenue within operating revenues in the accompanying statements of revenues, expenses and changes in net position.

### **18. Supplemental Hospital Offset Payment Program**

On January 17, 2012, CMS approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is retroactive back to July 1, 2011, and is currently scheduled to sunset on December 31, 2020. The SHOPP is designed to assess Oklahoma hospitals a supplemental hospital offset fee which will be placed in pools after receiving federal matching funds. The total fees and matching funds will then be allocated to hospitals as directed by legislation. In addition to the SHOPP, there is a separate voluntary pool created to assist hospitals that did not receive sufficient SHOPP funds to cover the assessment fees paid. The Oklahoma Hospital Association (OHA) Foundation receives voluntary contributions from Oklahoma hospitals and remits funds to those providers that did not receive SHOPP funds to reimburse them for the assessment fees paid.

During the year ended June 30, 2017 the Hospital Authority had the following activity related to the SHOPP:

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

SHOPP funds received	\$	89,000
OHA Foundation funds received		200,000
SHOPP assessment fees paid		(289,000)
 Net SHOPP benefit	 \$	 -

The annual amounts to be received and paid by the Authority over the term of the SHOPP are subject to change annually based on various factors involved in determining the amount of federal matching funds.

Based on the current information available, the annual net benefit to the Authority over the term of the SHOPP is not expected to be materially different from the net amounts received in 2017. SHOPP and OHA Foundation revenue is recorded as part of net patient service revenue and the SHOPP assessment fees are recorded as part of other expenses on the accompanying statements of revenues, expenses and changes in net position.

**19. Employee Retirement Plan Participation**

The City participates in three defined benefit plans and two defined contribution plans. The defined benefit plans are as follows:

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

A summary of all the amounts recorded in the City's financial statements related to the defined benefit plans is as follows:

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

	Governmental Activities	Business-type Activities	Plan Totals
<b>Net Pension Asset:</b>			
OkMRF	\$ 27,241	\$ 10,632	\$ 37,873
Total	<u>\$ 27,241</u>	<u>\$ 10,632</u>	<u>\$ 37,873</u>
<b>Net Pension Liability:</b>			
OkMRF	\$ -	\$ -	\$ -
Police	\$ 224,519	\$ -	\$ 224,519
Firefighters	1,603,043	-	1,603,043
Total	<u>\$ 1,827,562</u>	<u>\$ -</u>	<u>\$ 1,827,562</u>
<b>Deferred Outflows of Resources:</b>			
OkMRF	\$ 292,730	\$ 111,588	\$ 404,318
Police	277,442	-	277,442
Firefighters	318,523	-	318,523
Total	<u>\$ 888,695</u>	<u>\$ 111,588</u>	<u>\$ 1,000,283</u>
<b>Deferred Inflows of Resources:</b>			
OkMRF	\$ -	\$ 6,822	\$ 6,822
Police	26,400	-	26,400
Firefighters	167,806	-	167,806
Total	<u>\$ 194,206</u>	<u>\$ 6,822</u>	<u>\$ 201,028</u>
<b>Pension Expense:</b>			
OkMRF	\$ 96,441	\$ 37,641	\$ 134,082
Police	81,483	-	81,483
Firefighters	162,479	-	162,479
Total	<u>\$ 340,403</u>	<u>\$ 37,641</u>	<u>\$ 378,044</u>

The City participates in five employee retirement plans:

***OFPRS:***

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

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

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

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation,

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

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

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

**Contributions** - The contributions requirements of the Plan are at an established rate 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 \$52,875. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$182,531 and is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$121,149. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2017, the City reported a liability of \$1,603,043 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2016. Based upon this information, the City's proportion was .1312% percent.

For the year ended June 30, 2017, the City recognized pension expense of \$162,479. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,973	\$ -
Net difference between projected and actual earnings on pension plan investments	98,082	-
Changes in proportion and differences between City contributions and proportionate share of contributions	124,593	165,297
City contributions during measurement date	-	2,509
City contributions subsequent to the measurement date	52,875	-
Total	<u>\$ 318,523</u>	<u>\$ 167,806</u>

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

The \$52,875 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:		
2018	\$	9,384
2019		9,384
2020		60,446
2021		44,332
2022		(18,558)
Thereafter		(7,146)
	<u>\$</u>	<u>97,842</u>

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.18%
Domestic equity	47%	8.70%
International equity	15%	10.87%
Real estate	10%	7.23%
Other assets	8%	6.24%

**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

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability	\$ 2,029,320	\$ 1,603,043	\$ 1,245,648

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

*Oklahoma Police Pension and Retirement System*

**Plan description** - The City of Alva, 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](http://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.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$55,884. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$51,058 and is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$52,654.

**Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2017, the City reported a liability of \$224,519 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2016. Based upon this information, the City's proportion was .1466% percent.

For the year ended June 30, 2017, the City recognized pension expense of \$81,483. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 720	\$ 25,220
Net difference between projected and actual earnings on pension plan investments	215,725	-
Changes in proportion and differences between City contributions and proportionate share of contributions	5,113	294
City contributions during the measurement date	-	886
City contributions subsequent to the measurement date	55,884	-
<b>Total</b>	<b>\$ 277,442</b>	<b>\$ 26,400</b>

The \$55,884 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:			
2018	\$	32,337	
2019		32,337	
2020		76,491	
2021		53,989	
2022		4	
	\$	195,158	

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.  Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.  Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	3.27%
Domestic equity	5.16%
International equity	8.61%
Real estate	4.97%
Private equity	8.32%
Commodities	2.42%

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

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

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 589,065	\$ 224,519	\$ (83,284)

**Defined Benefit Plan - Oklahoma Municipal Retirement Fund**

*A. Plan Description*

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

*B. Summary of Significant Accounting Policies*

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

*C. Eligibility Factors and Benefit Provisions*

<u>Provision</u>	<u>As of 07/01/16 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service for married employees

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

---

d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-1.125% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 10 Years Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

*D. Employees Covered by Benefit Terms*

Active Employees	57
Deferred Vested Former Employees	5
Retirees or Retiree Beneficiaries	<u>8</u>
Total	<u>70</u>

*E. Contribution Requirements*

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 4.33% of covered payroll as of 7-1-16; however, the City elected to contribute 7.07% of covered payroll. For the year ended June 30, 2017, the City recognized \$122,196 of employer contributions to the plan based on covered payroll of \$2,098,015. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

*F. Actuarial Assumptions*

Date of Last Actuarial Valuation	July 1, 2016
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	3%

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

---

f. Mortality Table	UP 1994, with projected mortality improvement										
g. Percent of married employees	100%										
h. Spouse age difference	3 years (female spouses younger)										
i. Turnover	<p>Select and ultimate rates Ultimate rates are age-related as shown</p> <p>Additional rates per thousand are added during the first 5 years:</p> <table border="0" style="margin-left: 40px;"> <tr><td>Year 1:</td><td>215</td></tr> <tr><td>Year 2:</td><td>140</td></tr> <tr><td>Year 3:</td><td>95</td></tr> <tr><td>Year 4:</td><td>65</td></tr> <tr><td>Year 5:</td><td>40</td></tr> </table>	Year 1:	215	Year 2:	140	Year 3:	95	Year 4:	65	Year 5:	40
Year 1:	215										
Year 2:	140										
Year 3:	95										
Year 4:	65										
Year 5:	40										
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011										

*G. Discount Rate*

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

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2016 are summarized in the following table:

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

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

*H. Changes in Net Pension Liability (Asset)*

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2016 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2016 and the City's report ending date of June 30, 2017, that would have had a significant impact on the net pension liability (asset). The following table reports the components of changes in net pension liability (asset):

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
<b>Balances Beginning of Year</b>	\$ 3,077,533	\$ 3,403,595	\$ (326,062)
<b>Changes for the Year:</b>			
Service cost	101,723	-	101,723
Interest expense	232,937	-	232,937
Difference between expected and actual experience	76,792	-	76,792
Contributions--City	-	99,582	(99,582)
Contributions--members	-	-	-
Net investment income	-	30,424	(30,424)
Benefits paid	(146,527)	(146,527)	-
Plan administrative expenses	-	(6,743)	6,743
<b>Net Changes</b>	<u>264,925</u>	<u>(23,264)</u>	<u>288,189</u>
<b>Balances End of Year</b>	<u>\$ 3,342,458</u>	<u>\$ 3,380,331</u>	<u>\$ (37,873)</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>6.75%</u>	Current Discount Rate 7.75%	1% Increase <u>8.75%</u>
Net Pension Liability (Asset)	\$ 418,176	\$ (37,873)	\$ (416,782)

The City reported \$134,082 in pension expense for the year ended June 30, 2017. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109,824	\$ -
Net difference between projected and actual earnings on pension plan investments	165,476	-
Changes in proportion and differences between City contributions and proportionate share of contributions	6,822	6,822
City contributions subsequent to the measurement date	122,196	-
<b>Total</b>	<u>\$ 404,318</u>	<u>\$ 6,822</u>

The \$122,196 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

---

**Year ended June 30:**

2018	\$	45,971
2019		45,972
2020		98,464
2021		67,741
2022		13,380
thereafter		3,772
		\$ 275,300

*City of Alva Defined Contribution Plan*

The City contributes to the Employee Retirement System of Alva, Oklahoma in the form of The Oklahoma Municipal Retirement System Master Contribution Plan and Trust, an agent multiple employer– defined contribution plan. The defined contribution plan is available to all eligible employees who are not already participating in the fire or police pension plan. Administration of the City’s individual plan rests with the City Council. The overall operations of OkMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Bank One Trust Company of Oklahoma City acts as the administrator and securities custodian.

For the year ended June 30, 2017 the total contributions were 2.7% of covered payroll, of which 1.89% and 2.00% were contributed by the employer and employee respectively.

**Schedule of Retirement Plan Contributions – Defined Contribution Plan**

<u>Fiscal Year</u>	<u>Employer Contribution</u>
6/30/15	\$40,181
6/30/16	\$46,645
6/30/17	\$19,249

*Alva Hospital Authority Defined Contribution Plan*

The Hospital Authority contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Authority’s required contributions, determined in accordance with the terms of the plan. The plan is administered by the Authority’s Board of Trustees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority’s governing body. Contributions actually made by the Authority during 2017 were approximately \$0. Contributions actually made by plan members during 2017 were approximately \$165,000.

**19. Use of Estimates**

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

**20. Management's Consideration of Going Concern Matters**

The Hospital Authority has incurred significant operating losses since 2010 and has negative working capital. The accompanying financial statements have been prepared assuming the Authority will continue as a going concern, realizing assets and liquidating liabilities in the ordinary course of business. Management is considering several alternatives for mitigating these conditions during the next year, including reviewing expenses and evaluating profitability of current and new lines of service. Although not currently planned, realization of assets in other than the ordinary course of business in order to meet liquidity needs could incur losses not reflected in the accompanying financial statements.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Budgetary Comparison Schedules – Year Ended June 30, 2017**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Taxes	5,348,098	5,348,098	3,525,744	(1,822,354)
Intergovernmental	380,768	392,087	544,780	152,693
Charges for services	520,241	520,241	333,679	(186,562)
Fines and forfeitures	57,378	52,378	48,287	(4,091)
Licenses and permits	24,351	24,351	17,167	(7,184)
Investment Income	10,084	10,084	8,333	(1,751)
Miscellaneous	325,141	335,140	273,011	(62,129)
Transfers In	1,389,715	1,389,715	1,092,663	(297,052)
<b>Total Resources (Inflows)</b>	8,055,776	8,072,094	5,843,664	(2,228,430)
<b>Charges to Appropriations (Outflows):</b>				
General government	1,283,125	1,275,472	1,058,437	217,035
Public safety	1,591,145	1,604,670	1,611,910	(7,240)
Streets	768,162	771,574	723,256	48,318
Ambulance	951,995	953,956	623,784	330,172
Culture and recreation	499,864	510,453	483,286	27,167
Transfers out	3,002,385	3,002,384	1,971,838	1,030,546
<b>Total Charges to Appropriations</b>	8,096,676	8,118,509	6,472,511	1,645,998
<b>Net change in fund balances</b>	(40,900)	(46,415)	(628,847)	(582,432)
<b>Fund balances - beginning, restated</b>	-	-	729,561	729,561
<b>Fund balances - ending</b>	\$ (40,900)	\$ (46,415)	\$ 100,714	\$ 147,129

	Hotel Tax Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Taxes	\$ 350,000	\$ 350,000	\$ 192,415	\$ (157,585)
Investment income	3,316	3,316	6,183	2,867
<b>Total Resources (Inflows)</b>	353,316	353,316	198,598	(154,718)
<b>Charges to Appropriations (Outflows):</b>				
Economic Development	506,000	506,000	238,685	267,315
<b>Total Charges to Appropriations</b>	506,000	506,000	238,685	267,315
<b>Net change in fund balances</b>	(152,684)	(152,684)	(40,087)	112,597
<b>Fund balances - beginning</b>	-	-	707,790	707,790
<b>Fund balances - ending</b>	\$ (152,684)	\$ (152,684)	\$ 667,703	\$ 820,387

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

	<b>Airport Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Resources (Inflows):</b>				
Intergovernmental	\$ 71,644	\$ 71,644	\$ 90,000	\$ 18,356
Charges for services	308,094	308,094	217,562	(90,532)
Investment income	2,378	2,378	6,333	3,955
Miscellaneous	183,201	183,201	247,659	64,458
<b>Total Resources (Inflows)</b>	<u>565,317</u>	<u>565,317</u>	<u>561,554</u>	<u>(3,763)</u>
<b>Charges to Appropriations (Outflows):</b>				
Airport	866,219	866,219	762,218	104,001
<b>Total Charges to Appropriations</b>	<u>866,219</u>	<u>866,219</u>	<u>762,218</u>	<u>104,001</u>
<b>Net change in fund balances</b>	(300,902)	(300,902)	(200,664)	100,238
<b>Fund balances - beginning, restated</b>	-	-	1,287,649	1,287,649
<b>Fund balances - ending</b>	<u>\$ (300,902)</u>	<u>\$ (300,902)</u>	<u>\$ 1,086,985</u>	<u>\$ 1,387,887</u>

**Footnotes to Budgetary Comparison Schedules:**

- The City prepares its budgets for all funds on a non-GAAP budgetary basis of accounting. For budgetary purposes expenditures are recorded in the period the invoice is received. All unexpended encumbrances lapse at year-end and therefore are not recorded as expenditures for budgetary purposes.
- The legal level of appropriation control is the department level within a fund. Transfer appropriations require the City Managers approval and supplemental appropriations require City Council's approval.
- The budgetary basis differs from the modified accrual basis as shown below:

	General Fund	Hotel Tax Fund	Airport Fund
Total revenue - budgetary basis	\$ 5,843,664	\$ 198,598	\$ 561,554
Total expenses - budgetary basis	(6,472,511)	(238,685)	(762,218)
Change in fund balance - budgetary basis	(628,847)	(40,087)	(200,664)
Revenue accruals	546,190	(28,347)	(104,457)
Expenditure accruals	(380,511)	62,201	31,086
Change in fund balance - GAAP basis	<u>\$ (463,168)</u>	<u>\$ (6,233)</u>	<u>\$ (274,035)</u>

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

**Schedules of Required Supplementary Information**  
**SCHEDULE OF THE CITY OF ALVA PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM**  
**Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability/asset	0.1396%	0.1475%	0.1466%
City's proportionate share of the net pension liability/(asset)	\$ (47,005)	\$ 6,012	\$ 224,519
City's covered-employee payroll	\$ 390,571	\$ 413,903	\$ 430,880
City's proportionate share of the net pension liability/asset as a percentage of its covered-employee payroll	12.03%	1.45%	52.11%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%

**Notes to Schedule:**

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

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Statutorially required contribution	\$ 54,182	\$ 56,019	\$ 55,884
Contributions in relation to the statutorially required contribution	54,182	56,019	55,884
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 413,903	\$ 430,880	\$ 429,877
Contributions as a percentage of covered-employee payroll	13.09%	13.00%	13.00%

**Notes to Schedule:**

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

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

---

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability	0.1331%	0.1488%	0.1312%
City's proportionate share of the net pension liability	\$ 1,368,236	\$ 1,579,205	\$ 1,603,043
City's covered-employee payroll	\$ 350,420	\$ 395,364	\$ 358,407
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	390%	399%	447%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%

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

**Notes to Schedule:**

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

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

---

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Statutorially required contribution	\$ 55,592	\$ 50,244	\$ 52,875
Contributions in relation to the statutorially required contribution	55,592	50,244	52,875
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 395,364	\$ 358,407	\$ 377,679
Contributions as a percentage of covered-employee payroll	14.06%	14.02%	14.00%

**Notes to Schedule:**

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

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Required Supplementary Information**  
**Oklahoma Municipal Retirement Fund**

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**

	2015	2016	2017
<b>Total pension liability</b>			
Service cost	\$ 77,381	\$ 85,811	\$ 101,723
Interest	204,865	213,582	232,937
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	67,198	76,792
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(96,353)	(88,271)	(146,527)
<b>Net change in total pension liability</b>	<u>185,893</u>	<u>278,320</u>	<u>264,925</u>
<b>Total pension liability - beginning</b>	<u>2,613,320</u>	<u>2,799,213</u>	<u>3,077,533</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 2,799,213</u>	<u>\$ 3,077,533</u>	<u>\$ 3,342,458</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 79,185	\$ 85,781	\$ 99,582
Contributions - member	-	-	-
Net investment income	471,323	92,829	30,424
Benefit payments, including refunds of member contributions	(96,353)	(88,271)	(146,527)
Administrative expense	(6,973)	(6,908)	(6,743)
Other	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>447,182</u>	<u>83,431</u>	<u>(23,264)</u>
<b>Plan fiduciary net position - beginning</b>	<u>2,872,982</u>	<u>3,320,164</u>	<u>3,403,595</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 3,320,164</u>	<u>\$ 3,403,595</u>	<u>\$ 3,380,331</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (520,951)</u>	<u>\$ (326,062)</u>	<u>\$ (37,873)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	118.61%	110.59%	101.13%
<b>Covered employee payroll</b>	\$ 1,686,436	\$ 1,868,876	\$ 2,169,546
<b>Net pension liability/asset as a percentage of covered-employee payroll</b>	30.89%	17.45%	1.75%

**Notes to Schedule:**

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

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

**Required Supplementary Information  
Oklahoma Municipal Retirement Fund**

**Schedule of Employer Contributions**

	2015	2016	2017
Actuarially determined contribution	\$ 85,781	\$ 99,582	\$ 90,887
Contributions in relation to the actuarially determined contribution	85,781	99,582	122,196
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,309)</u>
Covered employee payroll	\$ 1,868,876	\$ 2,169,546	\$ 2,099,015
Contributions as a percentage of covered-employee payroll	4.59%	4.59%	5.82%

**Notes to Schedule:**

1. Only the last three fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2016
3. Actuarially determined contribution rate is calculated as of July 1, 2014 and July 1, 2015  
 July 2014 through June 2015 contributions were at a rate of 4.14%  
 July 2015 through June 2016 contributions were at a rate of 3.89%  
 July 2016 through June 2016 contributions were at a rate of 4.33%
4. Methods and assumptions used to determine contribution rates:
  - Actuarial cost method - Entry age normal
  - Amortization method - Level percent of payroll, closed
  - Remaining amortization period - 28 years
  - Asset valuation method - Actuarial:
    - Smoothing period - 4 years
    - Recognition method - Non-asymptotic
    - Corridor - 70% - 130%
  - Salary increases - 4.00% to 7.42% (varies by attained age)
  - Investment rate of return - 7.75%

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2017**

	<b>APD Drug Task Force</b>	<b>Cemetery Fund</b>	<b>Donation Fund</b>	<b>Street and Alley Fund</b>	<b>Homestead Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,861	\$ -	\$ 4,128	\$ 15,231	\$ 27,472	\$ 50,692
Investments	-	106,251	12,134	-	51,016	169,401
Interest receivable	-	160	4	-	72	236
Receivable from other governments	-	-	-	8,105	-	8,105
Due from other funds	60,000	-	60,931	120,000	-	240,931
Utilities receivable, net	-	-	-	4,247	-	4,247
Other receivables	-	3,013	-	13,177	-	16,190
Inventories	-	214	-	-	-	214
Total assets	<u>\$ 63,861</u>	<u>\$ 109,638</u>	<u>\$ 77,197</u>	<u>\$ 160,760</u>	<u>\$ 78,560</u>	<u>\$ 490,016</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 37,722	\$ 178	\$ 11,330	\$ 47,960	\$ -	\$ 97,190
Due to other funds	-	-	-	8,367	-	8,367
Accrued payroll payable	-	1,378	-	-	-	1,378
Total liabilities	<u>37,722</u>	<u>1,556</u>	<u>11,330</u>	<u>56,327</u>	<u>-</u>	<u>106,935</u>
Fund balances:						
Restricted	26,139	-	65,867	104,433	-	196,439
Committed	-	27,440	-	-	-	27,440
Assigned	-	80,642	-	-	78,560	159,202
Total fund balances	<u>26,139</u>	<u>108,082</u>	<u>65,867</u>	<u>104,433</u>	<u>78,560</u>	<u>383,081</u>
Total liabilities and fund balances	<u>\$ 63,861</u>	<u>\$ 109,638</u>	<u>\$ 77,197</u>	<u>\$ 160,760</u>	<u>\$ 78,560</u>	<u>\$ 490,016</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2017**

	<b>APD Drug Task Force</b>	<b>Cemetery Fund</b>	<b>Donation Fund</b>	<b>Street and Alley Fund</b>	<b>Homestead Capital Improvement Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ 13,131	\$ 44,928	\$ -	\$ 58,059
Charges for services	-	35,062	-	155,862	-	190,924
Investment earnings	-	1,628	94	-	347	2,069
Miscellaneous	2,155	3,511	23,226	-	-	28,892
Total revenues	<u>2,155</u>	<u>40,201</u>	<u>36,451</u>	<u>200,790</u>	<u>347</u>	<u>279,944</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	15,346	-	-	15,346
Public Safety	-	-	23,440	-	-	23,440
Highways and roads	-	-	-	336	-	336
Culture and recreation	-	-	7,823	-	-	7,823
Cemetery	-	62,517	-	-	-	62,517
Capital Outlay	37,722	3,900	4,624	230,037	12,661	288,944
Total Expenditures	<u>37,722</u>	<u>66,417</u>	<u>51,233</u>	<u>230,373</u>	<u>12,661</u>	<u>398,406</u>
Excess (deficiency) of revenues over expenditures	<u>(35,567)</u>	<u>(26,216)</u>	<u>(14,782)</u>	<u>(29,583)</u>	<u>(12,314)</u>	<u>(118,462)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	22,346	-	-	-	22,346
Total other financing sources and uses	<u>-</u>	<u>22,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,346</u>
Net change in fund balances	<u>(35,567)</u>	<u>(3,870)</u>	<u>(14,782)</u>	<u>(29,583)</u>	<u>(12,314)</u>	<u>(96,116)</u>
Fund balances - beginning	61,706	111,952	80,649	134,016	90,874	479,197
Fund balances - ending	<u>\$ 26,139</u>	<u>\$ 108,082</u>	<u>\$ 65,867</u>	<u>\$ 104,433</u>	<u>\$ 78,560</u>	<u>\$ 383,081</u>

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

**Schedule of Expenditures of Federal Awards – For Year Ended June 30, 2017**

<b>Federal/State Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant #</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>FEDERAL AWARDS:</b>				
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</u>				
Passed through Oklahoma Department of Libraries				
Continuing Education Grant	45.310		\$ 184	\$ 184
STEM Grant	45.310		<u>1,500</u>	<u>1,500</u>
Total Institute of Museum and Library Services			<u>\$ 1,684</u>	<u>\$ 1,684</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
Disaster Grants - Public Assistance	20.600	PT-16-03-01-03	\$ 10,000	\$ 2,963
Disaster Grants - Public Assistance	20.600	PT-17-036-24-04	<u>15,000</u>	<u>10,023</u>
Total U.S. Department of Transportation			<u>\$ 25,000</u>	<u>\$ 12,986</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through District Attorney's Council:				
JAG Grant	16.738	JAG-LLE-2016-Alva CI-00042	<u>\$ 8,745</u>	<u>\$ 8,745</u>
<u>FEDERAL AVIATION ADMINISTRATION:</u>				
Airport Improvement Program	20.106	3-40-0003-012-2015	<u>\$ 614,461</u>	<u>\$ 92,488</u>
Total Federal Awards			<u>\$ 649,890</u>	<u>\$ 115,903</u>

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2017**

---

**Debt Service Coverage Schedule – June 30, 2017**

Operating revenues :	
Water	\$1,111,486
Sewer	248,760
Sanitation	1,239,063
Interest revenues	1,881
Total gross revenues available	<u>2,601,190</u>
Authority operating expenses:	
Water	351,849
Sewer	351,849
Sanitation	668,817
Total operating expenses	<u>1,372,515</u>
Net Revenues Available for Debt Service	<u><u>\$1,228,675</u></u>
Maximum annual debt service requirements:	
2014A Revenue Note	\$251,225
2014B Revenue Note	<u>26,180</u>
Total maximum annual debt service	<u><u>\$277,405</u></u>
Computed Coverage	<u><u>4.43</u></u>
Coverage Requirement - Revenue Bond Indenture	<u><u>1.25</u></u>

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the City of Alva, Oklahoma Council  
City of Alva, Oklahoma

We have audited 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alva, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 26, 2018 which contained *Emphasis of Matter* paragraphs regarding a substantial doubt about a business-type activity's ability to continue as a going concern for a reasonable period of time. Our report includes a reference to other auditors who audited the financial statements of the Alva Hospital Authority d/b/a Share Medical Center, a business-type activity, as described in our report on the City of Alva, Oklahoma's financial statements. This report does not include the results of the other Auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Alva, Oklahoma's internal control over financial reporting (internal control) to determine auditing 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 of Alva, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Alva, Oklahoma's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 17-001, 17-002, 17-003, 17-004, and 17-005.

**Compliance and Other Matters**

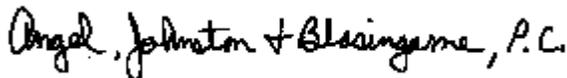
As part of obtaining reasonable assurance about whether the City of Alva, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as items 17-001, 17-003, and 17-005.

**City of Alva, Oklahoma's Responses to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Chickasha, Oklahoma  
April 26, 2018

**CITY OF ALVA, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATION**  
**Year Ended June 30, 2017**

17-001. Criteria – Meter deposit cash and cash equivalents and investments are restricted and should be sufficient to cover meter deposits held for customers.

Condition – There is insufficient cash and investments to cover meter deposits. Meter deposits liability is \$165,984 and cash held in checking and certificates of deposit are \$145,998 leaving insufficient cash balance of \$19,986.

Cause and Effect – On April 30, 2017 \$20,000 was transferred to Alva Utilities Authority creating an insufficient balance in the meter deposit account. The meter deposit accounts are considered to be custodial funds held by the City on behalf of customers. To faithfully meet the City’s fiscal responsibility these funds should not be borrowed from a custodial account

Recommendation – The City should transfer enough funds to cover the meter deposit liability and in the future not use custodial funds for any other purposes.

Management response – See the City’s corrective action plan attached.

17-002. Criteria – Ambulance revenue should be recorded in period earned and ambulance receivables should be reconciled to the general ledger on at least a monthly basis.

Condition – Ambulance receivables are not being recorded as earned on a consistent basis. Some revenues are being recorded when received and some revenues are being recorded when the receivable for the run is received from the billing company. In addition, ambulance receivables are not being reconciled at any point.

Cause and Effect – The City is not consistently recording revenue when earned, as well as not reconciling the ambulance receivables. This treatment of revenues causes the accounting basis to not be correct, possible over/understatement of revenues and assets and creates the potential for fraud .

Recommendation – The City should revisit their procedures for recording of revenue, set up a system to reconcile ambulance receivables and reconcile to the general ledger.

Management response – See the City’s corrective action plan attached.

17-003. Criteria – Oklahoma Statutes Title 11, Section 17:211A states “No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.”

Condition – Expenditures did not exceed total appropriations in the General Fund. However, the departmental expenditures exceeded appropriations for Police Department by \$7,240.

Cause and Effect – A lack of proper procedures and controls for monitoring the City’s expenditures in relations to their approved budget appropriations allowed non-compliance with Oklahoma Statutes.

Recommendation – The City should closely monitor each budget on a monthly basis and not approve any expenditure exceeding appropriation until additional amendments have been made and approved. The categories of each budgeted fund should be tracked in order to determine the remaining budget balance. The City Council can authorize the City Manager or other designated employee to approve all transfers of appropriations between budgeted categories; however, all supplemental appropriations require the approval of the City Council.

Management response – See the City’s corrective action plan attached.

**CITY OF ALVA, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATION**  
**Year Ended June 30, 2017**

17-004. Criteria – In order to have good internal control over unpaid/open police tickets, bonds and adjustments to police fines there should an approval process, tracking and reconciliations made by the City.

Condition – The employee who receives the money for the police fines has the ability to adjust the fines and no one is verifying these adjustments. An accounts receivable for unpaid/open tickets is not being tracked and bonds from the past that are no longer valid are not being cleared.

Cause and Effect –The adjustment process and communication is weak The same employee collecting money also has the ability to adjust the fines with no other approval process and no one follows up on the unpaid/open bonds. There is no reconciliation of accounts receivable for these tickets. Also bonds that are no longer valid are not being cleared.

Recommendation – The City should implement procedures to document and approve all police fine adjustments, clear up any open bonds and reconcile tickets receivable on a monthly basis.

Management response – See the City’s corrective action plan attached.

17-005. Criteria – In order to comply with state statues and good internal control all funds received should be deposited daily.

Condition – The City is not depositing police fines collected on a daily basis, this is done at the most weekly. We also noted no security over cash drawer for police fines

Cause and Effect – The City is not using their accounting software system, Encode, to receipt police fines. The city writes paper receipts with no reconciliation being done between paper receipts and deposits. The weak internal control creates the potential for fraud and the City is not in compliance with state statues.

Recommendation – The City police fines received should be receipted through their accounting system and deposit daily with all other daily receipts.

Management response – See the City’s corrective action plan attached.

**CITY OF ALVA, OKLAHOMA**  
**SUMMARY OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2017**

**Deficiencies of Internal Control, Compliance and Other Matters:**

- 16-1. Criteria – Purchase orders are to be used to initiate the purchasing process and an original invoice should be included with the purchase order. The purchase order should be signed by the encumbrance clerk to verify budgeted funds are available; original invoices should be signed and dated verifying the receipt of goods or services.

Condition – In our expenditure testing we noted six of thirty-three purchase orders tested were prepared after date of invoice, one original invoice could not be located, however a quote price sheet was provided, two purchase orders had the original amount marked out and a higher amount written in and paid. The manually changed purchase order did not have any signature or initials approving the higher amount paid.

Disposition – This was not a finding during 2016-17 fiscal year.

- 16-2. Criteria – In order to comply with state statues and good internal control all funds received should be deposited daily.

Condition – During our testing of one month’s deposits we noted three deposits were not made on the next business day.

Disposition – This was not a finding during 2016-17 fiscal year.

- 16-3. Criteria – Oklahoma Statues Title 11, Section 17:211A states “No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.”

Condition – Expenditures exceeded total appropriations in the General Fund by \$482,312.

Disposition – This was not a finding during 2016-17 fiscal year. Though there was a department that was over budget.

- 16-4. Criteria – All adjustments to utility billing process should have documentation, approval process and tracking by the City.

Condition – Utility billing adjustments do not have documentation, any type of approval process and are not being tracked by the City. In addition, the same employee collecting and posting payments is the employee making adjustments in the utility billing system.

Disposition – This was not a finding during 2016-17 fiscal year.

- 16-5. Criteria – In order to have good internal control over the utility billing and collection process a monthly reconciliation of activity should be done.

Condition – There is no monthly reconciliation of utility receivables. This is required to make sure all activities in customers’ accounts are properly recorded

Disposition – This was not a finding during 2016-17 fiscal year.

**CITY OF ALVA, OKLAHOMA**  
**SUMMARY OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2017**

- 16-6. Criteria – Open bonds and adjustments to police fines should have documentation, an approval process and tracking by the City.

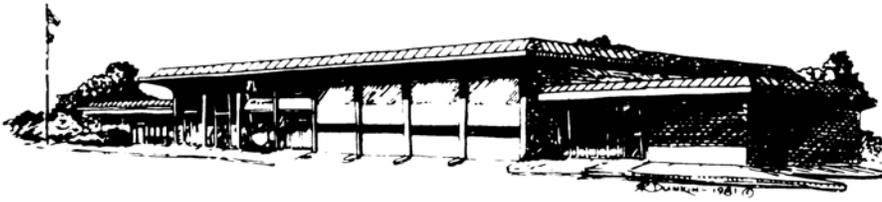
Condition – The employee who receives the money for the police fines has the ability to adjust the fines and no one is verifying these adjustments. Open bonds need to be followed up on to clear any totals, as we noted bonds from the past that should no longer be open.

Disposition – This continues to be a finding during 2016-17 fiscal year.

- 16-7. Criteria – All goods for resale should be inventoried at year end.

Condition – The fuel for resale at the airport has not been inventoried.

Disposition – This was not a finding during 2016-17 fiscal year.



**CITY OF ALVA**  
415 4<sup>th</sup> Street  
Alva, Oklahoma 73717  
(580) 327-1340  
Fax: (580) 327-4965

17.001 – Staff has transferred funds to cover the meter deposit liability and will monitor to ensure funds are available to cover the liability at all times in the future.

17.002 – Staff will begin reviewing external reports on a monthly basis to verify accuracy and will use the external reports to reconcile the accounts receivable balance.

17.003 – Staff will monitor upcoming accounts payable at year end to ensure we have correct appropriations in each fund.

17.004 – Staff will establish an internal audit process for adjustments made to citations. Any adjustments made to citations will be reported and on a monthly basis and a reconciliation will be done, by an independent staff person, to verify all adjustments are accurate and proper.

17.005 – Staff will begin entering fines as they are received and ticket fines will be deposited each day with the regular daily deposit.