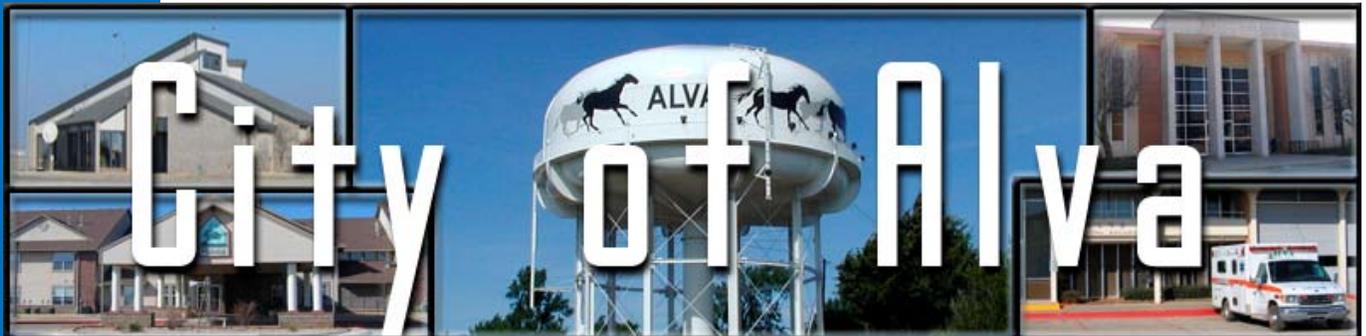


CITY OF ALVA, OKLAHOMA

INDEPENDENT AUDITOR'S REPORTS

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



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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

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

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ANNUAL FINANCIAL REPORT
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CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, 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 63 percent, 97 percent, and 82 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, based on our audit and the report of other auditors, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

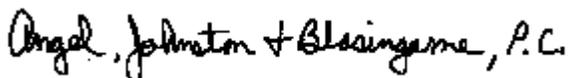
Other Information

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 combining and individual nonmajor fund financial statements and the schedule of federal awards, 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, and the schedule of federal awards 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.

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Alva's 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
March 25, 2019

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

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, 2018. 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 \$394,229, and the assets and deferred outflows of the City exceed its liabilities and deferred inflows for the year ended June 30, 2018, by \$17,132,763 (net position).
- For the fiscal year ended June 30, 2018, the City's governmental funds reported combined ending fund balances of \$4,009,503. The City had negative unassigned fund balance of \$663,414 at June 30, 2018.
- For the year ended June 30, 2018, committed fund balance for the General Fund was \$781,471 or 14.7% 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*

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

- **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 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.

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 27-59 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, 2018, net position for the governmental and business-type activities decreased by \$394,229.

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

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

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017		2018	2017		2018	2017	
Current assets	\$ 4,689	\$ 4,566	3%	\$ 5,551	\$ 3,543	57%	\$ 10,240	\$ 8,109	26%
Capital assets, net	8,460	8,322	2%	16,322	15,160	8%	24,782	23,482	6%
Other non-current assets	-	27	-100%	-	11	-100%	-	38	-100%
Total assets	<u>13,149</u>	<u>12,915</u>	2%	<u>21,873</u>	<u>18,714</u>	17%	<u>35,022</u>	<u>31,629</u>	11%
Deferred outflow of resources	<u>719</u>	<u>889</u>	-19%	<u>470</u>	<u>556</u>	-15%	<u>1,189</u>	<u>1,445</u>	-18%
Current liabilities	841	925	-9%	4,421	3,941	12%	5,262	4,866	8%
Non-current liabilities	<u>2,540</u>	<u>2,546</u>	0%	<u>11,013</u>	<u>7,934</u>	39%	<u>13,553</u>	<u>10,480</u>	29%
Total liabilities	<u>3,381</u>	<u>3,471</u>	-3%	<u>15,434</u>	<u>11,875</u>	30%	<u>18,815</u>	<u>15,346</u>	23%
Deferred inflow of resources	<u>258</u>	<u>194</u>	33%	<u>5</u>	<u>7</u>	-29%	<u>263</u>	<u>201</u>	31%
Net position:									
Net investment in capital assets	7,657	6,695	14%	7,535	7,605	-1%	15,192	14,300	6%
Restricted	1,504	1,625	-7%	2,195	731	200%	3,699	2,356	57%
Unrestricted (deficit)	<u>1,068</u>	<u>1,819</u>	-41%	<u>(2,826)</u>	<u>(948)</u>	198%	<u>(1,758)</u>	<u>871</u>	-302%
Total net position	<u>\$ 10,229</u>	<u>\$ 10,139</u>	1%	<u>\$ 6,904</u>	<u>\$ 7,388</u>	-7%	<u>\$ 17,133</u>	<u>\$ 17,527</u>	-2%

Business-type activates current assets increased 57% due to an increase in accounts receivable for OWRB project reimbursement. Non-current liabilities increased 39% due to an increase in net pension liability.

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 \$15,192,115.

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

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, \$3,698,218, 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 \$1,067,970 and the business-type activities negative unrestricted net position was \$2,825,540.

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017		2018	2017		2018	2017	
Revenues									
Charges for service	\$ 1,038	\$ 877	18%	\$ 14,043	\$ 13,928	1%	\$ 15,081	\$ 14,805	2%
Operating grants and contributions	377	289	30%	-	-	-	377	289	30%
Capital grants and contributions	273	12	2175%	129	777	-83%	402	789	-49%
Taxes	4,606	4,511	2%	-	-	-	4,606	4,511	2%
Investment income	36	31	16%	9	8	13%	45	39	15%
Miscellaneous	543	598	-9%	1,194	1,422	-16%	1,737	2,020	-14%
Total revenues	6,873	6,318	9%	15,375	16,135	-5%	22,248	22,453	-1%
Expenses									
General government	1,914	1,818	5%	-	-	-	1,914	1,818	5%
Public safety	1,886	1,756	7%	-	-	-	1,886	1,756	7%
Streets	1,054	777	36%	-	-	-	1,054	777	36%
Ambulance	842	628	34%	-	-	-	842	628	34%
Culture and recreation	1,091	922	18%	-	-	-	1,091	922	18%
Cemetery	84	68	24%	-	-	-	84	68	24%
Airport	351	300	17%	-	-	-	351	300	17%
Economic development	199	167	19%	-	-	-	199	167	19%
Interest on long-term debt	29	41	-29%	-	-	-	29	41	-29%
Water	-	-	-	812	438	85%	812	438	85%
Sewer	-	-	-	227	400	-43%	227	400	-43%
Homestead	-	-	-	98	85	15%	98	85	15%
Landfill	-	-	-	117	111	5%	117	111	5%
Hospital	-	-	-	14,784	14,239	4%	14,784	14,239	-
Sanitation	-	-	-	888	751	18%	888	751	18%
Total expenses	7,450	6,477	15%	16,926	16,024	6%	24,376	22,501	8%
Excess (deficiency) before transfers	(577)	(159)	263%	(1,551)	111	-1497%	(2,128)	(48)	4333%
Special Item	-	-	-	1,734	-	100%	1,734	-	100%
Net Transfers	667	(86)	-876%	(667)	86	-876%	-	-	-
Change in net position	90	(245)	-137%	(484)	197	-346%	(394)	(48)	721%
Beginning net position	10,139	10,384	-2%	7,388	7,191	3%	17,527	17,575	0%
Ending net position	\$ 10,229	\$ 10,139	1%	\$ 6,904	\$ 7,388	-7%	\$ 17,133	\$ 17,527	-2%

The City's governmental activities capital grants and contributions increased due to capital asset contributions. Street expenses increased due to asphalt purchases for repairs. Business-type activities capital grants and contributions decreased due to a decrease in hospital grants & contributions.

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
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Governmental Activities

The City's governmental activities had an increase in net position of \$89,729.

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

	Total Expense		% Inc.	Net Revenue		% Inc.	
	of Services			(Expense)			% Inc.
	(Dec.)	(Dec.)		of Services			(Dec.)
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>		
General government	\$ 1,914	\$ 1,818	5%	(\$1,914)	(\$1,781)	7%	
Public safety	1,886	1,756	7%	(1,604)	(1,513)	6%	
Streets	1,054	777	36%	(707)	(577)	23%	
Ambulance	842	628	34%	(477)	(339)	41%	
Culture and recreation	1,091	922	18%	(818)	(767)	7%	
Cemetery	84	68	24%	(49)	(33)	48%	
Airport	351	300	17%	33	(95)	-135%	
Economic development	199	167	19%	(198)	(154)	29%	
Interest on long-term debt	29	41	-29%	(29)	(41)	-29%	
Total	<u>\$ 7,450</u>	<u>\$ 6,477</u>	15%	<u>\$ (5,763)</u>	<u>\$ (5,300)</u>	9%	

Business-type Activities

The business-type activities had a decrease in net position of \$483,958.

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

	Total Expense		% Inc.	Net Revenue		% Inc.	
	of Services			(Expense)			% Inc.
	(Dec.)	(Dec.)		of Services			(Dec.)
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>		
Water	\$ 812	\$ 438	85%	\$ 588	\$ 739	-20%	
Homestead	98	85	15%	(98)	(85)	15%	
Sanitation	888	751	18%	424	488	-13%	
Sewer	227	400	-43%	124	(151)	-182%	
Hospital	14,784	14,239	4%	(3,677)	(2,203)	67%	
Landfill	117	111	5%	(115)	(108)	6%	
Total	<u>\$ 16,926</u>	<u>\$ 16,024</u>	6%	<u>\$ (2,754)</u>	<u>\$ (1,320)</u>	109%	

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

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its fiscal year ended June 30, 2018, the governmental funds reported a combined fund balance of \$4,009,503. For the year ended June 30, 2018, the General Fund's total fund balance decreased by \$73,258.

Budgetary Highlights

For fiscal year ended June 30, 2018, the General Fund reported revenues below final estimates by \$551,902 or a 7.3% negative variance. General Fund actual expenditures were under final appropriations by \$164,726 or a 2.2% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the City had approximately \$25 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, 2018.¹

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 719	\$ 719	\$ 133	\$ 133	\$ 852	\$ 852
Buildings and improvements	3,723	3,563	10,843	11,234	14,566	14,797
Machinery, furniture and equipment	2,251	2,449	1,926	1,480	4,177	3,929
Infrastructure	892	551	486	520	1,378	1,071
Construction in progress	875	1,040	2,934	1,793	3,809	2,833
Totals	\$ 8,460	\$ 8,322	\$ 16,322	\$ 15,160	\$ 24,782	\$ 23,482

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

- Water Tower Construction in Progress \$1,795,425
- Shade Structures at softball field \$296,122
- 2012 International Sanitation Truck \$67,500

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

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

Debt Administration

At June 30, 2018, the City had \$12.5 million in long-term debt outstanding.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Notes payable	\$ 360	\$ 523	\$ 11,342	\$ 9,724	\$ 11,702	\$ 10,247
Refundable grant obligation	-	-	112	132	112	132
Capital leases	335	433	65	84	400	517
Line of credit, bank	-	-	495	-	495	-
Deposits subject to refund	-	-	171	166	171	166
Accrued compensated absences	108	97	21	25	129	122
Totals	\$ 803	\$ 1,053	\$ 12,206	\$ 10,131	\$ 13,009	\$ 11,184

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- Complete the construction of the Young Street Water Tank Farm
- Construct a wastewater line in the East part of Alva
- Replace 6,500 linear feet of water transmission line south of Alva from the Well Field
- Demolish and re-install new HVAC at City Hall Complex
- Replace the Chlorination Station in the Well Field
- Replace the Lift Station on Skyline Drive
- Replace Booster Station on 14th Street & Oklahoma Blvd.
- Repairs in the Well Field
- Purchase new Fire Rescue Unit
- Land Purchase for Economic Development

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 4th Street, Alva, Oklahoma 73717 or telephone at 580-327-1340. The Alva Hospital Authority has a separately issued financial statement. Questions about the Alva Hospital Authority's report and requests for additional financial information should be directed to the Authority's administration by telephoning 580-327-2800.

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

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, 2018

Statement of Net Position – June 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,458	\$ 2,654,572	\$ 2,657,030
Investments	2,257,712	183,717	2,441,429
Interest receivable	4,560	377	4,937
Accounts receivable, net of allowance	271,263	1,924,599	2,195,862
Internal balances	1,179,137	(1,179,137)	-
Due from other governmental agencies	871,326	-	871,326
Inventories	102,715	289,898	392,613
Other receivables	-	1,288,824	1,288,824
Prepaid expense	-	158,421	158,421
Interest in Community Foundation assets	-	229,853	229,853
Capital Assets:			
Land and construction in progress	1,593,502	3,066,578	4,660,080
Other capital assets, net of depreciation	6,866,027	13,255,244	20,121,271
Total Assets	<u>\$ 13,148,700</u>	<u>\$ 21,872,946</u>	<u>\$ 35,021,646</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	\$ 719,282	\$ 60,175	\$ 779,457
Deferred amounts related to hospital	-	409,850	409,850
Total deferred outflows of resources	<u>719,282</u>	<u>470,025</u>	<u>1,189,307</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 479,126	\$ 3,015,001	\$ 3,494,127
Cash overdraft	-	26,406	26,406
Due to depositors	6,983	-	6,983
Accrued interest payable	-	42,149	42,149
Unearned income	2,385	-	2,385
Line of credit	-	495,000	495,000
Long-term liabilities			
Due within one year	352,284	842,710	1,194,994
Due in more than one year	450,245	10,868,539	11,318,784
Net pension liability	2,090,718	144,163	2,234,881
Total liabilities	<u>3,381,741</u>	<u>15,433,968</u>	<u>18,815,709</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>257,589</u>	<u>4,892</u>	<u>262,481</u>
NET POSITION			
Net investment in capital assets	7,657,000	7,535,115	15,192,115
Restricted by:			
Other contracts	1,503,682	2,194,536	3,698,218
Unrestricted (deficit)	1,067,970	(2,825,540)	(1,757,570)
Total net position	<u>\$ 10,228,652</u>	<u>\$ 6,904,111</u>	<u>\$ 17,132,763</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, 2018

Statement of Activities – Year Ended June 30, 2018

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
Primary government							
Governmental Activities							
General Government	\$ 1,914,081	\$ -	\$ -	\$ -	\$ (1,914,081)	\$ -	\$ (1,914,081)
Public Safety	1,886,323	72,546	210,264	-	(1,603,513)	-	(1,603,513)
Streets	1,054,072	154,039	43,235	150,206	(706,592)	-	(706,592)
Ambulance	842,176	355,296	-	10,000	(476,880)	-	(476,880)
Culture and Recreation	1,090,593	149,047	123,830	-	(817,716)	-	(817,716)
Cemetery	84,354	35,146	-	-	(49,208)	-	(49,208)
Airport	350,991	271,340	-	112,488	32,837	-	32,837
Economic Development	198,556	529	-	-	(198,027)	-	(198,027)
Interest on Long-term debt	29,304	-	-	-	(29,304)	-	(29,304)
Total governmental activities	<u>7,450,450</u>	<u>1,037,943</u>	<u>377,329</u>	<u>272,694</u>	<u>(5,762,484)</u>	<u>-</u>	<u>(5,762,484)</u>
Business-Type Activities:							
Water	812,459	1,400,728	-	-	-	588,269	588,269
Homestead	98,105	-	-	-	-	(98,105)	(98,105)
Sanitation	887,816	1,311,814	-	-	-	423,998	423,998
Landfill	116,543	1,445	-	-	-	(115,098)	(115,098)
Hospital	14,784,271	10,978,527	-	129,077	-	(3,676,667)	(3,676,667)
Sewer	227,175	350,931	-	-	-	123,756	123,756
Total business-type activities	<u>16,926,369</u>	<u>14,043,445</u>	<u>-</u>	<u>129,077</u>	<u>-</u>	<u>(2,753,847)</u>	<u>(2,753,847)</u>
Total primary government	<u>\$ 24,376,819</u>	<u>\$ 15,081,388</u>	<u>\$ 377,329</u>	<u>\$ 401,771</u>	<u>\$ (5,762,484)</u>	<u>\$ (2,753,847)</u>	<u>\$ (8,516,331)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 4,048,475	\$ -	\$ 4,048,475
Franchise taxes and public service taxes					395,126	-	395,126
Hotel/motel taxes					162,679	-	162,679
Unrestricted investment earnings					35,956	9,305	45,261
Miscellaneous					542,869	1,193,819	1,736,688
Special item - forgiveness of debt					-	1,733,873	1,733,873
Transfers					667,108	(667,108)	-
Total general revenues and transfers					<u>5,852,213</u>	<u>2,269,889</u>	<u>8,122,102</u>
Change in net position					89,729	(483,958)	(394,229)
Net position - beginning					10,138,923	7,388,069	17,526,992
Net position - ending					<u>\$ 10,228,652</u>	<u>\$ 6,904,111</u>	<u>\$ 17,132,763</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, 2018**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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

Governmental Funds Balance Sheet – June 30, 2018

	<u>General Fund</u>	<u>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>
ASSETS							
Cash and cash equivalents	\$ 2,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,458
Investments	134,132	312,921	753,500	472,158	413,317	171,684	2,257,712
Interest receivable	101	695	1,783	1,195	501	285	4,560
Receivable from other governments	724,359	37,214	92,488	-	9,502	7,763	871,326
Due from other funds	8,021	315,040	447,968	233,928	196,504	347,717	1,549,178
Court fines receivable, net	18,681	-	-	-	-	-	18,681
Ambulance receivable, net	215,106	-	-	-	-	-	215,106
Accounts receivable, net	-	-	-	-	-	4,208	4,208
Other receivables	3,606	-	9,382	-	100	20,180	33,268
Inventories	50,077	-	49,513	-	2,740	384	102,714
Total assets	<u>\$ 1,156,541</u>	<u>\$ 665,870</u>	<u>\$ 1,354,634</u>	<u>\$ 707,281</u>	<u>\$ 622,664</u>	<u>\$ 552,221</u>	<u>\$ 5,059,211</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 269,397	\$ 8,086	\$ 28,660	\$ -	\$ 27,432	\$ 6,609	\$ 340,184
Accrued payroll payable	121,793	-	4,333	-	8,087	1,476	135,689
Due to other funds	370,041	-	-	-	-	-	370,041
Due to bondholders	6,983	-	-	-	-	-	6,983
Other payables	1,634	-	-	-	1,619	-	3,253
Total liabilities	<u>769,848</u>	<u>8,086</u>	<u>32,993</u>	<u>-</u>	<u>37,138</u>	<u>8,085</u>	<u>856,150</u>
Deferred inflows of resources:							
Deferred revenue	193,558	-	-	-	-	-	193,558
Fund balances:							
Nonspendable	50,078	-	-	-	-	-	50,078
Restricted	-	657,784	1,321,641	707,281	585,526	349,234	3,621,466
Committed	781,471	-	-	-	-	27,440	808,911
Assigned	25,000	-	-	-	-	167,462	192,462
Unassigned (deficit)	(663,414)	-	-	-	-	-	(663,414)
Total fund balances	<u>193,135</u>	<u>657,784</u>	<u>1,321,641</u>	<u>707,281</u>	<u>585,526</u>	<u>544,136</u>	<u>4,009,503</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,156,541</u>	<u>\$ 665,870</u>	<u>\$ 1,354,634</u>	<u>\$ 707,281</u>	<u>\$ 622,664</u>	<u>\$ 552,221</u>	<u>\$ 5,059,211</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, 2018

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

	<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>
REVENUES							
Taxes	\$ 4,287,844	\$ 162,679	\$ -	\$ -	\$ -	\$ -	\$ 4,450,523
Intergovernmental	402,562	-	112,488	-	9,502	43,235	567,787
Licenses and permits	13,629	-	-	-	-	-	13,629
Charges for services	296,556	-	271,168	-	105,083	189,185	861,992
Fines and forfeitures	66,982	-	-	-	-	-	66,982
Investment earnings	7,441	3,976	10,074	7,459	4,701	2,305	35,956
Miscellaneous	250,790	-	248,612	-	126,607	58,594	684,603
Total revenues	<u>5,325,804</u>	<u>166,655</u>	<u>642,342</u>	<u>7,459</u>	<u>245,893</u>	<u>293,319</u>	<u>6,681,472</u>
EXPENDITURES							
Current:							
General government	1,043,158	-	-	502,160	-	19,533	1,564,851
Public safety	1,797,517	-	-	-	-	9,259	1,806,776
Streets	671,729	-	-	-	-	-	671,729
Ambulance	662,876	-	-	-	-	-	662,876
Culture and recreation	458,174	-	-	-	397,867	862	856,903
Economic development	-	198,556	-	-	-	-	198,556
Airport	-	-	316,667	-	-	-	316,667
Cemetery	-	-	-	-	-	66,787	66,787
Capital outlay	244,327	-	17,650	-	342,750	181,006	785,733
Debt service:							
Principal	98,254	-	-	-	163,480	-	261,734
Interest and other charges	13,606	-	-	-	15,698	-	29,304
Total expenditures	<u>4,989,641</u>	<u>198,556</u>	<u>334,317</u>	<u>502,160</u>	<u>919,795</u>	<u>277,447</u>	<u>7,221,916</u>
Excess (deficiency) of revenues over expenditures	<u>336,163</u>	<u>(31,901)</u>	<u>308,025</u>	<u>(494,701)</u>	<u>(673,902)</u>	<u>15,872</u>	<u>(540,444)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,889,221	-	-	473,864	483,864	145,183	2,992,132
Transfers out	<u>(2,298,642)</u>	<u>(11,872)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,310,514)</u>
Total other financing sources and uses	<u>(409,421)</u>	<u>(11,872)</u>	<u>-</u>	<u>473,864</u>	<u>483,864</u>	<u>145,183</u>	<u>681,618</u>
Net change in fund balances	(73,258)	(43,773)	308,025	(20,837)	(190,038)	161,055	141,174
Fund balances - beginning	266,393	701,557	1,013,616	728,118	775,564	383,081	3,868,329
Fund balances - ending	<u>\$ 193,135</u>	<u>\$ 657,784</u>	<u>\$ 1,321,641</u>	<u>\$ 707,281</u>	<u>\$ 585,526</u>	<u>\$ 544,136</u>	<u>\$ 4,009,503</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, 2018

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance - Net Position Reconciliation:	
Total fund balance, governmental funds	\$ 4,009,503
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.	8,459,529
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	191,173
Pension related deferred outflows	719,283
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	(334,942)
Notes payable	(359,533)
Accrued compensated absences	(108,054)
Net pension liability	(2,090,718)
Pension related deferred inflows	(257,589)
	<u>(2,240,380)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 10,228,652</u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$ 141,174
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	659,708
Depreciation expense	(521,955)
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.	(523,192)
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	82,901
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	261,734
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>(10,641)</u>
Change in net position of governmental activities	<u>\$ 89,729</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, 2018**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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

Proprietary Funds Statement of Net Position – June 30, 2018

	Alva Utility Authority	Alva Hospital Authority	Total
ASSETS			
Current assets:			
Cash and cash equivalents	-	\$ 227,460	\$ 227,460
Restricted:			
Cash and cash equivalents	2,044,860	-	2,044,860
Investments	143,644	-	143,644
Accrued interest	377	-	377
Accounts receivable, net	373,255	1,551,344	1,924,599
Receivables from third-party payer	-	58,000	58,000
Other receivables	1,127,030	103,794	1,230,824
Inventories	105,121	184,777	289,898
Prepaid expenses	-	158,421	158,421
Total current assets	<u>3,794,287</u>	<u>2,283,796</u>	<u>6,078,083</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	-	382,252	382,252
Investments	40,073	-	40,073
Interest in Community Foundation assets	-	229,853	229,853
Capital assets:			
Land and construction in progress	2,932,320	134,258	3,066,578
Other capital assets, net of accumulated depreciation	1,819,086	11,436,158	13,255,244
Total non-current assets	<u>4,791,479</u>	<u>12,182,521</u>	<u>16,974,000</u>
Total assets	<u>8,585,766</u>	<u>14,466,317</u>	<u>23,052,083</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pension	60,175	-	60,175
Deferred amounts related to hospital	-	409,850	409,850
Total deferred outflows of resources	<u>60,175</u>	<u>409,850</u>	<u>470,025</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,136,514	1,305,994	2,442,508
Salaries payable	29,735	-	29,735
Accrued interest payable	42,149	-	42,149
Due to other funds	1,179,137	-	1,179,137
Cash overdraft	26,406	-	26,406
Other accrued expenses	-	542,758	542,758
Deposits subject to refund	25,667	-	25,667
Compensated absences	17,180	-	17,180
Capital lease obligation	19,832	-	19,832
Refundable grant obligations	19,906	-	19,906
Line of credit	-	495,000	495,000
Notes payable	352,470	407,655	760,125
Total current liabilities	<u>2,848,996</u>	<u>2,751,407</u>	<u>5,600,403</u>
Non-current liabilities:			
Deposits subject to refund	145,447	-	145,447
Compensated absences	3,548	-	3,548
Capital lease obligation	45,460	-	45,460
Refundable grant obligations	92,509	-	92,509
Notes payable	5,170,616	5,410,959	10,581,575
Net pension liability	144,163	-	144,163
Total non-current liabilities	<u>5,601,743</u>	<u>5,410,959</u>	<u>11,012,702</u>
Total liabilities	<u>8,450,739</u>	<u>8,162,366</u>	<u>16,613,105</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pension	4,892	-	4,892
NET POSITION			
Net investment in capital assets	1,068,003	6,467,112	7,535,115
Restricted for debt service	1,975,241	51,614	2,026,855
Restricted for capital projects	-	65,642	65,642
Restricted for other purposes	-	102,039	102,039
Unrestricted (deficit)	(2,852,934)	27,394	(2,825,540)
Total net position	<u>\$ 190,310</u>	<u>\$ 6,713,801</u>	<u>\$ 6,904,111</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, 2018

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2018

	<u>Alva Utility Authority</u>	<u>Alva Hospital Authority</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water	\$ 1,368,276	\$ -	\$ 1,368,276
Sewer	350,931	-	350,931
Landfill	1,445	-	1,445
Sanitation	1,311,814	-	1,311,814
Hospital	-	10,978,527	10,978,527
Penalties	30,875	-	30,875
Miscellaneous	-	1,046,340	1,046,340
Total operating revenues	<u>3,063,341</u>	<u>12,024,867</u>	<u>15,088,208</u>
OPERATING EXPENSES			
Administration	16,235	-	16,235
Water/Sewer	887,846	-	887,846
Sanitation	799,254	-	799,254
Landfill	116,543	-	116,543
Homestead	20,861	-	20,861
Hospital	-	13,626,729	13,626,729
Depreciation	227,641	833,199	1,060,840
Total operating expenses	<u>2,068,380</u>	<u>14,459,928</u>	<u>16,528,308</u>
Operating income (loss)	<u>994,961</u>	<u>(2,435,061)</u>	<u>(1,440,100)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	2,570	6,736	9,306
Miscellaneous revenue	76,577	72,479	149,056
Interest expense	<u>(73,718)</u>	<u>(324,343)</u>	<u>(398,061)</u>
Total non-operating revenue (expenses)	<u>5,429</u>	<u>(245,128)</u>	<u>(239,699)</u>
Income (loss) before contributions and transfers	<u>1,000,390</u>	<u>(2,680,189)</u>	<u>(1,679,799)</u>
Special item, Forgiveness of debt	-	1,733,873	1,733,873
Capital contributions	14,510	129,077	143,587
Transfers in	-	1,195,731	1,195,731
Transfers out	<u>(1,877,349)</u>	<u>-</u>	<u>(1,877,349)</u>
Change in net position	<u>(862,449)</u>	<u>378,492</u>	<u>(483,957)</u>
Total net position - beginning	<u>1,052,759</u>	<u>6,335,309</u>	<u>7,388,068</u>
Total net position - ending	<u>\$ 190,310</u>	<u>\$ 6,713,801</u>	<u>\$ 6,904,111</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, 2018

Proprietary Fund Statement of Cash Flows – Year Ended June 30, 2018

	<u>Alva Utility Authority</u>	<u>Alva Hospital Authority</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,960,551	\$ 10,825,808	\$ 12,786,359
Payments to suppliers	320,027	(5,716,748)	(5,396,721)
Payments to employees	(875,230)	(7,398,402)	(8,273,632)
Receipts of customer utility deposits	33,780	-	33,780
Refunds of customer utility deposits	(28,650)	-	(28,650)
Interfund receipts/payments	811,367	-	811,367
Other income	-	1,076,340	1,076,340
Net Cash Provided by (Used in) Operating Activities	<u>2,221,845</u>	<u>(1,213,002)</u>	<u>1,008,843</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(1,877,349)	-	(1,877,349)
Interest paid on line of credit	-	(5,716)	(5,716)
Non-capital gifts	-	72,479	72,479
Non-capital appropriations - City of Alva	-	1,184,659	1,184,659
Proceeds from draws on lines of credit	-	495,000	495,000
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,877,349)</u>	<u>1,746,422</u>	<u>(130,927)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(1,939,642)	(358,393)	(2,298,035)
Debt proceeds	3,763,087	-	3,763,087
Principal paid on capital debt	(259,048)	(425,727)	(684,775)
Interest paid on capital debt	(59,508)	(254,469)	(313,977)
Capital grants and gifts	-	129,077	129,077
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>1,504,889</u>	<u>(909,512)</u>	<u>595,377</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	2,449	6,736	9,185
Sales (Purchase) of investments	(1,957)	-	(1,957)
Contributions to Communities Foundation of Oklahoma, Inc	-	(29,248)	(29,248)
Net Cash Provided by (Used in) Investing Activities	<u>492</u>	<u>(22,512)</u>	<u>(22,020)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,849,877	(398,604)	1,451,273
Balance - beginning of the year	<u>168,577</u>	<u>1,008,316</u>	<u>1,176,893</u>
Balance - end of the year	<u>\$ 2,018,454</u>	<u>\$ 609,712</u>	<u>\$ 2,628,166</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	-	227,460	227,460
Restricted cash and cash equivalents	2,044,860	382,252	2,427,112
Cash overdraft	(26,406)	-	(26,406)
Total cash and cash equivalents	<u>\$ 2,018,454</u>	<u>\$ 609,712</u>	<u>\$ 2,628,166</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	994,961	(2,435,061)	(1,440,100)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Miscellaneous revenue	76,577	-	76,577
Depreciation expense	227,641	833,199	1,060,840
Provision for uncollectible accounts	-	1,921,170	1,921,170
Change in assets and liabilities:			
Receivables	(1,179,367)	(2,075,889)	(3,255,256)
Supplies and prepaid expenses	-	(80,885)	(80,885)
Interfund receipts/payments	811,367	-	811,367
Inventory	(8,970)	-	(8,970)
Estimated amounts due from third-party payers	-	2,000	2,000
Accounts payable and accrued liabilities	1,092,875	622,464	1,715,339
Accrued payroll payable	1,645	-	1,645
Net pension liability	(1,930)	-	(1,930)
Net pension asset	154,795	-	154,795
Deferred outflows	51,413	-	51,413
Meter deposit liability	5,130	-	5,130
Accrued compensated absences	(4,292)	-	(4,292)
Net cash provided by (used in) operating activities	<u>\$ 2,221,845</u>	<u>\$ (1,213,002)</u>	<u>\$ 1,008,843</u>

See accompanying notes to the basic financial statements.

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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.

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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:

- 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, 2018, the City recognized \$45,261 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.

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At June 30, 2018, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 330,120
Time deposit			2,441,429
Trustee money market mutual funds	On demand	AAAm	2,326,910
			<u>5,098,459</u>
Total deposits			<u>\$ 5,098,459</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 2,657,030
Investments			2,441,429
			<u>\$ 5,098,459</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, 2018, 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.

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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, 2018 are as follows:

<u>Type of Restricted Assets</u>	Current	
	Cash and cash equivalents	Investments
Series 2014B Revenue Interest Account	\$ 78,661	\$ -
Series 2014A Revenue Principal Account	115,176	-
Series 2014A Revenue Interest Account	12,553	-
Series 2018 Construction Account	1,811,000	-
Utility Deposits	27,470	143,644
Total	\$ 2,044,860	\$ 143,644

<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	21,118	-
Hospital - restricted for capital acquisition	51,614	-
Stabilization CD	-	40,073
Interest in Community Foundation assets	-	229,853
	\$ 382,252	\$ 269,926

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 \$229,853 at June 30, 2018.

Because the Communities Foundation has variance power over contributions received from third parties amounting to approximately \$58,000 at June 30, 2018, these amounts are not reported as assets by the Foundation even though the Foundation is designated as a beneficiary by the donors.

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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, 2018, is as follows:

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
<i>Governmental Activities:</i>			
Court fines	\$ 124,537	\$ (105,856)	\$ 18,681
Ambulance fees	1,075,531	(860,425)	215,106
Utilities	4,208	-	4,208
Other receivables	33,268	-	33,268
Total Governmental Activities	<u>\$ 1,237,544</u>	<u>\$ (966,281)</u>	<u>\$ 271,263</u>
<i>Business-Type Activities:</i>			
Utilities	\$ 405,490	\$ (32,235)	\$ 373,255
Hospital	3,130,344	(1,579,000)	1,551,344
Other receivables	1,230,824	-	1,230,824
Total Business-Type Activities	<u>\$ 4,766,658</u>	<u>\$ (1,611,235)</u>	<u>\$ 3,155,423</u>

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, 2018, capital assets balances changed as follows:

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	Balance at July 1, 2017	Additions	Disposals/ Transfers	Balance at June 30, 2018
Governmental:				
Capital assets not being depreciated:				
Land	\$ 718,675	\$ -	\$ -	\$ 718,675
Construction in Progress	1,040,663	483,658	649,494	874,827
Total capital assets not being depreciated	<u>1,759,338</u>	<u>483,658</u>	<u>649,494</u>	<u>1,593,502</u>
Other capital assets:				
Buildings	9,012,925	337,567	-	9,350,492
Infrastructure	584,020	353,373	-	937,393
Machinery and Equipment	5,928,195	134,604	-	6,062,799
Total other capital assets at historical cost	<u>15,525,140</u>	<u>825,544</u>	<u>-</u>	<u>16,350,684</u>
Less accumulated depreciation for:				
Buildings	5,449,847	177,613	-	5,627,460
Infrastructure	33,316	12,518	-	45,834
Machinery and Equipment	3,479,539	331,824	-	3,811,363
Total accumulated depreciation	<u>8,962,702</u>	<u>521,955</u>	<u>-</u>	<u>9,484,657</u>
Other capital assets, net	<u>6,562,438</u>	<u>303,589</u>	<u>-</u>	<u>6,866,027</u>
Governmental, net capital assets	<u>\$ 8,321,776</u>	<u>\$ 787,247</u>	<u>\$ 649,494</u>	<u>\$ 8,459,529</u>
Business-Type:				
Capital assets not being depreciated:				
Land	\$ 132,829	\$ -	\$ -	\$ 132,829
Construction in Progress	1,793,042	1,880,256	739,549	2,933,749
Total capital assets not being depreciated	<u>1,925,871</u>	<u>1,880,256</u>	<u>739,549</u>	<u>3,066,578</u>
Other capital assets:				
Buildings	16,355,423	9,384	-	16,364,807
Machinery and Equipment	11,818,702	352,529	(720,049)	12,891,280
Infrastructure	1,743,958	-	-	1,743,958
Land Improvements	86,208	-	-	86,208
Total other capital assets at historical cost	<u>30,004,291</u>	<u>361,913</u>	<u>(720,049)</u>	<u>31,086,253</u>
Less accumulated depreciation for:				
Buildings	5,121,070	400,454	-	5,521,524
Machinery and Equipment	10,338,568	626,920	-	10,965,488
Infrastructure	1,224,323	33,466	-	1,257,789
Land Improvements	86,208	-	-	86,208
Total accumulated depreciation	<u>16,770,169</u>	<u>1,060,840</u>	<u>-</u>	<u>17,831,009</u>
Other capital assets, net	<u>13,234,122</u>	<u>(698,927)</u>	<u>(720,049)</u>	<u>13,255,244</u>
Business-Type, net capital assets	<u>\$ 15,159,993</u>	<u>\$ 1,181,329</u>	<u>\$ 19,500</u>	<u>\$ 16,321,822</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:

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Governmental Activities:

General government	\$ 180,465
Public safety	97,132
Highways and streets	102,872
Ambulance	37,524
Culture and recreation	76,945
Cemetery	5,808
Airport	21,209
Total accumulated depreciation	<u>\$ 521,955</u>

Business-Type Activities:

Water	\$ 98,665
Sewer	48,726
Sanitation	80,250
Hospital	<u>833,199</u>
Total accumulated depreciation	<u>\$1,060,840</u>

The following capital assets were purchased by capital lease. The table discloses the amount capitalized and the related depreciation expense through June 30, 2018.

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	\$ (20,316)
4/7/2014	2014 E-1 Pumper	240,590	(77,523)
7/7/2014	2012 CAT Wheel Loader	65,500	(26,200)
3/17/2014	924K Caterpillar	134,853	(38,208)
7/2/2014	2014 Freightliner	71,352	(40,772)
7/7/2014	2014 Distributor	85,613	(48,921)
7/21/2014	2014 Spreader	161,338	(92,193)
		<u>\$ 828,900</u>	<u>\$ (344,133)</u>

8. Long-Term Debt and Debt Service Requirements

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

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>	Amount Due <u>Within One Year</u>
<i>Governmental:</i>					
Capital lease obligation	\$ 433,196	\$ -	\$ 98,254	\$ 334,942	\$ 101,760
Revenue note payable	523,013	-	163,480	359,533	169,294
Accrued compensated absences	97,412	37,545	26,903	108,054	81,230
Total	<u>\$ 1,053,621</u>	<u>\$ 37,545</u>	<u>\$ 288,637</u>	<u>\$ 802,529</u>	<u>\$ 352,284</u>
<i>Business-Type:</i>					
Notes payable	\$ 9,724,341	\$ 3,763,086	\$ 2,145,727	\$ 11,341,700	\$ 760,125
Grant obligation payable	132,321	-	19,906	112,415	19,906
Capital lease obligation	84,433	-	19,142	65,292	19,832
Line of credit, bank	-	495,000	-	495,000	495,000
Deposits subject to refund	165,984	33,780	28,650	171,114	25,667
Accrued compensated absences	25,020	7,152	11,444	20,728	17,180
Total	<u>\$ 10,132,099</u>	<u>\$ 4,299,018</u>	<u>\$ 2,224,869</u>	<u>\$ 12,206,249</u>	<u>\$ 1,337,710</u>

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Governmental Activities:

At June 30, 2018, 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 governmental activities, issued January 2014 with an interest rate of 3.5%, maturing August 2021.	<u>\$ 334,942</u>
Total Capital Lease Obligations	<u><u>\$ 334,942</u></u>
Current portion	\$ 101,760
Non-current portion	<u>233,182</u>
Total	<u><u>\$ 334,942</u></u>

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 3.75%.	<u>\$ 359,533</u>
Current portion	\$ 169,294
Non-current portion	<u>190,239</u>
Total	<u><u>\$ 359,533</u></u>

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, 2018, 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%	\$ 825,000
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
Series 2018 Utility Revenue Note Original amount of \$1,875,000 issued by the Alva Utility Authority, due in semi-annual installments of \$45,000 to \$80,000 through 2023, interest at 3.99%	1,875,000
Series 2017 OWRB Promissory Note Original amount of \$2,565,000 issued by the Alva Utility Authority, due in semi-annual installments of \$85,500 through 2048, interest at 2.82%	<u>1,888,086</u>
Total Utility Authority notes payable	<u><u>\$ 5,523,086</u></u>

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Current portion	\$ 352,470
Non-current portion	5,170,616
Total	<u>\$ 5,523,086</u>

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. \$ 86,745

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% 5,731,869

Total Hospital Authority notes payable \$ 5,818,614

Current portion	\$ 407,655
Non-current portion	5,410,959
Total	<u>\$ 5,818,614</u>

Total notes payable

Current portion	\$ 760,125
Non-current portion	10,581,575
Total	<u>\$ 11,341,700</u>

Line of Credit:

Alva Hospital Authority:

The Alva Hospital Authority has a \$500,000 revolving line of credit expiring in December 2018, which is collateralized by substantially all of the Authority's assets. Interest at 5% is payable at maturity. \$ 495,000

Current portion	\$ 495,000
Non-current portion	-
Total	<u>\$ 495,000</u>

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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. \$ 8,855

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. 103,560

Total Utility Authority refunding grant obligations \$ 112,415

Current portion \$ 19,906

Non-current portion 92,509

Total \$ 112,415

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. \$ 65,292

Current portion \$ 19,832

Non-current portion 45,460

Total \$ 65,292

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
2019	101,760	10,093	169,294	9,884	19,906	-	760,125	383,971	19,832	1,967
2020	105,379	6,473	175,315	3,863	16,261	-	844,417	381,599	20,537	1,262
2021	109,128	2,725	14,924	7	13,656	-	859,885	351,185	21,267	531
2022	18,675	80	-	-	13,656	-	870,740	320,911	3,656	16
2023	-	-	-	-	13,656	-	905,073	290,202	-	-
2024-2028	-	-	-	-	35,280	-	4,151,925	979,740	-	-
2029-2033	-	-	-	-	-	-	2,037,258	362,751	-	-
2034-2038	-	-	-	-	-	-	439,447	196,908	-	-
2039-2043	-	-	-	-	-	-	505,505	130,861	-	-
							581,477	54,888		
2044-2048	-	-	-	-	-	-	62,762	885	-	-
Total	<u>\$334,942</u>	<u>\$19,371</u>	<u>\$359,533</u>	<u>\$13,754</u>	<u>\$112,415</u>	<u>-</u>	<u>\$12,018,614</u>	<u>\$3,453,901</u>	<u>\$65,292</u>	<u>\$3,776</u>
Less: Remaining to be drawn							(676,914)			
							<u>\$11,341,700</u>			

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, 2014B Utility System Revenue Notes of \$2,400,000, 2017 Promissory Note of 2,656,000 and 2018 Utility System Revenue Note of \$1,875,000. Proceeds from these notes were used to refund the 2005

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Revenue Bond that was used for construction of retirement center and to finance certain water and wastewater improvements. The notes are payable through 2021, 2025 2048 and 2033. The total principal and interest payable for the remainder of the life of the notes is \$8,309,191. Pledged water, sewer and sanitation net utility revenues for the current year were \$1,346,491. Debt service payments of \$276,859 for the current fiscal year were 16.4% 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 \$373,287. Pledged sales tax revenue for the current year was \$449,163. Debt service payments of \$179,178 for the current fiscal year were 39.9% 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.
- 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.

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.

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- 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.

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

General Fund	Major Special Revenue		Blended Component Units		Other Governmental Funds	TOTAL
	Hotel Tax Fund	Airport Fund	AEDA Scholarship Fund	AEDA Economic Development Fund		
Fund Balances:						
Nonspendable:	50,078	-	-	-	-	50,078
Restricted for:						
Capital outlay	-	-	-	-	60,767	60,767
Airport	-	1,321,641	-	-	-	1,321,641
Streets	-	-	-	-	262,311	262,311
Police	-	-	-	-	26,156	26,156
Economic Development Scholarships	-	-	707,281	-	-	707,281
Economic Development	-	-	-	585,526	-	585,526
Tourism	657,784	-	-	-	-	657,784
Sub-total Restricted	657,784	1,321,641	707,281	585,526	349,234	3,621,466
Committed to:						
Stabilization Fund	781,471	-	-	-	27,440	808,911
Assigned to:						
Building demolition	25,000	-	-	-	-	25,000
Park Improvements	-	-	-	-	-	-
Lake	-	-	-	-	-	-
Homestead Capital	-	-	-	-	79,084	79,084
Street and Alley	-	-	-	-	-	-
Cemetery	-	-	-	-	88,378	88,378
Sub-total Assigned	25,000	-	-	-	167,462	192,462
Unassigned:	(663,414)	-	-	-	-	(663,414)
TOTAL FUND BALANCES	\$ 193,135	\$ 657,784	\$ 1,321,641	\$ 707,281	\$ 585,526	\$ 544,136
						\$ 4,009,503

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

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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 Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2017.
- **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 66% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the year ended June 30, 2018. 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	\$	74,000
State Medicaid programs		294,000
		368,000
		\$ 368,000

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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.

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, 2018 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	AEDA Economic Dev	483,864	Sales tax transfer
General Fund	AEDA Scholarship	473,864	Sales tax transfer
General Fund	Street and Alley Fund	116,986	Operating transfer
Hotel Motel Tax	General Fund	11,872	Lease transfer
General Fund	Hospital Authority	1,195,731	Sales tax transfer
General Fund	Cemetery Fund	28,197	Operating transfer
AUA	General Fund	1,877,349	Operating transfer
Total		<u>\$ 4,187,863</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,992,132	\$ (2,310,514)	\$ 681,618
Proprietary Funds	1,195,731	(1,877,349)	(681,618)
	<u>\$ 4,187,863</u>	<u>\$ (4,187,863)</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net transfers	\$ 681,618
Transfer of capital asset	(14,510)
	<u>\$ 667,108</u>

Balances:

Interfund receivable and payables at June 30, 2018 were comprised of the following:

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<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Internal Balance</u>
AUA	General Fund	\$ 8,021	Interfund loan
AUA	Airport Fund	234,837	Interfund loan
AUA	Street & Alley Fund	237,573	Interfund loan
AUA	Homestead Capital Improvement	27,472	Interfund loan
AUA	Hotel Tax Fund	309,944	Interfund loan
AUA	AEDA Scholarship	162,486	Interfund loan
AUA	Donation Fund	47,585	Interfund loan
AUA	APD Drug Task Force	26,156	Interfund loan
AUA	AEDA Economic Dev	125,062	Interfund loan
General Fund	Airport Fund	213,131	Interfund loan
General Fund	Donation Fund	931	Reclass grant proceeds
General Fund	Hotel Tax Fund	5,096	Interfund loan
General Fund	AEDA Economic Dev	71,442	Interfund loan
General Fund	AEDA Scholarship	71,442	Interfund loan
General Fund	Cemetery Fund	8,000	Interfund loan
Total		<u>\$ 1,549,178</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 1,549,178	\$ (370,041)	\$ 1,179,137
Proprietary Funds	-	(1,179,137)	(1,179,137)
Total	<u>\$ 1,549,178</u>	<u>\$ (1,549,178)</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, 2018 the Hospital Authority had the following activity related to the SHOPP:

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SHOPP funds received	\$	70,000
OHA Foundation funds received		235,000
SHOPP assessment fees paid		(306,000)
 Net SHOPP benefit	 \$	 (1,000)

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:

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	Governmental Activities	Business-type Activities	Plan Totals
Net Pension Liability:			
OkMRF	\$ 372,396	\$ 144,163	\$ 516,559
Police	11,088	-	11,088
Firefighters	1,707,234	-	1,707,234
Total	<u>\$ 2,090,718</u>	<u>\$ 144,163</u>	<u>\$ 2,234,881</u>
Deferred Outflows of Resources:			
OkMRF	\$ 159,776	\$ 60,175	\$ 219,951
Police	139,940	-	139,940
Firefighters	419,566	-	419,566
Total	<u>\$ 719,282</u>	<u>\$ 60,175</u>	<u>\$ 779,457</u>
Deferred Inflows of Resources:			
OkMRF	\$ 4,066	\$ 4,892	\$ 8,958
Police	68,544	-	68,544
Firefighters	184,979	-	184,979
Total	<u>\$ 257,589</u>	<u>\$ 4,892</u>	<u>\$ 262,481</u>
Pension Expense:			
OkMRF	\$ 643,415	\$ 245,609	\$ 889,024
Police	81,483	-	81,483
Firefighters	193,430	-	193,430
Total	<u>\$ 918,328</u>	<u>\$ 245,609</u>	<u>\$ 1,163,937</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.

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, 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.

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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 \$53,477. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$157,374 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 \$119,632. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a liability of \$1,707,234 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was .1357% percent.

For the year ended June 30, 2018, the City recognized pension expense of \$193,430. At June 30, 2018, 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	\$ 228,057	\$ -
Net difference between projected and actual earnings on pension plan investments	-	47,575
Changes in proportion and differences between City contributions and proportionate share of contributions	138,032	133,872
City contributions during measurement date	-	3,532
City contributions subsequent to the measurement date	53,477	-
Total	<u>\$ 419,566</u>	<u>\$ 184,979</u>

The \$53,477 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:	
2019	\$ 18,044
2020	70,868
2021	54,197
2022	(10,183)
2023	37,844
Thereafter	10,340
	<u>\$ 181,110</u>

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

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

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

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

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

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

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

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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	\$ 2,239,632	\$ 1,707,234	\$ 1,256,026

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

Oklahoma Police Pension 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

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

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

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

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

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$53,036. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$53,187 and is reported as both a revenue and an expenditure in the General Fund Statement of

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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 \$49,421.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a liability of \$11,088 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was .1466% percent.

For the year ended June 30, 2018, the City recognized pension expense of \$68,672. At June 30, 2018, 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	\$ 557	\$ 67,038
Net difference between projected and actual earnings on pension plan investments	82,590	-
Changes in proportion and differences between City contributions and proportionate share of contributions	3,757	691
City contributions during the measurement date	-	815
City contributions subsequent to the measurement date	53,036	-
Total	\$ 139,940	\$ 68,544

The \$53,036 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (1,704)
2020	41,712
2021	19,582
2022	(33,515)
2023	(7,715)
	\$ 18,360

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

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation

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

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

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

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

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

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

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	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 374,760	\$ 11,088	\$ (296,087)

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. 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 07/01/17 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-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

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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 4.85% of covered payroll as of 7-1-17; however, the City elected to contribute 6.05% of covered payroll. For the year ended June 30, 2018, the City recognized \$148,091 of employer contributions to the plan based on covered payroll of \$2,109,668. 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, 2017
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.5%
c. Projected Salary Increase	Varies between 7.5% and 4.5% based on age
d. Post Retirement cost-of-Living Increase	For benefits subject to adjustment based on change in CPI – 2.75%
e. Inflation Rate	2.75%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown
	Additional rates per thousand are

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added during the first 5 years:

Year 1:	215
Year 2:	140
Year 3:	100
Year 4:	70
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, 7.50% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2017 are summarized in the following table:

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	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	0.64%
Long/short equity MSCI ACWI	10%	5.00%	0.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF	5%	4.60%	0.23%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
TOTAL	<u>100%</u>		
Average Real Return			4.75%
Inflation			<u>2.75%</u>
Long-term expected return			<u>7.50%</u>

H. Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2017 and the City's report ending date of June 30, 2018, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

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SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances Beginning of Year	\$ 3,342,458	\$ 3,380,331	\$ (37,873)
Changes for the Year:			
Service cost	112,106	-	112,106
Interest expense	244,707	-	244,707
Difference between expected and actual experience	(92,991)	-	(92,991)
Changes of assumptions	35,121		35,121
Contributions--City	-	127,780	(127,780)
Contributions--members	-	38,621	(38,621)
Net investment income	-	396,072	(396,072)
Benefit changes due to plan amendments	811,036	-	811,036
Benefits paid	(376,917)	(376,917)	-
Plan administrative expenses	-	(6,926)	6,926
Net Changes	<u>733,062</u>	<u>178,630</u>	<u>554,432</u>
Balances End of Year	<u>\$ 4,075,520</u>	<u>\$ 3,558,961</u>	<u>\$ 516,559</u>

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 1,100,894	\$ 516,559	\$ 34,867

The City reported \$889,024 in pension expense for the year ended June 30, 2018. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,670	\$ -
Changes of assumptions	29,076	-
Net difference between projected and actual earnings on pension plan investments	28,781	-
Changes in proportion and differences between City contributions and proportionate share of contributions	4,333	8,958
City contributions subsequent to the measurement date	148,091	-
Total	<u>\$ 219,951</u>	<u>\$ 8,958</u>

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The \$148,091 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 6,578
2020	59,069
2021	28,347
2022	(26,016)
2023	(5,076)
	<u>\$ 62,902</u>

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, 2018 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 2018 were approximately \$0. Contributions actually made by plan members during 2018 were approximately \$169,000.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules – Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows):				
Taxes	4,735,036	4,735,036	4,261,704	(473,332)
Intergovernmental	377,898	405,023	226,419	(178,604)
Charges for services	360,965	360,965	335,814	(25,151)
Fines and forfeitures	72,088	71,088	71,857	769
Licenses and permits	16,958	17,958	13,629	(4,329)
Investment Income	8,658	8,658	5,024	(3,634)
Miscellaneous	299,226	299,226	237,792	(61,434)
Transfers In	1,683,536	1,683,536	1,877,349	193,813
Total Resources (Inflows)	7,554,365	7,581,490	7,029,588	(551,902)
Charges to Appropriations (Outflows):				
General government	1,192,378	1,160,203	1,079,785	80,418
Public safety	1,684,927	1,722,427	1,672,039	50,388
Streets	753,004	891,294	864,783	26,511
Ambulance	799,451	810,676	653,338	157,338
Culture and recreation	559,888	593,763	504,101	89,662
Transfers out	2,561,717	2,403,127	2,642,718	(239,591)
Total Charges to Appropriations	7,551,365	7,581,490	7,416,764	164,726
Net change in fund balances	3,000	-	(387,176)	(387,176)
Fund balances - beginning	-	-	100,714	100,714
Fund balances - ending	\$ 3,000	\$ -	\$ (286,462)	\$ (286,462)

	Hotel Tax Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows):				
Taxes	\$ 188,346	\$ 188,346	\$ 162,679	\$ (25,667)
Investment income	3,190	3,190	3,718	528
Total Resources (Inflows)	191,536	191,536	166,397	(25,139)
Charges to Appropriations (Outflows):				
Economic Development	514,957	514,957	199,453	315,504
Total Charges to Appropriations	514,957	514,957	199,453	315,504
Net change in fund balances	(323,421)	(323,421)	(33,056)	290,365
Fund balances - beginning	-	-	667,703	667,703
Fund balances - ending	\$ (323,421)	\$ (323,421)	\$ 634,647	\$ 958,068

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	Airport Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Resources (Inflows):				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 22,483	\$ (27,517)
Charges for services	207,820	207,720	255,351	47,631
Investment income	7,734	7,734	8,328	594
Miscellaneous	234,550	234,650	248,612	13,962
Total Resources (Inflows)	<u>500,104</u>	<u>500,104</u>	<u>534,774</u>	<u>34,670</u>
Charges to Appropriations (Outflows):				
Airport	351,230	351,230	324,972	26,258
Total Charges to Appropriations	<u>351,230</u>	<u>351,230</u>	<u>324,972</u>	<u>26,258</u>
Net change in fund balances	148,874	148,874	209,802	60,928
Fund balances - beginning	-	-	1,086,985	1,086,985
Fund balances - ending	<u>\$ 148,874</u>	<u>\$ 148,874</u>	<u>\$ 1,296,787</u>	<u>\$ 1,147,913</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	\$ 7,029,588	\$ 166,397	\$ 534,774
Total expenses - budgetary basis	(7,416,764)	(199,453)	(324,972)
Change in fund balance - budgetary basis	(387,176)	(33,056)	209,802
Revenue accruals	173,275	258	107,568
Expenditure accruals	140,643	(10,975)	(9,345)
Change in fund balance - GAAP basis	<u>\$ (73,258)</u>	<u>\$ (43,773)</u>	<u>\$ 308,025</u>

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

	2015	2016	2017	2018
City's proportion of the net pension liability	0.1396%	0.1475%	0.1466%	0.1466%
City's proportionate share of the net pension liability/(asset)	\$ (47,005)	\$ 6,012	\$ 224,519	\$ 11,088
City's covered-employee payroll	\$ 390,571	\$ 413,903	\$ 430,880	\$ 429,877
City's proportionate share of the net pension liability/asset as a percentage of its covered-employee payroll	-12.03%	1.45%	52.11%	2.58%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%

Notes to Schedule:

Only the last four 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, 2018**

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

	2015	2016	2017	2018
Statutorially required contribution	\$ 54,182	\$ 56,019	\$ 55,884	\$ 53,036
Contributions in relation to the statutorially required contribution	<u>54,182</u>	<u>56,019</u>	<u>55,884</u>	<u>53,036</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 413,903	\$ 430,880	\$ 429,877	\$ 407,969
Contributions as a percentage of covered-employee payroll	13.09%	13.00%	13.00%	13.00%

Notes to Schedule:

Only the last four 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, 2018

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*

	2015	2016	2017	2018
City's proportion of the net pension liability	0.1331%	0.1488%	0.1312%	0.1357%
City's proportionate share of the net pension liability	\$ 1,368,236	\$ 1,579,205	\$ 1,603,043	\$ 1,707,234
City's covered-employee payroll	\$ 350,420	\$ 395,364	\$ 358,407	\$ 377,679
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	390%	399%	447%	452%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%

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

Notes to Schedule:

Only the last four 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, 2018**

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorially required contribution	\$ 55,592	\$ 50,244	\$ 52,875	\$ 53,477
Contributions in relation to the statutorially required contribution	<u>55,592</u>	<u>50,244</u>	<u>52,875</u>	<u>53,477</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 395,364	\$ 358,407	\$ 377,679	\$ 381,979
Contributions as a percentage of covered-employee payroll	14.06%	14.02%	14.00%	14.00%

Notes to Schedule:

Only the last four 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, 2018

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios

	2015	2016	2017	2018
Total pension liability				
Service cost	\$ 77,381	\$ 85,811	\$ 101,723	\$ 112,106
Interest	204,865	213,582	232,937	244,707
Changes of benefit terms	-	-	-	811,036
Differences between expected and actual experience	-	67,198	76,792	(92,991)
Changes of assumptions	-	-	-	35,121
Benefit payments, including refunds of member contributions	(96,353)	(88,271)	(146,527)	(376,917)
Net change in total pension liability	<u>185,893</u>	<u>278,320</u>	<u>264,925</u>	<u>733,062</u>
Total pension liability - beginning	<u>2,613,320</u>	<u>2,799,213</u>	<u>3,077,533</u>	<u>3,342,458</u>
Total pension liability - ending (a)	<u>\$ 2,799,213</u>	<u>\$ 3,077,533</u>	<u>\$ 3,342,458</u>	<u>\$ 4,075,520</u>
Plan fiduciary net position				
Contributions - employer	\$ 79,185	\$ 85,781	\$ 99,582	\$ 127,780
Contributions - member	-	-	-	38,621
Net investment income	471,323	92,829	30,424	396,072
Benefit payments, including refunds of member contributions	(96,353)	(88,271)	(146,527)	(376,917)
Administrative expense	(6,973)	(6,908)	(6,743)	(6,926)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>447,182</u>	<u>83,431</u>	<u>(23,264)</u>	<u>178,630</u>
Plan fiduciary net position - beginning	<u>2,872,982</u>	<u>3,320,164</u>	<u>3,403,595</u>	<u>3,380,331</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,320,164</u>	<u>\$ 3,403,595</u>	<u>\$ 3,380,331</u>	<u>\$ 3,558,961</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (520,951)</u>	<u>\$ (326,062)</u>	<u>\$ (37,873)</u>	<u>\$ 516,559</u>
Plan fiduciary net position as a percentage of the total pension liability	118.61%	110.59%	101.13%	87.33%
Covered employee payroll	\$ 1,686,436	\$ 1,868,876	\$ 2,169,546	\$ 2,099,015
Net pension liability/asset as a percentage of covered-employee payroll	-30.89%	-17.45%	-1.75%	24.61%

Notes to Schedule:

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

The discount rate was reduced from 7.75% to 7.50% for fiscal year 2018.

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

**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions

	2015	2016	2017	2018
Actuarially determined contribution	\$ 85,781	\$ 99,582	\$ 90,887	\$ 102,319
Contributions in relation to the actuarially determined contribution	85,781	99,582	122,196	148,091
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,309)</u>	<u>\$ (45,772)</u>
Covered employee payroll	\$ 1,868,876	\$ 2,169,546	\$ 2,099,015	\$ 2,109,668
Contributions as a percentage of covered-employee payroll	4.59%	4.59%	5.82%	7.02%

Notes to Schedule:

1. Only the last four fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2017
3. Actuarially determined contribution rate is calculated as follows:
 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 2017 contributions were at a rate of 4.33%
 July 2016 through June 2017 contributions were at a rate of 4.85%
4. Methods and assumptions used to determine contribution rates:
 Actuarial cost method - Entry age normal
 Amortization method - Level percent of payroll, closed
 Asset valuation method - Actuarial:
 Smoothing period - 4 years
 Recognition method - Non-asymptotic
 Corridor - 70% - 130%
 Salary increases - 4.00% to 7.42% (varies by attained age)
 Investment rate of return - 7.50%
 Mortality Tables - UP 1994

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

OTHER SUPPLEMENTARY INFORMATION

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

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018

	<u>APD Drug Task Force</u>	<u>Cemetery Fund</u>	<u>Donation Fund</u>	<u>Street and Alley Fund</u>	<u>Homestead Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Investments	\$ -	\$ 107,944	\$ 12,251	\$ -	\$ 51,489	\$ 171,684
Interest receivable	-	162	-	-	123	285
Receivable from other governments	-	-	-	7,763	-	7,763
Due from other funds	26,156	8,000	48,516	237,573	27,472	347,717
Utilities receivable, net	-	-	-	4,208	-	4,208
Other receivables	-	7,413	-	12,767	-	20,180
Inventories	-	384	-	-	-	384
Total assets	<u>\$ 26,156</u>	<u>\$ 123,903</u>	<u>\$ 60,767</u>	<u>\$ 262,311</u>	<u>\$ 79,084</u>	<u>\$ 552,221</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 6,609	\$ -	\$ -	\$ -	\$ 6,609
Accrued payroll payable	-	1,476	-	-	-	1,476
Total liabilities	<u>-</u>	<u>8,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,085</u>
Fund balances:						
Restricted	26,156	-	60,767	262,311	-	349,234
Committed	-	27,440	-	-	-	27,440
Assigned	-	88,378	-	-	79,084	167,462
Total fund balances	<u>26,156</u>	<u>115,818</u>	<u>60,767</u>	<u>262,311</u>	<u>79,084</u>	<u>544,136</u>
Total liabilities and fund balances	<u>\$ 26,156</u>	<u>\$ 123,903</u>	<u>\$ 60,767</u>	<u>\$ 262,311</u>	<u>\$ 79,084</u>	<u>\$ 552,221</u>

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

	<u>APD Drug Task Force</u>	<u>Cemetery Fund</u>	<u>Donation Fund</u>	<u>Street and Alley Fund</u>	<u>Homestead Capital Improvement Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ 43,235	\$ -	\$ 43,235
Charges for services	-	35,146	-	154,039	-	189,185
Investment earnings	13	1,693	75	-	524	2,305
Miscellaneous	5	16,000	28,584	14,005	-	58,594
Total revenues	<u>18</u>	<u>52,839</u>	<u>28,659</u>	<u>211,279</u>	<u>524</u>	<u>293,319</u>
EXPENDITURES						
Current:						
General government	-	-	19,533	-	-	19,533
Public Safety	-	-	9,259	-	-	9,259
Culture and recreation	-	-	862	-	-	862
Cemetery	-	66,787	-	-	-	66,787
Capital Outlay	-	6,513	4,105	170,388	-	181,006
Total Expenditures	<u>-</u>	<u>73,300</u>	<u>33,759</u>	<u>170,388</u>	<u>-</u>	<u>277,447</u>
Excess (deficiency) of revenues over expenditures	18	(20,461)	(5,100)	40,891	524	15,872
OTHER FINANCING SOURCES (USES)						
Transfers in	-	28,197	-	116,986	-	145,183
Total other financing sources and uses	<u>-</u>	<u>28,197</u>	<u>-</u>	<u>116,986</u>	<u>-</u>	<u>145,183</u>
Net change in fund balances	18	7,736	(5,100)	157,877	524	161,055
Fund balances - beginning	26,138	108,082	65,867	104,434	78,560	383,081
Fund balances - ending	<u>\$ 26,156</u>	<u>\$ 115,818</u>	<u>\$ 60,767</u>	<u>\$ 262,311</u>	<u>\$ 79,084</u>	<u>\$ 544,136</u>

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

Schedule of Expenditures of Federal Awards – For Year Ended June 30, 2018

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
Traffic Enforcement	20.600	OP-18-03-01-05	\$ 20,760	\$ 10,436
Traffic Enforcement	20.600	PT-17-036-24-04	<u>15,000</u>	<u>4,977</u>
Total U.S. Department of Transportation			<u>\$ 35,760</u>	<u>\$ 15,413</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through District Attorney's Council:				
JAG Grant	16.738	JAG-LLE-2017-Alva CI-00022	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Total Federal Awards			<u>\$ 45,760</u>	<u>\$ 25,413</u>

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

INTERNAL CONTROL AND COMPLIANCE INFORMATION



ANGEL,
JOHNSTON &
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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 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 25, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is 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 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.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
March 25, 2019

**CITY OF ALVA, OKLAHOMA
SCHEDULE OF FINDINGS AND RECOMMENDATION
Year Ended June 30, 2018**

Deficiencies of Internal Control, Compliance and Other Matters:

No findings noted in current year.

CITY OF ALVA, OKLAHOMA
SUMMARY OF PRIOR YEAR FINDINGS
Year Ended June 30, 2018

Deficiencies of Internal Control, Compliance and Other Matters:

- 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.
- Disposition – This was not a finding during the 2017-18 fiscal year.
-
- 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.
- Disposition – This was not a finding during the 2017-18 fiscal year.
-
- 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.
- Disposition – This was not a finding during the 2017-18 fiscal year.
-
- 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.
- Disposition – This was not a finding during the 2017-18 fiscal year.
-
- 17-005. Criteria – In order to comply with state statutes 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
- Disposition – This was corrected after audit report received in May 2018.