

**ALVA**

 **OKLAHOMA** 

**WHERE CHARM AND ADVENTURE MEET**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2023**

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Alva, Oklahoma

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying modified cash basis 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 (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter—Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

HSPG & ASSOCIATES, PC

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Matters***

#### ***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining schedules – modified cash basis and state awards information – modified cash basis, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other information*

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2024, 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 solely 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'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's internal control over financial reporting and compliance.

*HSPG & Associates, P.C.*

July 31, 2024



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**MANAGEMENT'S DISCUSSION & ANALYSIS**

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**As of and for the Year Ended June 30, 2023**

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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, 2023. 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. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analysis in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position increased by approximately \$3.0 million, and the assets of the City exceed its liabilities at June 30, 2023, by \$17.4 million (net position).
- For the year ended June 30, 2023, restricted fund balance for the General Fund was \$39,660. This restriction is for escrow deposits held with OMAG for positive claims experience that are to be dispersed or applied to outstanding premium balances. Committed fund balance for the General Fund was \$898,168 or 15% of General Fund revenues. This amount is committed to the stabilization reserve. This leaves the General Fund with a deficit unassigned fund balance of \$486,137, or a \$1,169,301 improvement (reduction of negative balance) from the prior year.

### **ABOUT THE CITY**

The City of Alva is a municipality with a population of approximately 5,028 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*

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- **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 qualifies for presentation as a discretely presented component unit. The Alva Hospital Authority prepares separate financial statements and can be obtained by contacting the Authority’s administration by telephoning 580-327-2800. This Authority’s financial activity is excluded from this report due to its use of a different financial reporting framework from the City’s framework.

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 the activities of the City of Alva (the “City”) and the two 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 modified cash 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.

### **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. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

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 report their activities on a modified cash basis of accounting that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

*Proprietary funds* - When the City, through the Utility Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. The City's proprietary-type enterprise funds are also reported on the modified cash basis of accounting. For example, enterprise fund capital assets are capitalized and depreciated, while 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.

### **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 28-44 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, combining and individual financial statements and schedules, and schedules of federal and state awards expended.

## **THE CITY AS A WHOLE**

For the fiscal year ended June 30, 2023, net position for the governmental and business-type activities increased by \$2,977,139 on the modified cash basis of accounting.

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

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Current assets	\$ 6,764	\$ 4,081	66%	\$ 729	\$ 341	114%	\$ 7,493	\$ 4,422	69%
Capital assets, net	\$ 9,575	8,735	10%	5,972	6,174	-3%	15,547	14,909	4%
<b>Total assets</b>	<b>\$ 16,339</b>	<b>12,816</b>	<b>27%</b>	<b>6,701</b>	<b>6,515</b>	<b>3%</b>	<b>23,040</b>	<b>19,331</b>	<b>19%</b>
Current liabilities	\$ 155	48	223%	489	474	3%	644	522	23%
Non-current liabilities	\$ 966	5	19220%	4,064	4,416	-8%	5,030	4,421	14%
<b>Total liabilities</b>	<b>\$ 1,121</b>	<b>53</b>	<b>2015%</b>	<b>4,553</b>	<b>4,890</b>	<b>-7%</b>	<b>5,674</b>	<b>4,943</b>	<b>15%</b>
Net position:									
Net investment in capital assets	\$ 8,456	8,697	-3%	1,634	1,605	2%	10,090	10,302	-2%
Restricted	\$ 6,193	4,758	30%	201	80	151%	6,394	4,838	32%
Unrestricted (deficit)	\$ 569	(692)	182%	313	(60)	622%	882	(752)	217%
<b>Total net position</b>	<b>\$ 15,218</b>	<b>\$ 12,763</b>	<b>19%</b>	<b>\$ 2,148</b>	<b>\$ 1,625</b>	<b>32%</b>	<b>\$ 17,366</b>	<b>\$ 14,388</b>	<b>21%</b>

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 \$10,089,830. 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, \$6,393,845, represents resources that are subject to external restrictions on their use. The majority of these restrictions are for airport operations, swimming pool capital expenditures and other economic development activities. The remaining balance of unrestricted net position may be used to meet the government's ongoing needs. The governmental and business type-activities had unrestricted net positions of \$568,441 and \$313,372 respectively.

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

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
<b>Revenues</b>									
Charges for service	\$ 1,901	\$ 1,187	60%	\$ 4,335	\$ 3,936	10%	\$ 6,236	\$ 5,123	22%
Operating grants and contributions	1,297	138	840%	-	-	-	1,297	138	840%
Capital grants and contributions	76	1,094	-93%	-	55	-100%	76	1,149	-93%
Taxes	5,387	5,026	7%	-	-	-	5,387	5,026	7%
Intergovernmental revenue	437	432	1%	-	-	-	436	432	1%
Investment income	61	20	205%	6	3	100%	66	23	187%
Miscellaneous	470	311	51%	46	1	4500%	516	312	65%
<b>Total revenues</b>	<b>9,629</b>	<b>8,208</b>	<b>17%</b>	<b>4,387</b>	<b>3,995</b>	<b>10%</b>	<b>14,016</b>	<b>12,203</b>	<b>15%</b>
<b>Expenses</b>									
General government	1,930	1,673	15%	-	-	-	1,930	1,673	15%
Public safety	1,900	1,812	5%	-	-	-	1,900	1,812	5%
Streets	635	990	-36%	-	-	-	635	990	-36%
Ambulance	727	663	10%	-	-	-	727	663	10%
Culture and recreation	965	948	2%	-	-	-	965	948	2%
Cemetery	76	75	1%	-	-	-	76	75	1%
Airport	654	610	7%	-	-	-	654	610	7%
Economic development	181	178	2%	-	-	-	181	178	2%
Payment to Hospital	1,421	1,324	7%	-	-	-	1,421	1,324	7%
Interest on long-term debt	1	2	-50%	-	-	-	1	2	-50%
Water	-	-	-	730	562	30%	730	562	30%
Sewer	-	-	-	730	547	33%	730	547	33%
Homestead	-	-	-	229	202	13%	229	202	13%
Landfill	-	-	-	104	104	0%	104	104	0%
Sanitation	-	-	-	756	739	2%	756	739	2%
<b>Total expenses</b>	<b>8,490</b>	<b>8,275</b>	<b>3%</b>	<b>2,549</b>	<b>2,154</b>	<b>18%</b>	<b>11,039</b>	<b>10,429</b>	<b>6%</b>
Excess (deficiency) before transfers	1,139	(67)	1800%	1,838	1,841	0%	2,977	1,774	68%
Net Transfers	1,315	1,547	-15%	(1,315)	(1,547)	15%	-	-	-
<b>Change in net position</b>	<b>2,454</b>	<b>1,480</b>	<b>66%</b>	<b>523</b>	<b>294</b>	<b>78%</b>	<b>2,977</b>	<b>1,774</b>	<b>68%</b>
<b>Beginning net position</b>	<b>12,764</b>	<b>11,284</b>	<b>13%</b>	<b>1,625</b>	<b>1,330</b>	<b>22%</b>	<b>14,389</b>	<b>12,614</b>	<b>14%</b>
<b>Ending net position</b>	<b>\$ 15,218</b>	<b>\$ 12,764</b>	<b>19%</b>	<b>\$ 2,148</b>	<b>\$ 1,624</b>	<b>32%</b>	<b>\$ 17,366</b>	<b>\$ 14,388</b>	<b>21%</b>

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**Governmental Activities:**

Current assets increased by 66% or \$2.7 million primarily due to the receipt of about \$1.1 million in donations for the aquatics center construction project as well as the receipt of ARPA grant funds. The aquatics center donations were also the cause of the 840% increase in operating grants and contributions. The significant change in non-current liabilities was a result of the city issuing debt for the purchase of various capital assets including an ambulance, fire truck and fire equipment. Increasing tax revenues and charges for ambulance services, and a relatively stable amount of expenditures during the fiscal year were the main factors contributing to the increase in unrestricted net position of 182% or \$1.3 million.

**Business-Type Activities:**

The 114% or \$388 thousand improvement in current assets was due to an increase in cash provided mainly from increased water revenues, and the elimination of an internal balance due to the Alva Utility Authority repaying a loan to Alva Economic Development Authority. This also caused the increase in unrestricted net position of 622% or \$373 thousand.

**Governmental Activities**

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

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
General government	\$ 1,930	\$ 1,673	15%	\$ (1,919)	\$ (1,673)	15%
Public safety	1,900	1,812	5%	(1,826)	(1,726)	6%
Streets	635	990	-36%	(442)	(793)	-44%
Ambulance	727	663	10%	68	(460)	-115%
Culture and recreation	965	948	2%	417	(270)	-254%
Cemetery	76	75	1%	(54)	(35)	54%
Airport	654	610	7%	142	604	-76%
Economic development	181	178	2%	(180)	(178)	1%
Payment to Hospital	1,421	1,324	7%	(1,421)	(1,323)	7%
Interest on long-term debt	1	2	-50%	(1)	(2)	-50%
<b>Total</b>	<u>\$ 8,490</u>	<u>\$ 8,275</u>	3%	<u>\$ (5,216)</u>	<u>\$ (5,856)</u>	-11%

**Business-type Activities**

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

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Water	\$ 730	\$ 562	30%	\$ 1,294	\$ 1,263	2%
Homestead	229	202	13%	(229)	(202)	13%
Sanitation	756	739	2%	1,041	936	11%
Sewer	730	547	33%	(217)	(56)	288%
Landfill	104	104	0%	(104)	(103)	1%
<b>Total</b>	<u>\$ 2,549</u>	<u>\$ 2,154</u>	18%	<u>\$ 1,786</u>	<u>\$ 1,838</u>	-3%

**CITY OF ALVA, OKLAHOMA**  
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**As of and for the Year Ended June 30, 2023**

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

As the City completed its fiscal year ended June 30, 2023, the governmental funds reported a combined fund balance of \$6,761,865. For the year ended June 30, 2023, the General Fund's total fund balance increased by \$829,896.

**Budgetary Highlights**

For fiscal year ended June 30, 2023, the General Fund reported revenues below final estimates by \$606,684 or a 7.7% negative variance. General Fund actual expenditures were under final appropriations by \$1,648,436 or a 20.4% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2023, the City had approximately \$15.5 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of June 30, 2023.<sup>1</sup>

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 719	\$ 719	\$ -	\$ -	\$ 719	\$ 719
Buildings and improvements	3,297	3,197	2,994	3,146	6,291	6,343
Machinery, furniture and equipment	2,516	1,800	886	919	3,402	2,719
Infrastructure	1,953	1,899	1,932	2,095	3,885	3,994
Construction in progress	1,090	1,121	160	14	1,250	1,135
<b>Totals</b>	<u>\$ 9,575</u>	<u>\$ 8,736</u>	<u>\$ 5,972</u>	<u>\$ 6,174</u>	<u>\$ 15,547</u>	<u>\$ 14,910</u>

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

- 2022 E-One Custom Rescue Pumper Fire Truck \$599,473
- 2023 Ford F550 Ambulance \$343,983
- Alva Rec Complex Fieldhouse Roof Replacement \$296,363
- SCBA Equipment for Fire Department \$170,073

<sup>1</sup> For more detailed information on capital asset activity please refer to pages 33-34, Note 4. Capital Assets and Depreciation



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**Debt Administration**

At June 30, 2023, the City had \$5.7 million in long-term debt outstanding.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2022-2023</u>
Notes payable (direct borrowing)	\$ 1,119	\$ 38	\$ 4,310	\$ 4,645	\$ 5,429	\$ 4,683	15.9%
Refundable grant obligation	-	-	35	49	35	49	-28.6%
Deposits subject to refund	-	-	207	196	207	196	5.6%
<b>Totals</b>	<u>\$ 1,119</u>	<u>\$ 38</u>	<u>\$ 4,552</u>	<u>\$ 4,890</u>	<u>\$ 5,671</u>	<u>\$ 4,928</u>	15.1%

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

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

- The City will continue construction of various capital projects including the airport apron that is funded from an FAA grant, and the new aquatics center that is funded by private donations.
- The City received an American Rescue Plan Act (ARPA) grant issued by the Oklahoma Water Resources Board (OWRB) not to exceed \$1,000,000. The city is using these funds for water transmission main replacements and expects to receive reimbursement of those expenses in FY24.
- The city continues to experience improving sales tax collections, and expects these revenues to remain strong in the next fiscal year.

**Contacting the City's Financial Management**

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

**CITY OF ALVA, OKLAHOMA**  
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**Statement of Net Position (Modified Cash Basis) – June 30, 2023**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,609,134	\$ 529,077	\$ 5,138,211
Investments	2,154,779	199,472	2,354,251
Capital Assets:			
Land and construction in progress	1,808,649	159,662	1,968,311
Other capital assets, net of depreciation	7,765,964	5,812,344	13,578,308
Total Assets	<u>\$ 16,338,526</u>	<u>\$ 6,700,555</u>	<u>\$ 23,039,081</u>
<b>LIABILITIES</b>			
Due to depositors	\$ 2,048	\$ -	\$ 2,048
Long-term liabilities:			
Due within one year	152,929	489,056	641,985
Due in more than one year	965,891	4,063,669	5,029,560
Total liabilities	<u>1,120,868</u>	<u>4,552,725</u>	<u>5,673,593</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,455,792	1,634,038	10,089,830
Restricted for:			
Debt service	-	200,420	200,420
Capital	181,528	-	181,528
Tourism	531,963	-	531,963
Insurance Pool	39,660	-	39,660
Airport	1,772,143	-	1,772,143
Economic development scholarships	698,964	-	698,964
Economic development	2,676,488	-	2,676,488
Streets	267,295	-	267,295
Other purposes	25,384	-	25,384
Unrestricted	568,441	313,372	881,813
Total net position	<u>\$ 15,217,658</u>	<u>\$ 2,147,830</u>	<u>\$ 17,365,488</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 1,930,499	\$ 11,400	\$ -	\$ -	\$ (1,919,099)	\$ -	\$ (1,919,099)
Public Safety	1,899,645	37,560	36,166	-	(1,825,919)	-	(1,825,919)
Streets	635,102	148,300	44,861	-	(441,941)	-	(441,941)
Ambulance	726,888	795,026	-	-	68,138	-	68,138
Culture and Recreation	965,328	164,653	1,216,212	1,000	416,537	-	416,537
Cemetery	76,354	22,619	-	-	(53,735)	-	(53,735)
Airport	653,751	720,938	-	75,000	142,187	-	142,187
Economic Development	180,941	259	-	-	(180,682)	-	(180,682)
Payment to Hospital	1,420,883	-	-	-	(1,420,883)	-	(1,420,883)
Interest on Long-term debt	974	-	-	-	(974)	-	(974)
Total governmental activities	8,490,365	1,900,755	1,297,239	76,000	(5,216,371)	-	(5,216,371)
Business-Type Activities:							
Water	730,251	2,024,092	-	-	-	1,293,841	1,293,841
Homestead	228,602	-	-	-	-	(228,602)	(228,602)
Sanitation	755,666	1,797,388	-	-	-	1,041,722	1,041,722
Landfill	104,357	480	-	-	-	(103,877)	(103,877)
Sewer	730,251	513,301	-	-	-	(216,950)	(216,950)
Total business-type activities	2,549,127	4,335,261	-	-	-	1,786,134	1,786,134
Total primary government	\$ 11,039,492	\$ 6,236,016	\$ 1,297,239	\$ 76,000	\$ (5,216,371)	\$ 1,786,134	\$ (3,430,237)
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 4,831,002	\$ -	\$ 4,831,002
Franchise taxes and public service taxes					422,231	-	422,231
Hotel/motel taxes					133,492	-	133,492
Intergovernmental revenue not restricted to specific programs					436,634	-	436,634
Unrestricted investment earnings					61,431	5,935	67,366
Miscellaneous					470,366	46,285	516,651
Transfers					1,315,155	(1,315,155)	-
Total general revenues and transfers					7,670,311	(1,262,935)	6,407,376
Change in net position					2,453,940	523,199	2,977,139
Net position - beginning					12,763,718	1,624,631	14,388,349
Net position - ending					\$ 15,217,658	\$ 2,147,830	\$ 17,365,488

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF ALVA, OKLAHOMA**  
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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2023**

	General Fund	Hotel Tax Fund	Airport Fund	AEDA Scholarship Fund	AEDA Economic Development	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 371,589	\$ 233,952	\$ 1,326,827	\$ 498,964	\$ 1,714,884	\$ 462,918	\$ 4,609,134
Investments	82,150	334,183	445,316	200,000	961,604	131,526	2,154,779
Total assets	<u>\$ 453,739</u>	<u>\$ 568,135</u>	<u>\$ 1,772,143</u>	<u>\$ 698,964</u>	<u>\$ 2,676,488</u>	<u>\$ 594,444</u>	<u>\$ 6,763,913</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Due to bondholders	\$ 2,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,048
Total liabilities	<u>2,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,048</u>
Fund balances:							
Restricted	39,660	531,963	1,772,143	698,964	2,676,488	474,207	6,193,425
Committed	898,168	-	-	-	-	-	898,168
Assigned	-	36,172	-	-	-	120,237	156,409
Unassigned (deficit)	(486,137)	-	-	-	-	-	(486,137)
Total fund balances	<u>451,691</u>	<u>568,135</u>	<u>1,772,143</u>	<u>698,964</u>	<u>2,676,488</u>	<u>594,444</u>	<u>6,761,865</u>
Total liabilities and fund balances	<u>\$ 453,739</u>	<u>\$ 568,135</u>	<u>\$ 1,772,143</u>	<u>\$ 698,964</u>	<u>\$ 2,676,488</u>	<u>\$ 594,444</u>	<u>\$ 6,763,913</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(Modified Cash Basis) – Year Ended June 30, 2023**

	<b>General Fund</b>	<b>Hotel Tax Fund</b>	<b>Airport Fund</b>	<b>AEDA Scholarship Fund</b>	<b>AEDA Economic Development</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>							
Taxes	\$ 3,880,941	\$ 133,492	\$ -	\$ 568,353	\$ 568,353	\$ -	\$ 5,151,139
Intergovernmental	692,201	-	75,000	-	-	45,711	812,912
Licenses and permits	17,234	-	-	-	-	-	17,234
Charges for services	806,426	-	463,126	-	138,076	170,919	1,578,547
Fines and forfeitures	38,297	-	-	-	-	-	38,297
Investment earnings	22,045	2,785	9,129	-	26,581	891	61,431
Miscellaneous	489,099	-	257,812	-	1,231,728	99,157	2,077,796
Total revenues	<u>5,946,243</u>	<u>136,277</u>	<u>805,067</u>	<u>568,353</u>	<u>1,964,738</u>	<u>316,678</u>	<u>9,737,356</u>
<b>EXPENDITURES</b>							
Current:							
General government	1,085,564	-	-	556,279	-	3,320	1,645,163
Public safety	1,767,627	-	-	-	-	57,835	1,825,462
Streets	460,737	-	-	-	-	589	461,326
Ambulance	704,797	-	-	-	-	-	704,797
Culture and recreation	348,089	-	-	-	470,770	-	818,859
Economic development	-	181,287	-	-	-	-	181,287
Airport	-	-	563,515	-	-	-	563,515
Cemetery	-	-	-	-	-	74,998	74,998
Capital outlay	1,246,045	-	104,418	-	253,146	137,190	1,740,799
Debt service:							
Principal	32,569	-	-	-	-	-	32,569
Interest and other charges	974	-	-	-	-	-	974
Total expenditures	<u>5,646,402</u>	<u>181,287</u>	<u>667,933</u>	<u>556,279</u>	<u>723,916</u>	<u>273,932</u>	<u>8,049,749</u>
Excess (deficiency) of revenues over expenditures	<u>299,841</u>	<u>(45,010)</u>	<u>137,134</u>	<u>12,074</u>	<u>1,240,822</u>	<u>42,746</u>	<u>1,687,607</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt	1,113,529	-	-	-	-	-	1,113,529
Payment to hospital	(1,420,883)	-	-	-	-	-	(1,420,883)
Transfers in	1,315,155	-	-	-	477,746	-	1,792,901
Transfers out	(477,746)	-	-	-	-	-	(477,746)
Total other financing sources and uses	<u>530,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,746</u>	<u>-</u>	<u>1,007,801</u>
Net change in fund balances	829,896	(45,010)	137,134	12,074	1,718,568	42,746	2,695,408
Fund balances - beginning	(378,205)	613,145	1,635,009	686,890	957,920	551,698	4,066,457
Fund balances - ending	<u>\$ 451,691</u>	<u>\$ 568,135</u>	<u>\$ 1,772,143</u>	<u>\$ 698,964</u>	<u>\$ 2,676,488</u>	<u>\$ 594,444</u>	<u>\$ 6,761,865</u>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements - (Modified Cash Basis):**

**Fund Balance - Net Position Reconciliation:**

Total fund balance, governmental funds	\$ 6,761,865
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.	9,574,613
Certain long-term liabilities are not due and payable from current financial resources and therefore they are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Notes payable	<u>(1,118,820)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 15,217,658</u>

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

Net change in fund balances - total governmental funds:	\$ 2,695,408
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	414,724
Capital asset additions funded by debt	1,113,529
Depreciation expense	(611,525)
Loss on Sale of Capital Assets	(77,236)
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	32,569
Proceeds of long-term debt	<u>(1,113,529)</u>
Change in net position of governmental activities	<u>\$ 2,453,940</u>

See accompanying notes to the basic financial statements.



**CITY OF ALVA, OKLAHOMA**  
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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

**CITY OF ALVA, OKLAHOMA**  
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**Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2023**

	<b>Alva Utility Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 268,633
Restricted:	
Cash and cash equivalents	260,444
Investments	155,422
Total current assets	<u>684,499</u>
Non-current assets:	
Restricted:	
Investments	44,050
Capital assets:	
Land and construction in progress	159,662
Other capital assets, net of accumulated depreciation	5,812,344
Total non-current assets	<u>6,016,056</u>
Total assets	<u>6,700,555</u>
<b>LIABILITIES</b>	
Current liabilities:	
Deposits subject to refund	31,087
Refundable grant obligations	13,656
Notes payable	444,313
Total current liabilities	<u>489,056</u>
Non-current liabilities:	
Deposits subject to refund	176,157
Refundable grant obligations	21,623
Notes payable	3,865,889
Total non-current liabilities	<u>4,063,669</u>
Total liabilities	<u>4,552,725</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,634,038
Restricted for debt service	200,420
Unrestricted (deficit)	313,372
Total net position	<u>\$ 2,147,830</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2023**

	<b>Alva Utility Authority</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water	\$ 2,009,367
Sewer	509,189
Landfill	480
Sanitation	1,784,762
Penalties	30,443
Total operating revenues	<u>4,334,241</u>
<b>OPERATING EXPENSES</b>	
Administration	5,190
Water/Sewer	1,035,224
Sanitation	693,072
Landfill	104,357
Homestead	72,030
Depreciation	493,414
Total operating expenses	<u>2,403,287</u>
Operating income	<u>1,930,954</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	5,935
Miscellaneous revenue	47,305
Interest expense	(145,840)
Total non-operating revenue (expenses)	<u>(92,600)</u>
Income before transfers	<u>1,838,354</u>
Transfers out	<u>(1,315,155)</u>
Change in net position	523,199
Total net position - beginning	1,624,631
Total net position - ending	<u><u>\$ 2,147,830</u></u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2023**

	<u>Alva Utility Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 4,381,546
Payments to suppliers	(1,033,524)
Payments to employees	(876,349)
Receipts of customer utility deposits	49,529
Refunds of customer utility deposits	(37,920)
Interfund receipts/payments	(107,000)
Net Cash Provided by Operating Activities	<u>2,376,282</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(1,315,155)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,315,155)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(291,576)
Debt proceeds	95,575
Principal paid on capital debt	(444,398)
Interest paid on capital debt	(145,840)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(786,239)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	5,935
Sales (Purchase) of investments	(2,020)
Net Cash Provided by Investing Activities	<u>3,915</u>
Net Increase (Decrease) in Cash and Cash Equivalents	278,803
Balance - beginning of the year	<u>250,274</u>
Balance - end of the year	<u>\$ 529,077</u>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	268,633
Restricted cash and cash equivalents	<u>260,444</u>
Total cash and cash equivalents	<u>\$ 529,077</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	1,930,954
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous revenue	47,305
Depreciation expense	493,414
Interfund receipts/payments	(107,000)
Meter deposit liability	<u>11,609</u>
Net cash provided by operating activities	<u>\$ 2,376,282</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, 2023**

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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 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*

In determining the financial reporting entity, except noted below, 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 Trusts 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. 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. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trusts are dissolved.

The Alva Hospital Authority is a component unit doing business as the Share Medical Center that issues a separate financial statement report, but is not included in this financial statement report due to the Hospital Authority's use of a different financial reporting framework than the City. The Alva Hospital Authority qualifies for presentation as a discretely presented component unit. A separate legal entity, the Share Medical Center Foundation, Inc., raises and holds 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 Authority's stand-alone 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 580-327-2800.

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

### *Government-Wide Financial Statements:*

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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
- Public safety: Fine revenue, fire runs and operating grants
- Streets and highways: Gas excise, commercial vehicle taxes, impact fees and operating grants
- Ambulance: Hospital funding and ambulance fees
- Cemetery: Lot sales and interments
- Airport: charges for services rendered to the airport and capital grants
- Culture and recreation: Recreation and rental fees, and operating and capital grants
- Economic development: restricted sales tax for economic development for 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:*

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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. This fund accounts for activities of the public trust in providing, water, sewer, landfill, and sanitation services to the public.

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.

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 reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

*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 maintains the Homestead Retirement Community facility.

The proprietary fund is reported on a modified cash basis, as defined above.

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



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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.

### **Jointly Governed Organization**

The Alva Arena Authority is not considered a component unit of the City. However, it is considered a jointly governed organization with Woods County. The purpose of this Trust is to acquire, construct, reconstruct, extend, lease, purchase, install, equip, repair, enlarge, remodel and operate buildings and other facilities for use by the City of Alva who is the Beneficiary of the trust.

### **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 year ended June 30, 2023, the City recognized \$67,366 of investment income. Most of the City's deposits are in demand and short-term time deposits, and money market mutual funds.

At June 30, 2023, the primary government held the following deposits and investments:

Type	Maturities	Credit Rating	Carrying Value
<b>Deposits:</b>			
Demand deposits	On Demand	N/A	\$ 4,930,279
Time deposit	1-11 months	N/A	2,354,251
Trustee money market mutual funds	On demand	AAAm	207,932
			<u>7,492,462</u>
<b>Total deposits</b>			<u><u>\$ 7,492,462</u></u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 5,138,211
Investments			2,354,251
			<u><u>\$ 7,492,462</u></u>

*Custodial 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 custodial 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, 2023, the City was exposed to custodial credit risk in the amount \$294,094.

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*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.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the proprietary statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, donations, or construction purposes. The restricted assets as of June 30, 2023 are as follows:

<u>Type of Restricted Assets</u>	<u>Current</u>	
	<u>Cash and cash equivalents</u>	<u>Investments</u>
Series 2014B Revenue Principal Account	\$ 131,949	\$ -
Series 2014B Revenue Interest Account	9,467	-
Series 2017 OWRB Account	44,210	-
Series 2018 Construction Account	7,512	-
Series 2018 Principal Account	10,238	-
Series 2018 Interest Account	4,556	-
Utility Deposits	52,512	155,422
	<u>\$ 260,444</u>	<u>\$ 155,422</u>

#### **4. 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. For the year ended June 30, 2023, capital assets balances changed as follows:

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	Balance at July 1, 2022	Additions	Disposals/ Transfers	Balance at June 30, 2023
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 718,675	\$ -	\$ -	\$ 718,675
Construction in Progress	1,120,627	300,372	331,025	1,089,974
Total capital assets not being depreciated	1,839,302	300,372	331,025	1,808,649
Other capital assets:				
Buildings	9,572,639	314,030	-	9,886,669
Machinery and Equipment	6,565,831	1,202,417	163,063	7,605,185
Infrastructure	2,379,635	42,459	77,537	2,344,557
Total other capital assets at historical cost	18,518,105	1,558,906	240,600	19,836,411
Less accumulated depreciation for:				
Buildings	6,375,758	213,612	-	6,589,370
Machinery and Equipment	4,765,803	299,695	(23,514)	5,089,012
Infrastructure	480,725	98,218	186,878	392,065
Total accumulated depreciation	11,622,286	611,525	163,364	12,070,447
Other capital assets, net	6,895,819	947,381	77,236	7,765,964
Governmental, net capital assets	\$ 8,735,121	\$ 1,247,753	\$ 408,261	\$ 9,574,613
<b>Business-Type:</b>				
Capital assets not being depreciated:				
Construction in Progress	\$ 13,615	\$ 146,047	\$ -	\$ 159,662
Total capital assets not being depreciated	13,615	146,047	-	159,662
Other capital assets:				
Buildings	4,220,388	-	-	4,220,388
Machinery and Equipment	3,075,098	145,529	107,072	3,113,555
Infrastructure	3,744,995	-	-	3,744,995
Total other capital assets at historical cost	11,040,481	145,529	107,072	11,078,938
Less accumulated depreciation for:				
Buildings	1,074,405	151,809	-	1,226,214
Machinery and Equipment	2,155,886	178,974	107,072	2,227,788
Infrastructure	1,649,961	162,631	-	1,812,592
Total accumulated depreciation	4,880,252	493,414	107,072	5,266,594
Other capital assets, net	6,160,229	(347,885)	-	5,812,344
Business-Type, net capital assets	\$ 6,173,844	\$ (201,838)	\$ -	\$ 5,972,006

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:

*Governmental Activities:*

General government	\$ 207,704
Public safety	119,593
Highways and streets	94,662
Ambulance	21,905
Culture and recreation	76,069
Cemetery	1,356
Airport	90,236
Total accumulated depreciation	<u>\$ 611,525</u>

*Business-Type Activities:*

Water	\$ 307,655
Sewer	123,165
Sanitation	<u>62,594</u>
Total accumulated depreciation	<u>\$ 493,414</u>

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**5. Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2023, the reporting entity's long-term debt changed as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Amount Due Within One Year
<i>Governmental:</i>					
Notes payable - direct borrowing	\$ 37,860	1,113,529	32,569	1,118,820	152,929
Total	<u>\$ 37,860</u>	<u>\$ 1,113,529</u>	<u>\$ 32,569</u>	<u>\$ 1,118,820</u>	<u>\$ 152,929</u>
<i>Business-Type:</i>					
Notes payable (direct borrowing)	\$ 4,645,369	\$ 95,575	\$ 430,742	\$ 4,310,202	\$ 444,313
Deposits subject to refund	195,635	49,529	37,920	207,244	31,087
Grant obligation payable (direct borrowing)	48,935	-	13,656	35,279	13,656
Total	<u>\$ 4,889,939</u>	<u>\$ 145,104</u>	<u>\$ 482,318</u>	<u>\$ 4,552,725</u>	<u>\$ 489,056</u>

*Governmental Activities:*

At June 30, 2023, the governmental long-term debt of the financial reporting entity consisted of the following:

Notes Payable (direct borrowing):

\$599,473 note payable with NBC Bank for the purchase of a fire truck due in annual installments of \$101,450 beginning May 22, 2024 with an interest rate of 4.42% and a final payment due May 22, 2030. \$ 599,473

\$170,073 note payable with Community Bank for the purchase of twenty-two self contained breathing apparatus', due in annual installments of \$38,724 beginning October 7, 2023, with an interest rate of 4.48% and a final payment due October 7, 2027. In the event of default, the equipment may be repossessed. 170,073

\$343,983 note payable with Alva State Bank for the purchase of an ambulance, due in annual installments of \$59,566 beginning June 1, 2024 with an interest rate of 5.00% and a final payment due June 1st, 2030. In the event of default, the equipment may be repossessed. 343,983

\$151,310 note payable with Community Bank for the purchase of an ambulance, due in monthly installments of \$2,795, with interest rate of 4.125% and a final payment due August 31, 2023 5,291  
Total notes payable \$ 1,118,820

Current portion	\$ 152,929
Non-current portion	965,891
Total	<u>\$ 1,118,820</u>

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*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, 2023, includes the following:

Notes Payable:

Series 2022 OWRB Promissory Note issued by the Alva Utility Authority with an original amount of \$1,565,000, including \$1,000,000 of principal forgiveness, an interest rate of 2.78%, due in semi-annual installments ranging from \$327 to \$25,226, and a final maturity of March 15, 2038. Current drawdowns as of the end of the fiscal year total \$95,575. The note is secured with a pledge of revenues. In the event of default, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement.

\$ 95,575

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 2.80%. The note is secured with a pledge of revenues. In the event of default, the principal and accrued interest may be declared due and payable.

540,000

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 2033, interest at 3.99%. The note is secured with a pledge of revenues. In the event of default, the principal and accrued interest may be declared due and payable.

1,370,000

Series 2017 OWRB Promissory Note Original amount of \$2,565,000 issued by the Alva Utility Authority, due in semi-annual installments of \$63,636 through 2048, interest at 2.82%. The loan is collateralized by the pledge of revenues. In the event of default, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement.

2,304,627

Total Utility Authority notes payable

\$ 4,310,202

Current portion

\$ 444,313

Non-current portion

3,865,889

Total

\$ 4,310,202

Refundable Grant Obligation (direct borrowing):

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.

\$ 35,279

Total Utility Authority refunding grant obligations

\$ 35,279

Current portion

\$ 13,656

Non-current portion

21,623

Total

\$ 35,279

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*Payment Requirements to Maturity:*

Governmental Activities			Business-Type Activities			
Year Ended June 30,	Notes Payable (direct borrowing)		Grant Obligation Payable (direct borrowing)		Notes Payable (direct borrowing)	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	152,929	44,564	13,656	-	444,313	145,229
2025	155,206	37,396	13,656	-	477,586	133,275
2026	162,345	29,928	7,967	-	226,337	120,000
2027	169,813	22,171	-	-	229,241	112,228
2028	177,569	13,945	-	-	242,143	104,109
2029-2033	300,958	7,131	-	-	1,334,065	387,568
2034-2038	-	-	-	-	672,636	215,381
2037-2043	-	-	-	-	506,485	130,861
2044-2048	-	-	-	-	583,756	54,888
2049	-	-	-	-	63,064	885
Total	<u>\$1,118,820</u>	<u>\$155,135</u>	<u>\$35,279</u>	<u>-</u>	<u>\$4,779,627</u>	<u>\$1,404,424</u>
Less: Amount not yet drawn					(469,425)	
Outstanding debt at 6/30/2023					<u>\$4,310,202</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 2014B Utility System Revenue Note of \$935,000, 2017 Promissory Note of \$2,565,000, 2018 Utility System Revenue Note of \$1,875,000, and 2022 Promissory Note of \$1,565,000. Proceeds from these notes were used to refund the 2005 Revenue Bond that was used for construction of retirement center, and to finance certain water and wastewater improvements. The notes are payable through 2025, 2048, 2033 and 2038. The total principal and interest payable for the remainder of the life of the notes is \$6,184,051. Pledged water, sewer and sanitation net utility revenues for the current year were \$2,605,465. Debt service payments of \$590,239 for the current fiscal year were 23% of the pledged utility net revenues.

**6. 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.

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*Fund Balances:*

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

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

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expenditure 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 Funds	TOTAL
	Hotel Tax Fund	Airport Fund	AEDA Scholarship Fund	AEDA Economic Development Fund		
Fund Balances:						
Restricted for:						
Capital outlay	\$ -	\$ -	\$ -	\$ -	\$ 181,528	\$ 181,528
Airport	-	-	1,772,143	-	-	1,772,143
Streets	-	-	-	-	267,295	267,295
Police	-	-	-	-	25,384	25,384
Deposit with Insurance Pool	39,660	-	-	-	-	39,660
Economic Development Scholarships	-	-	698,964	-	-	698,964
Economic Development	-	-	-	2,676,488	-	2,676,488
Tourism	-	531,963	-	-	-	531,963
Sub-total Restricted	39,660	531,963	1,772,143	698,964	474,207	6,193,425
Committed to:						
Stabilization Fund	898,168	-	-	-	-	898,168
Assigned to:						
Cemetery	-	-	-	-	120,237	120,237
Tourism	-	36,172	-	-	-	36,172
Sub-total Assigned	-	36,172	-	-	120,237	156,409
Unassigned (deficit):	(486,137)	-	-	-	-	(486,137)
TOTAL FUND BALANCES	\$ 451,691	\$ 568,135	\$ 1,772,143	\$ 698,964	\$ 594,444	\$ 6,761,865

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Stabilization Reserve

The City Council adopted Ordinance No. 2015-050 establishing the reserve's purpose, minimum and maximum amounts to be held in the account, and guidelines for expenditures from the account which is located in the General Fund. The minimum amount to be contained in the Stabilization Reserve Account is 16% of budgeted annual non-capital operating expenses for each of the funds contributing stabilization reserves into the Stabilization Reserve Account. The maximum amount to be contained in the Stabilization Reserve Account is 35% of budgeted annual non-capital operating expenses for each of the Funds contributing stabilization reserves into the Stabilization Reserve Account. The minimum funding for the Stabilization Reserve Account when the balance is less than the maximum level shall not be less than 2% of budgeted non-capital operating expenditures, transferred annually from the participating funds. As of June 30, 2023, committed fund balance in the General Fund relating to the stabilization reserve was \$898,168.

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;
- vi. Correcting the results of an inaccurate estimate, accounting error, or budgeting error.

## **7. Sales Tax Revenue**

Sales tax revenue represents a four and one quarter cent tax on each dollar of taxable sales within the City. Three and one quarter cents is received and recorded in the General Fund. One cent is recorded in 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. One and a quarter cents is paid by the General Fund to the Alva Hospital Authority for the use of capital improvements of the Authority.



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## 8. 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, 2023 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
AUA	General Fund	1,315,155	Operating transfer
General Fund	AEDA Economic Dev	477,746	Operating transfer to correct sales tax
Total		<u>\$ 1,792,901</u>	

  

Reconciliation to Fund Financial Statements:			
	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 1,792,901	\$ (477,746)	\$ 1,315,155
Proprietary Funds	-	(1,315,155)	(1,315,155)
	<u>\$ 1,792,901</u>	<u>\$ (1,792,901)</u>	<u>-</u>

### *Interfund Balances:*

There were no interfund receivable and payables at June 30, 2023.

## 9. 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 – Oklahoma Municipal Assurance Group.
- Employee's Group Health and Life – Covered through participation in Municipal Health Solutions. Life covered through Hartford and MetLife.

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.

## **10. Commitments and Contingencies**

### *Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and compensatory time leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2023 is \$166,932.

### *Litigation:*

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.

## **11. Employee Retirement Plan Participation**

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

### Name of Plan/System

1. Oklahoma Firefighters Pension and Retirement System (OFPRS) - Cost Sharing Multiple Employer – Defined Benefit Plan
2. Oklahoma Police Pension and Retirement System (OPPRS) - Cost Sharing Multiple Employer – Defined Benefit Plan
3. Oklahoma Municipal Retirement Fund (OkMRF) - Agent Multiple Employer - Defined Benefit Plan
4. Oklahoma Municipal Retirement Fund (OkMRF) - Defined Contribution Plan

### *Oklahoma Firefighters Pension and Retirement System*

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

**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. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. Contributions are as follows:

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<u>Fiscal Year</u>	<u>Employer Contribution</u>
2021	\$ 55,749
2022	\$ 48,864
2023	\$ 56,923

*Oklahoma Police Pension and Retirement System*

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

**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 are as follows:

<u>Fiscal Year</u>	<u>Employer Contribution</u>
2021	\$ 58,524
2022	\$ 57,282
2023	\$ 56,649

*Defined Benefit Plan - Oklahoma Municipal Retirement Fund*

**Plan Description**

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

*Eligibility Factors and Benefit Provisions*

<u>Provision</u>	<u>As of 07/01/22 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

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	-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	-1.5% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 10 Years Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

**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 4.54% of covered payroll as of July 1, 2022. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council. Contributions are as follows:

<u>Fiscal Year</u>	<u>Employer Contribution</u>
2021	\$ 105,078
2022	\$ 107,331
2023	\$ 87,726

*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

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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, 2023 and 2022, contributions made by the City were \$0.

**12. Tax Increment Financing District**

The City established a tax increment financing district (the “District”) for the purpose of enhancing and recruiting business and tourism to the region. Under the terms of the agreement, the City agrees to develop an Alva Regional Multi-Purpose Facility (“Arena”) on an underdeveloped parcel of land within the City. Pursuant to the agreement, ad valorem and sales tax would be apportioned to pay project costs for a period not to exceed twenty-five (25) fiscal years from the effective date of the Increment District, or the period required for payment of the project costs, whichever is less, as authorized by Section VIII of the Project plan. During fiscal 2023, the City had not collected any sales tax or ad valorem assessments.

**13. Subsequent Events Note**

The Alva Utility Authority is in the process of securing financing from the Oklahoma Water Resources Board (OWRB) through the issuance of a promissory note in the total aggregate principal amount not to exceed \$5,835,000. Additionally, the Economic Development Authority is issuing a Sales Tax Revenue Note, Series 2023 in the aggregate principal amount of \$1,675,000 that will be repaid from the current ½ cent sales tax recorded in this fund.

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**SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedules – Year Ended June 30, 2023**

<b>GENERAL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Resources (Inflows):</b>				
Taxes	\$ 3,832,739	\$ 3,832,739	\$ 3,880,941	\$ 48,202
Intergovernmental	242,104	645,719	692,201	46,482
Charges for services	574,240	574,240	806,426	232,186
Fines and forfeitures	42,580	42,580	38,297	(4,283)
Licenses and permits	12,369	12,369	17,234	4,865
Investment Income	4,000	4,000	22,045	18,045
Miscellaneous	580,088	1,078,203	489,099	(589,104)
Transfers In	1,678,232	1,678,232	1,315,155	(363,077)
<b>Total Resources (Inflows)</b>	<b>6,966,352</b>	<b>7,868,082</b>	<b>7,261,398</b>	<b>(606,684)</b>
<b>Charges to Appropriations (Outflows):</b>				
General government	1,179,818	1,263,360	1,106,584	156,776
Public safety	2,096,420	2,584,473	1,800,227	784,246
Streets	788,940	609,921	482,006	127,915
Ambulance	1,016,436	1,226,365	746,086	480,279
Culture and recreation	541,013	491,604	397,970	93,634
Transfers out	1,341,469	1,904,215	1,898,629	5,586
<b>Total Charges to Appropriations</b>	<b>6,964,096</b>	<b>8,079,938</b>	<b>6,431,502</b>	<b>1,648,436</b>
<b>Net change in fund balances</b>	<b>2,256</b>	<b>(211,856)</b>	<b>829,896</b>	<b>1,041,752</b>
<b>Budgetary Fund balances - beginning</b>	<b>-</b>	<b>211,856</b>	<b>(378,205)</b>	<b>(590,061)</b>
<b>Budgetary Fund balances - ending</b>	<b>\$ 2,256</b>	<b>\$ -</b>	<b>\$ 451,691</b>	<b>\$ 451,691</b>

<b>Hotel Tax Fund</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Resources (Inflows):</b>				
Taxes	\$ 150,000	\$ 166,508	\$ 133,492	\$ (33,016)
Investment income	5,000	5,000	2,785	(2,215)
<b>Total Resources (Inflows)</b>	<b>155,000</b>	<b>171,508</b>	<b>136,277</b>	<b>(35,231)</b>
<b>Charges to Appropriations (Outflows):</b>				
Economic Development	155,000	171,508	181,287	(9,779)
<b>Total Charges to Appropriations</b>	<b>155,000</b>	<b>171,508</b>	<b>181,287</b>	<b>(9,779)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>(45,010)</b>	<b>(45,010)</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>613,145</b>	<b>613,145</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 568,135</b>	<b>\$ 568,135</b>

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	Airport Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Intergovernmental	\$ 228,000	\$ 228,000	\$ 75,000	\$ (153,000)
Charges for services	299,400	299,400	463,032	163,632
License and permits	100	100	94	(6)
Investment income	7,500	7,500	9,129	1,629
Miscellaneous	185,500	185,500	257,812	72,312
Transfers in	-	120,000	-	(120,000)
<b>Total Resources (Inflows)</b>	<u>720,500</u>	<u>840,500</u>	<u>805,067</u>	<u>(35,433)</u>
<b>Charges to Appropriations (Outflows):</b>				
Airport	718,851	718,851	667,933	50,918
<b>Total Charges to Appropriations</b>	<u>718,851</u>	<u>718,851</u>	<u>667,933</u>	<u>50,918</u>
<b>Net change in fund balances</b>	1,649	121,649	137,134	15,485
<b>Fund balances - beginning</b>	-	-	1,635,009	1,635,009
<b>Fund balances - ending</b>	<u>\$ 1,649</u>	<u>\$ 121,649</u>	<u>\$ 1,772,143</u>	<u>\$ 1,650,494</u>

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedule is reported on the modified cash basis of accounting.
2. 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.
3. Expenditures exceeded appropriations in the following departments:  

Hotel Tax fund – Economic Development      \$9,779
4. Reconciliation of the budgetary basis to modified cash basis is as follows:

	General Fund
Resources budgetary basis	\$ 7,261,398
Deduct transfers in	(1,315,155)
Revenue -Modified cash basis	<u>\$ 5,946,243</u>
Charges to appropriation Budgetary Basis	\$ 6,431,502
Deduct transfer out	(477,746)
Deduct payment to hospital	(1,420,883)
Expenditures- Modified cash basis	<u>\$ 4,532,873</u>



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**OTHER SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2023**

	<b>APD Drug Task Force</b>	<b>Cemetery Fund</b>	<b>Donation Fund</b>	<b>Street and Alley Fund</b>	<b>Total-Other Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 25,384	\$ 1,750	\$ 168,489	\$ 267,295	\$ 462,918
Investments	-	118,487	13,039	-	131,526
Total assets	<u>\$ 25,384</u>	<u>\$ 120,237</u>	<u>\$ 181,528</u>	<u>\$ 267,295</u>	<u>\$ 594,444</u>
 Fund balances:					
Restricted	25,384	-	181,528	267,295	474,207
Committed	-	-	-	-	-
Assigned	-	120,237	-	-	120,237
Total fund balances	<u>25,384</u>	<u>120,237</u>	<u>181,528</u>	<u>267,295</u>	<u>594,444</u>
Total liabilities and fund balances	<u>\$ 25,384</u>	<u>\$ 120,237</u>	<u>\$ 181,528</u>	<u>\$ 267,295</u>	<u>\$ 594,444</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2023**

	<b>APD Drug Task Force</b>	<b>Cemetery Fund</b>	<b>Donation Fund</b>	<b>Street and Alley Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ -	\$ 850	\$ 44,861	\$ 45,711
Charges for services	-	22,619	-	148,300	170,919
Investment earnings	-	715	176	-	891
Miscellaneous	-	41,269	57,888	-	99,157
Total revenues	<u>-</u>	<u>64,603</u>	<u>58,914</u>	<u>193,161</u>	<u>316,678</u>
 <b>EXPENDITURES</b>					
Current:					
General government	-	-	3,320	-	3,320
Public Safety	-	-	57,835	-	57,835
Streets	-	-	-	589	589
Cemetery	-	74,998	-	-	74,998
Capital Outlay	-	-	50,819	86,371	137,190
Total Expenditures	<u>-</u>	<u>74,998</u>	<u>111,974</u>	<u>86,960</u>	<u>273,932</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(10,395)</u>	<u>(53,060)</u>	<u>106,201</u>	<u>42,746</u>
Net change in fund balances	-	(10,395)	(53,060)	106,201	42,746
Fund balances - beginning	25,384	130,632	234,588	161,094	551,698
Fund balances - ending	<u>\$ 25,384</u>	<u>\$ 120,237</u>	<u>\$ 181,528</u>	<u>\$ 267,295</u>	<u>\$ 594,444</u>

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**Schedule of Expenditures of State Awards – For Year Ended June 30, 2023**

<b>Federal/State Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Assistance Listing Number</b>	<b>Grant #</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>STATE AWARDS:</b>				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE</u>				
Fire State Aid	N/A	Fire Operational grant	<u>\$ 10,053</u>	<u>\$ 10,053</u>
<u>OKLAHOMA DEPARTMENT OF LIBRARIES</u>				
State Aid	N/A	N/A	<u>8,730</u>	<u>8,730</u>
Total State Awards			<u><u>\$ 18,783</u></u>	<u><u>\$ 18,783</u></u>

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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

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

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council  
City of Alva, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alva, Oklahoma (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 31, 2024. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2023-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

HSPG & ASSOCIATES, PC

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We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2023-001 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2023-001.

### **City's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

*HSPG & Associates, P.C.*

July 31, 2024



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**Independent Auditor's Report**

To the Honorable Mayor and Members of the City Council  
City of Alva, Oklahoma

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Alva, Oklahoma's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

HSPG & ASSOCIATES, PC

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### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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

*internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2023-002 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 31, 2024, which contained unmodified opinions on those financial statements. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*HSPG & Associates, P.C.*

July 31, 2024

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2023**

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**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2023**

**Schedule of Expenditures of Federal Awards – For Year Ended June 30, 2023**

<b>Federal/State Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Assistance Listing Number</b>	<b>Grant #</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>FEDERAL AWARDS:</b>				
<u><b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</b></u>				
Passed through Oklahoma Department of Libraries:				
ARPA Printer Grant	45.310	ARPA	\$ 1,000	\$ 1,000
Library Services and Technology Act	45.310	ODL Canva for Libraries	198	198
Total Institute of Museum and Library Services			<u>1,198</u>	<u>1,198</u>
<u><b>U.S. DEPARTMENT OF TREASURY:</b></u>				
Office of Management and Enterprise Serv-ARPA	21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)	869,194	869,168
Oklahoma Water Resource Board	21.027	ARPA	1,000,000	-
Total Department of Treasury			<u>1,869,194</u>	<u>869,168</u>
<u><b>FEDERAL AVIATION ADMINISTRATION:</b></u>				
Airport Coronavirus Response Grant Program	20.106	3-40-0003-017-2022	32,000	32,000
Airport Coronavirus Response Grant Program	20.106	3-40-0003-016-2021	13,000	13,000
Airport Coronavirus Response Grant Program	20.106	3-40-0003-015-2020	30,000	-
Airport Improvement Program	20.106	3-40-003-014-2020	663,331	66,827
Total Federal Aviation Administration			<u>738,331</u>	<u>111,827</u>
Total Federal Awards			<u>\$ 2,608,723</u>	<u>\$ 982,193</u>

*Note 1. Basis of Presentation*

This schedule includes the federal grant activity of the City of Alva, Oklahoma under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Alva, Oklahoma, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Alva, Oklahoma.

*Note 2. Summary of Significant Accounting Policies*

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10% de minimis indirect cost rate allowed under 2 CFR Part 200.414 of the Uniform Guidance.

*Note 3. Subrecipients*

During the year ended June 30, 2023, the City did not provide federal awards to subrecipients.

**CITY OF ALVA, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2023**

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SECTION I – SUMMARY OF AUDITOR’S RESULTS

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

    Material weakness(es) identified?                      X   yes                           no

    Significant deficiency(ies) identified?                      X   yes                           none reported

Noncompliance material to financial statements noted?                      X   yes                           no

**Federal Awards**

Internal control over major federal programs:

    Material weakness(es) identified?                      X   yes                           no

    Significant deficiency(ies) identified?                           yes                      X   none reported

Type of auditor’s report issued on compliance  
for major federal programs: Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)?                           yes                      X   no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish  
Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?                           yes                      X   no

**CITY OF ALVA, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For the Year Ended June 30, 2023**

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SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

*Finding 2023-001*

Internal Control Findings

*Findings 2023-001 and 2023-002*

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

*None*

Internal Control Findings

*Finding 2023-002*

**CITY OF ALVA, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For the Year Ended June 30, 2023**

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**Financial Statement Findings**

**Finding 2023-001 Uncollateralized Deposits**

**Criteria:** The State of Oklahoma's Security for Local Public Deposits Act requires that the City obtain and hold collateral with a fair market value that equals or exceeds the amount of any uninsured deposits.

**Condition:** At June 30, 2023, the City's deposits at a financial institution were under-collateralized by approximately \$294,000.

**Cause:** Management did not have controls in place to ensure sufficient collateral equal to or exceeding the amount of uninsured deposits was obtained at all financial institutions.

**Effect:** The City was not in compliance with the State of Oklahoma's Security for Local Public Deposits Act as of June 30, 2023.

**Recommendation:** The amount of collateral pledged for the security of the City's deposits should be consistent with the provisions of the State of Oklahoma's Security for Local Public Deposits Act. Management should perform a review at least quarterly to verify that there is collateral pledged with a fair market value equal to or exceeding the amount of any uninsured deposits at all financial institutions at which deposits exceed federally insured limits.

**Views of Responsive Officials of Auditee:** Management concurs with the finding, and for fiscal year 2023-2024 the City has continued to periodically verify that its deposits are secured by pledged collateral with a fair market value equal to or exceeding the value of any uninsured amounts at all financial institutions at which deposits exceed federal insured limits. Additionally, as of the end of the fiscal year, the City is fully collateralized at all financial institutions at which deposits exceed federal insured limits.

## **Federal Awards Findings**

### **Finding 2023-002**

**Criteria:** Effective internal controls over payroll require proper segregation of duties and documentation evidencing appropriate reviews and approvals.

**Condition:** Two individuals each have the ability to create a new employee, set up and make changes to employees' direct deposit information, change pay rates, and make journal entries to record or adjust payroll. There are certain regular reviews of payroll expense amounts in total, but there are no documented reviews of the pay rates of individual employees by someone that does not have access to perform all activities within the City's payroll process. In addition, there were 11 employees noted in our testing for which a signed pay rate approval form for the rate in effect for the selected pay period could not be provided.

**Cause:** Access to perform all activities within the payroll process was granted to two individuals and there were not documented reviews at a level precise enough to ensure the accuracy of payroll data for individual employees.

**Effect:** The lack of segregation of duties within the City's payroll process without sufficient documentation of reviews and approvals could allow for errors or fraud to occur and not be detected.

**Recommendation:** The City should segregate duties within the payroll process so that no individual has access to perform all activities within the process. To the extent this level of segregation of duties is not practical, the City should ensure that appropriate reviews of payroll data are performed by an individual independent of the payroll process and evidence of that review is documented and maintained.

**Views of Responsive Officials of Auditee:** Management concurs with the finding, and for fiscal year 2024-2025 the City will implement staff procedures whereby the City Manager's full-access to the payroll system will be transferred to the Finance Director. The City Manager will remain independent of the payroll process but will maintain a read-only access to the system in order to fulfill the responsibility of periodically reviewing and approving individual payroll data and personnel adjustments. Furthermore, the City will maintain documented records of this process as evidence of its consistent operation.



**CITY OF ALVA, OKLAHOMA**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2023**

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There were no findings in the prior year that were required to be reported.