

CITY OF  
**ALVA,**  
**OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2020**

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Alva, Oklahoma

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alva, Oklahoma, as of and for the year ended June 30, 2020, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Alva Hospital Authority d/b/a Share Medical Authority, which represent 72 percent, 86 percent, and 89 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts for Alva Hospital Authority d/b/a Share Medical Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alva, Oklahoma, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The accompanying financial statements have been prepared assuming the City of Alva, will continue as a going concern. As discussed in Note 24, the City has experienced a significant cash decline in the last three years. The primary operating funds of the City have had to borrow cash from restricted funds to meet the basic City operations. The City has suffered reoccurring declines in operating cash that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are discussed in Note 24. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to these matters.

The accompanying financial statements have been prepared assuming the Alva Hospital Authority d/b/a Share Medical Authority, a business-type activity, will continue as a going concern. As discussed in Note 24, the Authority has suffered recurring operating losses and has negative working capital that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are discussed in Note 24. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

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

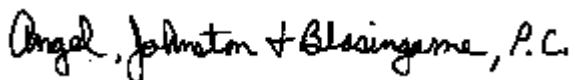
### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Alva's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alva's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
October 25, 2021

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2020**

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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, 2020. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts

### **FINANCIAL HIGHLIGHTS**

- As reported on an accrual basis, the City's total net position increased by \$703,587, and the assets and deferred outflows of the City exceed its liabilities and deferred inflows for the year ended June 30, 2020, by \$18,364,144 (net position).
- For the fiscal year ended June 30, 2020, the City's governmental funds reported combined ending fund balances of \$2,411,442.
- For the year ended June 30, 2020, committed fund balance for the General Fund was \$799,487 or 17.3% of General Fund revenues. This amount is committed to the stabilization reserve fund and leaves the General Fund with a negative unassigned fund balance.

### **ABOUT THE CITY**

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

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

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

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

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

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

- **The City of Alva** – that operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*
- **The Alva Economic Development Authority** – public trust created pursuant to 60 O.S. § 176 to promote the economic development of the City of Alva (*blended component unit*)



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- **The Alva Utility Authority (AUA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, sewer, and sanitation services of the City, with the City Council members serving as the trustees – (*blended component unit*)
- **The Alva Hospital Authority** – public trust created pursuant to 60 O.S. § 176 to operate the hospital. The Alva Hospital Authority prepares separate financial statements and can be obtained by contacting the Authority’s administration by telephoning 580-327-2800 – (*blended component unit*)

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the period’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

*Proprietary funds* - When the City, through the Utility Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on an accrual basis of accounting. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Alva Utility Authority that accounts for the operation of the water, sewer, sanitation and landfill activities and the Alva Hospital Authority which operates the Hospital.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-62 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 financial statements of individual funds, and a schedule of federal and state awards expended.

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**THE CITY AS A WHOLE**

For the fiscal year ended June 30, 2020, net position for the governmental and business-type activities increased by \$703,587.

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

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2020	2019		2020	2019		2020	2019	
Current assets	\$ 2,846	\$ 4,600	-38%	\$ 10,551	\$ 4,056	160%	\$ 13,397	\$ 8,656	55%
Capital assets, net	8,599	8,509	1%	17,048	17,260	-1%	25,647	25,769	0%
Other non-current assets	8	64	-88%	-	-	0%	8	64	-88%
<b>Total assets</b>	<u>11,453</u>	<u>13,173</u>	-13%	<u>27,599</u>	<u>21,316</u>	29%	<u>39,052</u>	<u>34,489</u>	13%
<b>Deferred outflow of resources</b>	<u>715</u>	<u>783</u>	-9%	<u>443</u>	<u>452</u>	-2%	<u>1,158</u>	<u>1,235</u>	-6%
Current liabilities	596	775	-23%	4,279	3,906	10%	4,875	4,681	4%
Non-current liabilities	1,716	2,158	-20%	10,814	10,824	0%	12,530	12,982	-3%
<b>Total liabilities</b>	<u>2,312</u>	<u>2,933</u>	-21%	<u>15,093</u>	<u>14,730</u>	2%	<u>17,405</u>	<u>17,663</u>	-1%
<b>Deferred inflow of resources</b>	<u>566</u>	<u>379</u>	49%	<u>3,876</u>	<u>20</u>	19280%	<u>4,442</u>	<u>399</u>	1013%
Net position:									
Net investment in capital assets	8,356	7,957	5%	7,420	7,645	-3%	15,776	15,602	1%
Restricted	3,503	3,284	7%	398	510	-22%	3,901	3,794	3%
Unrestricted (deficit)	(2,569)	(598)	330%	1,255	(1,138)	-210%	(1,314)	(1,736)	-24%
<b>Total net position</b>	<u>\$ 9,290</u>	<u>\$ 10,643</u>	-13%	<u>\$ 9,073</u>	<u>\$ 7,017</u>	29%	<u>\$ 18,363</u>	<u>\$ 17,660</u>	4%

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets amounted to \$15,776,677.

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

A portion of the City's net position, \$3,901,005, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing needs. The governmental activities had a deficit unrestricted net position of \$2,568,733 and the business-type activities unrestricted net position was a positive \$1,255,195.

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2020	2019		2020	2019		2020	2019	
<b>Revenues</b>									
Charges for service	\$ 712	\$ 740	-4%	\$ 15,113	\$ 16,271	-7%	\$ 15,825	\$ 17,011	-7%
Operating grants and contributions	321	332	-3%	-	-	-	321	332	-3%
Capital grants and contributions	47	63	-25%	26	26	0%	73	89	-18%
Taxes	4,971	4,904	1%	-	-	-	4,971	4,904	1%
Investment income	38	46	-17%	32	57	-44%	70	103	-32%
Miscellaneous	434	558	-22%	1,596	1,106	44%	2,030	1,664	22%
<b>Total revenues</b>	<b>6,523</b>	<b>6,643</b>	<b>-2%</b>	<b>16,767</b>	<b>17,460</b>	<b>-4%</b>	<b>23,290</b>	<b>24,103</b>	<b>-3%</b>
<b>Expenses</b>									
General government	1,700	1,658	3%	-	-	-	1,700	1,658	3%
Public safety	2,008	1,702	18%	-	-	-	2,008	1,702	18%
Streets	686	813	-16%	-	-	-	686	813	-16%
Ambulance	684	719	-5%	-	-	-	684	719	-5%
Culture and recreation	861	1,020	-16%	-	-	-	861	1,020	-16%
Cemetery	78	76	3%	-	-	-	78	76	3%
Airport	288	357	-19%	-	-	-	288	357	-19%
Economic development	122	169	-28%	-	-	-	122	169	-28%
Interest on long-term debt	16	24	-33%	-	-	-	16	24	-33%
Water	-	-	-	515	582	-12%	515	582	-12%
Sewer	-	-	-	515	472	9%	515	472	9%
Homestead	-	-	-	205	214	-4%	205	214	-4%
Landfill	-	-	-	118	133	-11%	118	133	-11%
Hospital	-	-	-	13,939	14,840	-6%	13,939	14,840	-6%
Sanitation	-	-	-	852	791	8%	852	791	8%
<b>Total expenses</b>	<b>6,443</b>	<b>6,538</b>	<b>-1%</b>	<b>16,144</b>	<b>17,032</b>	<b>-5%</b>	<b>22,587</b>	<b>23,570</b>	<b>-4%</b>
Excess (deficiency) before transfers	80	105	-24%	623	428	46%	703	533	32%
Net Transfers	(1,433)	302	-575%	1,433	(302)	-575%	-	-	-
<b>Change in net position</b>	<b>(1,353)</b>	<b>407</b>	<b>-432%</b>	<b>2,056</b>	<b>126</b>	<b>1532%</b>	<b>703</b>	<b>533</b>	<b>32%</b>
<b>Beginning net position</b>	<b>10,643</b>	<b>10,236</b>	<b>4%</b>	<b>7,017</b>	<b>6,891</b>	<b>2%</b>	<b>17,660</b>	<b>17,127</b>	<b>3%</b>
<b>Ending net position</b>	<b>\$ 9,290</b>	<b>\$ 10,643</b>	<b>-13%</b>	<b>\$ 9,073</b>	<b>\$ 7,017</b>	<b>29%</b>	<b>\$ 18,363</b>	<b>\$ 17,660</b>	<b>4%</b>

The City's business-type activities increased due to the Hospital Authority having an increase in noncapital gifts of approximately \$445,000.

Net transfers varied significantly from the prior year due to there being no operating transfer from the AUA to the General Fund in the current year.

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**Governmental Activities**

The City's governmental activities had a decrease in net position of \$1,352,196.

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

	<u>Total Expense</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>(Dec.)</u>		
	<u>of Services</u>			<u>(Expense)</u>			<u>of Services</u>	
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>			
General government	\$ 1,700	\$ 1,658	3%	(\$1,692)	(\$1,603)	6%		
Public safety	2,008	1,702	18%	(1,715)	(1,399)	23%		
Streets	686	813	-16%	(489)	(616)	-21%		
Ambulance	684	719	-5%	(509)	(601)	-15%		
Culture and recreation	861	1,020	-16%	(742)	(855)	-13%		
Cemetery	78	76	3%	(50)	(49)	2%		
Airport	288	357	-19%	(30)	(89)	-66%		
Economic development	122	169	-28%	(121)	(168)	-28%		
Interest on long-term debt	16	24	-33%	(16)	(24)	-33%		
<b>Total</b>	<u>\$ 6,443</u>	<u>\$ 6,538</u>	-1%	<u>\$ (5,364)</u>	<u>\$ (5,404)</u>	-1%		

**Business-type Activities**

The business-type activities had an increase in net position of \$2,055,783.

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

	<u>Total Expense</u>		<u>% Inc.</u> <u>Dec.</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>Dec.</u>		
	<u>of Services</u>			<u>(Expense)</u>			<u>of Services</u>	
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>			
Water	\$ 515	\$ 582	-12%	\$ 1,022	\$ 896	14%		
Homestead	205	214	-4%	(205)	(214)	-4%		
Sanitation	852	791	8%	719	649	11%		
Sewer	515	472	9%	(87)	(79)	10%		
Hospital	13,939	14,840	-6%	(2,337)	(1,853)	26%		
Landfill	118	133	-11%	(118)	(133)	-11%		
<b>Total</b>	<u>\$ 16,144</u>	<u>\$ 17,032</u>	-5%	<u>\$ (1,006)</u>	<u>\$ (734)</u>	37%		

**CITY OF ALVA, OKLAHOMA**  
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**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its fiscal year ended June 30, 2020, the governmental funds reported a combined fund balance of \$2,411,442. For the year ended June 30, 2020, the General Fund's total fund balance decreased by \$1,815,498.

**Budgetary Highlights**

For fiscal year ended June 30, 2020, the General Fund reported revenues below final estimates by \$3,015,181 or a 38.3% negative variance. General Fund actual expenditures were under final appropriations by \$849,149 or an 11.3% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2020, the City had approximately \$25.6 million in capital assets (net of accumulated depreciation), as reported on an accrual basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of June 30, 2020.<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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 719	\$ 719	\$ 133	\$ 133	\$ 852	\$ 852
Buildings and improvements	3,561	3,557	12,811	13,299	16,372	16,856
Machinery, furniture and equipment	1,966	1,913	2,253	2,360	4,219	4,273
Infrastructure	1,383	1,093	1,293	830	2,676	1,923
Construction in progress	970	1,226	558	638	1,528	1,864
<b>Totals</b>	<u>\$ 8,599</u>	<u>\$ 8,508</u>	<u>\$ 17,048</u>	<u>\$ 17,260</u>	<u>\$ 25,647</u>	<u>\$ 25,768</u>

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

- Fire department truck with rescue apparatus \$152,980
- Professional Building new roof \$153,480
- Sanitary Sewer Extension \$162,520
- Well Field Chlorination Station \$229,196

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

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**Debt Administration**

At June 30, 2020, the City had \$12.5 million in long-term debt outstanding.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Notes payable (direct borrowing)	\$ 15	\$ 190	\$ 11,876	\$ 11,224	\$ 11,891	\$ 11,414
Refundable grant obligation	-	-	76	92	76	92
Capital leases	227	361	25	45	252	406
Line of credit, bank	-	-	-	800	-	800
Deposits subject to refund	-	-	182	172	182	172
Accrued compensated absences	100	120	18	20	118	140
<b>Totals</b>	<b>\$ 342</b>	<b>\$ 671</b>	<b>\$ 12,177</b>	<b>\$ 12,353</b>	<b>\$ 12,519</b>	<b>\$ 13,024</b>

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

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

- Continue construction on Oklahoma Blvd pump station
- Continue construction on Omni-Directional approach lighting for runway

The city's financial condition has been significantly affected by the downturn in the oil sector in the past year, increases in operational cost, and the recent and ongoing outbreak of the coronavirus disease 2020 (COVID-19) which was declared a pandemic in March 2020. These issues have resulted in the city using the majority of their available unrestricted reserves to fund ongoing operations. In order to ease the financial burden on the city, management is working to mitigate conditions with a hiring freeze, the consideration of outsourcing certain operations, and reducing spending.

**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.

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



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**Statement of Net Position – June 30, 2020**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 127,231	\$ 7,179,318	\$ 7,306,549
Investments	1,384,258	191,378	1,575,636
Interest receivable	7,200	-	7,200
Accounts receivable, net of allowance	195,344	2,226,653	2,421,997
Internal balances	220,844	(220,844)	-
Receivables from third-party payors	-	454,083	454,083
Due from other governmental agencies	817,969	-	817,969
Inventories	94,224	292,759	386,983
Other receivables	-	43,222	43,222
Prepaid expense	-	119,229	119,229
Interest in Community Foundation assets	-	265,166	265,166
Net pension asset	8,405	-	8,405
Capital Assets:			
Land and construction in progress	1,689,059	690,690	2,379,749
Other capital assets, net of depreciation	6,909,572	16,357,406	23,266,978
Total Assets	<u>\$ 11,454,106</u>	<u>\$ 27,599,060</u>	<u>\$ 39,053,166</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	\$ 703,816	\$ 100,172	\$ 803,988
Deferred amounts related to OPEB	10,980	1,152	12,132
Deferred amounts related to hospital	-	341,542	341,542
Total deferred outflows of resources	<u>714,796</u>	<u>442,866</u>	<u>1,157,662</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 281,840	\$ 1,346,775	\$ 1,628,615
Due to depositors	4,100	-	4,100
Estimated amounts due to third-party payors	-	1,414,083	1,414,083
Accrued interest payable	-	43,547	43,547
Unearned income	74,641	-	74,641
Long-term liabilities:			
Due within one year	235,420	1,474,651	1,710,071
Due in more than one year	106,805	10,703,120	10,809,925
Total OPEB liability	56,626	11,991	68,617
Net pension liability	1,552,381	98,653	1,651,034
Total liabilities	<u>2,311,813</u>	<u>15,092,820</u>	<u>17,404,633</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to Hospital	-	3,768,157	3,768,157
Deferred amounts related to OPEB	-	5,542	5,542
Deferred amounts related to pensions	565,934	102,418	668,352
Total deferred inflows of resources	<u>565,934</u>	<u>3,876,117</u>	<u>4,442,051</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,356,471	7,420,206	15,776,677
Restricted for:			
Statutory requirements	122,031	-	122,031
Debt service	-	247,999	247,999
Capital	98,864	5,519	104,383
Tourism	651,562	-	651,562
Inventory - nonspendable	94,224	-	94,224
Cemetery	3,239	-	3,239
Airport	1,488,393	-	1,488,393
Economic development scholarships	485,338	-	485,338
Economic development	412,351	-	412,351
Streets	122,031	-	122,031
Other purposes	25,384	144,070	169,454
Unrestricted (deficit)	(2,568,733)	1,255,195	(1,313,538)
Total net position	<u>\$ 9,291,155</u>	<u>\$ 9,072,989</u>	<u>\$ 18,364,144</u>

See Accompanying notes to the basic financial statements

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**Statement of Activities – Year Ended June 30, 2020**

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	\$ 1,700,048	\$ -	\$ 8,000	\$ -	\$ (1,692,048)	\$ -	\$ (1,692,048)
Public Safety	2,007,991	55,319	237,902	-	(1,714,770)	-	(1,714,770)
Streets	686,423	151,290	45,852	-	(489,281)	-	(489,281)
Ambulance	684,231	175,455	-	-	(508,776)	-	(508,776)
Culture and Recreation	861,219	90,207	28,827	-	(742,185)	-	(742,185)
Cemetery	77,681	28,095	-	-	(49,586)	-	(49,586)
Airport	287,385	210,438	-	47,235	(29,712)	-	(29,712)
Economic Development	122,301	854	-	-	(121,447)	-	(121,447)
Interest on Long-term debt	15,554	-	-	-	(15,554)	-	(15,554)
Total governmental activities	<u>6,442,833</u>	<u>711,658</u>	<u>320,581</u>	<u>47,235</u>	<u>(5,363,359)</u>	<u>-</u>	<u>(5,363,359)</u>
Business-Type Activities:							
Water	515,354	1,511,738	-	25,987	-	1,022,371	1,022,371
Homestead	205,367	-	-	-	-	(205,367)	(205,367)
Sanitation	852,287	1,571,576	-	-	-	719,289	719,289
Landfill	118,030	-	-	-	-	(118,030)	(118,030)
Hospital	13,939,033	11,601,483	-	819	-	(2,336,731)	(2,336,731)
Sewer	515,355	428,023	-	-	-	(87,332)	(87,332)
Total business-type activities	<u>16,145,426</u>	<u>15,112,820</u>	<u>-</u>	<u>26,806</u>	<u>-</u>	<u>(1,005,800)</u>	<u>(1,005,800)</u>
Total primary government	<u>\$ 22,588,259</u>	<u>\$ 15,824,478</u>	<u>\$ 320,581</u>	<u>\$ 74,041</u>	<u>\$ (5,363,359)</u>	<u>\$ (1,005,800)</u>	<u>\$ (6,369,159)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 4,480,306	\$ -	\$ 4,480,306
Franchise taxes and public service taxes					376,678	-	376,678
Hotel/motel taxes					114,224	-	114,224
Unrestricted investment earnings					38,323	32,399	70,722
Miscellaneous					434,182	1,596,634	2,030,816
Transfers					(1,432,550)	1,432,550	-
Total general revenues and transfers					<u>4,011,163</u>	<u>3,061,583</u>	<u>7,072,746</u>
Change in net position					<u>(1,352,196)</u>	<u>2,055,783</u>	<u>703,587</u>
Net position - beginning					10,643,351	7,017,206	17,660,557
Net position - ending					<u>\$ 9,291,155</u>	<u>\$ 9,072,989</u>	<u>\$ 18,364,144</u>

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 – June 30, 2020**

	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	\$ 8,941	\$ -	\$ 118,290	\$ -	\$ -	\$ -	\$ 127,231
Investments	77,611	324,353	428,692	-	427,857	125,745	1,384,258
Interest receivable	-	-	3,600	-	3,600	-	7,200
Receivable from other governments	606,432	13,600	74,641	56,964	56,965	9,367	817,969
Due from other funds	-	347,322	959,288	681,684	201,678	210,786	2,400,758
Court fines receivable, net	28,915	-	-	-	-	-	28,915
Ambulance receivable, net	62,435	-	-	-	-	-	62,435
Accounts receivable, net	-	-	-	-	-	4,177	4,177
Other receivables	72,435	-	9,084	-	180	18,118	99,817
Inventories	58,359	-	34,415	-	1,091	359	94,224
Total assets	<u>\$ 915,128</u>	<u>\$ 685,275</u>	<u>\$ 1,628,010</u>	<u>\$ 738,648</u>	<u>\$ 691,371</u>	<u>\$ 368,552</u>	<u>\$ 5,026,984</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 79,224	\$ 9,360	\$ 27,750	\$ -	\$ 6,294	\$ 7,710	\$ 130,338
Accrued payroll payable	137,540	-	2,811	-	7,533	1,967	149,851
Due to other funds	2,179,914	-	-	-	-	-	2,179,914
Due to bondholders	4,100	-	-	-	-	-	4,100
Other payables	859	-	-	-	792	-	1,651
Total liabilities	<u>2,401,637</u>	<u>9,360</u>	<u>30,561</u>	<u>-</u>	<u>14,619</u>	<u>9,677</u>	<u>2,465,854</u>
Deferred inflows of resources:							
Deferred revenue	75,047	-	74,641	-	-	-	149,688
Fund balances:							
Nonspendable	58,359	-	34,415	-	1,091	359	94,224
Restricted	-	651,562	1,488,393	485,338	412,351	249,518	3,287,162
Committed	799,487	-	-	-	-	26,040	825,527
Assigned	-	24,353	-	253,310	263,310	82,958	623,931
Unassigned (deficit)	(2,419,402)	-	-	-	-	-	(2,419,402)
Total fund balances	<u>(1,561,556)</u>	<u>675,915</u>	<u>1,522,808</u>	<u>738,648</u>	<u>676,752</u>	<u>358,875</u>	<u>2,411,442</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 915,128</u>	<u>\$ 685,275</u>	<u>\$ 1,628,010</u>	<u>\$ 738,648</u>	<u>\$ 691,371</u>	<u>\$ 368,552</u>	<u>\$ 5,026,984</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Hotel Tax Fund</u>	<u>Airport Fund</u>	<u>AEDA Scholarship Fund</u>	<u>AEDA Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Taxes	\$ 3,677,262	\$ 114,224	\$ -	\$ 483,825	\$ 483,825	\$ -	\$ 4,759,136
Intergovernmental	420,668	-	47,235	-	-	45,852	513,755
Licenses and permits	12,647	-	-	-	-	-	12,647
Charges for services	190,164	-	210,304	-	57,497	179,385	637,350
Fines and forfeitures	54,193	-	-	-	-	-	54,193
Investment earnings	8,913	5,229	8,123	3,838	9,412	2,808	38,323
Miscellaneous	268,608	-	153,061	-	26,517	65,350	513,536
Total revenues	<u>4,632,455</u>	<u>119,453</u>	<u>418,723</u>	<u>487,663</u>	<u>577,251</u>	<u>293,395</u>	<u>6,528,940</u>
<b>EXPENDITURES</b>							
Current:							
General government	966,335	-	-	514,767	-	20,581	1,501,683
Public safety	1,876,852	-	-	-	-	1,237	1,878,089
Streets	561,804	-	-	-	-	-	561,804
Ambulance	637,528	-	-	-	-	-	637,528
Culture and recreation	412,937	-	-	-	348,912	-	761,849
Economic development	-	120,581	-	-	-	-	120,581
Airport	-	-	265,239	-	-	-	265,239
Cemetery	-	-	-	-	-	74,401	74,401
Capital outlay	390,388	-	95,935	-	16,052	200,756	703,131
Debt service:							
Principal	133,676	-	-	-	175,351	-	309,027
Interest and other charges	11,727	-	-	-	3,827	-	15,554
Total expenditures	<u>4,991,247</u>	<u>120,581</u>	<u>361,174</u>	<u>514,767</u>	<u>544,142</u>	<u>296,975</u>	<u>6,828,886</u>
Excess (deficiency) of revenues over expenditures	<u>(358,792)</u>	<u>(1,128)</u>	<u>57,549</u>	<u>(27,104)</u>	<u>33,109</u>	<u>(3,580)</u>	<u>(299,946)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	109,669	-	-	41,956	41,956	169,913	363,494
Transfers out	(1,566,375)	-	-	-	-	(229,669)	(1,796,044)
Total other financing sources and uses	<u>(1,456,706)</u>	<u>-</u>	<u>-</u>	<u>41,956</u>	<u>41,956</u>	<u>(59,756)</u>	<u>(1,432,550)</u>
Net change in fund balances	(1,815,498)	(1,128)	57,549	14,852	75,065	(63,336)	(1,732,496)
Fund balances - beginning	253,942	677,043	1,465,259	723,796	601,687	422,211	4,143,938
Fund balances - ending	<u>\$ (1,561,556)</u>	<u>\$ 675,915</u>	<u>\$ 1,522,808</u>	<u>\$ 738,648</u>	<u>\$ 676,752</u>	<u>\$ 358,875</u>	<u>\$ 2,411,442</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance - Net Position Reconciliation:**

Total fund balance, governmental funds	\$ 2,411,442
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
	8,598,631
Other long-term assets and deferred outflows are not available to pay for current period expenditures and therefore are deferred or not reported in the funds.	
Deferred revenue	75,047
Net pension asset	8,405
OPEB related deferred outflows	10,980
Pension related deferred outflows	703,816
Certain long-term liabilities are not due and payable from current financial resources and therefore they, along with deferred inflows, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Capital lease obligation	(227,272)
Notes payable	(14,888)
Accrued compensated absences	(100,065)
Total OPEB liability	(56,626)
Net pension liability	(1,552,381)
Pension related deferred inflows	(565,934)
	<u>(1,718,918)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 9,291,155</u>

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

Net change in fund balances - total governmental funds:	\$ (1,732,496)
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	655,786
Depreciation expense	(565,409)
In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.	
	(23,234)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in deferred revenue	(6,436)
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	309,027
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Change in Total OPEB liability	(9,024)
Change in accrued compensated absences	19,590
Change in net position of governmental activities	<u>\$ (1,352,196)</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**  
**ANNUAL FINANCIAL REPORT**  
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**Proprietary Funds Statement of Net Position – June 30, 2020**

	<u>Alva Utility Authority</u>	<u>Alva Hospital Authority</u>	<u>AJA Development 95</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 6,029,915	\$ -	\$ 6,029,915
Restricted:				
Cash and cash equivalents	756,923	-	-	756,923
Investments	149,762	-	-	149,762
Due from other funds	-	171,770	-	171,770
Accounts receivable, net	419,293	1,807,360	-	2,226,653
Receivables from third-party payors	-	454,083	-	454,083
Other receivables	43,222	-	-	43,222
Inventories	82,808	209,951	-	292,759
Prepaid expenses	-	119,229	-	119,229
Total current assets	<u>1,452,008</u>	<u>8,792,308</u>	<u>-</u>	<u>10,244,316</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	-	392,480	-	392,480
Investments	41,616	-	-	41,616
Interest in Community Foundation assets	-	265,166	-	265,166
Capital assets:				
Land and construction in progress	557,861	132,829	-	690,690
Other capital assets, net of accumulated depreciation	5,725,591	10,631,815	-	16,357,406
Total non-current assets	<u>6,325,068</u>	<u>11,422,290</u>	<u>-</u>	<u>17,747,358</u>
Total assets	<u>7,777,076</u>	<u>20,214,598</u>	<u>-</u>	<u>27,991,674</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pension	100,172	-	-	100,172
Deferred amounts related to OPEB	1,152	-	-	1,152
Deferred amounts related to hospital	-	341,542	-	341,542
Total deferred outflows of resources	<u>101,324</u>	<u>341,542</u>	<u>-</u>	<u>442,866</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 163,627	\$ 439,208	\$ -	\$ 602,835
Accrued interest payable	43,547	-	-	43,547
Due to other funds	392,614	-	-	392,614
Salaries payable	35,297	708,643	-	743,940
Estimated amounts due to third-party payors	-	1,414,083	-	1,414,083
Deposits subject to refund	27,346	-	-	27,346
Compensated absences	15,711	-	-	15,711
Capital lease obligation	21,267	-	-	21,267
Refundable grant obligations	13,656	-	-	13,656
Notes payable	402,390	994,281	-	1,396,671
Bonds payable	-	-	-	-
Total current liabilities	<u>1,115,455</u>	<u>3,556,215</u>	<u>-</u>	<u>4,671,670</u>
Non-current liabilities:				
Deposits subject to refund	154,963	-	-	154,963
Compensated absences	2,714	-	-	2,714
Capital lease obligation	3,731	-	-	3,731
Refundable grant obligations	62,591	-	-	62,591
Notes payable	5,059,411	5,419,710	-	10,479,121
Total OPEB liability	11,991	-	-	11,991
Net pension liability	98,653	-	-	98,653
Total non-current liabilities	<u>5,394,054</u>	<u>5,419,710</u>	<u>-</u>	<u>10,813,764</u>
Total liabilities	<u>6,509,509</u>	<u>8,975,925</u>	<u>-</u>	<u>15,485,434</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred amounts related to pension	102,418	-	-	102,418
Deferred amount related to hospital	-	3,768,157	-	3,768,157
Deferred amounts related to OPEB	5,542	-	-	5,542
Total deferred outflows of resources	<u>107,960</u>	<u>3,768,157</u>	<u>-</u>	<u>3,876,117</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,248,826	6,171,380	-	7,420,206
Restricted for debt service	195,956	52,043	-	247,999
Restricted for capital projects	-	5,519	-	5,519
Restricted for other purposes	41,616	102,454	-	144,070
Unrestricted (deficit)	(225,467)	1,480,662	-	1,255,195
Total net position	<u>\$ 1,260,931</u>	<u>\$ 7,812,058</u>	<u>\$ -</u>	<u>\$ 9,072,989</u>

See accompanying notes to the basic financial statements.



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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2020**

	<u>Alva Utility Authority</u>	<u>Alva Hospital Authority</u>	<u>AUA Development 95</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services:				
Water	\$ 1,498,568	\$ -	\$ -	\$ 1,498,568
Sewer	424,294	-	-	424,294
Sanitation	1,557,884	-	-	1,557,884
Hospital	-	11,601,483	-	11,601,483
Penalties	30,591	-	-	30,591
Grant	25,987	-	-	25,987
Miscellaneous	-	1,057,957	-	1,057,957
Total operating revenues	<u>3,537,324</u>	<u>12,659,440</u>	<u>-</u>	<u>16,196,764</u>
<b>OPERATING EXPENSES</b>				
Administration	10,000	-	-	10,000
Water/Sewer	625,641	-	-	625,641
Sanitation	724,822	-	-	724,822
Landfill	118,030	-	-	118,030
Homestead	44,575	-	-	44,575
Hospital	-	13,085,076	-	13,085,076
Depreciation	501,563	576,454	-	1,078,017
Total operating expenses	<u>2,024,631</u>	<u>13,661,530</u>	<u>-</u>	<u>15,686,161</u>
Operating income (loss)	<u>1,512,693</u>	<u>(1,002,090)</u>	<u>-</u>	<u>510,603</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	15,625	16,774	-	32,399
Miscellaneous revenue	4,492	534,185	-	538,677
Interest expense	(181,762)	(277,503)	-	(459,265)
Total non-operating revenue (expenses)	<u>(161,645)</u>	<u>273,456</u>	<u>-</u>	<u>111,811</u>
Income (loss) before contributions and transfers	<u>1,351,048</u>	<u>(728,634)</u>	<u>-</u>	<u>622,414</u>
Capital contributions	-	819	-	819
Transfers in	150,322	1,312,550	-	1,462,872
Transfers out	-	-	(30,322)	(30,322)
Change in net position	<u>1,501,370</u>	<u>584,735</u>	<u>(30,322)</u>	<u>2,055,783</u>
Total net position - beginning	<u>(240,439)</u>	<u>7,227,323</u>	<u>30,322</u>	<u>7,017,206</u>
Total net position - ending	<u>\$ 1,260,931</u>	<u>\$ 7,812,058</u>	<u>\$ -</u>	<u>\$ 9,072,989</u>

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Cash Flows – Year Ended June 30, 2020**

	<u>Alva Utility Authority</u>	<u>Alva Hospital Authority</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 3,486,124	\$ 13,387,384	\$ 16,873,508
Payments to suppliers	(613,398)	(6,000,162)	(6,613,560)
Payments to employees	(870,690)	(7,904,343)	(8,775,033)
Receipts of customer utility deposits	40,588	-	40,588
Refunds of customer utility deposits	(30,315)	-	(30,315)
Interfund receipts/payments	(1,420,726)	-	(1,420,726)
Other income	-	981,802	981,802
Net Cash Provided by Operating Activities	<u>591,583</u>	<u>464,681</u>	<u>1,056,264</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	(1,195,140)	-	(1,195,140)
Transfers to other funds	1,359,972	-	1,359,972
Interest paid on line of credit	-	(65,458)	(65,458)
Non-capital gifts	-	4,302,342	4,302,342
Non-capital appropriations - City of Alva	-	1,312,550	1,312,550
Principal paid on lines of credit	-	(3,010,000)	(3,010,000)
Principal paid on long-term debt	-	(628,210)	(628,210)
Proceeds from issuance of long-term debt	-	2,054,300	2,054,300
Proceeds from draws on lines of credit	-	2,210,000	2,210,000
Net Cash Provided by Noncapital Financing Activities	<u>164,832</u>	<u>6,175,524</u>	<u>6,340,356</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(567,990)	(330,569)	(898,559)
Principal paid on capital debt	(422,323)	(388,438)	(810,761)
Interest paid on capital debt	(186,108)	(185,142)	(371,250)
Capital grants and gifts	-	819	819
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,176,421)</u>	<u>(903,330)</u>	<u>(2,079,751)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	16,131	16,774	32,905
Sales (Purchase) of investments	(5,447)	-	(5,447)
Contributions to Communities Foundation of Oklahoma, Inc	-	(4,788)	(4,788)
Net Cash Provided by (Used in) Investing Activities	<u>10,684</u>	<u>11,986</u>	<u>22,670</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(409,322)	5,748,861	5,339,539
Balance - beginning of the year	<u>1,166,245</u>	<u>673,534</u>	<u>1,839,779</u>
Balance - end of the year	<u>\$ 756,923</u>	<u>\$ 6,422,395</u>	<u>\$ 7,179,318</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	-	6,029,915	6,029,915
Restricted cash and cash equivalents	756,923	392,480	1,149,403
Cash overdraft	0	-	-
Total cash and cash equivalents	<u>\$ 756,923</u>	<u>\$ 6,422,395</u>	<u>\$ 7,179,318</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	1,512,693	(1,002,090)	510,603
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Miscellaneous revenue	4,492	-	4,492
Depreciation expense	501,563	576,454	1,078,017
Provision for uncollectible accounts	-	1,578,904	1,578,904
Change in assets and liabilities:			
Receivables	(55,692)	(1,773,003)	(1,828,695)
Other receipts and payments, net	-	(76,155)	(76,155)
Supplies and prepaid expenses	-	(27,360)	(27,360)
Interfund receipts/payments	(1,420,726)	-	(1,420,726)
Estimated amounts due from third-party payers	-	1,980,000	1,980,000
Accounts payable and accrued liabilities	15,670	(792,069)	(776,399)
Accrued payroll payable	10,542	-	10,542
Net pension liability	(45,414)	-	(45,414)
Total OPEB liability	488	-	488
Deferred inflows	82,780	-	82,780
Deferred outflows	(23,806)	-	(23,806)
Meter deposit liability	10,273	-	10,273
Accrued compensated absences	(1,280)	-	(1,280)
Net cash provided by operating activities	<u>\$ 591,583</u>	<u>\$ 464,681</u>	<u>\$ 1,056,264</u>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the basic financial statements:**

**1. Financial Reporting Entity**

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

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

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

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

The Hospital Authority has a blended component unit called the Share Medical Center Foundation, Inc. The Foundations primary function is to raise and hold funds to support the Hospital Authority and its programs. The Board of the Foundation is self-perpetuating. Although the Hospital Authority does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Authority. Because these restricted resources held by the Foundation can only be used by or for the benefit of the Hospital Authority, the Foundation is considered a component unit of the Hospital Authority and is included in the Authority's financial statements using the blended method. All significant intercompany accounts and transactions between the Hospital Authority and the Foundation have been eliminated in the accompanying financial statements. The Foundation does not issue separate financial statements. The Alva Hospital Authority prepares separate financial statements and can be obtained by contacting the Authority's administration by telephoning 580-327-2800.

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

### *Government-Wide Financial Statements:*

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

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

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

### *Governmental Funds:*

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

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

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

### *Proprietary Funds:*

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

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

**Major Funds:**

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

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

Special Revenue Funds:

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

Capital Project Fund:

- Homestead Capital Improvement Fund – accounts for funds that have self-imposed restrictions for improvements.

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

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

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

*Proprietary Funds:*

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

- Alva Utility Authority (AUA) – accounts for the operation of the water, wastewater, landfill and sanitation activities and manages the Homestead Retirement Community.

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- Alva Hospital Authority – accounts for the operations of Share Medical Center under a bargain lease agreement with the City. The Alva Utility Authority manages the administrative, financial and operational activities of the Homestead Retirement Community for a five year period with the option to extend.
- AUA Development – accounts for funds which are dedicated for the development of the water and sewer systems.

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

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

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

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

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

For the year ended June 30, 2020, the City recognized \$70,722 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2020, the Hospital Authority had investments of \$361,155 in money market mutual funds.

The Hospital Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to

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measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Hospital Authority has the following recurring fair value measurements as of June 30, 2020:

- Money market mutual funds of \$361,155 as of June 30, 2020, are valued using quoted market prices (Level 1 inputs).
- Interest in assets at the Communities Foundation of \$265,166 as of June 30, 2020, is valued using net asset value (NAV). See Note 4 for further information. There are no unfunded commitments as of June 30, 2020.

At June 30, 2020, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Demand deposits			\$ 6,221,018
Time deposit			1,575,636
Trustee money market mutual funds	On demand	AAAm	1,085,531
			<u>8,882,185</u>
<b>Total deposits</b>			<u>\$ 8,882,185</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 7,306,549
Investments			1,575,636
			<u>\$ 8,882,185</u>

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

As of June 30, 2020, the City's accounts were fully collateralized. As of June 30, 2020, the Hospital Authority was exposed to custodial credit risk as uninsured and uncollateralized in the amount of \$1,043,000.

*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



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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 statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2020 are as follows:

<u>Type of Restricted Assets</u>	<u>Current</u>	
	<u>Cash and cash equivalents</u>	<u>Investments</u>
Series 2014B Revenue Interest Account	\$ 13,093	\$ -
Series 2014A Revenue Principal Account	120,038	-
Series 2014A Revenue Interest Account	5,402	-
Series 2017 OWRB Account	43,155	-
Series 2018 Construction Account	528,420	-
Series 2018 Principal Account	8,357	-
Series 2018 Interest Account	5,911	-
Utility Deposits	32,547	149,762
Total	<u>\$ 756,923</u>	<u>\$ 149,762</u>

<u>Type of Restricted Assets</u>	<u>Non-current</u>	
	<u>Cash and cash equivalents</u>	<u>Other</u>
Hospital - held by trustee for debt service	\$ 361,155	\$ -
Hospital - restricted for specific operating activities	31,325	-
Hospital - restricted for capital aquisition	-	-
Stabilization CD	-	41,616
Interest in Community Foundation assets	-	265,166
	<u>\$ 392,480</u>	<u>\$ 306,782</u>

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

The Foundation has transferred assets to Communities Foundation of Oklahoma, Inc. (Communities Foundation) and retained a beneficial interest in those assets. The Foundation is entitled to receive the interest annually. The Foundation may request a return of principal funds contributed to the Communities

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Foundation in accordance with the agency fund agreement. The Foundation has granted variance power to the Communities Foundation's board of directors to modify any restriction of the donor as to distributions of the funds if the board of directors determines such restrictions to be unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. The fair value of the retained beneficial interest included in the accompanying statements of net position was \$265,166 at June 30, 2020.

Because the Communities Foundation has variance power over contributions received from third parties amounting to approximately \$47,100 at June 30, 2020, these amounts are not reported as assets by the Foundation even though the Foundation is designated as a beneficiary by the donors.

**5. Inventories**

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

**6. Receivables**

*Primary Government Accounts Receivables:*

Accounts receivable of the business-type activities consists of customer utilities receivable and patient accounts receivable for the Hospital Authority. Accounts receivable of the governmental activities consists of police fines, ambulance fees, and other receivables. Receivables detail at June 30, 2020, is as follows:

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
<b>Governmental Activities:</b>			
Court fines	\$ 192,765	\$ (163,850)	\$ 28,915
Ambulance fees	1,364,410	(1,301,975)	62,435
Utilities	4,177	-	4,177
Other receivables	99,817	-	99,817
Total Governmental Activities	<u>\$ 1,661,169</u>	<u>\$ (1,465,825)</u>	<u>\$ 195,344</u>
<b>Business-Type Activities:</b>			
Utilities	\$ 465,487	\$ (46,194)	\$ 419,293
Hospital	4,123,360	(2,316,000)	1,807,360
Other receivables	43,222	-	43,222
Total Business-Type Activities	<u>\$ 4,632,069</u>	<u>\$ (2,362,194)</u>	<u>\$ 2,269,875</u>

**7. Capital Assets and Depreciation**

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

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For the year ended June 30, 2020, capital assets balances changed as follows:

	Balance at July 1, 2019	Additions	Disposals/ Transfers	Balance at June 30, 2020
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 718,675	\$ -	\$ -	\$ 718,675
Construction in Progress	1,225,600	284,189	539,405	970,384
Total capital assets not being depreciated	<u>1,944,275</u>	<u>284,189</u>	<u>539,405</u>	<u>1,689,059</u>
Other capital assets:				
Buildings	9,357,292	192,054	-	9,549,346
Infrastructure	951,017	539,405	-	1,490,422
Machinery and Equipment	6,291,538	179,543	-	6,471,081
Total other capital assets at historical cost	<u>16,599,847</u>	<u>911,002</u>	<u>-</u>	<u>17,510,849</u>
Less accumulated depreciation for:				
Buildings	5,800,098	188,482	-	5,988,580
Infrastructure	72,738	34,877	-	107,615
Machinery and Equipment	4,163,032	342,050	-	4,505,082
Total accumulated depreciation	<u>10,035,868</u>	<u>565,409</u>	<u>-</u>	<u>10,601,277</u>
Other capital assets, net	<u>6,563,979</u>	<u>345,593</u>	<u>-</u>	<u>6,909,572</u>
Governmental, net capital assets	<u>\$ 8,508,254</u>	<u>\$ 629,782</u>	<u>\$ 539,405</u>	<u>\$ 8,598,631</u>
<b>Business-Type:</b>				
Capital assets not being depreciated:				
Land	\$ 132,829	\$ -	\$ -	\$ 132,829
Construction in Progress	637,829	467,509	547,477	557,861
Total capital assets not being depreciated	<u>770,658</u>	<u>467,509</u>	<u>547,477</u>	<u>690,690</u>
Other capital assets:				
Buildings	19,260,694	11,566	-	19,272,260
Machinery and Equipment	13,810,729	382,428	32,000	14,161,157
Infrastructure	2,137,681	551,827	-	2,689,508
Land Improvements	86,208	-	-	86,208
Total other capital assets at historical cost	<u>35,295,312</u>	<u>945,821</u>	<u>32,000</u>	<u>36,209,133</u>
Less accumulated depreciation for:				
Buildings	5,962,021	498,565	-	6,460,586
Machinery and Equipment	11,450,418	489,871	32,000	11,908,289
Infrastructure	1,307,063	89,581	-	1,396,644
Land Improvements	86,208	-	-	86,208
Total accumulated depreciation	<u>18,805,710</u>	<u>1,078,017</u>	<u>32,000</u>	<u>19,851,727</u>
Other capital assets, net	<u>16,489,602</u>	<u>(132,196)</u>	<u>-</u>	<u>16,357,406</u>
Business-Type, net capital assets	<u>\$ 17,260,260</u>	<u>\$ 335,313</u>	<u>\$ 547,477</u>	<u>\$ 17,048,096</u>

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

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

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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	\$ 190,581
Public safety	115,086
Highways and streets	122,473
Ambulance	35,550
Culture and recreation	80,252
Cemetery	1,941
Airport	19,526
Total accumulated depreciation	<u>\$ 565,409</u>

*Business-Type Activities:*

Water	\$ 267,765
Sewer	106,973
Sanitation	126,825
Hospital	<u>576,454</u>
Total accumulated depreciation	<u>\$ 1,078,017</u>

The following capital assets were purchased by capital lease. The table discloses the amount capitalized and the related depreciation expense through June 30, 2020.

Machinery and Equipment:

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
3/17/2014	580 Case Loader	\$ 69,654	\$ (29,409)
4/7/2014	2014 E-1 Pumper	240,590	(111,384)
7/7/2014	2012 CAT Wheel Loader	65,500	(39,300)
3/17/2014	924K Caterpillar	134,853	(56,938)
7/2/2014	2014 Freightliner	71,352	(61,159)
7/7/2014	2014 Distributor	85,613	(73,383)
7/21/2014	2014 Spreader	161,338	(138,290)
8/31/2018	2019 Ambulance	151,310	(8,406)
		<u>\$ 980,210</u>	<u>\$ (518,269)</u>

**8. Line of credit – Component Unit**

The Alva Hospital Authority periodically borrows funds from banks to finance capital asset acquisitions and manage cash flows from operations. The lines of credit bear interest at predetermined rates, are unsecured and mature in less than one year from issuance.

The following is a summary of the lines of credit transactions for the Authority for the years ended June 30:

	<b>2020</b>
Beginning balance	\$ 800,000
Additions	2,210,000
Deductions	<u>(3,010,000)</u>
Ending balance	<u>\$ -</u>

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

For the year ended June 30, 2020, the reporting entity's long-term debt changed as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Amount Due Within One Year
<i>Governmental:</i>					
Capital lease obligations	\$ 360,948	\$ -	\$ 133,676	\$ 227,272	\$ 139,130
Revenue note payable (direct borrowing)	190,239	-	175,351	14,888	14,888
Accrued compensated absences	119,655	-	19,590	100,065	81,402
<b>Total</b>	<b>\$ 670,842</b>	<b>\$ -</b>	<b>\$ 328,617</b>	<b>\$ 342,225</b>	<b>\$ 235,420</b>
<i>Business-Type:</i>					
Notes payable (direct borrowing)	\$ 11,223,732	\$ 2,054,300	\$ 1,402,240	\$ 11,875,792	\$ 1,396,671
Grant obligation payable (direct borrowing)	92,508	-	16,261	76,247	13,656
Capital lease obligation	45,468	-	20,470	24,998	21,267
Deposits subject to refund	172,036	40,588	30,315	182,309	27,346
Accrued compensated absences	19,705	-	1,280	18,425	15,711
<b>Total</b>	<b>\$ 11,553,449</b>	<b>\$ 2,094,888</b>	<b>\$ 1,470,566</b>	<b>\$ 12,177,771</b>	<b>\$ 1,474,651</b>

*Governmental Activities:*

At June 30, 2020, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease Obligations:

\$885,000 lease with Community Bank for the purchase of several pieces of equipment , 84% or \$693,746 was used for governmental activities, issued January 2014 with an interest rate of 3.5%, maturing August 2021.	\$ 128,116
\$151,310 lease with Community Bank for the purchase of an ambulance, due in monthly installments of \$2,795, with interest rate of 4.125%, final payment due August 31, 2023	99,156
<b>Total Capital Lease Obligations</b>	<b>\$ 227,272</b>
Current portion	\$ 139,130
Non-current portion	88,142
<b>Total</b>	<b>\$ 227,272</b>

Notes Payable (direct borrowing):

Alva Economic Development Authority:

Series 2013 Sales Tax Revenue Note, original amount of \$1,090,000, issued by the Alva Economic Development Authority, due in monthly installments of \$14,931.49, matures in July 2020, interest at 3.75%. 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.	\$ 14,888
Current portion	\$ 14,888
Non-current portion	-
<b>Total</b>	<b>\$ 14,888</b>

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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, 2020, includes the following:

Notes Payable (direct borrowing):

Alva Utility Authority:

Series 2014A Utility Revenue Note Original amount of \$1,465,000 issued by the Alva Utility Authority, due in semi-annual installments of \$100,000 to \$115,000 through 2021, interest at 3%. 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. \$ 360,000

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

Series 2018 Utility Revenue Note Original amount of \$1,875,000 issued by the Alva Utility Authority, due in semi-annual installments of \$45,000 to \$80,000 through 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. 1,685,000

Series 2017 OWRB Promissory Note Original amount of \$2,565,000 issued by the Alva Utility Authority, due in semi-annual installments of \$85,500 through 2048, interest at 2.82%. 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. 2,481,801

Total Utility Authority notes payable \$ 5,461,801

	Current portion	\$ 402,390
	Non-current portion	<u>5,059,411</u>
	Total	<u>\$ 5,461,801</u>

Alva Hospital Authority:

Note payable to bank in monthly installments issued by the Alva Hospital Authority, under the Small Business Administration (SBA) Paycheck Protection Program (PPP), due in April 2022, with an interest rate of 1% beginning seven months from the note date to the extent the loan is not forgiven. \$ 1,042,300

Note payable to Charles Morton Share trust due in November 2024, issued by the Alva Hospital Authority, with interest rate of 2.5% payable monthly. 436,885

Series 2013 Sales Tax and Utility Revenue Note Original amount of \$7,500,000 issued by the Alva Utility Authority, due in monthly installments of \$51,614 through 2029, interest at 3.8%. The note is secured with a pledge of revenue. 4,934,806

Total Hospital Authority notes payable \$ 6,413,991

	Current portion	\$ 994,281
	Non-current portion	<u>5,419,710</u>
	Total	<u>\$ 6,413,991</u>

Total notes payable	Current portion	\$ 1,396,671
	Non-current portion	<u>10,479,121</u>
	Total	<u>\$ 11,875,792</u>

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Refundable Grant Obligation (direct borrowing):

Alva Utility Authority:

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.	76,247
<b>Total Utility Authority refunding grant obligations</b>	<b>\$ 76,247</b>
Current portion	\$ 13,656
Non-current portion	62,591
Total	\$ 76,247

Notes Payable (direct borrowing):

Capital Lease Obligations:

Alva Utility Authority:

\$885,000 lease with Community Bank for the purchase of several pieces of equipment, 16% or \$135,154 was used for business-type activities, issued January 2014 with an interest rate of 3.5%, maturing August 2021.	\$ 24,998
Current portion	\$ 21,267
Non-current portion	3,731
Total	\$ 24,998

***Payment Requirements to Maturity:***

Year Ended June 30,	Governmental Activities				Business-Type Activities					
	Capital Lease Obligations		Notes Payable (direct borrowing)		Grant Obligation Payable (direct borrowing)		Notes Payable (direct borrowing)		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	139,130	6,265	14,888	43	13,656	-	1,396,671	371,821	21,267	531
2022	50,277	2,359	-	-	13,656	-	1,553,236	331,171	3,731	16
2023	32,578	965	-	-	13,656	-	1,006,194	295,283	-	-
2024	5,287	29	-	-	13,656	-	1,038,661	260,786	-	-
2025	-	-	-	-	13,656	-	1,006,850	225,646	-	-
2026-2030	-	-	-	-	7,966	-	3,581,272	679,725	-	-
2031-2035	-	-	-	-	-	-	868,538	265,236	-	-
2036-2040	-	-	-	-	-	-	465,030	171,593	-	-
2041-2045	-	-	-	-	-	-	536,106	101,742	-	-
2046-2049	-	-	-	-	-	-	423,234	24,097	-	-
<b>Total</b>	<b>\$227,272</b>	<b>\$9,618</b>	<b>\$14,888</b>	<b>\$43</b>	<b>\$76,246</b>	<b>-</b>	<b>\$11,875,792</b>	<b>\$2,727,100</b>	<b>\$24,998</b>	<b>\$547</b>

**Pledge of Future Revenues**

**Utility Net Revenues Pledge**

The City has pledged future water, sewer and sanitation net utility revenues to repay the Series 2014A, 2014B Utility System Revenue Notes of \$2,400,000, 2017 Promissory Note of \$2,565,000 and 2018 Utility System Revenue Note of \$1,875,000. 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 2021, 2025 2048 and 2033. The total principal and interest payable for the remainder of the life of the notes is \$7,200,470. Pledged water, sewer and sanitation net utility revenues for the current year were \$2,145,908. Debt service payments of \$570,377 for the current fiscal year were 26.6% of the pledged utility net revenues.

Sales Tax Pledge

The City has pledged one-half of one cent of sales tax to repay the 2013 Sales Tax Revenue Note issued by the Economic Development Authority of \$1,090,000. Proceeds from the note were used to refinance the Series 2000 Recreational Facility Note. The note is payable from pledged sales tax and is payable through 2020. The total principal and interest payable for the remainder of the life of this note is \$14,931. Pledged sales tax revenue for the current year was \$479,793. Debt service payments of \$179,178 for the current fiscal year were 37.3% of the pledged sales tax.

## 10. Net Position and Fund Balances

*Net Position:*

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

- a. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets, net of unexpended debt proceeds.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

*Fund Balances:*

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

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



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- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

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

General Fund	Major Special Revenue		Blended Component Units		Other Governmental Funds	TOTAL	
	Hotel Tax Fund	Airport Fund	AEDA Scholarship Fund	AEDA Economic Development Fund			
Fund Balances:							
Nonspendable:	58,359	-	34,415	-	1,091	359	94,224
Restricted for:							
Capital outlay	-	-	-	-	-	98,864	98,864
Airport	-	-	1,488,393	-	-	-	1,488,393
Streets	-	-	-	-	-	122,031	122,031
Police	-	-	-	-	-	25,384	25,384
Cemetery	-	-	-	-	-	3,239	3,239
Economic Development Scholarships	-	-	-	485,338	-	-	485,338
Economic Development	-	-	-	-	412,351	-	412,351
Tourism	-	651,562	-	-	-	-	651,562
Sub-total Restricted	-	651,562	1,488,393	485,338	412,351	249,518	3,287,162
Committed to:							
Stabilization Fund	799,487	-	-	-	-	26,040	825,527
Assigned to:							
Cemetery	-	-	-	-	-	82,958	82,958
Economic Development Scholarships	-	-	-	253,310	-	-	253,310
Economic Development	-	-	-	-	263,310	-	263,310
Tourism	-	24,353	-	-	-	-	24,353
Sub-total Assigned	-	24,353	-	253,310	263,310	82,958	623,931
Unassigned (deficit):	(2,419,402)	-	-	-	-	-	(2,419,402)
TOTAL FUND BALANCES	\$ (1,561,556)	\$ 675,915	\$ 1,522,808	\$ 738,648	\$ 676,752	\$ 358,875	\$ 2,411,442

Stabilization Reserve

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

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

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

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

- i. Expenditures for emergency situations as defined above for life, health, or public safety issues for which no existing appropriation exists;
- ii. Situations where a significant expense or revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;
- iii. Expenditures where the proposed use is of a nonoperational nature involving capital or technical purchases having a useful life of greater than five years that will improve the efficiency of the City government;
- iv. Expenditures where the proposed use is of a nonrecurring nature, such as a study, or for start-up costs of a program whose ongoing costs are otherwise funded;
- v. Correcting the results of an inaccurate estimate, accounting error, or budgeting error.

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

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

## **11. Sales Tax Revenue**

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

## **12. Net Patient Service Revenue**

The Hospital Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. These third-party payment arrangements include:

- **Medicare** - Inpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor. The Authority's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2018.
- **Medicaid** - The Authority is reimbursed for services rendered to patients covered by the state Medicaid program on a prospective per discharge or fee schedule method with no retroactive adjustments. The payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.
- **Other** - Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Approximately 78% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the year ended June 30, 2020. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

## **13. Charity Care**

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

The costs of charity care provided under the Hospital Authority's charity care policy were \$100,000 for the year ended June 30, 2020. The cost of uncompensated care is estimated by applying the ratio of costs to gross charges to the gross uncompensated charges from the most recent Medicare cost report. In addition to uncompensated charges, the Authority also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, home health programs, community educational services and various support groups.

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**14. Income Taxes**

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

**15. 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, 2020 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
AUA Development	AUA	30,322	Operating transfer
Homestead Capital Improvement	General Fund	79,122	Operating transfer
Donation Fund	General Fund	572	Operating transfer
General Fund	Cemetery Fund	42,938	Operating transfer
General Fund	Hospital Authority	\$ 1,312,550	Sales tax transfer
Cemetery Fund	General Fund	23,000	Operating transfer
General Fund	AEDA Scholarship	41,956	Sales tax transfer
General Fund	AEDA Economic Dev	41,956	Sales tax transfer
General Fund	Street and Alley Fund	126,975	Operating transfer
Street and Alley Fund	AUA	120,000	Operating transfer
Street and Alley Fund	General Fund	6,975	Operating transfer
Total		<u>\$ 1,826,366</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 363,494	\$ (1,796,044)	\$ (1,432,550)
Proprietary Funds	1,462,872	(30,322)	1,432,550
	<u>\$ 1,826,366</u>	<u>\$ (1,826,366)</u>	<u>-</u>

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*Balances:*

Interfund receivable and payables at June 30, 2020 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Internal Balance</u>
General Fund	Street & Alley Fund	95,609	Interfund loan
General Fund	Hotel Tax Fund	347,322	Interfund loan
AUA	AEDA Scholarship	392,614	Interfund loan
General Fund	APD Drug Task Force	25,384	Interfund loan
General Fund	Donation Fund	89,793	Interfund loan
General Fund	Alva Hospital Authority	171,770	Sales tax
General Fund	Airport Fund	959,288	Interfund loan
General Fund	AEDA Economic Dev	201,678	Interfund loan
General Fund	AEDA Scholarship	289,070	Interfund loan
Total		<u>\$ 2,572,528</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 2,400,758	\$ (2,179,914)	\$ 220,844
Proprietary Funds	171,770	(392,614)	(220,844)
Total	<u>\$ 2,572,528</u>	<u>\$ (2,572,528)</u>	<u>\$ -</u>

This City of Alva has made arrangements with the airport to pay them back with an annual payment of \$121,422 with an interest rate of 3% through June 30, 2030.

**16. Risk Management**

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

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

## **17. Commitments and Contingencies**

### *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.

### *Asset Retirement Obligation:*

The City has incurred certain asset retirement obligations related to the operation of its wastewater utility system. The estimated liability of the legally required closure costs for the wastewater utility system cannot be reasonably estimated as of June 30, 2020, since the specific legally required costs of retirement have not yet been identified. The City anticipates identifying those specific legally required costs and obtaining an estimate of those costs in a subsequent fiscal year.

### *Covid-19 Pandemic and CARES Act Funding:*

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The Hospital Authority's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Authority has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business, including the following:

- Beginning in mid-March, the Authority deferred all nonessential medical and surgical procedures and suspended elective procedures, which resumed at different dates during the final quarter of the fiscal year
- Implementation of targeted cost reduction initiatives
- Reduction of certain planned projects and capital expenditures

In addition, the Authority received approximately \$1,414,000 of accelerated Medicare payments and approximately \$3,800,000 in Provider Relief Fund distributions, both as provided for under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act).

The extent of the COVID-19 pandemic's adverse effect on the Authority's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the

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Authority's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Authority cannot estimate the length or severity of the effect of the pandemic on the Authority's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

*Provider Relief Fund:*

During the year ended June 30, 2020, the Hospital Authority received approximately \$3,800,000 of distributions from the CARES Act Provider Relief Fund. Subsequent to year-end, the Hospital Authority received additional funding of approximately \$358,000 related to CARES Act funding. These distributions from the Provider Relief Fund are not subject to repayment, provided the Authority is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services (HHS).

The Hospital Authority is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Authority's operating revenues and expenses through June 30, 2020, the Authority did not recognize any revenue related to the Provider Relief Fund. The unrecognized payments are recorded as deferred grant revenue in the accompanying balance sheets.

Subsequent to year-end, HHS issued guidance on the use of payments from the Provider Relief Fund. The Authority considers the guidance issued subsequent to year-end to be substantive changes in guidance rather than clarifications of guidance existing at June 30, 2020. As a result, the amounts recorded in the financial statements compared to the Authority's Provider Relief Fund reporting could differ. This difference cannot be currently estimated but could be material.

The Authority will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Authority's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Authority is unable to attest to or comply with current or future terms and conditions, the Authority's ability to retain some or all of the distributions received may be affected. The Provider Relief Fund is subject to government oversight, including potential audits.

*Medicare Accelerated and Advance Payment Program:*

During the year ended June 30, 2020, the Hospital Authority requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

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Subsequent to year-end, the payback provisions were revised and the payback period was extended to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended June 30, 2020, the Authority received approximately \$1,414,000 from these accelerated Medicare payment requests. The unapplied amount of accelerated Medicare payment requests is recorded in estimated amounts due to third-party payors in the accompanying balance sheets.

### **18. Medical Malpractice Claims**

The Hospital Authority purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital Authority's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

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

On January 17, 2012, CMS approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is currently scheduled to sunset on December 31, 2025. The SHOPP is designed to assess Oklahoma hospitals a supplemental hospital offset fee which will be placed in pools after receiving federal matching funds. The total fees and matching funds will then be allocated to hospitals as directed by legislation. In addition to the SHOPP, there is a separate voluntary pool created to assist hospitals that did not receive sufficient SHOPP funds to cover the assessment fees paid. The Oklahoma Hospital Association (OHA) Foundation receives voluntary contributions from Oklahoma hospitals and remits funds to those providers that did not receive SHOPP funds to reimburse them for the assessment fees paid. In 2019, the Hospital Authority's conversion to CAH status changed its participation in the SHOPP. CAHs are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds.

During the year ended June 30, 2020 the Hospital Authority had the following activity related to the SHOPP:

SHOPP funds received	\$	93,000
OHA Foundation funds received		-
SHOPP assessment fees paid		-
Net SHOPP benefit	<u>\$</u>	<u>93,000</u>

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



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Based on the current information available, the annual benefit to the Authority for 2021 is expected to be consistent with 2020. SHOPP and OHA Foundation revenue is recorded as part of net patient service revenue and the SHOPP assessment fees are recorded as part of other expenses on the accompanying statements of revenues, expenses and changes in net position.

**20. Employee Retirement Plan Participation**

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

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

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Plan Totals</u>
Net Pension Asset:			
Police	\$ 8,405	\$ -	\$ 8,405
Total	<u>\$ 8,405</u>	<u>\$ -</u>	<u>\$ 8,405</u>
Net Pension Liability:			
OkMRF	\$ 208,481	\$ 98,653	\$ 307,134
Firefighters	1,343,900	-	1,343,900
Total	<u>\$ 1,552,381</u>	<u>\$ 98,653</u>	<u>\$ 1,651,034</u>
Deferred Outflows of Resources:			
OkMRF	\$ 188,439	\$ 100,172	\$ 288,611
Police	162,813	-	162,813
Firefighters	352,564	-	352,564
Total	<u>\$ 703,816</u>	<u>\$ 100,172</u>	<u>\$ 803,988</u>
Deferred Inflows of Resources:			
OkMRF	\$ 227,222	\$ 102,418	\$ 329,640
Police	40,688	-	40,688
Firefighters	298,024	-	298,024
Total	<u>\$ 565,934</u>	<u>\$ 102,418</u>	<u>\$ 668,352</u>
Pension Expense:			
OkMRF	\$ 109,149	\$ 51,649	\$ 160,798
Police	101,013	-	101,013
Firefighters	198,557	-	198,557
Total	<u>\$ 408,719</u>	<u>\$ 51,649</u>	<u>\$ 460,368</u>

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*OFPRS:*

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

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

Normal Retirement:

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

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

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

**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$63,507 and volunteer were \$1,020. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$131,769 and is reported as

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both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$129,344. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2020, the City reported a liability of \$1,343,900 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was .127182% percent.

For the year ended June 30, 2020, the City recognized pension expense of \$198,557. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 225,035	\$ 27,335
Changes of assumptions	-	34,524
Net difference between projected and actual earnings on pension plan investments	-	97,283
Changes in proportion and differences between City contributions and proportionate share of contributions	64,022	135,523
City contributions during measurement date	-	3,359
City contributions subsequent to the measurement date	63,507	-
Total	\$ 352,564	\$ 298,024

The \$63,507 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 25,105
2021	(36,459)
2022	9,458
2023	147
2024	(7,218)
Thereafter	-
	\$ (8,967)

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**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.50% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the Pub-2010 Public Safety Table, with adjustments for generational mortality improvement using scale MP-2018 for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	4.90%
Domestic equity	47%	7.09%
International equity	15%	9.19%
Real estate	10%	7.99%
Other assets	8%	5.57%

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

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

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	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability	\$ 1,735,341	\$ 1,343,900	\$ 914,040

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

*Oklahoma Police Pension and Retirement System*

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

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

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

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

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

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**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$57,399. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$48,972 and is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$52,080.

**Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2020, the City reported an asset of \$8,405 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was .131626% percent.

For the year ended June 30, 2020, the City recognized pension expense of \$101,013. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,044	\$ 39,682
Changes of assumptions	21,461	-
Net difference between projected and actual earnings on pension plan investments	76,803	-
Changes in proportion and differences between City contributions and proportionate share of contributions	1,974	371
City contributions during the measurement date	132	635
City contributions subsequent to the measurement date	57,399	-
Total	<u>\$ 162,813</u>	<u>\$ 40,688</u>

The \$57,399 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of or addition to the net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:		
2020	\$	37,292
2021		(11,277)
2022		12,297
2023		25,436
2023		978
Thereafter		-
	<u>\$</u>	<u>64,726</u>

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	3.5% to 12% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP- 2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.79%
Domestic equity	5.74%
International equity	9.19%
Real estate	7.99%
Private equity	10.20%
Commodities	3.50%

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

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

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 358,037	\$ (8,405)	\$ (318,236)

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

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

*A. Plan Description*

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

*B. Summary of Significant Accounting Policies*

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



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value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

*C. Eligibility Factors and Benefit Provisions*

<u>Provision</u>	<u>As of 07/01/19 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-1.5% 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.

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*D. Employees Covered by Benefit Terms*

Active Employees	48
Deferred Vested Former Employees	6
Retirees or Retiree Beneficiaries	<u>9</u>
Total	<u>63</u>

*E. Contribution Requirements*

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 6.05% of covered payroll as of 7-1-19; however, the City elected to contribute 6.07% of covered payroll. For the year ended June 30, 2020, the City recognized \$120,371 of employer contributions to the plan based on covered payroll of \$2,005,446. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

*F. Actuarial Assumptions*

Date of Last Actuarial Valuation	July 1, 2019
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.5%
c. Projected Salary Increase	Varies between 7.5% and 4.5% based on age
d. Post Retirement cost-of-Living Increase	For benefits subject to adjustment based on change in CPI – 2.75%
e. Inflation Rate	2.75%
f. Mortality Table	PubG 2010, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown
	Additional rates per thousand are added during the first 5 years:
	Year 1: 225
	Year 2: 140
	Year 3: 100
	Year 4: 70
	Year 5: 40

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j. Date of last experience study

September 2012 for fiscal years 2007  
thru 2011

*G. Discount Rate*

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2019 are summarized in the following table:

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

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*H. Changes in Net Pension Liability*

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2018 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2019 and the City's report ending date of June 30, 2020, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)			
Increase (Decrease)			
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balances Beginning of Year</b>	\$ 4,464,000	\$ 3,945,864	\$ 518,136
<b>Changes for the Year:</b>			
Service cost	152,808	-	152,808
Interest expense	331,340	-	331,340
Difference between expected and actual experience	(328,511)	-	(328,511)
Changes of assumptions	87,159		87,159
Contributions--City	-	123,510	(123,510)
Contributions--members	-	60,978	(60,978)
Net investment income	-	277,542	(277,542)
Benefit changes due to plan amendments	-	-	-
Benefits paid	(93,968)	(93,968)	-
Plan administrative expenses	-	(8,232)	8,232
<b>Net Changes</b>	<u>148,828</u>	<u>359,830</u>	<u>(211,002)</u>
<b>Balances End of Year</b>	<u>\$ 4,612,828</u>	<u>\$ 4,305,694</u>	<u>\$ 307,134</u>

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability (Asset)	\$ 991,385	\$ 307,134	\$ (250,728)

The City reported \$160,798 in pension expense for the year ended June 30, 2020. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,527	\$ 316,054
Changes of assumptions	88,906	-
Net difference between projected and actual earnings on pension plan investments	8,418	-
Changes in proportion and differences between City contributions and proportionate share of contributions	11,389	13,586
City contributions subsequent to the measurement date	120,371	-
Total	<u>\$ 288,611</u>	<u>\$ 329,640</u>

The \$120,371 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ (3,230)
2021	(57,592)
2022	(36,651)
2023	(33,683)
2024	(30,244)
	<u>\$ (161,400)</u>

*City of Alva Defined Contribution Plan*

The City contributes to the Employee Retirement System of Alva, Oklahoma in the form of The Oklahoma Municipal Retirement System Master Contribution Plan and Trust, an agent multiple employer– defined contribution plan. The defined contribution plan is available to all eligible employees who are not already participating in the fire or police pension plan. Administration of the City’s individual plan rests with the City Council. The overall operations of OkMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Bank One Trust Company of Oklahoma City acts as the administrator and securities custodian. For the year ended June 30, 2020, contributions made by the City were \$0. Contributions made by plan members were \$6,280.

*Alva Hospital Authority Defined Contribution Plan*

The Hospital Authority contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Authority’s required contributions, determined in accordance with the terms of the plan. The plan is administered by the Authority’s Board of Trustees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority’s governing body. Contributions actually made by the Authority during 2020 were approximately \$0. Contributions actually made by plan members during 2020 were approximately \$157,000.

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**21. Other Post-Employment Benefits**

**Plan description** – The City’s defined benefit OPEB plan provides OPEB to eligible retirees and their dependents. The City Council has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Benefits provided** – The City provides medical and prescription drug benefits to eligible retirees and their dependents. The benefits are provided in accordance with State law and police and firefighter's union contracts. The retirees and dependents pay the active employee coverage rates; this results in the retirees and beneficiaries receiving an implicit rate subsidy. Retirees and dependents coverage ceases at age 65 and are no longer eligible for the City’s OPEB plan. For non-public safety employees assumed retirement after age 55 with 8 years of service (public safety may retire after 20 years of service with no minimum age (22 years for fire employees hired on or after November 1, 2013) or age 50 with 8 years of service).

**Employees covered by benefit terms** - At June 30, 2020 the following employees were covered by the benefit terms:

Active Employees	70
Inactives or beneficiaries currently receiving benefit payments	<u>0</u>
Total	<u><u>70</u></u>

**Total OPEB Liability** – The City’s total OPEB liability of \$68,617 was measured as of June 30, 2020, based on roll forward procedures, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions- The total OPEB liability was determined based on roll forward procedures of an actuarial valuation prepared as of June 30, 2020, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 2.21%, based on June 30, 2020 published Bond Pay Go-20 bond index
- Termination – Civilian employees are based on actual experience of the Oklahoma Municipal Retirement Fund. Rates for police and firefighters are based on rates for these groups in Oklahoma.

Retirement Age:	<i>Non-uniform Retirement</i>
<u>Age</u>	<u>Rate</u>
55	25%
56	25%
57	25%
58	25%
59	25%
60	17%
61	17%
62	30%
63	20%
64	15%
65-69	30%
70	100%

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Years of Service	Retirement Rate	
	Police	Fire
20	20%	10%
21	20%	10%
22	20%	10%
23	20%	10%
24	20%	10%
25	20%	15%
26	20%	15%
27	20%	15%
28	20%	15%
29	20%	15%
30	100%	20%
31	100%	20%
32	100%	20%
33	100%	20%
34	100%	20%
35	100%	100%

- Participation –
  - 100% of all retirees who currently have healthcare coverage will continue with the same coverage.
  - 7.5% of all actives who currently have healthcare coverage will continue with employee only coverage upon retirement.
- Healthcare cost trend rates - Plan year dependent rates graded 5.00%
- Mortality Rates - RPH-2014 Mortality Table with Projection MP-2018

**Changes in Total OPEB Liability** –The following table reports the components of changes in total OPEB liability:

	<u>Total OPEB Liability</u>
Balances, Beginning of Year	\$ 52,515
Changes for the Year:	
Service cost	6,951
Interest expense	1,161
Changes in assumptions	7,990
Net changes	<u>16,102</u>
Balances, Ending of Year	<u>\$ 68,617</u>
Governmental Activities	\$ 56,626
Business-type Activities	11,991
	<u>\$ 68,617</u>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** –The following presents the total OPEB liability of the employer calculated using the discount rate of 2.21%, as well as what the Plan’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate:

	<u>1% Decrease 1.21%</u>	<u>Current Discount Rate 2.21%</u>	<u>1% Increase 3.21%</u>
Employers' total OPEB liability	\$ 77,898	\$ 68,617	\$ 60,524

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**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate** –The following presents the total OPEB liability of the employer calculated using the healthcare cost trend rate of 5.0%, as well as what the Plan’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.0%) or 1-percentage point higher (6.0%) than the current rate:

	1% Decrease 4.00%	Healthcare Costs Trend Rates 5.00%	1% Increase 6.00%
Employers' total OPEB liability	\$ 57,702	\$ 68,617	\$ 82,123

**OPEB Expense** –For the year ended June 30, 2020, the City recognized OPEB expense of \$9,512.

**22. 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 2020, the City had not collected any sales tax or ad valorem assessments.

**23. Use of Estimates**

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

**24. Management’s Consideration of Going Concern Matters**

The Hospital Authority has incurred significant operating losses since 2010. Management implemented one of its plans in 2019 as the hospital was converted to a CAH. Additionally, management has taken steps to implement certain plans in 2020, such as setting up a 340B program and increased reimbursement for certain nursing home residents based on statewide changes to reimbursement under the Oklahoma Medicaid program, and is evaluating several alternatives for mitigating these conditions during the next year, including reviewing expenses and hiring additional staff to replace contract staffing. Lastly, management anticipates increased revenue from rural health clinics set up in 2021. However, there can be no assurance that the Authority will be successful in achieving its objectives.

The accompanying financial statements have been prepared assuming the Authority will continue as a going concern; however, the above conditions raise substantial doubt about the Authority’s ability to do so. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Authority be unable to continue as a going concern.



## **25. Subsequent Events**

On February 19, 2020, the City's tourism committee agreed to send \$150,000 per year to the arena authority to help fund the arena project.

In December 2019, the Hospital Authority received a donation from the Charles Morton Share Trust (the Trust) in the amount of \$500,000. Additionally, the Hospital Authority incurred additional indebtedness from the Trust in the amount of \$500,000. The note payable is due November 2024, with principal and interest payments at 2.5%, payable monthly.

The current economic slowdown that began in early March 2020 related to the effects of the Coronavirus will certainly have some kind of financial impact on the City's financial position and activities. However, the City plans to respond with appropriate actions once the depth and length of the slowdown and its impact on the City have been determined.

### **Paycheck Protection Program Loan**

The CARES Act and other subsequent legislation also provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Authority received a PPP loan of approximately \$1,042,000 in April 2020. The loan has an interest rate of 1%, with payments of approximately \$59,000 due monthly starting in November 2020. The loan was forgiven on March 30, 2021.

The Hospital Authority is accounting for the PPP loan in accordance with GASB Statement No. 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan is included on the accompanying balance sheets as long-term debt in accordance with the term of the PPP loan agreement. See Note 8 for additional information.

In February 2021, the Authority received a second PPP loan for approximately \$1,442,000.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedules – Year Ended June 30, 2020**

	<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	4,848,553	4,848,554	4,130,071	(718,483)
Intergovernmental	1,605,702	305,702	248,648	(57,054)
Charges for services	380,455	380,455	141,292	(239,163)
Fines and forfeitures	67,314	67,314	50,670	(16,644)
Licenses and permits	14,806	14,806	12,647	(2,159)
Investment Income	6,021	6,021	4,176	(1,845)
Miscellaneous	2,769,663	269,663	268,445	(1,218)
Transfers In	1,978,778	1,978,778	163	(1,978,615)
<b>Total Resources (Inflows)</b>	<b>11,671,292</b>	<b>7,871,293</b>	<b>4,856,112</b>	<b>(3,015,181)</b>
<b>Charges to Appropriations (Outflows):</b>				
General government	1,019,294	1,280,004	1,085,307	194,697
Public safety	1,901,843	1,901,843	1,853,415	48,428
Streets	842,811	841,001	623,725	217,276
Ambulance	837,627	837,627	647,401	190,226
Culture and recreation	4,297,338	497,338	446,128	51,210
Transfers out	2,437,432	2,178,532	2,031,220	147,312
<b>Total Charges to Appropriations</b>	<b>11,336,345</b>	<b>7,536,345</b>	<b>6,687,196</b>	<b>849,149</b>
<b>Net change in fund balances</b>	<b>334,947</b>	<b>334,948</b>	<b>(1,831,084)</b>	<b>(2,166,032)</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>253,942</b>	<b>253,942</b>
<b>Fund balances - ending</b>	<b>\$ 334,947</b>	<b>\$ 334,948</b>	<b>\$ (1,577,142)</b>	<b>\$ (1,912,090)</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	\$ 188,346	\$ 188,346	\$ 123,223	\$ (65,123)
Investment income	3,190	3,190	6,638	3,448
<b>Total Resources (Inflows)</b>	<b>191,536</b>	<b>191,536</b>	<b>129,861</b>	<b>(61,675)</b>
<b>Charges to Appropriations (Outflows):</b>				
Economic Development	514,957	514,957	117,221	397,736
<b>Total Charges to Appropriations</b>	<b>514,957</b>	<b>514,957</b>	<b>117,221</b>	<b>397,736</b>
<b>Net change in fund balances</b>	<b>(323,421)</b>	<b>(323,421)</b>	<b>12,640</b>	<b>336,061</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>677,043</b>	<b>677,043</b>
<b>Fund balances - ending</b>	<b>\$ (323,421)</b>	<b>\$ (323,421)</b>	<b>\$ 689,683</b>	<b>\$ 1,013,104</b>

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	<b>Airport 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>				
Intergovernmental	\$ 599,349	\$ 599,349	\$ 47,235	\$ (552,114)
Charges for services	227,427	227,427	210,290	(17,137)
License and permits	100	100	-	(100)
Investment income	12,000	12,000	6,880	(5,120)
Miscellaneous	249,493	249,493	153,061	(96,432)
<b>Total Resources (Inflows)</b>	<b>1,088,369</b>	<b>1,088,369</b>	<b>417,466</b>	<b>(670,903)</b>
<b>Charges to Appropriations (Outflows):</b>				
Airport	1,089,042	1,089,042	346,869	742,173
<b>Total Charges to Appropriations</b>	<b>1,089,042</b>	<b>1,089,042</b>	<b>346,869</b>	<b>742,173</b>
<b>Net change in fund balances</b>	<b>(673)</b>	<b>(673)</b>	<b>70,597</b>	<b>71,270</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>1,465,259</b>	<b>1,465,259</b>
<b>Fund balances - ending</b>	<b>\$ (673)</b>	<b>\$ (673)</b>	<b>\$ 1,535,856</b>	<b>\$ 1,536,529</b>

**Footnotes to Budgetary Comparison Schedules:**

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

	General Fund	Hotel Tax Fund	Airport Fund
Total revenue - budgetary basis	\$ 4,856,112	\$ 129,861	\$ 417,466
Total expenses - budgetary basis	(6,687,196)	(117,221)	(346,869)
Change in fund balance - budgetary basis	(1,831,084)	12,640	70,597
Revenue accruals	(113,988)	(10,408)	1,257
Expenditure accruals	129,574	(3,360)	(14,305)
Change in fund balance - GAAP basis	<b>\$ (1,815,498)</b>	<b>\$ (1,128)</b>	<b>\$ 57,549</b>

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
City's proportion of the net pension liability (asset)	0.1396%	0.1475%	0.1466%	0.1442%	0.1333%	1.3163%
City's proportionate share of the net pension liability/(asset)	\$ (47,005)	\$ 6,012	\$ 224,519	\$ 11,088	\$ (63,519)	\$ (8,405)
City's covered-employee payroll	\$ 390,571	\$ 413,903	\$ 430,880	\$ 429,877	\$ 407,969	\$ 428,123
City's proportionate share of the net pension liability/asset as a percentage of its covered-employee payroll	-12.03%	1.45%	52.11%	2.58%	-15.57%	-1.96%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%

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

**Notes to Schedule:**

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

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Statutorially required contribution	\$ 54,182	\$ 56,019	\$ 55,884	\$ 53,036	\$ 55,656	\$ 57,399
Contributions in relation to the statutorially required contribution	54,182	56,019	55,884	53,036	55,656	57,399
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 413,903	\$ 430,880	\$ 429,877	\$ 407,969	\$ 428,123	\$ 441,531
Contributions as a percentage of covered-employee payroll	13.09%	13.00%	13.00%	13.00%	13.00%	13.00%

**Notes to Schedule:**

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

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
City's proportion of the net pension liability	0.1331%	0.1488%	0.1312%	0.1357%	0.1312%	0.1272%
City's proportionate share of the net pension liability	\$ 1,368,236	\$ 1,579,205	\$ 1,603,043	\$ 1,707,234	\$ 1,476,747	\$ 1,343,900
City's covered-employee payroll	\$ 350,420	\$ 395,364	\$ 358,407	\$ 377,679	\$ 381,979	\$ 386,871
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	390%	399%	447%	452%	387%	347%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%

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

**Notes to Schedule:**

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

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Statutorily required contribution	\$ 55,592	\$ 50,244	\$ 52,875	\$ 53,477	\$ 54,162	\$ 63,507
Contributions in relation to the statutorily required contribution	55,592	50,244	52,875	53,477	54,162	63,507
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 395,364	\$ 358,407	\$ 377,679	\$ 381,979	\$ 386,871	\$ 453,621
Contributions as a percentage of covered-employee payroll	14.06%	14.02%	14.00%	14.00%	14.00%	14.00%

**Notes to Schedule:**

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

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2020**

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

**Schedule of Changes in Net Pension Liability and Related Ratios**

	2015	2016	2017	2018	2019	2020
<b>Total pension liability</b>						
Service cost	\$ 77,381	\$ 85,811	\$ 101,723	\$ 112,106	\$ 139,296	\$ 152,808
Interest	204,865	213,582	232,937	244,707	302,619	331,340
Changes of benefit terms	-	-	-	811,036	-	-
Differences between expected and actual experience	-	67,198	76,792	(92,991)	29,263	(328,511)
Changes of assumptions	-	-	-	35,121	-	87,159
Benefit payments, including refunds of member contributions	(96,353)	(88,271)	(146,527)	(376,917)	(82,698)	(93,968)
<b>Net change in total pension liability</b>	<b>185,893</b>	<b>278,320</b>	<b>264,925</b>	<b>733,062</b>	<b>388,480</b>	<b>148,828</b>
<b>Total pension liability - beginning</b>	<b>2,613,320</b>	<b>2,799,213</b>	<b>3,077,533</b>	<b>3,342,458</b>	<b>4,075,520</b>	<b>4,464,000</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 2,799,213</b>	<b>\$ 3,077,533</b>	<b>\$ 3,342,458</b>	<b>\$ 4,075,520</b>	<b>\$ 4,464,000</b>	<b>\$ 4,612,828</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 79,185	\$ 85,781	\$ 99,582	\$ 127,780	\$ 148,669	\$ 123,510
Contributions - member	-	-	-	38,621	63,123	60,978
Net investment income	471,323	92,829	30,424	396,072	265,318	277,542
Benefit payments, including refunds of member contributions	(96,353)	(88,271)	(146,527)	(376,917)	(82,698)	(93,968)
Administrative expense	(6,973)	(6,908)	(6,743)	(6,926)	(7,509)	(8,232)
Other	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>447,182</b>	<b>83,431</b>	<b>(23,264)</b>	<b>178,630</b>	<b>386,903</b>	<b>359,830</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,872,982</b>	<b>3,320,164</b>	<b>3,403,595</b>	<b>3,380,331</b>	<b>3,558,961</b>	<b>3,945,864</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 3,320,164</b>	<b>\$ 3,403,595</b>	<b>\$ 3,380,331</b>	<b>\$ 3,558,961</b>	<b>\$ 3,945,864</b>	<b>\$ 4,305,694</b>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ (520,951)</b>	<b>\$ (326,062)</b>	<b>\$ (37,873)</b>	<b>\$ 516,559</b>	<b>\$ 518,136</b>	<b>\$ 307,134</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	118.61%	110.59%	101.13%	87.33%	88.39%	93.34%
<b>Covered employee payroll</b>	\$ 1,686,436	\$ 1,868,876	\$ 2,169,546	\$ 2,099,015	\$ 2,109,668	\$ 2,047,845
<b>Net pension liability/asset as a percentage of covered-employee payroll</b>	-30.89%	-17.45%	-1.75%	24.61%	24.56%	15.00%

**Notes to Schedule:**

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

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

**Schedule of Employer Contributions**

	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 85,781	\$ 99,582	\$ 90,887	\$ 102,319	\$ 123,895	\$ 120,371
Contributions in relation to the actuarially determined contribution	85,781	99,582	122,196	148,091	124,581	121,731
Contribution deficiency (excess)	\$ -	\$ -	\$ (31,309)	\$ (45,772)	\$ (686)	\$ (1,360)
Covered employee payroll	\$ 1,868,876	\$ 2,169,546	\$ 2,099,015	\$ 2,109,668	\$ 2,047,845	\$ 2,005,446
Contributions as a percentage of covered-employee payroll	4.59%	4.59%	5.82%	7.02%	6.08%	6.00%

**Notes to Schedule:**

1. Only the last six fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2018
3. Actuarially determined contribution rate is calculated as follows:
  - July 2014 through June 2015 contributions were at a rate of 4.14%
  - July 2015 through June 2016 contributions were at a rate of 3.89%
  - July 2016 through June 2017 contributions were at a rate of 4.33%
  - July 2017 through June 2018 contributions were at a rate of 4.85%
  - July 2018 through June 2019 contributions were at a rate of 6.05%
  - July 2019 through June 2020 contributions were at a rate of 5.77%
4. Methods and assumptions used to determine contribution rates:
  - Actuarial cost method - Entry age normal
  - Amortization method - Level percent of payroll, closed
  - Asset valuation method - Actuarial:
    - Smoothing period - 4 years
    - Recognition method - Non-asymptotic
    - Corridor - 70% - 130%
  - Salary increases - 4.00% to 7.42% (varies by attained age)
  - Investment rate of return - 7.50%
  - Mortality Tables - UP 1994



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**City of Alva, Oklahoma  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Last 10 Years\***

	2019	2020
<b>Total OPEB Liability</b>		
Service Cost	\$ 6,951	\$ 6,951
Interest	1,541	1,161
Change in assumptions	-	7,990
<b>Net change in total OPEB liability</b>	8,492	16,102
<b>Total OPEB liability - beginning</b>	44,023	52,515
<b>Total OPEB liability - ending</b>	\$ 52,515	\$ 68,617
<b>Covered employee payroll</b>	\$ 2,546,395	\$ 2,546,395 *
<b>Total OPEB liability as a percentage of covered employee payroll</b>	2.06%	2.69%

**Notes to Schedule:**

Only two years is presented because 10 year data in not yet available

\*Due to use of roll-forward procedures fiscal year 2020 covered-employee payroll was utilized from the previously prepared actuarial valuation.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2020**

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**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2020

**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2020**

	APD Drug Task Force	Cemetery Fund	Donation Fund	Street and Alley Fund	Homestead Capital Improvement Fund	Total-Other Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	113,042	12,703	-	-	125,745
Interest receivable	-	-	-	-	-	-
Receivable from other governments	-	-	-	9,367	-	9,367
Due from other funds	25,384	-	89,793	95,609	-	210,786
Taxes receivable, net	-	-	-	-	-	-
Court fines receivable, net	-	-	-	-	-	-
Ambulance receivable, net	-	-	-	-	-	-
Utilities receivable, net	-	-	-	4,177	-	4,177
Other receivables	-	5,240	-	12,878	-	18,118
Inventories	-	359	-	-	-	359
Prepaid expenses	-	-	-	-	-	-
Total assets	<u>\$ 25,384</u>	<u>\$ 118,641</u>	<u>\$ 102,496</u>	<u>\$ 122,031</u>	<u>\$ -</u>	<u>\$ 368,552</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ 4,078	\$ 3,632	\$ -	\$ -	\$ 7,710
Due to other funds	-	-	-	-	-	-
Accrued payroll payable	-	1,967	-	-	-	1,967
Total liabilities	<u>-</u>	<u>6,045</u>	<u>3,632</u>	<u>-</u>	<u>-</u>	<u>9,677</u>
Fund balances:						
Nonspendable	-	359	-	-	-	359
Restricted	25,384	3,239	98,864	122,031	-	249,518
Committed	-	26,040	-	-	-	26,040
Assigned	-	82,958	-	-	-	82,958
Total fund balances	<u>25,384</u>	<u>112,596</u>	<u>98,864</u>	<u>122,031</u>	<u>-</u>	<u>358,875</u>
Total liabilities and fund balances	<u>\$ 25,384</u>	<u>\$ 118,641</u>	<u>\$ 102,496</u>	<u>\$ 122,031</u>	<u>\$ -</u>	<u>\$ 368,552</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2020**

	APD Drug Task Force	Cemetery Fund	Donation Fund	Street and Alley Fund	Homestead Capital Improvement Fund	Total-Other Governmental Funds
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 45,852	\$ -	\$ 45,852
Charges for services	-	28,095	-	151,290	-	179,385
Investment earnings	-	2,632	176	-	-	2,808
Miscellaneous	-	-	65,350	-	-	65,350
Total revenues	<u>-</u>	<u>30,727</u>	<u>65,526</u>	<u>197,142</u>	<u>-</u>	<u>293,395</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	20,581	-	-	20,581
Public Safety	-	-	1,237	-	-	1,237
Highways and roads	-	-	-	-	-	-
Cemetery	-	74,401	-	-	-	74,401
Capital Outlay	-	-	11,276	189,480	-	200,756
Total Expenditures	<u>-</u>	<u>74,401</u>	<u>33,094</u>	<u>189,480</u>	<u>-</u>	<u>296,975</u>
Excess (deficiency) of revenues over expenditures	-	(43,674)	32,432	7,662	-	(3,580)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	42,938	-	126,975	-	169,913
Transfers out	-	(23,000)	(572)	(126,975)	(79,122)	(229,669)
Total other financing sources and uses	<u>-</u>	<u>19,938</u>	<u>(572)</u>	<u>-</u>	<u>(79,122)</u>	<u>(59,756)</u>
Net change in fund balances	-	(23,736)	31,860	7,662	(79,122)	(63,336)
Fund balances - beginning	25,384	136,332	67,004	114,369	79,122	422,211
Fund balances - ending	<u>\$ 25,384</u>	<u>\$ 112,596</u>	<u>\$ 98,864</u>	<u>\$ 122,031</u>	<u>\$ -</u>	<u>\$ 358,875</u>

**CITY OF ALVA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2020**

**Schedule of Expenditures of Federal and State Awards – For Year Ended June 30, 2020**

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Assistance Listing Number	Grant #	Award Amount	Awards Expended
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF EMERGENCY MANAGEMENT:</u>				
Passed through Oklahoma Department of Emergency Management				
Fire operating	97.046	FM-06-OK-5122-PW-00001	\$ 9,058	\$ 9,058
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
Traffic Enforcement	20.600	PT-19-03-22-06	\$ 12,800	\$ 6,163
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through District Attorney's Council:				
JAG Grant	16.738	JAG-LLE-2018-Alva CI-00022	\$ 8,140	\$ 8,140
<u>FEDERAL AVIATION ADMINISTRATION:</u>				
Airport Improvement Program	20.106	3-40-0003-013-2018	\$ 107,820	\$ 56,370
Covid Relief	20.106	069-8106	30,000	30,000
Total Federal Aviation Administration			<u>\$ 137,820</u>	<u>\$ 86,370</u>
 Total Federal Awards			 <u>\$ 167,818</u>	 <u>\$ 109,731</u>

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Assistance Listing Number	Grant #	Award Amount	Awards Expended
<b>STATE AWARDS:</b>				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE</u>				
Rural Fire Grant	N/A	N/A	\$ 4,642	\$ 4,642
<u>OKLAHOMA DEPARTMENT OF LIBRARIES</u>				
State Aid 19	N/A	N/A	8,881	7,993
<u>OKLAHOMA DEPARTMENT OF COMMERCE</u>				
OEDA REAP #19-1	N/A	N/A	55,498	25,987
<u>OKLAHOMA AERONAUTIC COMMISSION</u>				
ODALS project	N/A	N/A	249,707	35,506
 Total State Awards			 <u>\$ 318,728</u>	 <u>\$ 74,128</u>

**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the City Council  
City of Alva, Oklahoma

We have audited audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alva, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 25, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Recommendations that we consider to be significant deficiencies: 20-001, and 20-002 and specially for the Alva Hospital Authority 2020-001, and 2020-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Recommendations as item 20-002.

### **City of Alva's Responses to Findings**

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

### **Purpose of This Report**

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

*Angel, Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
October 25, 2021

**CITY OF ALVA, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATION**  
**Year Ended June 30, 2020**

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

20-001. Criteria – Management and the City Council have fiscal responsibility over all the City’s funds. They must budget and monitor income and spending to maintain the solvency of each fund. Governmental funds have limited annual borrowing ability without approval by the voters of the City. Restricted revenues can only be used for its restricted purpose.

Condition – At yearend the General Fund owed other funds \$2,179,914. The Alva Utility Authority (AUA) owed other funds \$392,614. Short-term interfund borrowing in municipalities is a common practice. But the current outstanding amounts appear to be beyond the City’s ability to repay in the current year. These interfund borrowing increased by about 12% in the 2019-20 fiscal year. The borrowed cash comes from funds that have revenue derived for restricted purposes.

Cause and Effect – The interfund due to/from balance has grown consistently since June 30, 2016. At that time the entity-wide interfund balance was \$227,607. In the subsequent years the balances were \$738,179 as of June 30, 2017, \$1,549,178 as of June 30, 2018, \$2,291,367 as of June 30, 2019 and \$2,572,528 as of June 30, 2020. The cash in the General Fund and the AUA is depleted and operations are being supplemented by using funds that have restricted purposes. Perhaps contributing to this interfund borrowing is the City’s use of pooled cash. A pooled cash account has multiple City funds maintained in a joint account. So, when a fund has no cash left and pays a bill the check is automatically cashed by the bank. But the cash used to cover the check actually belongs to another fund. This makes interfund borrowing automatic and can go unnoticed. As a result, the City has a severe deficit of unrestricted cash. The restricted cash has been used to fund the on-going operations of the City. This limits the ability of the restricted cash to be used for its required purpose.

Recommendation – The City must adjust spending to operate within annual budget constraints. These budgets should be monitored. The budgeting process must include a feasible plan to repay the amounts borrowed from the restricted revenue funds.

Management response – See attached response from City.

20-002. Criteria – Utility rates are established by the Council to be implemented by the City’s administration.

Condition – Utility rates increased 7/1/19, the residential rate change inside city limits did not get made and the error was not caught by the City until the subsequent year’s rate changes in July 2020.

Cause and Effect – When the new rates established by the Council were input into the billing system, they failed to update the rates for residential customer. Estimated under collection of water revenues, for the year using a 2,000-customer base is \$52,800 to \$120,000. The monthly base increase was \$2.20 per customer. But depending on the customer’s monthly water use the difference could be significantly higher.

Recommendation – When new utility rates are changed in the billing system, the City should manually calculate and test each rate to verify the system is billing each customer correctly.

Management response – See attached response from City.



**CITY OF ALVA, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**Year Ended June 30, 2020**

**Alva Hospital Authority**

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

20-001. Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – Testing of controls surrounding journal entries indicates a review of journal entries prepared by the chief financial officer during the year was not performed.

Effect – Potential material misstatements in the financial statement or misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

Cause – Controls surrounding journal entries are insufficient to ensure the entries are reviewed and the review is documented.

Recommendation – Management should review month-end closing procedures to ensure review and documentation of the review of adjusting journal entries are performed in accordance with its policy.

Management response – Management concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost-beneficial within the next year.

20-002. Criteria – Management is responsible for establishing and maintaining effective internal control over significant estimates in the financial statements.

Condition – Errors were identified in several balance sheet, operating revenue, and operating expense accounts, which required adjusting journal entries to correct misstatements related to differences in account reconciliations, control accounts not reconciling to the supporting documentation, and inaccuracies in the development of significant estimates in the accompanying financial statements.

Effect – Potentially material misstatements in the accompanying financial statements or material misappropriation of assets could occur and not be prevented or detected in a timely manner.

Cause – The reconciliation processes in place were not sufficient to properly record balances. In addition, the process of preparing estimates of allowances for contractual adjustments and bad debts was inadequate.

Recommendation – Management should revise the monthly procedures of evaluation and reconciliation of the general ledger accounts to underlying supporting documents and computing key significant estimates. Additionally, management should implement additional review procedures for reconciliations and significant estimates.

Management response – Management concurs with the finding and recommendation. Management will take steps to periodically review the material balance sheet account reconciliations and periodically evaluate the methodologies used in accurately estimating allowances and estimates.

**CITY OF ALVA, OKLAHOMA**  
**DISPOSITION OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2020**

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

19-001.        Criteria – Management has a responsibility fiscal responsibility of every fund. It must budget and monitor spending to stay within the means of each fund. Governmental funds have limited annual borrowing ability without approval by the voters of the City. Restricted revenues can only be used for its restricted purpose.

Condition – At yearend the General Fund owed other funds over \$380,000. The Alva Utility Authority (AUA) owed other funds over \$1,800,000. Short-term interfund borrowing in municipalities is a common practice. But the current outstanding amounts appear to be beyond the City’s ability to repay in the current year. These interfund borrowing increased by about 50% in the 2018-19 fiscal year. Most of the borrowed cash comes from funds that have revenue derived for restricted purposes.

Disposition – This continues to be a finding in the 2019-2020 year.



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

20-001. Management Response – For FY20-21 the City implemented a hiring freeze and budgeted for a surplus to begin repayment of borrowed funds. The City was able to make a repayment of \$371,081.71 at the end of FY20-21.

For FY21-22 the City budgeted for a surplus to continue repayment. The City is placing 5% of sales tax into a savings account on a monthly basis to ensure an annual payment will be made.

20-002. Management Response – The City has implemented staff procedures to verify each fee schedule has been updated correctly upon a change.