

**ALVA**

—  OKLAHOMA  —

**WHERE CHARM AND ADVENTURE MEET**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

**CITY OF ALVA, OKLAHOMA**  
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**As of and for the Year Ended June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alva, Oklahoma (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

HSPG & ASSOCIATES, PC

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

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

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

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

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

### ***Other Matters***

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

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

*Other information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*HSPG & Associates, P.C.*

February 27, 2023



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The management of the City of Alva is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended June 30, 2022. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analysis in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position increased by \$1.8 million, and the assets of the City exceed its liabilities at June 30, 2022, by \$14.4 million (net position).
- For the year ended June 30, 2022, restricted fund balance for the General Fund was \$477,746. This restriction is from private donations for the swimming pool. Committed fund balance for the General Fund was \$799,487 or 16% of General Fund revenues. This amount is committed to the stabilization reserve fund. This leaves the General Fund with a deficit unassigned fund of \$1,655,438 the size of which decreased by \$391,191 from the prior year, which in turn is an increase in total fund balance of \$868,937.

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

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 two blended component units mentioned above. Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The governmental-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

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

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

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the period’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

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

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

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

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

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

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

### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 25-44 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, Hotel Tax Fund and the Airport Fund, combining 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, 2022, net position for the governmental and business-type activities increased by \$1,774,745 on the modified cash basis of accounting.

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total	
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>
Current assets	\$ 4,081	\$ 3,125	31%	\$ 341	\$ 739	-54%	\$ 4,422	\$ 3,864
Capital assets, net	<u>8,735</u>	<u>8,249</u>	6%	<u>6,174</u>	<u>5,910</u>	4%	<u>14,909</u>	<u>14,159</u>
<b>Total assets</b>	<u>12,816</u>	<u>11,374</u>	13%	<u>6,515</u>	<u>6,649</u>	-2%	<u>19,331</u>	<u>18,023</u>
Current liabilities	48	53	-9%	474	460	3%	522	513
Non-current liabilities	<u>5</u>	<u>38</u>	-87%	<u>4,416</u>	<u>4,858</u>	-9%	<u>4,421</u>	<u>4,896</u>
<b>Total liabilities</b>	<u>53</u>	<u>91</u>	-42%	<u>4,890</u>	<u>5,318</u>	-8%	<u>4,943</u>	<u>5,409</u>
Net position:								
Net investment in capital assets	8,697	8,162	7%	1,605	1,199	34%	10,302	9,361
Restricted	4,758	4,214	13%	80	240	-67%	4,838	4,454
Unrestricted (deficit)	<u>(692)</u>	<u>(1,092)</u>	-37%	<u>(60)</u>	<u>(109)</u>	-45%	<u>(752)</u>	<u>(1,201)</u>
<b>Total net position</b>	<u>\$ 12,763</u>	<u>\$ 11,284</u>	13%	<u>\$ 1,625</u>	<u>\$ 1,330</u>	22%	<u>\$ 14,388</u>	<u>\$ 12,614</u>

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets amounted to \$10,301,814.

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, \$4,838,302, 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 \$691,932, while the business-type activities also had a deficit unrestricted net position of \$59,835.

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2022	2021		2022	2021		2022	2021	
<b>Revenues</b>									
Charges for service	\$ 1,187	\$ 794	49%	\$ 3,936	\$ 3,849	2%	\$ 5,123	\$ 4,643	10%
Operating grants and contributions	138	587	-77%	-	-	-	138	587	-77%
Capital grants and contributions	1,094	272	302%	55	-	100%	1,149	272	322%
Taxes	5,026	4,662	8%	-	-	-	5,026	4,662	8%
Intergovernmental revenue	432	-	100%	-	-	-	431	-	100%
Investment income	20	35	-44%	3	4	-33%	21	39	-45%
Miscellaneous	311	352	-12%	1	-	-	312	352	-11%
<b>Total revenues</b>	<u>8,208</u>	<u>6,702</u>	22%	<u>3,995</u>	<u>3,853</u>	4%	<u>12,203</u>	<u>10,555</u>	16%
<b>Expenses</b>									
General government	1,673	1,534	9%	-	-	-	1,673	1,534	9%
Public safety	1,812	1,726	5%	-	-	-	1,812	1,726	5%
Streets	990	648	53%	-	-	-	990	648	53%
Ambulance	663	650	2%	-	-	-	663	650	2%
Culture and recreation	948	844	12%	-	-	-	948	844	12%
Cemetery	75	76	-1%	-	-	-	75	76	-1%
Airport	610	351	74%	-	-	-	610	351	74%
Economic development	178	111	61%	-	-	-	178	111	61%
Payment to Hospital	1,324	1,228	0%	-	-	-	1,324	1,228	8%
Interest on long-term debt	2	8	-71%	-	-	-	2	8	-71%
Water	-	-	-	562	480	17%	562	480	17%
Sewer	-	-	-	547	481	14%	547	481	14%
Homestead	-	-	-	202	196	3%	202	196	3%
Landfill	-	-	-	104	123	-15%	104	123	-15%
Sanitation	-	-	-	739	723	2%	739	723	2%
<b>Total expenses</b>	<u>8,275</u>	<u>7,176</u>	15%	<u>2,154</u>	<u>2,003</u>	8%	<u>10,429</u>	<u>9,179</u>	14%
Excess (deficiency) before transfers	(67)	(474)	-86%	1,841	1,850	0%	1,774	1,376	29%
Net Transfers	1,547	1,519	2%	(1,547)	(1,519)	2%	-	-	-
<b>Change in net position</b>	1,479	1,045	42%	295	331	-11%	1,774	1,376	29%
<b>Beginning net position</b>	11,284	10,239	10%	1,330	999	33%	12,614	11,238	12%
<b>Ending net position</b>	<u>\$ 12,763</u>	<u>\$ 11,284</u>	13%	<u>\$ 1,625</u>	<u>\$ 1,330</u>	22%	<u>\$ 14,388</u>	<u>\$ 12,614</u>	14%

**Governmental Activities:**

Current assets improved due to cash increasing. This is a result of the City receiving the ARPA grant funds, swimming pool donations, tax revenue increasing and decreasing expenditure spending during the fiscal year ended June 30, 2022. This also contributes to the increase in net position.

**Business-Type Activities:**

There are no significant items to note for changes in business-type activities.

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**Governmental Activities**

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

	<b>Total Expense</b>		<b>% Inc.</b>	<b>Net Revenue</b>		<b>% Inc.</b>
	<b>of Services</b>			<b>(Expense)</b>		
	<u>2022</u>	<u>2021</u>	<u>(Dec.)</u>	<u>of Services</u>	<u>(Dec.)</u>	
General government	\$ 1,673	\$ 1,534	9%	(\$1,673)	(\$1,528)	10%
Public safety	1,812	1,726	5%	(1,726)	(1,257)	37%
Streets	990	648	53%	(793)	(450)	76%
Ambulance	663	650	2%	(460)	(416)	11%
Culture and recreation	948	844	12%	(270)	(594)	-55%
Cemetery	75	76	-1%	(35)	(45)	-23%
Airport	610	351	74%	604	115	426%
Economic development	178	111	61%	(178)	(111)	60%
Payment to Hospital	1,324	1,228	8%	(1,323)	(1,228)	8%
Interest on long-term debt	2	8	-71%	(2)	(8)	-71%
<b>Total</b>	<u>\$ 8,275</u>	<u>\$ 7,176</u>	15%	<u>\$ (5,856)</u>	<u>\$ (5,522)</u>	6%

**Business-type Activities**

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

	<b>Total Expense</b>		<b>% Inc.</b>	<b>Net Revenue</b>		<b>% Inc.</b>
	<b>of Services</b>			<b>(Expense)</b>		
	<u>2022</u>	<u>2021</u>	<u>Dec.</u>	<u>of Services</u>	<u>Dec.</u>	
Water	\$ 562	\$ 480	17%	\$ 1,263	\$ 1,225	3%
Homestead	202	196	3%	(202)	(196)	3%
Sanitation	739	723	2%	936	956	-2%
Sewer	547	481	14%	(56)	(18)	212%
Landfill	104	123	-15%	(103)	(121)	-15%
<b>Total</b>	<u>\$ 2,154</u>	<u>\$ 2,003</u>	8%	<u>\$ 1,838</u>	<u>\$ 1,846</u>	0%

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

As the City completed its fiscal year ended June 30, 2022, the governmental funds reported a combined fund balance of \$4,066,457. For the year ended June 30, 2022, the General Fund's total fund balance increased by \$868,937.

**Budgetary Highlights**

For fiscal year ended June 30, 2022, the General Fund reported revenues below final estimates by \$60,698 or a 0.9% negative variance. General Fund actual expenditures were under final appropriations by \$680,317 or a 11% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2022, the City had approximately \$15 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of June 30, 2022.<sup>1</sup>

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 719	\$ 719	\$ -	\$ -	\$ 719	\$ 719
Buildings and improvements	3,197	3,376	3,146	-	6,343	3,376
Machinery, furniture and equipment	1,899	2,101	919	3,298	2,818	5,399
Infrastructure	1,800	1,893	2,095	844	3,895	2,737
Construction in progress	1,121	160	14	-	1,135	160
<b>Totals</b>	<u>\$ 8,736</u>	<u>\$ 8,249</u>	<u>\$ 6,174</u>	<u>\$ 4,142</u>	<u>\$ 14,910</u>	<u>\$ 12,391</u>

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

- Water well Replacement No 46 \$143,052
- Alva recreational Complex -Pete & Ruth Leslie Field \$281,545
- Airport Apron \$636,245
- Water Supply Line Replacement South US 281 \$182,296

<sup>1</sup> For more detailed information on capital asset activity please refer to pages 32-33, Note 4. Capital Assets and Depreciation



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**Debt Administration**

At June 30, 2022, the City had \$4.9 million in long-term debt outstanding.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Notes payable (direct borrowing)	\$ -	\$ -	\$ 4,645	\$ 5,063	\$ 4,645	\$ 5,063	-8.3%
Refundable grant obligation	-	-	49	63	49	63	-22.2%
Capital leases	38	88	-	-	38	88	-56.8%
Deposits subject to refund	-	-	196	192	196	192	2.1%
<b>Totals</b>	<b>\$ 38</b>	<b>\$ 88</b>	<b>\$ 4,890</b>	<b>\$ 5,318</b>	<b>\$ 4,928</b>	<b>\$ 5,406</b>	<b>-8.8%</b>

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

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

- Continue construction on the Airport apron with the funding from an FAA grant.
- The City will receive their second payment of the American Rescue Plan Act Grant money in the amount of \$436,634.
- The City will move forward with the engineering of the new swimming pool funded by private donations.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 415 4<sup>th</sup> Street, Alva, Oklahoma 73717 or telephone at 580-327-1340. The Alva Hospital Authority has a separately issued financial statement. Questions about the Alva Hospital Authority's report and requests for additional financial information should be directed to the Authority's administration by telephoning 580-327-2800.

**CITY OF ALVA, OKLAHOMA**  
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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF ALVA, OKLAHOMA**  
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**Statement of Net Position (Modified Cash Basis) – June 30, 2022**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,550,213	\$ 250,274	\$ 2,800,487
Investments	1,424,216	197,452	1,621,668
Internal balances	107,000	(107,000)	-
Capital Assets:			
Land and construction in progress	1,839,302	13,615	1,852,917
Other capital assets, net of depreciation	6,895,819	6,160,229	13,056,048
Total Assets	<u>\$ 12,816,550</u>	<u>\$ 6,514,570</u>	<u>\$ 19,331,120</u>
<b>LIABILITIES</b>			
Due to depositors	\$ 11,664	\$ -	\$ 11,664
Due to other governments	3,308	-	3,308
Long-term liabilities:			
Due within one year	32,578	473,743	506,321
Due in more than one year	5,282	4,416,196	4,421,478
Total liabilities	<u>52,832</u>	<u>4,889,939</u>	<u>4,942,771</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,697,261	1,604,553	10,301,814
Restricted for:			
Debt service	-	79,913	79,913
Capital	234,588	-	234,588
Tourism	579,758	-	579,758
Airport	1,635,009	-	1,635,009
Economic development scholarships	686,890	-	686,890
Economic development	957,920	-	957,920
Streets	161,094	-	161,094
Pool	477,746	-	477,746
Other purposes	25,384	-	25,384
Unrestricted (deficit)	(691,932)	(59,835)	(751,767)
Total net position	<u>\$ 12,763,718</u>	<u>\$ 1,624,631</u>	<u>\$ 14,388,349</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2022**

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	\$ 1,673,245	\$ -	\$ -	\$ -	\$ (1,673,245)	\$ -	\$ (1,673,245)
Public Safety	1,812,378	33,623	52,559	-	(1,726,196)	-	(1,726,196)
Streets	990,353	148,854	48,443	-	(793,056)	-	(793,056)
Ambulance	662,582	202,666	-	-	(459,916)	-	(459,916)
Culture and Recreation	947,960	146,664	26,308	504,906	(270,082)	-	(270,082)
Cemetery	74,896	39,786	555	-	(34,555)	-	(34,555)
Airport	609,656	614,908	10,000	589,168	604,420	-	604,420
Economic Development	178,213	363	-	-	(177,850)	-	(177,850)
Payment to Hospital	1,323,412	-	-	-	(1,323,412)	-	(1,323,412)
Interest on Long-term debt	2,341	-	-	-	(2,341)	-	(2,341)
Total governmental activities	<u>8,275,036</u>	<u>1,186,864</u>	<u>137,865</u>	<u>1,094,074</u>	<u>(5,856,233)</u>	<u>-</u>	<u>(5,856,233)</u>
Business-Type Activities:							
Water	561,657	1,769,328	-	55,000	-	1,262,671	1,262,671
Homestead	201,625	-	-	-	-	(201,625)	(201,625)
Sanitation	738,605	1,674,551	-	-	-	935,946	935,946
Landfill	103,987	545	-	-	-	(103,442)	(103,442)
Sewer	547,368	491,218	-	-	-	(56,150)	(56,150)
Total business-type activities	<u>2,153,242</u>	<u>3,935,642</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>1,837,400</u>	<u>1,837,400</u>
Total primary government	<u>\$ 10,428,278</u>	<u>\$ 5,122,506</u>	<u>\$ 137,865</u>	<u>\$ 1,149,074</u>	<u>\$ (5,856,233)</u>	<u>\$ 1,837,400</u>	<u>\$ (4,018,833)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 4,499,436	\$ -	\$ 4,499,436
Franchise taxes and public service taxes					393,617	-	393,617
Hotel/motel taxes					133,419	-	133,419
Intergovernmental revenue not restricted to specific programs					432,534	-	432,534
Unrestricted investment earnings					19,688	2,677	22,365
Miscellaneous					311,149	1,058	312,207
Transfers					1,546,572	(1,546,572)	-
Total general revenues and transfers					<u>7,336,415</u>	<u>(1,542,837)</u>	<u>5,793,578</u>
Change in net position					1,480,182	294,563	1,774,745
Net position - beginning					11,283,536	1,330,068	12,613,604
Net position - ending					<u>\$ 12,763,718</u>	<u>\$ 1,624,631</u>	<u>\$ 14,388,349</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 (Modified Cash Basis) – June 30, 2022**

	<u>General Fund</u>	<u>Hotel Tax Fund</u>	<u>Airport Fund</u>	<u>AEDA Scholarship Fund</u>	<u>AEDA Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 71,130	\$ 281,747	\$ 968,655	\$ 311,887	\$ 503,879	\$ 412,915	\$ 2,550,213
Investments	81,496	331,398	441,974	-	438,795	130,553	1,424,216
Due from other funds	-	-	224,425	375,003	18,509	8,230	626,167
Total assets	<u>\$ 152,626</u>	<u>\$ 613,145</u>	<u>\$ 1,635,054</u>	<u>\$ 686,890</u>	<u>\$ 961,183</u>	<u>\$ 551,698</u>	<u>\$ 4,600,596</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Due to other funds	\$ 519,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 519,167
Due to bondholders	11,664	-	-	-	-	-	11,664
Payable to other governments	-	-	45	-	3,263	-	3,308
Total liabilities	<u>530,831</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>3,263</u>	<u>-</u>	<u>534,139</u>
Fund balances:							
Restricted	477,746	579,758	1,635,009	686,890	957,920	421,066	4,758,389
Committed	799,487	-	-	-	-	25,739	825,226
Assigned	-	33,387	-	-	-	104,893	138,280
Unassigned (deficit)	(1,655,438)	-	-	-	-	-	(1,655,438)
Total fund balances	<u>(378,205)</u>	<u>613,145</u>	<u>1,635,009</u>	<u>686,890</u>	<u>957,920</u>	<u>551,698</u>	<u>4,066,457</u>
Total liabilities and fund balances	<u>\$ 152,626</u>	<u>\$ 613,145</u>	<u>\$ 1,635,054</u>	<u>\$ 686,890</u>	<u>\$ 961,183</u>	<u>\$ 551,698</u>	<u>\$ 4,600,596</u>

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(Modified Cash Basis) – Year Ended June 30, 2022**

	<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	\$ 3,600,770	\$ 133,419	\$ -	\$ 529,345	\$ 529,345	\$ -	\$ 4,792,879
Intergovernmental	693,633	-	589,168	-	-	48,443	1,331,244
Licenses and permits	19,247	-	-	-	-	-	19,247
Charges for services	202,666	-	384,621	-	120,627	188,640	896,554
Fines and forfeitures	34,240	-	-	-	-	-	34,240
Investment earnings	10,287	1,532	4,125	-	1,780	1,964	19,688
Miscellaneous	571,923	-	240,287	-	242,797	71,771	1,126,778
Total revenues	<u>5,132,766</u>	<u>134,951</u>	<u>1,218,201</u>	<u>529,345</u>	<u>894,549</u>	<u>310,818</u>	<u>8,220,630</u>
<b>EXPENDITURES</b>							
Current:							
General government	939,004	-	-	509,346	-	22,464	1,470,814
Public safety	1,710,790	-	-	-	-	16,562	1,727,352
Streets	594,318	-	-	-	-	299,449	893,767
Ambulance	646,737	-	-	-	-	-	646,737
Culture and recreation	413,780	-	-	-	472,264	1,200	887,244
Economic development	-	178,213	-	-	-	-	178,213
Airport	-	-	519,472	-	-	-	519,472
Cemetery	-	-	-	-	-	73,540	73,540
Capital outlay	102,805	-	644,037	-	301,183	5,708	1,053,733
Debt service:							
Principal	50,315	-	-	-	-	-	50,315
Interest and other charges	2,342	-	-	-	-	-	2,342
Total expenditures	<u>4,460,091</u>	<u>178,213</u>	<u>1,163,509</u>	<u>509,346</u>	<u>773,447</u>	<u>418,923</u>	<u>7,503,529</u>
Excess (deficiency) of revenues over expenditures	<u>672,675</u>	<u>(43,262)</u>	<u>54,692</u>	<u>19,999</u>	<u>121,102</u>	<u>(108,105)</u>	<u>717,101</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Payment to hospital	(1,323,412)	-	-	-	-	-	(1,323,412)
Transfers in	1,550,092	-	-	9	9	30,400	1,580,510
Transfers out	(30,418)	-	-	-	-	-	(30,418)
Total other financing sources and uses	<u>196,262</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>	<u>30,400</u>	<u>226,680</u>
Net change in fund balances	868,937	(43,262)	54,692	20,008	121,111	(77,705)	943,781
Fund balances - beginning	(1,247,142)	656,407	1,580,317	666,882	836,809	629,403	3,122,676
Fund balances - ending	<u>\$ (378,205)</u>	<u>\$ 613,145</u>	<u>\$ 1,635,009</u>	<u>\$ 686,890</u>	<u>\$ 957,920</u>	<u>\$ 551,698</u>	<u>\$ 4,066,457</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 - (Modified Cash Basis):**

**Fund Balance - Net Position Reconciliation:**

Total fund balance, governmental funds	\$ 4,066,457
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.	8,735,121
Certain long-term liabilities are not due and payable from current financial resources and therefore they are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Capital lease obligation	<u>(37,860)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 12,763,718</u>

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

Net change in fund balances - total governmental funds:	\$ 943,781
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	1,056,233
Depreciation expense	(566,628)
Capital assets transferred to business-type activities	(3,520)
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	<u>50,316</u>
Change in net position of governmental activities	<u>\$ 1,480,182</u>

See accompanying notes to the basic financial statements.



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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

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**Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2022**

	<b>Alva Utility Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,646
Restricted:	
Cash and cash equivalents	246,628
Investments	153,753
Total current assets	404,027
Non-current assets:	
Restricted:	
Investments	43,699
Capital assets:	
Land and construction in progress	13,615
Other capital assets, net of accumulated depreciation	6,160,229
Total non-current assets	6,217,543
Total assets	6,621,570
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	107,000
Deposits subject to refund	29,345
Refundable grant obligations	13,656
Notes payable	430,742
Total current liabilities	580,743
Non-current liabilities:	
Deposits subject to refund	166,290
Refundable grant obligations	35,279
Notes payable	4,214,627
Total non-current liabilities	4,416,196
Total liabilities	4,996,939
<b>NET POSITION</b>	
Net investment in capital assets	1,604,553
Restricted for debt service	79,913
Restricted for other purposes	-
Unrestricted (deficit)	(59,835)
Total net position	\$ 1,624,631

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2022**

	<b>Alva Utility Authority</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water	\$ 1,752,879
Sewer	486,149
Landfill	545
Sanitation	1,659,641
Penalties	35,024
Total operating revenues	3,989,238
<b>OPERATING EXPENSES</b>	
Administration	14,300
Water/Sewer	688,385
Sanitation	693,827
Landfill	103,987
Homestead	47,237
Depreciation	446,573
Total operating expenses	1,994,309
Operating income	1,994,929
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	2,677
Miscellaneous revenue	2,462
Contributed capital	3,520
Interest expense	(158,933)
Total non-operating revenue (expenses)	(150,274)
Income before transfers	1,844,655
Transfers out	(1,550,092)
Change in net position	294,563
Total net position - beginning	1,330,068
Total net position - ending	\$ 1,624,631

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2022**

	<u>Alva Utility Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 3,991,700
Payments to suppliers	(727,277)
Payments to employees	(820,459)
Receipts of customer utility deposits	38,851
Refunds of customer utility deposits	(35,674)
Net Cash Provided by Operating Activities	<u>2,447,141</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(1,550,092)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,550,092)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(707,212)
Principal paid on capital debt	(431,444)
Interest paid on capital debt	(158,933)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,297,589)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	2,677
Sales (Purchase) of investments	(2,617)
Net Cash Provided by Investing Activities	<u>60</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(400,480)
Balance - beginning of the year	<u>650,754</u>
Balance - end of the year	<u>\$ 250,274</u>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	3,646
Restricted cash and cash equivalents	<u>246,628</u>
Total cash and cash equivalents	<u>\$ 250,274</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	1,994,929
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous revenue	2,462
Depreciation expense	446,573
Change in assets and liabilities:	
Meter deposit liability	<u>3,177</u>
<b>Net cash provided by operating activities</b>	<u>\$ 2,447,141</u>
Non-cash activity:	
Capital assets constructed by governmental funds	<u>\$ 3,520</u>

See accompanying notes to the proprietary fund financial statements.

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the basic financial statements:**

**1. Financial Reporting Entity**

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

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

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

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. A Public Trust (Authority) has no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authorities. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. By state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trusts are dissolved.

The Alva Hospital Authority is a component unit doing business as the Share Medical Center that issues a separate financial statement report, but is not included in this financial statement report due to the Hospital Authority's use of a different financial reporting framework than the City. The Alva Hospital Authority qualifies for presentation as a discretely presented component unit. A separate legal entity, the Share Medical Center Foundation, Inc., raises and holds funds to support the Hospital Authority and its programs. The Board of the Foundation is self-perpetuating. Although the Hospital Authority does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Authority. Because these restricted resources held by the Foundation can only be used by or for the benefit of the Hospital Authority, the Foundation is considered a component unit of the Hospital Authority and is included in the Authority's financial statements using the blended method. All significant intercompany accounts and transactions between the Hospital Authority and the Foundation have been eliminated in the Authority's stand-alone financial statements. The Foundation does not issue separate financial statements. The Alva Hospital Authority prepares separate financial statements and can be obtained by contacting the Authority's administration by telephoning 580-327-2800.

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

### *Government-Wide Financial Statements:*

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

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

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

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

- General government: License and permits, inspection fees 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

### *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.

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

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

**Major Funds:**

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

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

Special Revenue Funds:

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

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

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

*Proprietary Funds:*

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

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

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



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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 year ended June 30, 2022, the City recognized \$22,365 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, 2022, 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			\$ 2,595,561
Time deposit			1,621,668
Trustee money market mutual funds	On demand	AAAm	204,926
			<u>4,422,155</u>
<b>Total deposits</b>			<b>\$ 4,422,155</b>
 <b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 2,800,487
Investments			1,621,668
			<u>\$ 4,422,155</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.

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As of June 30, 2022, the City's accounts were fully collateralized and the city was not exposed to Custody Credit Risk.

*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

*Restricted Cash and Investments* – The amounts reported as restricted assets on the 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, 2022 are as follows:

<u>Type of Restricted Assets</u>	Current	
	Cash and cash equivalents	Investments
Series 2014B Revenue Principal Account	\$ 125,013	\$ -
Series 2014B Revenue Interest Account	16,187	-
Series 2017 OWRB Account	43,165	-
Series 2018 Construction Account	7,297	-
Series 2018 Principal Account	8,339	-
Series 2018 Interest Account	4,925	-
Utility Deposits	41,702	153,753
Total	\$ 246,628	\$ 153,753

<u>Type of Restricted Assets</u>	Non-current	
	Cash and cash equivalents	Other
Stabilization CD	43,699	-
	\$ 43,699	\$ -

#### 4. Capital Assets and Depreciation

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

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For the year ended June 30, 2022, capital assets balances changed as follows:

	Balance at July 1, 2021	Additions	Disposals/ Transfers	Balance at June 30, 2022
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 718,675	\$ -	\$ -	\$ 718,675
Construction in Progress	160,411	963,736	3,520	1,120,627
Total capital assets not being depreciated	<u>879,086</u>	<u>963,736</u>	<u>3,520</u>	<u>1,839,302</u>
Other capital assets:				
Buildings	9,557,679	14,960	-	9,572,639
Infrastructure	2,302,098	77,537	-	2,379,635
Machinery and Equipment	6,565,831			6,565,831
Total other capital assets at historical cost	<u>18,425,608</u>	<u>92,497</u>	<u>-</u>	<u>18,518,105</u>
Less accumulated depreciation for:				
Buildings	6,181,690	194,068	-	6,375,758
Infrastructure	201,006	279,719	-	480,725
Machinery and Equipment	4,672,962	92,841	-	4,765,803
Total accumulated depreciation	<u>11,055,658</u>	<u>566,628</u>	<u>-</u>	<u>11,622,286</u>
Other capital assets, net	<u>7,369,950</u>	<u>(474,131)</u>	<u>-</u>	<u>6,895,819</u>
Governmental, net capital assets	<u>\$ 8,249,036</u>	<u>\$ 489,605</u>	<u>\$ 3,520</u>	<u>\$ 8,735,121</u>
	Balance at July 1, 2021	Additions	Disposals/ Transfers	Balance at June 30, 2022
<b>Business-Type:</b>				
Capital assets not being depreciated:				
Construction in Progress	15,402	474,280	476,067	13,615
Total capital assets not being depreciated	<u>15,402</u>	<u>474,280</u>	<u>476,067</u>	<u>13,615</u>
Other capital assets:				
Buildings	4,220,388	-	-	4,220,388
Machinery and Equipment	2,842,166	232,932	-	3,075,098
Infrastructure	3,265,408	479,587	-	3,744,995
Total other capital assets at historical cost	<u>10,327,962</u>	<u>712,519</u>	<u>-</u>	<u>11,040,481</u>
Less accumulated depreciation for:				
Buildings	922,439	151,966	-	1,074,405
Machinery and Equipment	1,998,061	157,825	-	2,155,886
Infrastructure	1,513,179	136,782	-	1,649,961
Total accumulated depreciation	<u>4,433,679</u>	<u>446,573</u>	<u>-</u>	<u>4,880,252</u>
Other capital assets, net	<u>5,894,283</u>	<u>265,946</u>	<u>-</u>	<u>6,160,229</u>
Business-Type, net capital assets	<u>\$ 5,909,685</u>	<u>\$ 740,226</u>	<u>\$ 476,067</u>	<u>\$ 6,173,844</u>

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

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

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

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*Governmental Activities:*

General government	\$ 201,741
Public safety	99,510
Highways and streets	96,586
Ambulance	15,845
Culture and recreation	61,406
Cemetery	1,356
Airport	90,184
Total accumulated depreciation	<u>\$ 566,628</u>

*Business-Type Activities:*

Water	\$ 200,902
Sewer	200,902
Sanitation	<u>44,769</u>
Total accumulated depreciation	<u>\$ 446,573</u>

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

For the year ended June 30, 2022, the reporting entity's long-term debt changed as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Amount Due Within One Year
<i>Governmental:</i>					
Note payable - direct borrowing	\$ 88,176	-	50,316	37,860	32,578
Total	<u>\$ 88,176</u>	<u>\$ -</u>	<u>\$ 50,316</u>	<u>\$ 37,860</u>	<u>\$ 32,578</u>
<i>Business-Type:</i>					
Notes payable (direct borrowing)	\$ 5,063,157	\$ -	\$ 417,788	\$ 4,645,369	\$ 430,742
Deposits subject to refund	192,458	38,851	35,674	195,635	29,345
Grant obligation payable (direct borrowing)	62,591	-	13,656	48,935	13,656
Total	<u>\$ 5,318,206</u>	<u>\$ 38,851</u>	<u>\$ 467,118</u>	<u>\$ 4,889,939</u>	<u>\$ 473,743</u>

*Governmental Activities:*

At June 30, 2022, the governmental long-term debt of the financial reporting entity consisted of the following:

Note Payable (direct borrowing):

\$151,310 note payable with Community Bank for the purchase of an ambulance, due in monthly installments of \$2,795, with interest rate of 4.125%, final payment due August 31, 2023	<u>\$ 37,860</u>
Total note payable	<u>\$ 37,860</u>
Current portion	\$ 32,578
Non-current portion	<u>5,282</u>
Total	<u>\$ 37,860</u>

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*Business-Type Activities:*

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2022, includes the following:

Alva Utility Authority:

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. \$ 800,000

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. 1,480,000

Series 2017 OWRB Promissory Note Original amount of \$2,565,000 issued by the Alva Utility Authority, due in semi-annual installments of \$63,636 through 2048, interest at 2.82%. The loan is collateralized by the pledge of revenues. In the event of default, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement. 2,365,369

Total Utility Authority notes payable \$ 4,645,369

Current portion	\$ 430,742
Non-current portion	<u>4,214,627</u>
Total	<u>\$ 4,645,369</u>

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. 48,935

Total Utility Authority refunding grant obligations \$ 48,935

Current portion	\$ 13,656
Non-current portion	<u>35,279</u>
Total	<u>\$ 48,935</u>

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*Payment Requirements to Maturity:*

Year Ended June 30,	Governmental Activities		Business-Type Activities			
	Notes Payable (direct borrowing)		Grant Obligation Payable (direct borrowing)		Notes Payable (direct borrowing)	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	32,578	965	13,656	-	430,742	144,883
2024	5,282	29	13,656	-	442,313	131,281
2025	-	-	13,656	-	459,286	117,421
2026	-	-	7,967	-	191,137	104,890
2027	-	-	-	-	193,041	98,117
2028-2032	-	-	-	-	1,095,440	378,291
2033-2037	-	-	-	-	587,137	213,831
2038-2042	-	-	-	-	492,309	144,821
2043-2047	-	-	-	-	567,426	70,946
2048-2049	-	-	-	-	186,538	5,260
Total	<u>\$37,860</u>	<u>\$994</u>	<u>\$48,935</u>	<u>-</u>	<u>\$4,645,369</u>	<u>\$1,409,741</u>

**Pledge of Future Revenues**

*Utility Net Revenues Pledge*

The City has pledged future water, sewer and sanitation net utility revenues to repay the Series 2014B Utility System Revenue Note of \$935,000, 2017 Promissory Note of \$2,565,000 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 2025, 2048 and 2033. The total principal and interest payable for the remainder of the life of the notes is \$6,055,109. Pledged water, sewer and sanitation net utility revenues for the current year were \$2,551,481. Debt service payments of \$572,958 for the current fiscal year were 22% of the pledged utility net revenues.

**6. Net Position and Fund Balances**

*Net Position:*

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

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

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

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

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

	Major Special Revenue		Blended Component Units			Other Governmental Funds	TOTAL
	General Fund	Hotel Tax Fund	Airport Fund	AEDA Scholarship Fund	AEDA Economic Development Fund		
Fund Balances:							
Restricted for:							
Capital outlay	-	-	-	-	-	234,588	234,588
Airport	-	-	1,635,009	-	-	-	1,635,009
Streets	-	-	-	-	-	161,094	161,094
Police	-	-	-	-	-	25,384	25,384
Pool	477,746	-	-	-	-	-	477,746
Economic Development Scholarships	-	-	-	686,890	-	-	686,890
Economic Development	-	-	-	-	957,920	-	957,920
Tourism	-	579,758	-	-	-	-	579,758
Sub-total Restricted	477,746	579,758	1,635,009	686,890	957,920	421,066	4,758,389
Committed to:							
Stabilization Fund	799,487	-	-	-	-	25,739	825,226
Assigned to:							
Cemetery	-	-	-	-	-	104,893	104,893
Tourism	-	33,387	-	-	-	-	33,387
Sub-total Assigned	-	33,387	-	-	-	104,893	138,280
Unassigned (deficit):	(1,655,438)	-	-	-	-	-	(1,655,438)
<b>TOTAL FUND BALANCES</b>	<b>\$ (378,205)</b>	<b>\$ 613,145</b>	<b>\$ 1,635,009</b>	<b>\$ 686,890</b>	<b>\$ 957,920</b>	<b>\$ 551,698</b>	<b>\$ 4,066,457</b>

Stabilization Reserve

The City Council adopted Ordinance No. 2015-050 establishing the reserve's purpose establishing minimum and maximum amounts to be held in the account and guidelines for expenditures from the account which is located in the General Fund and the Alva Utility Authority.

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

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

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;



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- 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.

## **7. Sales Tax Revenue**

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

## **8. Internal and Interfund Balances and Transfers**

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

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*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2022 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
AUA	General Fund	1,550,092	Operating transfer
General Fund	Cemetery Fund	30,400	Operating transfer
General Fund	AEDA Scholarship	9	Operating transfer to correct sales t
General Fund	AEDA Economic Dev	9	Operating transfer to correct sales t
Total		<u>\$ 1,580,510</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,580,510	\$ (30,418)	\$ 1,550,092
Proprietary Funds	-	(1,550,092)	(1,550,092)
	<u>\$ 1,580,510</u>	<u>\$ (1,580,510)</u>	<u>-</u>

**Reconciliation to Statement of Activities:**

Net Transfers	1,550,092
Transfer of capital asset	(3,520)
Transfers - internal activity	<u>\$ 1,546,572</u>

*Balances:*

Interfund receivable and payables at June 30, 2022 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	164,119	Interfund loan
General Fund	Hotel Tax Fund	326,541	Interfund loan
AUA	AEDA Scholarship	107,000	Interfund loan
General Fund	APD Drug Task Force	25,384	Interfund loan
General Fund	Donation Fund	200,605	Interfund loan
General Fund	Cemetery	7,871	Interfund loan
General Fund	Airport	11,294	Interfund loan
General Fund	Airport Fund	213,131	Interfund loan
General Fund	AEDA Economic Dev	201,678	Interfund loan
General Fund	AEDA Scholarship	268,003	Interfund loan
Total		<u>\$ 1,525,626</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 626,167	\$ (519,167)	\$ 107,000
Proprietary Funds	-	(107,000)	(107,000)
Total	<u>\$ 626,167</u>	<u>\$ (626,167)</u>	<u>-</u>

## **9. Risk Management**

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

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

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

## **10. Commitments and Contingencies**

### *Litigation:*

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

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

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

<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

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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).

**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees’ annual pay. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. Contributions are as follows:

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

*Oklahoma Police Pension and Retirement System*

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

**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees’ annual pay. Contributions are as follows:

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

**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.

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*B. Eligibility Factors and Benefit Provisions*

<u>Provision</u>	<u>As of 07/01/21 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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*C. 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 5.88% of covered payroll as of July 1, 2020. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council. Contributions are as follows:

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

*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, 2022 and 2021, contributions made by the City were \$0.

**12. Tax Increment Financing District**

The City established a tax increment financing district (the “District”) for the purpose of enhancing and recruiting business and tourism to the region. Under the terms of the agreement, the City agrees to develop an Alva Regional Multi-Purpose Facility (“Arena”) on an underdeveloped parcel of land within the City. Pursuant to the agreement, ad valorem and sales tax would be apportioned to pay project costs for a period not to exceed twenty-five (25) fiscal years from the effective date of the Increment District, or the period required for payment of the project costs, whichever is less, as authorized by Section VIII of the Project plan. During fiscal 2022, the City had not collected any sales tax or ad valorem assessments.

**13. Subsequent Events Note**

The City received \$436,634 in grant proceeds, which represents their second half of the American Rescue Plan Act Grant.

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**SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedules – Year Ended June 30, 2022**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Taxes	3,832,739	3,832,739	3,633,138	(199,601)
Intergovernmental	189,104	699,453	728,881	29,428
Charges for services	574,240	574,240	245,069	(329,171)
Fines and forfeitures	42,580	42,580	32,906	(9,674)
Licenses and permits	12,369	12,369	17,883	5,514
Investment Income	4,000	4,000	7,050	3,050
Miscellaneous	134,220	134,220	579,476	445,256
Transfers In	1,555,592	1,555,592	1,550,092	(5,500)
<b>Total Resources (Inflows)</b>	<u>6,344,844</u>	<u>6,855,193</u>	<u>6,794,495</u>	<u>(60,698)</u>
<b>Charges to Appropriations (Outflows):</b>				
General government	876,811	1,058,608	962,810	95,798
Public safety	1,850,557	1,809,330	1,711,051	98,279
Streets	702,175	610,175	612,446	(2,271)
Ambulance	720,506	720,506	664,421	56,085
Culture and recreation	461,336	894,115	461,995	432,120
Transfers out	1,325,118	1,354,118	1,353,812	306
<b>Total Charges to Appropriations</b>	<u>5,936,503</u>	<u>6,446,852</u>	<u>5,766,535</u>	<u>680,317</u>
<b>Net change in fund balances</b>	408,341	408,341	1,027,960	619,619
<b>Budgetary Fund balances - beginning</b>	-	-	(1,247,142)	(1,247,142)
<b>Budgetary Fund balances - ending</b>	<u>\$ 408,341</u>	<u>\$ 408,341</u>	<u>\$ (219,182)</u>	<u>\$ (627,523)</u>
	Hotel Tax Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Taxes	\$ 150,000	\$ 150,000	\$ 133,419	\$ (16,581)
Investment income	5,000	5,000	1,532	(3,468)
<b>Total Resources (Inflows)</b>	<u>155,000</u>	<u>155,000</u>	<u>134,951</u>	<u>(20,049)</u>
<b>Charges to Appropriations (Outflows):</b>				
Economic Development	155,000	195,000	178,213	16,787
<b>Total Charges to Appropriations</b>	<u>155,000</u>	<u>195,000</u>	<u>178,213</u>	<u>16,787</u>
<b>Net change in fund balances</b>	-	(40,000)	(43,262)	(3,262)
<b>Fund balances - beginning</b>	-	-	656,407	656,407
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ 613,145</u>	<u>\$ 653,145</u>



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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	\$ 695,943	\$ 695,943	\$ 589,168	\$ (106,775)
Charges for services	228,789	316,789	384,621	67,832
License and permits	100	100		(100)
Investment income	12,000	12,000	4,125	(7,875)
Miscellaneous	77,512	167,512	240,287	72,775
<b>Total Resources (Inflows)</b>	<b>1,014,344</b>	<b>1,192,344</b>	<b>1,218,201</b>	<b>25,857</b>
<b>Charges to Appropriations (Outflows):</b>				
Airport	975,342	1,165,342	1,163,509	1,833
<b>Total Charges to Appropriations</b>	<b>975,342</b>	<b>1,165,342</b>	<b>1,163,509</b>	<b>1,833</b>
<b>Net change in fund balances</b>	<b>39,002</b>	<b>27,002</b>	<b>54,692</b>	<b>27,690</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>1,580,317</b>	<b>1,580,317</b>
<b>Fund balances - ending</b>	<b>\$ 39,002</b>	<b>\$ 27,002</b>	<b>\$ 1,635,009</b>	<b>\$ 1,608,007</b>

**Footnotes to Budgetary Comparison Schedules:**

- The budgetary comparison schedule is reported on the modified cash basis of accounting.
- 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.
- Expenditures exceeded appropriations in the street department by \$2,271.
- Reconciliation of the budgetary basis to modified cash basis is as follows:

	<b>General Fund</b>
Resources budgetary basis	\$ 6,794,495
Subtract modified cash AJE	(111,637)
Deduct transfers in	(1,550,092)
Revenue -Modified cash basis	<u>\$ 5,132,766</u>
Charges to appropriation Budgetary Basis	\$ 5,766,535
Add modified cash AJE	47,368
Deduct transfer out	(1,353,812)
Expenditures- Modified cash basis	<u>\$ 4,460,091</u>

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**OTHER SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2022**

	<b>APD Drug Task Force</b>	<b>Cemetery Fund</b>	<b>Donation Fund</b>	<b>Street and Alley Fund</b>	<b>Total-Other Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 25,384	\$ 5,071	\$ 221,366	\$ 161,094	\$ 412,915
Investments	-	117,690	12,863	-	130,553
Due from other funds	-	7,871	359	-	8,230
Total assets	<u>\$ 25,384</u>	<u>\$ 130,632</u>	<u>\$ 234,588</u>	<u>\$ 161,094</u>	<u>\$ 551,698</u>
Fund balances:					
Restricted	25,384	-	234,588	161,094	421,066
Committed	-	25,739	-	-	25,739
Assigned	-	104,893	-	-	104,893
Total fund balances	<u>25,384</u>	<u>130,632</u>	<u>234,588</u>	<u>161,094</u>	<u>551,698</u>
Total liabilities and fund balances	<u>\$ 25,384</u>	<u>\$ 130,632</u>	<u>\$ 234,588</u>	<u>\$ 161,094</u>	<u>\$ 551,698</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2022**

	<b>APD Drug Task Force</b>	<b>Cemetery Fund</b>	<b>Donation Fund</b>	<b>Street and Alley Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ 48,443	\$ 48,443
Charges for services	-	39,786	-	148,854	188,640
Investment earnings	-	1,914	50	-	1,964
Miscellaneous	-	8,426	63,345	-	71,771
Total revenues	<u>-</u>	<u>50,126</u>	<u>63,395</u>	<u>197,297</u>	<u>310,818</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	22,464	-	22,464
Public Safety	-	-	16,562	-	16,562
Highways and roads	-	-	-	299,449	299,449
Culture and recreation	-	-	1,200	-	1,200
Cemetery	-	73,540	-	-	73,540
Capital Outlay	-	-	2,000	3,708	5,708
Total Expenditures	<u>-</u>	<u>73,540</u>	<u>42,226</u>	<u>303,157</u>	<u>418,923</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(23,414)</u>	<u>21,169</u>	<u>(105,860)</u>	<u>(108,105)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	30,400	-	-	30,400
Total other financing sources and uses	<u>-</u>	<u>30,400</u>	<u>-</u>	<u>-</u>	<u>30,400</u>
Net change in fund balances	-	6,986	21,169	(105,860)	(77,705)
Fund balances - beginning	25,384	123,646	213,419	266,954	629,403
Fund balances - ending	<u>\$ 25,384</u>	<u>\$ 130,632</u>	<u>\$ 234,588</u>	<u>\$ 161,094</u>	<u>\$ 551,698</u>

**CITY OF ALVA, OKLAHOMA  
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**Schedule of Expenditures of Federal and State Awards – For Year Ended June 30, 2022**

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Listing Number	Grant #	Awards Expended
<b>FEDERAL AWARDS:</b>			
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</u>			
Passed through Oklahoma Department of Libraries:			
COVID-19 ARPA Targeted Grant	45.310	ARPA	\$ 8,991
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
Passed through Oklahoma Emergency Management:			
Fire Management Assistance Grant (FMAG)	97.043	NW Complex Wildfire	\$ 4,395
<u>FEDERAL AVIATION ADMINISTRATION:</u>			
Airport Improvement Program	20.106	3-40-003-013-2018	\$ 716
Airport Improvement Program	20.106	3-40-003-014-2020	579,317
Total Federal Aviation Administration			<u>\$ 580,033</u>
 Total Federal Awards			 <u>\$ 593,419</u>

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Assistance Listing Number	Grant #	Awards Expended
<b>STATE AWARDS:</b>			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE</u>			
Fire State Aid	N/A	N/A	\$ 4,763
<u>OKLAHOMA DEPARTMENT OF LIBRARIES</u>			
State Aid 21	N/A	N/A	8,794
Continuing Education	N/A	N/A	564
Total Oklahoma Department of Libraries			<u>9,358</u>
<u>OKLAHOMA DEPARTMENT OF COMMERCE</u>			
OEDA REAP #21-1	N/A	N/A	55,000
 Total State Awards			 <u>\$ 69,121</u>

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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alva, Oklahoma (the “City”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 27, 2023. Our report included an emphasis-of-a-matter paragraph related to the City’s use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2022-001, that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

### **Purpose of This Report**

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

*HSPG & Associates, P.C.*

February 27, 2023

**CITY OF ALVA, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2022**

**Finding 2022-001 Deficit Fund Balance**

**Criteria:** Oklahoma state statutes prohibit deficit fund balances.

**Condition:** As of June 30, 2022, the City's general fund reports a deficit fund balance of approximately \$378,000.

**Cause:** The City experienced financial stress in previous fiscal years which continues to result in a deficit balance as of June 30, 2022.

**Effect:** The City is not in compliance with state law.

**Recommendation:** City officials should continue to monitor its resources and related budgeting to ensure it complies with state law prohibiting deficit fund balance.

**Views of Responsive Officials of Auditee:** The fund balance deficit was a result of financial stress in previous fiscal years, which city administrative staff overspent without City Council authorization or knowledge. This has been a finding in consecutive fiscal years, though the deficit has improved.

Council members and staff acknowledge understanding that Oklahoma statutes prohibit deficit fund balances.

Since learning of the deficit balances in January 2020, the City has implemented numerous measures to restore deficit fund balances. At June 30, 2022, the City had made significant progress towards this goal. As of December 31, 2022, the City's fund balance was positive. It is the intent of the City to maintain positive fund balances and comply with Oklahoma state law.