

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, 2021**

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

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CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

TABLE OF CONTENTS

| | |
|---|-------|
| Independent Auditor’s Report on Financial Statements | 5-6 |
| Management’s Discussion and Analysis | 7-14 |
| The Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position (Modified Cash Basis)..... | 16 |
| Statement of Activities (Modified Cash Basis)..... | 17 |
| Governmental Funds Financial Statements: | |
| Balance Sheet (Modified Cash Basis)..... | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis)..... | 20 |
| Reconciliation of Governmental Funds and Government-Wide Financial Statements..... | 21 |
| Proprietary Funds Financial Statements: | |
| Statement of Net Position (Modified Cash Basis)..... | 23 |
| Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis)..... | 24 |
| Statement of Cash Flows (Modified Cash Basis)..... | 25 |
| Footnotes to the Basic Financial Statements | 26-45 |
| Supplementary Information: | |
| Budgetary Comparison Information | |
| Budgetary Comparison Schedule – General Fund..... | 47 |
| Budgetary Comparison Schedules– Hotel Tax Fund..... | 47 |
| Budgetary Comparison Schedules– Airport Fund..... | 48 |
| Footnotes to Budgetary Comparison Schedules..... | 48 |
| Other Supplementary Information: | |
| Combining Non-Major Governmental Fund Statements | |
| Combining Balance Sheet (Modified Cash Basis) | 50 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis)..... | 50 |

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

TABLE OF CONTENTS

Federal and State Awards Information

| | |
|---|----|
| Schedule of Expenditures of Federal and State Awards..... | 51 |
|---|----|

Internal Control and Compliance Over Financial Reporting Information:

| | |
|--|-------|
| Independent Auditor’s Report on Internal Control and Compliance..... | 53-54 |
| Schedule of Findings..... | 55-56 |
| Disposition of Prior Year Findings..... | 57 |

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Alva, Oklahoma

Report on Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the Alva Hospital Authority, a legally separate component unit of the City. The modified cash basis of accounting requires financial data for the City's legally separate component units to be reported with the financial data of the City's primary government unless the City also issues financial statements of the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this omission would affect assets, liabilities, net assets, revenues and expenses of the discretely presented component unit is not determinable.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City as of June 30, 2021, or the changes in financial position for the year then ended.

Unmodified Opinions

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 remaining fund information of the City, as of June 30, 2021, 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 2.

Basis of Accounting

We draw your attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a 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 that matter.

Other Matters

Supplemental and Other Information

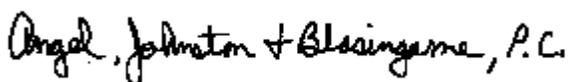
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying supplemental combining schedules – modified cash basis, budgetary comparison information, and schedule of expenditures of federal and state awards is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The combining schedules – modified cash basis and schedule of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedule of federal and state awards, and schedule of cash balances are fairly stated in all material respect in relation to the basic financial statements as a whole.

The management’s discussion and analysis on pages 7-14 and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2022 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’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.



Chickasha, Oklahoma
April 18, 2022

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

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, 2021. 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

- For the year ended June 30, 2021, committed fund balance for the General Fund was \$799,487 or 17.3% of General Fund revenues. This amount is committed to the stabilization reserve fund and leaves the General Fund with a negative unassigned fund balance.
- For the year ended June 30, 2021, the city converted from accrual basis of accounting to modified cash basis of accounting. This required prior period adjustments shown in the footnotes (Note 6) to the basic financial statements. Due to this the comparative information is not included in the Management's Discussion and Analysis.

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*)

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

- **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.

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 25-46 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.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

THE CITY AS A WHOLE

For the fiscal year ended June 30, 2021, net position for the governmental and business-type activities increased by \$1,375,864 on the modified cash basis of accounting.

Following is a summary of net position reported on a modified cash basis for the City of Alva. Comparative financial information for FY 2020 is not provided this year due to the City's switch from GAAP reporting basis to modified cash basis reporting.

TABLE 1
NET POSITION (In Thousands)

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------------|------------------------------------|-------------------------------------|------------------|
| | <u>2021</u> | <u>2021</u> | <u>2021</u> |
| Current assets | \$ 3,125 | \$ 739 | \$ 3,864 |
| Capital assets, net | 8,249 | 5,910 | 14,159 |
| Total assets | 11,374 | 6,649 | 18,023 |
| Current liabilities | 53 | 460 | 513 |
| Non-current liabilities | 38 | 4,858 | 4,896 |
| Total liabilities | 91 | 5,318 | 5,409 |
| Net position: | | | |
| Net investment in capital assets | 8,162 | 1,199 | 9,361 |
| Restricted | 4,214 | 240 | 4,454 |
| Unrestricted (deficit) | (1,092) | (109) | (1,201) |
| Total net position | \$ 11,284 | \$ 1,330 | \$ 12,614 |

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 \$9,360,280.

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, \$4,453,708, 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 \$1,091,641, while the business-type activities also had a deficit unrestricted net position of \$108,743.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

TABLE 2
CHANGES IN NET POSITION (In Thousands)

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|------------------|
| | <u>2021</u> | <u>2021</u> | <u>2021</u> |
| Revenues | | | |
| Charges for service | \$ 794 | \$ 3,849 | \$ 4,643 |
| Operating grants and contributions | 587 | - | 587 |
| Capital grants and contributions | 272 | - | 272 |
| Taxes | 4,662 | - | 4,662 |
| Investment income | 35 | 4 | 39 |
| Miscellaneous | 352 | - | 352 |
| Total revenues | <u>6,702</u> | <u>3,853</u> | <u>10,555</u> |
| Expenses | | | |
| General government | 1,534 | - | 1,534 |
| Public safety | 1,726 | - | 1,726 |
| Streets | 648 | - | 648 |
| Ambulance | 650 | - | 650 |
| Culture and recreation | 844 | - | 844 |
| Cemetery | 76 | - | 76 |
| Airport | 351 | - | 351 |
| Economic development | 111 | - | 111 |
| Payment to Hospital | 1,228 | - | 1,228 |
| Interest on long-term debt | 8 | - | 8 |
| Water | - | 480 | 480 |
| Sewer | - | 481 | 481 |
| Homestead | - | 196 | 196 |
| Landfill | - | 123 | 123 |
| Sanitation | - | 723 | 723 |
| Total expenses | <u>7,176</u> | <u>2,003</u> | <u>9,179</u> |
| Excess (deficiency) before transfers | (474) | 1,850 | 1,376 |
| Net Transfers | <u>1,519</u> | <u>(1,519)</u> | <u>-</u> |
| Change in net position | 1,045 | 331 | 1,376 |
| Beginning net position, restated | <u>10,239</u> | <u>999</u> | <u>11,238</u> |
| Ending net position | <u>\$ 11,284</u> | <u>\$ 1,330</u> | <u>\$ 12,614</u> |

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Governmental Activities

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

| | Total Expense of Services | Net Revenue (Expense) of Services |
|----------------------------|--------------------------------------|--|
| | <u>2021</u> | <u>2021</u> |
| General government | \$ 1,534 | (\$1,528) |
| Public safety | 1,726 | (1,257) |
| Streets | 648 | (450) |
| Ambulance | 650 | (416) |
| Culture and recreation | 844 | (594) |
| Cemetery | 76 | (45) |
| Airport | 351 | 115 |
| Economic development | 111 | (111) |
| Payment to Hospital | 1,228 | (1,228) |
| Interest on long-term debt | 8 | (8) |
| Total | \$ 7,176 | \$ (5,523) |

Business-type Activities

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

| | Total Expense of Services | Net Revenue (Expense) of Services |
|--------------|--------------------------------------|--|
| | <u>2021</u> | <u>2021</u> |
| Water | \$ 480 | \$ 1,225 |
| Homestead | 196 | (196) |
| Sanitation | 723 | 956 |
| Sewer | 481 | (18) |
| Landfill | 123 | (121) |
| Total | \$ 2,003 | \$ 1,846 |

A FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As the City completed its fiscal year ended June 30, 2021, the governmental funds reported a combined fund balance of \$3,122,676. For the year ended June 30, 2021, the General Fund’s total fund balance increased by \$678,550.

Budgetary Highlights

For fiscal year ended June 30, 2021, the General Fund reported revenues above final estimates by \$88,496 or a 1.5% positive variance. General Fund actual expenditures were under final appropriations by \$590,054 or a 9.8% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2021, the City had approximately \$14 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, 2021.¹

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

| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|------------------------------------|--|---|------------------|
| | <u>2021</u> | <u>2021</u> | <u>2021</u> |
| Land | \$ 719 | \$ - | \$ 719 |
| Buildings and improvements | 3,376 | 3,298 | 6,674 |
| Machinery, furniture and equipment | 1,893 | 844 | 2,737 |
| Infrastructure | 2,101 | 1,752 | 3,853 |
| Construction in progress | 160 | 15 | 175 |
| Totals | \$ 8,249 | \$ 5,909 | \$ 14,158 |

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

- Airport Install ODALS \$269,278
- Airport Taxiway Extension \$811,675
- 16" Water Transmission Main Replacement \$376,547
- OK Ave Water Storage \$199,353

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

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

Debt Administration

At June 30, 2021, the City had \$5.4 million in long-term debt outstanding.

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

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|-------------------------------------|---|--|---------------------|
| | <u>2021</u> | <u>2021</u> | <u>2021</u> |
| Notes payable (direct borrowing) \$ | - | \$ 5,059 | \$ 5,059 |
| Refundable grant obligation | - | 63 | 63 |
| Capital leases | 88 | 4 | 92 |
| Deposits subject to refund | - | 192 | 192 |
| | | | |
| Totals | \$ 88 | \$ 5,318 | \$ 5,406 |

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 \$432,534, which represents their first half of the American Rescue Plan Act Grant in FY 22. The remaining half of \$432,534 is expected to be received in FY 23.
- The City will continue to work on various water projects that consist of installing additional fire hydrants and waterlines.
- The City will be replacing the roof on the rec center as well.

Contacting the City’s Financial Management

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

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Statement of Net Position (Modified Cash Basis) – June 30, 2021

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,605,631 | \$ 650,754 | \$ 2,256,385 |
| Investments | 1,412,283 | 194,835 | 1,607,118 |
| Internal balances | 107,000 | (107,000) | - |
| Capital Assets: | | | |
| Land and construction in progress | 879,086 | 15,402 | 894,488 |
| Other capital assets, net of depreciation | 7,369,950 | 5,894,283 | 13,264,233 |
| Total Assets | \$ 11,373,950 | \$ 6,648,274 | \$ 18,022,224 |
| LIABILITIES | | | |
| Due to depositors | 2,238 | - | 2,238 |
| Long-term liabilities: | | | |
| Due within one year | 50,285 | 460,312 | 510,597 |
| Due in more than one year | 37,891 | 4,857,894 | 4,895,785 |
| Total liabilities | 90,414 | 5,318,206 | 5,408,620 |
| NET POSITION | | | |
| Net investment in capital assets | 8,160,860 | 1,199,420 | 9,360,280 |
| Restricted for: | | | |
| Debt service | - | 196,746 | 196,746 |
| Capital | 213,419 | - | 213,419 |
| Tourism | 624,552 | - | 624,552 |
| Airport | 1,580,317 | - | 1,580,317 |
| Economic development scholarships | 666,882 | - | 666,882 |
| Economic development | 836,809 | - | 836,809 |
| Streets | 266,954 | - | 266,954 |
| Other purposes | 25,384 | 42,645 | 68,029 |
| Unrestricted (deficit) | (1,091,641) | (108,743) | (1,200,384) |
| Total net position | \$ 11,283,536 | \$ 1,330,068 | \$ 12,613,604 |

See Accompanying notes to the basic financial statements

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | \$ 1,534,138 | \$ 890 | \$ 5,000 | \$ - | \$ (1,528,248) | \$ - | \$ (1,528,248) |
| Public Safety | 1,725,570 | 44,222 | 424,060 | - | (1,257,288) | - | (1,257,288) |
| Streets | 647,754 | 151,433 | 45,842 | - | (450,479) | - | (450,479) |
| Ambulance | 650,313 | 208,778 | - | 25,901 | (415,634) | - | (415,634) |
| Culture and Recreation | 844,468 | 138,240 | 112,063 | - | (594,165) | - | (594,165) |
| Cemetery | 76,185 | 31,169 | - | - | (45,016) | - | (45,016) |
| Airport | 350,897 | 219,202 | - | 246,290 | 114,595 | - | 114,595 |
| Economic Development | 111,192 | 95 | - | - | (111,097) | - | (111,097) |
| Payment to Hospital | 1,228,384 | - | - | - | (1,228,384) | - | (1,228,384) |
| Interest on Long-term debt | 7,604 | - | - | - | (7,604) | - | (7,604) |
| Total governmental activities | <u>7,176,505</u> | <u>794,029</u> | <u>586,965</u> | <u>272,191</u> | <u>(5,523,320)</u> | <u>-</u> | <u>(5,523,320)</u> |
| Business-Type Activities: | | | | | | | |
| Water | 480,304 | 1,705,732 | - | - | - | 1,225,428 | 1,225,428 |
| Homestead | 196,215 | - | - | - | - | (196,215) | (196,215) |
| Sanitation | 722,958 | 1,678,799 | - | - | - | 955,841 | 955,841 |
| Landfill | 122,616 | 1,392 | - | - | - | (121,224) | (121,224) |
| Sewer | 480,566 | 462,299 | - | - | - | (18,267) | (18,267) |
| Total business-type activities | <u>2,002,659</u> | <u>3,848,222</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,845,563</u> | <u>1,845,563</u> |
| Total primary government | <u>\$ 9,179,164</u> | <u>\$ 4,642,251</u> | <u>\$ 586,965</u> | <u>\$ 272,191</u> | <u>\$ (5,523,320)</u> | <u>\$ 1,845,563</u> | <u>\$ (3,677,757)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Sales and use taxes | | | | | \$ 4,176,508 | \$ - | \$ 4,176,508 |
| Franchise taxes and public service taxes | | | | | 389,846 | - | 389,846 |
| Hotel/motel taxes | | | | | 95,436 | - | 95,436 |
| Unrestricted investment earnings | | | | | 35,413 | 4,407 | 39,820 |
| Miscellaneous | | | | | 351,761 | 250 | 352,011 |
| Transfers | | | | | 1,518,993 | (1,518,993) | - |
| Total general revenues and transfers | | | | | <u>6,567,957</u> | <u>(1,514,336)</u> | <u>5,053,621</u> |
| Change in net position | | | | | 1,044,637 | 331,227 | 1,375,864 |
| Net position - beginning, restated | | | | | 10,238,899 | 998,841 | 11,237,740 |
| Net position - ending | | | | | <u>\$ 11,283,536</u> | <u>\$ 1,330,068</u> | <u>\$ 12,613,604</u> |

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2021

| | General Fund | Hotel Tax Fund | Airport Fund | AEDA Scholarship Fund | AEDA Economic Development | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|--------------------|-------------------|---------------------|-----------------------------|------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 94,192 | \$ - | \$ 917,787 | \$ 291,879 | \$ 198,938 | \$ 102,835 | \$ 1,605,631 |
| Investments | 79,530 | 329,866 | 438,105 | - | 436,193 | 128,589 | 1,412,283 |
| Due from other funds | - | 326,541 | 224,425 | 375,003 | 201,678 | 397,979 | 1,525,626 |
| Total assets | <u>\$ 173,722</u> | <u>\$ 656,407</u> | <u>\$ 1,580,317</u> | <u>\$ 666,882</u> | <u>\$ 836,809</u> | <u>\$ 629,403</u> | <u>\$ 4,543,540</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Due to other funds | 1,418,626 | - | - | - | - | - | 1,418,626 |
| Due to bondholders | 2,238 | - | - | - | - | - | 2,238 |
| Total liabilities | <u>1,420,864</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,420,864</u> |
| Fund balances: | | | | | | | |
| Restricted | - | 624,552 | 1,580,317 | 666,882 | 836,809 | 505,757 | 4,214,317 |
| Committed | 799,487 | - | - | - | - | 26,143 | 825,630 |
| Assigned | - | 31,855 | - | - | - | 97,503 | 129,358 |
| Unassigned (deficit) | (2,046,629) | - | - | - | - | - | (2,046,629) |
| Total fund balances | <u>(1,247,142)</u> | <u>656,407</u> | <u>1,580,317</u> | <u>666,882</u> | <u>836,809</u> | <u>629,403</u> | <u>3,122,676</u> |
| Total liabilities and fund balances | <u>\$ 173,722</u> | <u>\$ 656,407</u> | <u>\$ 1,580,317</u> | <u>\$ 666,882</u> | <u>\$ 836,809</u> | <u>\$ 629,403</u> | <u>\$ 4,543,540</u> |

See accompanying notes to the basic financial statements.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2021

| | <u>General Fund</u> | <u>Hotel Tax Fund</u> | <u>Airport Fund</u> | <u>AEDA Scholarship Fund</u> | <u>AEDA Economic Development</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-----------------------|-----------------------|---------------------|--------------------------------------|--|---|---|
| REVENUES | | | | | | | |
| Taxes | \$ 3,452,146 | \$ 95,436 | \$ - | \$ 442,896 | \$ 442,896 | \$ - | \$ 4,433,374 |
| Intergovernmental | 658,098 | - | 246,290 | - | - | 45,842 | 950,230 |
| Licenses and permits | 13,684 | - | - | - | - | - | 13,684 |
| Charges for services | 209,668 | - | 219,102 | - | 112,901 | 182,602 | 724,273 |
| Fines and forfeitures | 44,561 | - | - | - | - | - | 44,561 |
| Investment earnings | 9,881 | 4,988 | 9,414 | - | 8,338 | 2,792 | 35,413 |
| Miscellaneous | 237,768 | - | 146,766 | - | 25,095 | 145,225 | 554,854 |
| Total revenues | <u>4,625,806</u> | <u>100,424</u> | <u>621,572</u> | <u>442,896</u> | <u>589,230</u> | <u>376,461</u> | <u>6,756,389</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 807,332 | - | - | 506,156 | - | 24,238 | 1,337,726 |
| Public safety | 1,608,857 | - | - | - | - | 223 | 1,609,080 |
| Streets | 481,107 | - | - | - | - | 25,930 | 507,037 |
| Ambulance | 632,644 | - | - | - | - | - | 632,644 |
| Culture and recreation | 363,140 | - | - | - | 405,896 | 2,018 | 771,054 |
| Economic development | - | 111,192 | - | - | - | - | 111,192 |
| Airport | - | - | 284,836 | - | - | - | 284,836 |
| Cemetery | - | - | - | - | - | 74,829 | 74,829 |
| Capital outlay | 58,817 | 4,500 | 262,689 | - | 8,333 | - | 334,339 |
| Debt service: | | | | | | | |
| Principal | 139,096 | - | - | - | 14,888 | - | 153,984 |
| Interest and other charges | 6,307 | - | - | - | 1,297 | - | 7,604 |
| Total expenditures | <u>4,097,300</u> | <u>115,692</u> | <u>547,525</u> | <u>506,156</u> | <u>430,414</u> | <u>127,238</u> | <u>5,824,325</u> |
| Excess (deficiency) of revenues over expenditures | <u>528,506</u> | <u>(15,268)</u> | <u>74,047</u> | <u>(63,260)</u> | <u>158,816</u> | <u>249,223</u> | <u>932,064</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Payment to hospital | (1,228,384) | - | - | - | - | - | (1,228,384) |
| Transfers in | 1,557,804 | - | - | 48,458 | 48,458 | 58,410 | 1,713,130 |
| Transfers out | (179,376) | - | - | - | - | (14,761) | (194,137) |
| Total other financing sources and uses | <u>150,044</u> | <u>-</u> | <u>-</u> | <u>48,458</u> | <u>48,458</u> | <u>43,649</u> | <u>290,609</u> |
| Net change in fund balances | 678,550 | (15,268) | 74,047 | (14,802) | 207,274 | 292,872 | 1,222,673 |
| Fund balances - beginning, restated | (1,925,692) | 671,675 | 1,506,270 | 681,684 | 629,535 | 336,531 | 1,900,003 |
| Fund balances - ending | <u>\$ (1,247,142)</u> | <u>\$ 656,407</u> | <u>\$ 1,580,317</u> | <u>\$ 666,882</u> | <u>\$ 836,809</u> | <u>\$ 629,403</u> | <u>\$ 3,122,676</u> |

See accompanying notes to the basic financial statements.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

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

Fund Balance - Net Position Reconciliation:

| | | |
|--|----|-------------------|
| Total fund balance, governmental funds | \$ | 3,122,676 |
| 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. | | |
| | | 8,249,036 |
| 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 | | (88,176) |
| Net Position of Governmental Activities in the Statement of Net Position | \$ | <u>11,283,536</u> |

Changes in Fund Balances – Changes in Net Position Reconciliation:

| | | |
|--|----|------------------|
| Net change in fund balances - total governmental funds: | \$ | 1,222,673 |
| 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 | | 334,340 |
| Depreciation expense | | (612,120) |
| Capital assets disposal | | (54,240) |
| 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>153,984</u> |
| Change in net position of governmental activities | \$ | <u>1,044,637</u> |

See accompanying notes to the basic financial statements.

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2021

| | <u>Alva Utility Authority</u> |
|---|--|
| ASSETS | |
| Current assets: | |
| Restricted: | |
| Cash and cash equivalents | 650,754 |
| Investments | 152,190 |
| Total current assets | <u>802,944</u> |
| Non-current assets: | |
| Restricted: | |
| Investments | 42,645 |
| Capital assets: | |
| Land and construction in progress | 15,402 |
| Other capital assets, net of accumulated depreciation | 5,894,283 |
| Total non-current assets | <u>5,952,330</u> |
| Total assets | <u><u>6,755,274</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Due to other funds | 107,000 |
| Deposits subject to refund | 28,869 |
| Capital lease obligation | 3,745 |
| Refundable grant obligations | 13,656 |
| Notes payable | 414,042 |
| Total current liabilities | <u>567,312</u> |
| Non-current liabilities: | |
| Deposits subject to refund | 163,589 |
| Refundable grant obligations | 48,935 |
| Notes payable | 4,645,370 |
| Total non-current liabilities | <u>4,857,894</u> |
| Total liabilities | <u><u>5,425,206</u></u> |
| NET POSITION | |
| Net investment in capital assets | 1,199,420 |
| Restricted for debt service | 196,746 |
| Restricted for other purposes | 42,645 |
| Unrestricted (deficit) | (108,743) |
| Total net position | <u><u>\$ 1,330,068</u></u> |

See accompanying notes to the basic financial statements.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2021

| | Alva Utility Authority |
|--|-----------------------------------|
| OPERATING REVENUES | |
| Charges for services: | |
| Water | \$ 1,694,382 |
| Sewer | 459,223 |
| Landfill | 1,392 |
| Sanitation | 1,667,628 |
| Penalties | 25,597 |
| Total operating revenues | 3,848,222 |
| OPERATING EXPENSES | |
| Water/Sewer | 563,502 |
| Sanitation | 675,419 |
| Landfill | 122,616 |
| Homestead | 39,948 |
| Depreciation | 428,662 |
| Total operating expenses | 1,830,147 |
| Operating income | 2,018,075 |
| NON-OPERATING REVENUES (EXPENSES) | |
| Interest and investment revenue | 4,407 |
| Miscellaneous revenue | 250 |
| Interest expense | (172,512) |
| Total non-operating revenue (expenses) | (167,855) |
| Income before transfers | 1,850,220 |
| Transfers in | 24,050 |
| Transfers out | (1,543,043) |
| Change in net position | 331,227 |
| Total net position - beginning, restated | 998,841 |
| Total net position - ending | \$ 1,330,068 |

See accompanying notes to the basic financial statements.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2021

| | <u>Alva Utility Authority</u> |
|---|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 3,848,472 |
| Payments to suppliers | (581,026) |
| Payments to employees | (820,459) |
| Receipts of customer utility deposits | 43,015 |
| Refunds of customer utility deposits | (32,866) |
| Interfund receipts/payments | (285,614) |
| Net Cash Provided by Operating Activities | <u>2,171,522</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from other funds | 24,050 |
| Transfers to other funds | (1,543,043) |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>(1,518,993)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | (149,838) |
| Principal paid on capital debt | (437,298) |
| Interest paid on capital debt | (172,512) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(759,648)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends | 4,407 |
| Sales (Purchase) of investments | (3,457) |
| Net Cash Provided by Investing Activities | <u>950</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (106,169) |
| Balance - beginning of the year | <u>756,923</u> |
| Balance - end of the year | <u>\$ 650,754</u> |
| Reconciliation to Statement of Net Position: | |
| Restricted cash and cash equivalents | <u>650,754</u> |
| Total cash and cash equivalents | <u>\$ 650,754</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | 2,018,075 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Miscellaneous revenue | 250 |
| Depreciation expense | 428,662 |
| Change in assets and liabilities: | |
| Interfund receipts/payments | (285,614) |
| Meter deposit liability | 10,149 |
| Net cash provided by operating activities | <u>\$ 2,171,522</u> |

See accompanying notes to the basic financial statements.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the basic financial statements:

1. Financial Reporting Entity

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

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

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

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

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

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.

Capital Project Fund:

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

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

In the fund financial statements, governmental funds are 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 manages the Homestead Retirement Community.

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

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

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

Jointly Governed Organization

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

3. Cash, Cash Equivalents, and Investments

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

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

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

For the year ended June 30, 2021, the City recognized \$42,285 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

At June 30, 2021, the primary government held the following deposits and investments:

| Type | Maturities | Credit Rating | Carrying Value |
|---|-------------------|----------------------|-----------------------|
| Deposits: | | | |
| Demand deposits | | | \$ 1,644,156 |
| Time deposit | | | 1,607,118 |
| Trustee money market mutual funds | On demand | AAAm | 612,229 |
| | | | <u>3,863,503</u> |
| Total deposits | | | <u>\$ 3,863,503</u> |
| Reconciliation to Statement of Net Position: | | | |
| Cash and cash equivalents | | | \$ 2,256,385 |
| Investments | | | 1,607,118 |
| | | | <u>\$ 3,863,503</u> |

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

As of June 30, 2021, 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, 2021 are as follows:

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

| <u>Type of Restricted Assets</u> | Current | |
|--|------------------------------|-------------------|
| | Cash and cash equivalents | Investments |
| Series 2014B Revenue Principal Account | \$ 10,000 | \$ - |
| Series 2014B Revenue Interest Account | 13,090 | - |
| Series 2014A Revenue Principal Account | 115,002 | - |
| Series 2014A Revenue Interest Account | 1,725 | - |
| Series 2017 OWRB Account | 43,158 | - |
| Series 2018 Construction Account | 415,483 | - |
| Series 2018 Principal Account | 8,334 | - |
| Series 2018 Interest Account | 5,437 | - |
| Utility Deposits | 38,525 | 152,190 |
| Total | <u>\$ 650,754</u> | <u>\$ 152,190</u> |

| <u>Type of Restricted Assets</u> | Non-current | |
|----------------------------------|------------------------------|-------------|
| | Cash and cash equivalents | Other |
| Stabilization CD | 42,645 | - |
| | <u>\$ 42,645</u> | <u>\$ -</u> |

4. Capital Assets and Depreciation

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

For the year ended June 30, 2021, capital assets balances changed as follows:

| | Balance at July 1, 2020 | Additions | Disposals/ Transfers | Balance at June 30, 2021 |
|--|----------------------------|-------------------|-------------------------|-----------------------------|
| Governmental: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 718,675 | \$ - | \$ - | \$ 718,675 |
| Construction in Progress | 952,809 | 288,555 | 1,080,953 | 160,411 |
| Total capital assets not being depreciated | <u>1,671,484</u> | <u>288,555</u> | <u>1,080,953</u> | <u>879,086</u> |
| Other capital assets: | | | | |
| Buildings | 9,549,346 | 8,333 | - | 9,557,679 |
| Infrastructure | 1,490,422 | 811,676 | - | 2,302,098 |
| Machinery and Equipment | 6,471,081 | 306,729 | 211,979 | 6,565,831 |
| Total other capital assets at historical cost | <u>17,510,849</u> | <u>1,126,738</u> | <u>211,979</u> | <u>18,425,608</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 5,988,580 | 193,110 | - | 6,181,690 |
| Infrastructure | 107,615 | 93,391 | - | 201,006 |
| Machinery and Equipment | 4,505,082 | 325,619 | 157,739 | 4,672,962 |
| Total accumulated depreciation | <u>10,601,277</u> | <u>612,120</u> | <u>157,739</u> | <u>11,055,658</u> |
| Other capital assets, net | <u>6,909,572</u> | <u>514,618</u> | <u>54,240</u> | <u>7,369,950</u> |
| Governmental, net capital assets | <u>\$ 8,581,056</u> | <u>\$ 803,173</u> | <u>\$ 1,135,193</u> | <u>\$ 8,249,036</u> |

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Business-Type:

| | | | | |
|---|---------------------|-------------------|-------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Construction in Progress | 462,919 | 128,384 | 575,901 | 15,402 |
| Total capital assets not being depreciated | <u>462,919</u> | <u>128,384</u> | <u>575,901</u> | <u>15,402</u> |
| Other capital assets: | | | | |
| Buildings | 4,220,388 | - | - | 4,220,388 |
| Machinery and Equipment | 2,832,692 | 21,454 | 11,980 | 2,842,166 |
| Infrastructure | 2,689,508 | 575,900 | - | 3,265,408 |
| Total other capital assets at historical cost | <u>9,742,588</u> | <u>597,354</u> | <u>11,980</u> | <u>10,327,962</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 770,473 | 151,966 | - | 922,439 |
| Machinery and Equipment | 1,849,880 | 160,161 | 11,980 | 1,998,061 |
| Infrastructure | 1,396,644 | 116,535 | - | 1,513,179 |
| Total accumulated depreciation | <u>4,016,997</u> | <u>428,662</u> | <u>11,980</u> | <u>4,433,679</u> |
| Other capital assets, net | <u>5,725,591</u> | <u>168,692</u> | <u>-</u> | <u>5,894,283</u> |
| Business-Type, net capital assets | <u>\$ 6,188,510</u> | <u>\$ 297,076</u> | <u>\$ 575,901</u> | <u>\$ 5,909,685</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:

Governmental Activities:

| | |
|--------------------------------|-------------------|
| General government | \$ 196,177 |
| Public safety | 116,490 |
| Highways and streets | 140,717 |
| Ambulance | 17,669 |
| Culture and recreation | 73,649 |
| Cemetery | 1,356 |
| Airport | 66,062 |
| Total accumulated depreciation | <u>\$ 612,120</u> |

Business-Type Activities:

| | |
|--------------------------------|-------------------|
| Water | \$ 341,835 |
| Sewer | 39,549 |
| Sanitation | <u>47,278</u> |
| Total accumulated depreciation | <u>\$ 428,662</u> |

The following capital assets were purchased by capital lease. The table discloses the amount capitalized and the related depreciation expense through June 30, 2021.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Machinery and Equipment:

| <u>Date</u> | <u>Capital Asset</u> | <u>Amount</u> | <u>Accumulated Depreciation</u> |
|-------------|-----------------------|-------------------|-------------------------------------|
| 3/17/2014 | 580 Case Loader | \$ 69,654 | \$ (34,053) |
| 4/7/2014 | 2014 E-1 Pumper | 240,590 | (129,206) |
| 7/7/2014 | 2012 CAT Wheel Loader | 65,500 | (45,850) |
| 3/17/2014 | 924K Caterpillar | 134,853 | (65,928) |
| 7/2/2014 | 2014 Freightliner | 71,352 | (71,352) |
| 7/7/2014 | 2014 Distributor | 85,613 | (85,613) |
| 7/21/2014 | 2014 Spreader | 161,338 | (161,338) |
| 8/31/2018 | 2019 Ambulance | 151,310 | (26,747) |
| | | <u>\$ 980,210</u> | <u>\$ (620,087)</u> |

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2021, the reporting entity's long-term debt changed as follows:

| | Restated Balance July 1, 2020 | Additions | Deductions | Balance June 30, 2021 | Amount Due Within One Year |
|---|-------------------------------------|------------------|-------------------|--------------------------|-------------------------------|
| <i>Governmental:</i> | | | | | |
| Capital lease obligations | \$ 227,272 | - | 139,096 | 88,176 | 50,285 |
| Revenue note payable (direct borrowing) | 14,888 | - | 14,888 | - | - |
| Total | <u>\$ 242,160</u> | <u>\$ -</u> | <u>\$ 153,984</u> | <u>\$ 88,176</u> | <u>\$ 50,285</u> |
| <i>Business-Type:</i> | | | | | |
| Notes payable (direct borrowing) | \$ 5,461,801 | \$ - | \$ 402,389 | \$ 5,059,412 | \$ 414,042 |
| Deposits subject to refund | 182,309 | 43,015 | 32,866 | 192,458 | 28,869 |
| Grant obligation payable (direct borrowing) | 76,247 | - | 13,656 | 62,591 | 13,656 |
| Capital lease obligation | 24,998 | - | 21,253 | 3,745 | 3,745 |
| Total | <u>\$ 5,745,355</u> | <u>\$ 43,015</u> | <u>\$ 470,164</u> | <u>\$ 5,318,206</u> | <u>\$ 460,312</u> |

Governmental Activities:

At June 30, 2021, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease Obligations:

\$885,000 lease with Community Bank for the purchase of several pieces of equipment, 84% or \$693,746 was used for governmental activities, issued January 2014 with an interest rate of 3.5%, maturing August 2021. \$ 19,021

\$151,310 lease with Community Bank for the purchase of an ambulance, due in monthly installments of \$2,795, with interest rate of 4.125%, final payment due August 31, 2023 69,155

Total Capital Lease Obligations \$ 88,176

| | |
|---------------------|------------------|
| Current portion | \$ 50,285 |
| Non-current portion | <u>37,891</u> |
| Total | <u>\$ 88,176</u> |

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

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, 2021, includes the following:

Notes Payable (direct borrowing):

Alva Utility Authority:

Series 2014A Utility Revenue Note Original amount of \$1,465,000 issued by the Alva Utility Authority, due in semi-annual installments of \$100,000 to \$115,000 through 2021, interest at 3%. The note is secured with a pledge of revenues. In the event of default, the principal and accrued interest may be declared due and payable. \$ 115,000

Series 2014B Utility Revenue Note Original amount of \$935,000 issued by the Alva Utility Authority, due in semi-annual installments of \$10,000 to \$140,000 through 2025, interest at 2.8%. The note is secured with a pledge of revenues. In the event of default, the principal and accrued interest may be declared due and payable. 935,000

Series 2018 Utility Revenue Note Original amount of \$1,875,000 issued by the Alva Utility Authority, due in semi-annual installments of \$45,000 to \$80,000 through 2033, interest at 3.99%. The note is secured with a pledge of revenues. In the event of default, the principal and accrued interest may be declared due and payable. 1,585,000

Series 2017 OWRB Promissory Note Original amount of \$2,565,000 issued by the Alva Utility Authority, due in semi-annual installments of \$85,500 through 2048, interest at 2.82%. The loan is collateralized by the pledge of revenues. In the event of default, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement. 2,424,412

| | |
|---------------------------------------|---------------------|
| Total Utility Authority notes payable | <u>\$ 5,059,412</u> |
| Current portion | \$ 414,042 |
| Non-current portion | <u>4,645,370</u> |
| Total | <u>\$ 5,059,412</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. 62,591

| | |
|---|------------------|
| Total Utility Authority refunding grant obligations | <u>\$ 62,591</u> |
| Current portion | \$ 13,656 |
| Non-current portion | <u>48,935</u> |
| Total | <u>\$ 62,591</u> |

Notes Payable (direct borrowing):

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Capital Lease Obligations:

Alva Utility Authority:

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

| | |
|---------------------|----------|
| | \$ 3,745 |
| Current portion | \$ 3,745 |
| Non-current portion | - |
| Total | \$ 3,745 |

Payment Requirements to Maturity:

| Year Ended June 30, | Governmental Activities | | Business-Type Activities | | | | | |
|------------------------|---------------------------|----------|---|----------|----------------------------------|-------------|---------------------------|----------|
| | Capital Lease Obligations | | Grant Obligation Payable (direct borrowing) | | Notes Payable (direct borrowing) | | Capital Lease Obligations | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | 50,285 | 2,359 | 13,656 | - | 414,042 | 157,943 | 3,745 | 16 |
| 2023 | 32,578 | 965 | 13,656 | - | 430,742 | 144,883 | - | - |
| 2024 | 5,313 | 29 | 13,656 | - | 442,313 | 131,281 | - | - |
| 2025 | - | - | 13,656 | - | 459,286 | 117,421 | - | - |
| 2026 | - | - | 7,967 | - | 1,020,120 | 453,487 | - | - |
| 2027-2031 | - | - | - | - | 868,538 | 265,236 | - | - |
| 2032-2036 | - | - | - | - | 465,030 | 171,593 | - | - |
| 2037-2041 | - | - | - | - | 536,106 | 101,742 | - | - |
| 2042-2047 | - | - | - | - | 423,235 | 24,097 | - | - |
| 2048-2049 | - | - | - | - | - | - | - | - |
| Total | \$88,176 | \$3,353 | \$62,591 | - | \$5,059,412 | \$1,567,683 | \$3,745 | \$16 |

Pledge of Future Revenues

Utility Net Revenues Pledge

The City has pledged future water, sewer and sanitation net utility revenues to repay the Series 2014A, 2014B Utility System Revenue Notes of \$2,400,000, 2017 Promissory Note of \$2,565,000 and 2018 Utility System Revenue Note of \$1,875,000. Proceeds from these notes were used to refund the 2005 Revenue Bond that was used for construction of retirement center and to finance certain water and wastewater improvements. The notes are payable through 2021, 2025 2048 and 2033. The total principal and interest payable for the remainder of the life of the notes is \$6,627,095. Pledged water, sewer and sanitation net utility revenues for the current year were \$2,588,462. Debt service payments of \$574,363 for the current fiscal year were 22.2% 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:

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

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

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

Fund Balances:

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

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

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

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

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

| | Major Special Revenue | | Blended Component Units | | | TOTAL |
|-----------------------------------|-----------------------|-------------------|-------------------------|-----------------------|--------------------------------|---------------------|
| | General Fund | Hotel Tax Fund | Airport Fund | AEDA Scholarship Fund | AEDA Economic Development Fund | |
| Fund Balances: | | | | | | |
| Restricted for: | | | | | | |
| Capital outlay | - | - | - | - | - | 213,419 |
| Airport | - | - | 1,580,317 | - | - | - |
| Streets | - | - | - | - | - | 266,954 |
| Police | - | - | - | - | - | 25,384 |
| Economic Development Scholarships | - | - | - | 666,882 | - | - |
| Economic Development | - | - | - | - | 836,809 | - |
| Tourism | - | 624,552 | - | - | - | - |
| Sub-total Restricted | - | 624,552 | 1,580,317 | 666,882 | 836,809 | 505,757 |
| Committed to: | | | | | | |
| Stabilization Fund | 799,487 | - | - | - | - | 26,143 |
| Assigned to: | | | | | | |
| Cemetery | - | - | - | - | - | 97,503 |
| Tourism | - | 31,855 | - | - | - | - |
| Sub-total Assigned | - | 31,855 | - | - | - | 97,503 |
| Unassigned (deficit): | (2,046,629) | - | - | - | - | - |
| TOTAL FUND BALANCES | \$ (1,247,142) | \$ 656,407 | \$ 1,580,317 | \$ 666,882 | \$ 836,809 | \$ 629,403 |
| | | | | | | \$ 3,122,676 |

Prior Period Adjustment

The following tables show the conversion to the modified cash basis of accounting:

| | Major Governmental Funds | | | | | Other Governmental Funds | | | | Total |
|---|--------------------------|-------------------|---------------------|-----------------------|--------------------------------|--------------------------|-------------------|-------------------|-----------------------|----------------------|
| | General Fund | Hotel Tax Fund | Airport Fund | AEDA Scholarship Fund | AEDA Economic Development Fund | APD Drug Task Force Fund | Cemetery Fund | Donation Fund | Street and Alley Fund | |
| Beginning Balance per previous audit | \$ (1,561,556) | \$ 675,915 | \$ 1,522,808 | \$ 738,648 | \$ 676,752 | \$ 25,384 | \$ 112,596 | \$ 98,864 | \$ 122,031 | \$ 9,291,155 |
| Prior period adjustments: | | | | | | | | | | |
| Conversion to Cash Basis of Accounting | | | | | | | | | | |
| Interest receivable | | | (3,600) | | (3,600) | | | | | (7,200) |
| Due from other governments | (606,432) | (13,600) | (74,641) | (56,964) | (56,965) | | | | (9,367) | (817,969) |
| Court fines receivable | (28,915) | | | | | | | | | (28,915) |
| Ambulance receivable | (62,435) | | | | | | | | | (62,435) |
| Utilities receivable | | | | | | | | | (4,177) | (4,177) |
| Other receivables | (72,435) | | (9,084) | | (180) | (5,240) | | | (12,878) | (99,817) |
| Inventory | (58,359) | | (34,415) | | (1,091) | (359) | | | | (94,224) |
| Accounts payable | 79,224 | 9,360 | 27,750 | | 6,294 | 4,078 | 3,632 | | | 130,338 |
| Payroll payable | 137,540 | | 2,811 | | 7,533 | 1,967 | | | | 149,851 |
| Other payables | 859 | | | | 792 | | | | | 1,651 |
| Due to Alva Hospital Authority | 171,770 | | | | | | | | | 171,770 |
| Deferred revenue | 75,047 | | 74,641 | | | | | | | 149,688 |
| Deferred revenue GW PY reversal | | | | | | | | | | (75,047) |
| Land and construction in progress | | | | | | | | | | (17,575) |
| Net pension asset | | | | | | | | | | (8,405) |
| Deferred outflow pension | | | | | | | | | | (703,816) |
| Deferred outflow OPEB | | | | | | | | | | (10,980) |
| Accrued Comp | | | | | | | | | | 100,065 |
| OPEB liability | | | | | | | | | | 56,626 |
| Net pension liability | | | | | | | | | | 1,552,381 |
| Deferred inflow pension | | | | | | | | | | 565,934 |
| Total prior period adjustments: | (364,136) | (4,240) | (16,538) | (56,964) | (47,217) | - | 446 | 3,632 | (26,422) | 947,744 |
| Restated Beginning Fund Balance/Net Position | \$ (1,925,692) | \$ 671,675 | \$ 1,506,270 | \$ 681,684 | \$ 629,535 | \$ 25,384 | \$ 113,042 | \$ 102,496 | \$ 95,609 | \$ 10,238,899 |

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

| | Enterprise Funds | | Total |
|---|------------------------|-------------------------|--------------------------|
| | Alva Utility Authority | Alva Hospital Authority | Business-type Activities |
| Beginning Balance per previous audit | \$ 1,260,931 | \$ 7,812,058 | \$ 9,072,989 |
| Prior period adjustments: | | | |
| Conversion to Cash Basis of Accounting | | | |
| Accounts receivable | (419,293) | | (419,293) |
| Other receivables | (43,222) | | (43,222) |
| Inventory | (82,808) | | (82,808) |
| Land and construction in progress | (94,943) | | (94,943) |
| Deferred outflow pension | (100,172) | | (100,172) |
| Deferred outflow OPEB | (1,152) | | (1,152) |
| Accounts payable | 163,627 | | 163,627 |
| Interest payable | 43,547 | | 43,547 |
| Payroll payable | 35,297 | | 35,297 |
| Accrued Comp | 18,425 | | 18,425 |
| OPEB liability | 11,991 | | 11,991 |
| Net pension liability | 98,653 | | 98,653 |
| Deferred inflow pension | 102,418 | | 102,418 |
| Deferred inflow OPEB | 5,542 | | 5,542 |
| Hospital Authority | | (7,812,058) | (7,812,058) |
| Total prior period adjustments: | (262,090) | (7,812,058) | (8,074,148) |
| Restated Beginning Fund Balance/Net Position | \$ 998,841 | \$ - | \$ 998,841 |

Stabilization Reserve

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

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

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

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

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

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

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

8. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2021 were as follows:

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> | <u>Purpose of Transfer</u> |
|----------------------|--------------------|---------------------|----------------------------|
| Cemetery Fund | General Fund | 14,761 | Reclassify negative cash |
| General Fund | AUA | 24,050 | Operating transfer |
| AUA | General Fund | 30,369 | Reclassify negative cash |
| AUA | General Fund | 1,500,075 | Operating transfer |
| Meter Deposit | General Fund | 12,599 | Reclassify negative cash |
| General Fund | Cemetery Fund | 58,410 | Operating transfer |
| General Fund | AEDA Scholarship | 48,458 | Sales tax transfer |
| General Fund | AEDA Economic Dev | 48,458 | Sales tax transfer |
| Total | | <u>\$ 1,737,180</u> | |

Reconciliation to Fund Financial Statements:

| | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Net Transfers</u> |
|--------------------|---------------------|-----------------------|----------------------|
| Governmental Funds | \$ 1,713,130 | \$ (194,137) | \$ 1,518,993 |
| Proprietary Funds | 24,050 | (1,543,043) | (1,518,993) |
| Total | <u>\$ 1,737,180</u> | <u>\$ (1,737,180)</u> | <u>-</u> |

Balances:

Interfund receivable and payables at June 30, 2021 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 | \$ 1,525,626 | \$ (1,418,626) | \$ 107,000 |
| Proprietary Funds | - | (107,000) | (107,000) |
| Total | <u>\$ 1,525,626</u> | <u>\$ (1,525,626)</u> | <u>-</u> |

This City of Alva has made arrangements with the Airport to make payments in an annual amount of \$121,422 with an interest rate of 3% through June 30, 2030 to satisfy the interfund loan.

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.

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

- Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers’ Compensation – Workers’ compensation is covered through purchase of commercial insurance – CompSource Oklahoma.
- Employee’s Group Health and Life – Covered through participation in 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 |

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.

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

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 to the pension plan from the City were \$55,749 and volunteer were \$1,080.

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

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$58,524.

Defined Benefit Plan - Oklahoma Municipal Retirement Fund

A. Plan Description

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

B. Summary of Significant Accounting Policies

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

C. Eligibility Factors and Benefit Provisions

| <u>Provision</u> | As of 07/01/20 <u>OkMRF Plan</u> |
|----------------------------|---|
| a. Eligible to participate | Full-time employees except police, firefighters and other employees who are covered under an approved system. |

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

| | |
|-----------------------------------|---|
| 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. |

D. 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 5.77% of covered payroll as of 7-1-20. For the year ended June 30, 2021, the City recognized \$105,078 of employer contributions to the plan based on covered payroll of \$1,821,109. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

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, 2021, contributions made by the City were \$0. Contributions made by plan members were \$6,125.

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 2021, the City had not collected any sales tax or ad valorem assessments.

13. Use of Estimates

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

14. Subsequent Events Note

The City was awarded a grant in the amount of \$633,000 from the U.S. Department of Transportation Federal Aviation Administration and is a part of the Airport Improvement Program.

The City also received \$432,534, which represents their first half of the American Rescue Plan Act Grant. The remaining half of \$432,534 is expected to be received in FY 23.

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

SUPPLEMENTARY INFORMATION

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Budgetary Comparison Schedules – Year Ended June 30, 2021

| | GENERAL FUND | | | |
|--|------------------|-----------|-------------------|--|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Taxes | 3,828,025 | 3,828,025 | 3,355,230 | (472,795) |
| Intergovernmental | 101,137 | 534,349 | 658,098 | 123,749 |
| Charges for services | 363,605 | 363,605 | 209,668 | (153,937) |
| Fines and forfeitures | 57,924 | 57,924 | 44,561 | (13,363) |
| Licenses and permits | 12,034 | 12,034 | 13,684 | 1,650 |
| Investment Income | 4,240 | 4,240 | 9,881 | 5,641 |
| Miscellaneous | 160,103 | 160,103 | 237,768 | 77,665 |
| Transfers In | 1,037,918 | 1,037,918 | 1,557,804 | 519,886 |
| Total Resources (Inflows) | 5,564,986 | 5,998,198 | 6,086,694 | 88,496 |
| Charges to Appropriations (Outflows): | | | | |
| General government | 855,804 | 874,813 | 810,852 | 63,961 |
| Public safety | 1,663,257 | 1,941,188 | 1,647,650 | 293,538 |
| Streets | 574,651 | 574,651 | 564,674 | 9,977 |
| Ambulance | 621,526 | 751,284 | 666,187 | 85,097 |
| Culture and recreation | 426,920 | 452,443 | 407,937 | 44,506 |
| Transfers out | 1,422,828 | 1,403,820 | 1,310,844 | 92,976 |
| Total Charges to Appropriations | 5,564,986 | 5,998,198 | 5,408,144 | 590,054 |
| Net change in fund balances | - | - | 678,550 | 678,550 |
| Fund balances - beginning | - | - | (1,925,692) | (1,925,692) |
| Fund balances - ending | \$ - | \$ - | \$ (1,247,142) | \$ (1,247,142) |

| | Hotel Tax Fund | | | |
|--|------------------|-------------|-------------------|--|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Taxes | \$ 150,000 | \$ 150,000 | \$ 95,436 | \$ (54,564) |
| Investment income | 5,000 | 5,000 | 4,988 | (12) |
| Total Resources (Inflows) | 155,000 | 155,000 | 100,424 | (54,576) |
| Charges to Appropriations (Outflows): | | | | |
| Economic Development | 155,000 | 166,065 | 115,692 | 50,373 |
| Total Charges to Appropriations | 155,000 | 166,065 | 115,692 | 50,373 |
| Net change in fund balances | - | (11,065) | (15,268) | (4,203) |
| Fund balances - beginning | - | - | 671,675 | 671,675 |
| Fund balances - ending | \$ - | \$ (11,065) | \$ 656,407 | \$ 667,472 |

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

| | Airport Fund | | | |
|--|-------------------------|------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Intergovernmental | \$ 695,943 | \$ 695,943 | \$ 246,290 | \$ (449,653) |
| Charges for services | 201,209 | 201,209 | 219,102 | 17,893 |
| License and permits | 100 | 100 | - | (100) |
| Investment income | 12,000 | 12,000 | 9,414 | (2,586) |
| Miscellaneous | 77,512 | 77,512 | 146,766 | 69,254 |
| Total Resources (Inflows) | 986,764 | 986,764 | 621,572 | (365,192) |
| Charges to Appropriations (Outflows): | | | | |
| Airport | 928,547 | 928,547 | 547,525 | 381,022 |
| Total Charges to Appropriations | 928,547 | 928,547 | 547,525 | 381,022 |
| Net change in fund balances | 58,217 | 58,217 | 74,047 | 15,830 |
| Fund balances - beginning | - | - | 1,506,270 | 1,506,270 |
| Fund balances - ending | \$ 58,217 | \$ 58,217 | \$ 1,580,317 | \$ 1,522,100 |

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.
- Reconciliation of the budgetary basis to modified cash basis is as follows:

| | |
|--|-------------------------|
| | <u>General Fund</u> |
| Resources budgetary basis | \$ 6,086,694 |
| Add sales tax AJE made by Crawford | 96,916 |
| Deduct transfers in | (1,557,804) |
| Revenue -Modified cash basis | <u>\$ 4,625,806</u> |
| | |
| Charges to appropriation Budgetary Basis | <u>\$ 5,408,144</u> |
| Add sales tax AJE made by Crawford | 96,916 |
| Deduct transfer out | (179,376) |
| Deduct payment to hospital | (1,228,384) |
| Expenditures- Modified cash basis | <u>\$ 4,097,300</u> |

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

OTHER SUPPLEMENTARY INFORMATION

CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2021

| | <u>APD Drug Task Force</u> | <u>Cemetery Fund</u> | <u>Donation Fund</u> | <u>Street and Alley Fund</u> | <u>Homestead Capital Improvement Fund</u> | <u>Total-Other Governmental Funds</u> |
|-------------------------------------|--------------------------------|--------------------------|--------------------------|----------------------------------|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 102,835 | \$ - | \$ 102,835 |
| Investments | - | 115,775 | 12,814 | - | - | \$ 128,589 |
| Due from other funds | 25,384 | 7,871 | 200,605 | 164,119 | - | 397,979 |
| Total assets | <u>\$ 25,384</u> | <u>\$ 123,646</u> | <u>\$ 213,419</u> | <u>\$ 266,954</u> | <u>\$ -</u> | <u>\$ 629,403</u> |
| Fund balances: | | | | | | |
| Restricted | 25,384 | - | 213,419 | 266,954 | - | 505,757 |
| Committed | - | 26,143 | - | - | - | 26,143 |
| Assigned | - | 97,503 | - | - | - | 97,503 |
| Total fund balances | <u>25,384</u> | <u>123,646</u> | <u>213,419</u> | <u>266,954</u> | <u>-</u> | <u>629,403</u> |
| Total liabilities and fund balances | <u>\$ 25,384</u> | <u>\$ 123,646</u> | <u>\$ 213,419</u> | <u>\$ 266,954</u> | <u>\$ -</u> | <u>\$ 629,403</u> |

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2021

| | <u>APD Drug Task Force</u> | <u>Cemetery Fund</u> | <u>Donation Fund</u> | <u>Street and Alley Fund</u> | <u>Homestead Capital Improvement Fund</u> | <u>Total-Other Governmental Funds</u> |
|---|--------------------------------|--------------------------|----------------------|----------------------------------|---|---|
| REVENUES | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 45,842 | \$ - | \$ 45,842 |
| Charges for services | - | 31,169 | - | 151,433 | - | 182,602 |
| Investment earnings | - | 2,732 | 60 | - | - | 2,792 |
| Miscellaneous | - | 7,883 | 137,342 | - | - | 145,225 |
| Total revenues | <u>-</u> | <u>41,784</u> | <u>137,402</u> | <u>197,275</u> | <u>-</u> | <u>376,461</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | 24,238 | - | - | 24,238 |
| Public Safety | - | - | 223 | - | - | 223 |
| Highways and roads | - | - | - | 25,930 | - | 25,930 |
| Culture and recreation | - | - | 2,018 | - | - | 2,018 |
| Cemetery | - | 74,829 | - | - | - | 74,829 |
| Total Expenditures | <u>-</u> | <u>74,829</u> | <u>26,479</u> | <u>25,930</u> | <u>-</u> | <u>127,238</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(33,045)</u> | <u>110,923</u> | <u>171,345</u> | <u>-</u> | <u>249,223</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | 58,410 | - | - | - | 58,410 |
| Transfers out | - | (14,761) | - | - | - | (14,761) |
| Total other financing sources and uses | <u>-</u> | <u>43,649</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>43,649</u> |
| Net change in fund balances | - | 10,604 | 110,923 | 171,345 | - | 292,872 |
| Fund balances - beginning, restated | 25,384 | 113,042 | 102,496 | 95,609 | - | 336,531 |
| Fund balances - ending | <u>\$ 25,384</u> | <u>\$ 123,646</u> | <u>\$ 213,419</u> | <u>\$ 266,954</u> | <u>\$ -</u> | <u>\$ 629,403</u> |

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

Schedule of Expenditures of Federal and State Awards – For Year Ended June 30, 2021

| Federal/State Grantor/Pass Through Agency Grantor/Program Title | Assistance Listing Number | Grant # | Award Amount | Awards Expended |
|--|---------------------------------|---------------------------|-------------------|--------------------|
| FEDERAL AWARDS: | | | | |
| <u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</u> | | | | |
| Passed through Oklahoma Department of Libraries: | | | | |
| COVID-19 CARES Act PPE Grant | 45.310 | CARES PPE | \$ 1,000 | \$ 1,000 |
| Webcam/Headphones Grant 2021 | 45.310 | Webcam Grant | 552 | 552 |
| Total Institute of Museum and Library Services | | | <u>\$ 1,552</u> | <u>\$ 1,552</u> |
| <u>U.S. DEPARTMENT OF TREASURY:</u> | | | | |
| Office of Management and Enterprise Serv-Oklahoma COVID-19 CARES | 21.019 | CARES Act | \$ 381,788 | \$ 381,788 |
| Office of Management and Enterprise Serv-Oklahoma COVID-19 CARES | 21.019 | CARES Act OKAMA | 25,901 | 25,901 |
| Total Department of Treasury | | | <u>\$ 407,689</u> | <u>\$ 407,689</u> |
| <u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY:</u> | | | | |
| Passed through Oklahoma Department of Environmental Quality | | | | |
| Community Assets: "Keys to a Bright Future" | 66.817 | State and Tribal Response | \$ 5,000 | \$ 5,000 |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u> | | | | |
| Passed through Oklahoma Emergency Management: | | | | |
| Fire Management Assistance Grant (FMAG) | 97.043 | 34 Complex Wildfire | \$ 934 | \$ 934 |
| Total Federal Awards | | | <u>\$ 415,175</u> | <u>\$ 415,175</u> |

| Federal/State Grantor/Pass Through Agency Grantor/Program Title | Assistance Listing Number | Grant # | Award Amount | Awards Expended |
|--|---------------------------------|---------|-------------------|--------------------|
| STATE AWARDS: | | | | |
| <u>OKLAHOMA DEPARTMENT OF AGRICULTURE</u> | | | | |
| Fire State Aid | N/A | N/A | \$ 4,826 | \$ 4,826 |
| <u>OKLAHOMA DEPARTMENT OF LIBRARIES</u> | | | | |
| State Aid 20 | N/A | N/A | 8,793 | 8,793 |
| State Aid 19 | N/A | N/A | 8,881 | 888 |
| Total Oklahoma Department of Libraries | | | <u>17,674</u> | <u>9,681</u> |
| <u>OKLAHOMA AERONAUTIC COMMISSION</u> | | | | |
| ODALS project | N/A | N/A | 249,707 | 210,784 |
| Total State Awards | | | <u>\$ 272,207</u> | <u>\$ 225,291</u> |

**CITY OF ALVA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

INTERNAL CONTROL AND COMPLIANCE INFORMATION

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the City Council
City of Alva, Oklahoma

We have audited audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 18, 2022. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Recommendations that we consider to be significant deficiency: 21-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Recommendations as item 21-001.

City of Alva's Responses to Findings

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

Purpose of This Report

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

Angel, Johnson + Blessingame, P.C.

Chickasha, Oklahoma
April 18, 2022

CITY OF ALVA, OKLAHOMA
SCHEDULE OF FINDINGS AND RECOMMENDATION
Year Ended June 30, 2021

Deficiencies of Internal Control, Compliance and Other Matters:

- 21-001. Criteria – Management and the City Council have fiscal responsibility over all the City’s funds. Interfund borrowing is designed to be short term borrowing and restricted funds are to be used only for restricted purposes.
- Condition – At year-end there were interfund balances in the amount of \$1,525,000. This has improved approximately \$1,000,000 from prior year. However, the General Fund is still using money from restricted funds to pay bills.
- Cause and Effect – Lack of unrestricted cash flow and inadequate monitoring of budget and cash balances in prior years. Restricted funds cannot be used to accomplish general fund projects, if this occurs the money is considered borrowed by the General Fund. The City may be several budget cycles away from restoring the restricted funds.
- Recommendation – The City must adjust spending to operate within annual budget constraints. These budgets should be monitored. The budgeting process must include a feasible plan to repay the amounts borrowed from the restricted revenue funds.
- Management response – See attached response from City.



Deficiencies of Internal Control, Compliance and Other Matters:

21-001. Management Response – The City was able to make a repayment of \$371,081.71 at the end of FY20-21.

For FY21-22 the City budgeted for a surplus to continue repayment. The City is placing 5% of sales tax into a savings account on a monthly basis to ensure an annual payment will be made. The City is on target to have approximately \$200,000 in repayment for the FY21-22 year.

For FY22-23 the City is planning to budget for surplus and continue saving 5% of sales tax in order to continue the repayment of borrowed funds.

CITY OF ALVA, OKLAHOMA
DISPOSITION OF PRIOR YEAR FINDINGS
Year Ended June 30, 2021

Deficiencies of Internal Control, Compliance and Other Matters:

- 20-001. Criteria – Management and the City Council have fiscal responsibility over all the City’s funds. They must budget and monitor income and spending to maintain the solvency of each fund. Governmental funds have limited annual borrowing ability without approval by the voters of the City. Restricted revenues can only be used for its restricted purpose.
- Condition – At yearend the General Fund owed other funds \$2,179,914. The Alva Utility Authority (AUA) owed other funds \$392,614. Short-term interfund borrowing in municipalities is a common practice. But the current outstanding amounts appear to be beyond the City’s ability to repay in the current year. These interfund borrowing increased by about 12% in the 2019-20 fiscal year. The borrowed cash comes from funds that have revenue derived for restricted purposes.
- Disposition – This continues to be a finding in the 2020-2021 year.
- 20-002. Criteria – Utility rates are established by the Council to be implemented by the City’s administration.
- Condition – Utility rates increased 7/1/19, the residential rate change inside city limits did not get made and the error was not caught by the City until the subsequent year’s rate changes in July 2020.
- Disposition – This was not a finding in the 2020-2021 year.