

**THE CITY OF
DEL CITY, OKLAHOMA**

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

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

CITY OF DEL CITY, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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 Del City, Oklahoma (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 City'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 City'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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Required Supplementary Information

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


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, combining statement of fiduciary net position, and schedule of debt coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, combining statement of fiduciary net position, and schedule of debt coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial 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 and individual nonmajor fund financial statements and debt service and reserve schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.


March 11, 2021

CITY OF DEL CITY, OKLAHOMA
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2020

The management of the City of Del City is pleased to provide this annual financial report to its citizens, taxpayer's, and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2020. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. 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 analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$2,580,689 and the assets of the City exceed its liabilities at June 30, 2020, by \$37,514,191 (net position).
- At June 30, 2020, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$6,666,880.
- At the end of fiscal year 2020, unassigned fund balance on a modified cash basis for the General Fund was \$162,515 or 1.7% of General Fund revenues (exclusive of transfers).

ABOUT THE CITY

The City of Del City is a council-manager form of government with a population of approximately 22,000 located in Oklahoma County in central Oklahoma. The City is governed by a five-member City Council and operates under state law and City ordinances through the three branches of democratic government:

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

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, library, community development, and through its Utilities Authority, certain utility services including water, wastewater, and sanitation.

The City's Financial Reporting Entity

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

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

- **The City of Del City (primary government)** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Del City Municipal Services (DCMSA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City. The City of Del City is the beneficiary of the trust and the City Council serves as the governing body of the trust.

CITY OF DEL CITY, OKLAHOMA
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2020

- **The Del City Economic Development Authority (DCEDA)** – public trust created pursuant to 60 O.S. § 176 to promote development within the City. The Del City Council appoints the trustees.

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 trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Del City (the "City"), the Del City Municipal Services Authority and the Del City Economic Development Authority (the "Authorities"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-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 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 year'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.

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, and sanitation utilities 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.

CITY OF DEL CITY, OKLAHOMA
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2020

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 and current financial resources measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. The City's proprietary fund is the Del City Municipal Services Authority that accounts for the operation of the water, sewer, and sanitation 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 in the basic financial statement section of this report as noted in the table of contents.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund.

THE CITY AS A WHOLE

For the year ended June 30, 2020, net position on a modified cash basis for the governmental activities increased \$3,195,091 and business-type activities decreased \$614,402 for a total net increase of \$2,580,689.

The invested in capital assets, net of related debt and restricted net position of \$56,077,198, which represents resources that are subject to restrictions on how they may be used, resulted in a deficit in unrestricted net position of \$18,563,007.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2020 fiscal year, the governmental funds reported a combined fund balance of \$6,666,880. For the year ended June 30, 2020, the General Fund's total fund balance increased by \$162,515.

Budgetary Highlights

For the year ended June 30, 2020, the General Fund reported actual modified cash basis revenues below final estimates by \$805,304 or a negative 6.6% variance. General Fund actual expenditures were lower than final appropriations by \$1,178,078 or a 9.5% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The Fiscal 2021 budget is consistent with prior years.

CITY OF DEL CITY, OKLAHOMA
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2020

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 3701 SE 15th Street, Del City, Oklahoma 73115.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	3,954,148	9,271,684	13,225,832
Internal balances	2,712,732	(2,712,732)	-
Capital assets:			
Capital assets, non-depreciable	4,196,483	987,281	5,183,764
Other capital assets, net	27,950,112	28,132,898	56,083,010
Total assets	38,813,475	35,679,131	74,492,606
Liabilities			
Customer deposits payable	-	619,773	619,773
Long-term liabilities:			
Due within one year	440,528	6,764,094	7,204,622
Due in more than one year	2,654,692	26,499,328	29,154,020
Total liabilities	3,095,220	33,883,195	36,978,415
Net Position			
Invested in capital assets net of related debt	29,086,595	11,222,792	40,309,387
Restricted for:			
Capital projects	892,931	9,271,353	10,164,284
Economic development	2,427,965	-	2,427,965
Debt service	904,703	-	904,703
Grant projects	92,770	-	92,770
Juvenile justice	25,145	-	25,145
Fire	12,395	-	12,395
Neighborhood Enhancement	2,140,549	-	2,140,549
Unrestricted (deficit)	135,202	(18,698,209)	(18,563,007)
Total net position	35,718,255	1,795,936	37,514,191

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year ended June 30, 2020

Functions/Programs	Program Revenues			Net Revenues (Expenses) and Changes in Net Position		Total
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:						
Governmental activities:						
General government	2,789,225	99,959	308,542	(2,380,724)	-	(2,380,724)
Public safety	7,410,970	1,030,975	-	(6,379,995)	-	(6,379,995)
Streets	560,265	-	-	(560,265)	-	(560,265)
Drainage	32,486	-	-	(32,486)	-	(32,486)
Community services	737,511	-	-	(737,511)	-	(737,511)
Economic development	103,998	-	-	(103,998)	-	(103,998)
Parks and recreation	302,410	69,422	-	(232,988)	-	(232,988)
Unallocated depreciation	1,686,706	-	-	(1,686,706)	-	(1,686,706)
Interest on long-term debt	92,321	-	-	(92,321)	-	(92,321)
Total governmental activities	13,715,892	1,200,356	308,542	(12,206,994)	-	(12,206,994)
Business-type activities:						
Water	2,266,657	2,991,843	-	-	725,186	725,186
Sewer	1,459,530	2,937,249	-	-	1,477,719	1,477,719
Sanitation	1,591,111	2,076,025	-	-	484,914	484,914
General government	837,717	-	-	-	(837,717)	(837,717)
Economic development	699,401	-	-	-	(699,401)	(699,401)
Interest on long-term debt	987,216	-	-	-	(987,216)	(987,216)
Fleet maintenance	666,260	-	-	-	(666,260)	(666,260)
Total business-type activities	8,507,892	8,005,117	-	-	(502,775)	(502,775)
Total primary government	22,223,784	9,205,473	308,542	(12,206,994)	(502,775)	(12,709,769)
General Revenues:						
Taxes:						
Sales and use taxes				13,673,020	-	13,673,020
Ad valorem taxes				519,676	-	519,676
Franchise and miscellaneous taxes				855,198	-	855,198
Investment income (loss)				9,393	160,911	170,304
Miscellaneous				38,991	33,269	72,260
Transfers - internal activities				305,807	(305,807)	-
Total general revenues and transfers				15,402,085	(111,627)	15,290,458
Change in net position				3,195,091	(614,402)	2,580,689
Net position, beginning of year, restated				32,523,164	2,410,338	34,933,502
Net position, end of year				35,718,255	1,795,936	37,514,191

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Limited Purpose Sales Tax	Economic Development	Neighborhood Enhancement	Other Governmental Funds	Total Governmental Funds
Assets						
Current Assets:						
Cash and cash equivalents	360,866	405,386	662,798	1,192,220	1,332,878	3,954,148
Due from other funds	-	1,227,138	1,638,945	948,329	45,000	3,859,412
Total assets	<u>360,866</u>	<u>1,632,524</u>	<u>2,301,743</u>	<u>2,140,549</u>	<u>1,377,878</u>	<u>7,813,560</u>
Liabilities and Fund Balances						
Liabilities						
Current liabilities						
Due to other funds	198,351	948,329	-	-	-	1,146,680
Total current liabilities	<u>198,351</u>	<u>948,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,146,680</u>
Fund Balances						
Restricted	-	684,195	2,301,743	2,140,549	1,377,878	6,504,365
Unassigned (deficit)	162,515	-	-	-	-	162,515
Total fund balances (deficit)	<u>162,515</u>	<u>684,195</u>	<u>2,301,743</u>	<u>2,140,549</u>	<u>1,377,878</u>	<u>6,666,880</u>
Total liabilities and fund balances	<u>360,866</u>	<u>1,632,524</u>	<u>2,301,743</u>	<u>2,140,549</u>	<u>1,377,878</u>	<u>7,813,560</u>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year ended June 30, 2020

	General Fund	Limited Purpose Sales Tax	Economic Development	Neighborhood Enhancement	Other Governmental Funds	Total Governmental Funds
Revenues:						
Sales and use taxes	7,233,635	3,604,725	667,542	667,542	1,499,576	13,673,020
Ad valorem taxes	-	-	-	-	519,676	519,676
Franchise and miscellaneous taxes	855,198	-	-	-	-	855,198
Licenses and permits	99,959	-	-	-	-	99,959
Parks and recreation fees	69,422	-	-	-	-	69,422
Fees and fines	1,030,975	-	-	-	-	1,030,975
Grant proceeds	154,204	11,745	-	-	142,593	308,542
Interest income	9,393	-	-	-	-	9,393
Miscellaneous	3,886	-	-	-	35,105	38,991
Total revenues	9,456,672	3,616,470	667,542	667,542	2,196,950	16,605,176
Expenditures:						
Current:						
General government	2,577,614	107,374	-	-	-	2,684,988
Municipal Court	263,612	-	-	-	-	263,612
Community services	713,452	-	-	63,237	-	776,689
Public safety	5,505,062	-	-	-	1,663,488	7,168,550
Street/Alley	524,469	35,796	-	-	-	560,265
Drainage	55,216	-	-	-	146,711	201,927
Parks and recreation	302,410	-	-	-	-	302,410
Economic development	-	-	166,023	-	66,602	232,625
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	440,528	440,528
Interest	-	-	-	-	92,321	92,321
Capital outlay	-	98,145	-	-	-	98,145
Total expenditures	9,941,835	241,315	166,023	63,237	2,409,650	12,822,060
Excess (deficiency) of revenues over expenditures	(485,163)	3,375,155	501,519	604,305	(212,700)	3,783,116
Other financing sources (uses):						
Proceeds from debt	-	-	-	-	-	-
Transfers in	1,978,887	380,241	-	115,892	250,984	2,726,004
Transfers out	(1,331,209)	(5,136,833)	-	-	(70,351)	(6,538,393)
Total other financing sources and (uses)	647,678	(4,756,592)	-	115,892	180,633	(3,812,389)
Net change in fund balances	162,515	(1,381,437)	501,519	720,197	(32,067)	(29,273)
Fund balances (deficit), beginning of year (restated)	-	2,065,632	1,800,224	1,420,352	1,409,945	6,696,153
Fund balances (deficit), end of year	162,515	684,195	2,301,743	2,140,549	1,377,878	6,666,880

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
RECONCILIATION OF GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES
June 30, 2020

Total fund balance, governmental funds \$ 6,666,880

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 the fund financial statement but are reported in the governmental activities of the Statement of Net Position, net of accumulated depreciation. 32,146,595

Some liabilities (such as notes payable, contracts payable and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (3,095,220)

Net position, governmental activities \$ 35,718,255

Net change in fund balance, total governmental funds \$ (29,273)

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 578,406
Capital asset contributed from Del City EDA 3,785,680.00
Depreciation expense (1,686,706)

Internal Service Funds are not reported in the governmental fund financial statements but are reported in the governmental activities in the government wide financial statements. 106,456

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: 420,001

Decrease in judgments payable 20,527

Change in net position, governmental activities \$ 3,195,091

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2020

	Enterprise Funds			
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds	Internal Service Fund
Assets				
Current assets:				
Restricted cash and cash equivalents	\$ 331	\$ 9,271,353	\$ 9,271,684	\$ -
Due from other funds	198,351	-	198,351	-
Total current assets	198,682	9,271,353	9,470,035	-
Non-current assets:				
Capital assets, non-depreciable	987,281	-	987,281	-
Other capital assets, net	28,132,898	-	28,132,898	-
Total Assets	29,318,861	9,271,353	38,590,214	-
Liabilities				
Current liabilities:				
Customer deposits payable	619,773	-	619,773	-
Due to other funds	425,237	2,485,846	2,911,083	-
Total current liabilities	1,045,010	2,485,846	3,530,856	-
Long-term liabilities				
Due within one year	1,238,023	5,526,071	6,764,094	-
Due in more than one year	16,659,364	9,839,964	26,499,328	-
Total Liabilities	18,942,397	17,851,881	36,794,278	-
Net Position				
Invested in capital assets net of related debt	11,222,792	-	11,222,792	-
Restricted for capital projects	-	9,271,353	9,271,353	-
Unrestricted (deficit)	(846,328)	(17,851,881)	(18,698,209)	-
Total net position (deficit)	\$ 10,376,464	\$ (8,580,528)	\$ 1,795,936	\$ -

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year ended June 30, 2020

	Enterprise Funds			
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds	Internal Service Fund
Operating revenues:				
Water charges	\$ 2,579,848	\$ -	\$ 2,579,848	\$ -
Sewer charges	2,937,249	-	2,937,249	-
Sanitation charges	2,076,025	-	2,076,025	-
Fees and fines	411,995	-	411,995	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Total operating revenues	8,005,117	-	8,005,117	-
Operating expenses:				
General government	303,544	-	303,544	226,060
Administration	534,173	-	534,173	-
Wastewater treatment	747,893	-	747,893	-
Water services	1,706,175	-	1,706,175	-
Sewer services	350,735	-	350,735	-
Sanitation services	1,197,673	-	1,197,673	-
Fleet maintenance	501,512	-	501,512	-
Economic development	-	699,401	699,401	-
Depreciation expense	1,479,570	-	1,479,570	-
Total operating expenses	6,821,275	699,401	7,520,676	226,060
Operating income (loss)	1,183,842	(699,401)	484,441	(226,060)
Nonoperating revenues (expenses):				
Lease revenue	1,747	31,522	33,269	-
Interest income	-	160,911	160,911	-
Interest expense	(402,716)	(584,500)	(987,216)	-
Total nonoperating revenue (expenses)	(400,969)	(392,067)	(793,036)	-
Income (loss) before contributions and transfers	782,873	(1,091,468)	(308,595)	(226,060)
Transfers in	3,158,084	2,282,212	5,440,296	332,516
Transfers out	(1,920,446)	(3,825,657)	(5,746,103)	-
Change in net position	2,020,511	(2,634,913)	(614,402)	106,456
Total net position (deficit), beginning of year, restated	8,355,953	(5,945,615)	2,410,338	(106,456)
Total net position (deficit), end of year	\$ 10,376,464	\$ (8,580,528)	\$ 1,795,936	\$ -

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year ended June 30, 2020

	Enterprise Funds			
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 8,005,117	\$ -	\$ 8,005,117	\$ -
Water meter deposits received, net	41,756	-	41,756	-
Interfund activity	(1,673,314)	518,945	(1,154,369)	(110,000)
Payments to employees	(1,831,448)	-	(1,831,448)	-
Payments to suppliers	(3,510,257)	(699,401)	(4,209,658)	(226,060)
Net cash provided by (used in) operating activities	1,031,854	(180,456)	851,398	(336,060)
Cash Flows from Noncapital Financing Activities				
Transfers in from other funds	3,158,084	2,282,212	5,440,296	332,516
Transfers out to other funds	(1,920,446)	(39,977)	(1,960,423)	-
Net cash provided by (used in) noncapital financing activities	1,237,638	2,242,235	3,479,873	332,516
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(1,484,900)	(3,785,680)	(5,270,580)	-
Proceeds from debt	993,296	4,246,070	5,239,366	-
Principal paid on debt	(1,393,349)	(5,469,890)	(6,863,239)	-
Interest and debt issuance costs paid	(402,716)	(584,500)	(987,216)	-
Net cash provided by (used in) capital and related financing activities	(2,287,669)	(5,594,000)	(7,881,669)	-
Cash Flows from Investing Activities				
Investment income	1,747	192,433	194,180	-
Net cash provided by investing activities	1,747	192,433	194,180	-
Net increase (decrease) in cash and cash equivalents	(16,430)	(3,339,788)	(3,356,218)	(3,544)
Cash and cash equivalents, beginning of year, restated	16,761	12,611,141	12,627,902	3,544
Cash and cash equivalents, end of year	\$ 331	\$ 9,271,353	\$ 9,271,684	\$ -
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Operating Income (Loss)	\$ 1,183,842	\$ (699,401)	\$ 484,441	\$ (226,060)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Change in assets and liabilities:				
Depreciation expense	1,479,570	-	1,479,570	-
Due from(to) other fund	(1,673,314)	518,945	(1,154,369)	(110,000)
Meter deposit liability	41,756	-	41,756	-
Net cash provided by (used in) operating activities	\$ 1,031,854	\$ (180,456)	\$ 851,398	\$ (336,060)

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
June 30, 2020

	<u>AGENCY FUNDS</u>
Assets	
Cash	<u>1,066,338</u>
Total assets	<u><u>1,066,338</u></u>
Liabilities	
Assets held on behalf of others	<u>1,066,338</u>
Total liabilities	<u><u>1,066,338</u></u>

See accompanying notes to the basic financial statements.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the City of Del City, Oklahoma (the “City”) complies with the provisions of the Governmental Accounting Standards Board Statement 14 as amended by Statement 61, “*The Financial Reporting Entity*” that requires the reporting entity and all component units of which the reporting entity is financially accountable be included in the financial report. The City’s financial reporting entity includes three separate legal entities reported as the primary government.

- **The City of Del City** – that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities
- **The Del City Municipal Service Authority** – that operates the water, sewer, and sanitation services of the City (*blended*)
- **The Del City Economic Development Authority** – that operates the economic development services within the City (*blended*)

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have 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 Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

As required by state law, all debt obligations incurred by the above 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 trust within the City’s financial reporting entity. The public trust does not issue separate financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The Statement of Net Position and Statement of 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 capital assets, long-term debt, the meter deposit liability and interfund balances arising from cash transactions.

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.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

1. Summary of Significant Accounting Policies – continued

B. Basis of Presentation and Accounting - continued

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: Licenses and permits and rents and royalties
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Drainage: Drainage fees

Governmental Funds:

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.
- Del City Economic Development Authority- accounts for economic development activities.
- Limited Purpose Sales Tax Fund – accounts for certain restricted sales tax revenue.
- Economic Development Fund – amounts restricted for economic development.
- Neighborhood Enhancement Fund – amounts restricted for abatement of neighborhood issues.

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

Special Revenue Funds:

- CDBG Fund – accounts for funds of the Community Development Block Grant.
- Hotel/Motel Tax Fund – accounts for all hotel/motel tax revenue restricted for economic development activity.
- Police Training Fund – accounts for the police training revenues and expenses.
- Labor Relations Fund – accounts for costs of labor disputes.
- Police Grant Fund – accounts for grant activity for the police department.
- Public Safety – accounts for public safety.

Debt Service Fund:

- Debt Service Fund – accounts for revenues restricted for debt extinguishment.

Capital Improvements Fund:

- Capital Improvements Fund – accounts for debt proceeds restricted for capital improvements.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities 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 are comprised of the following account:

- Del City Municipal Services Authority- accounts for the operation of the water, wastewater, and sanitation activities.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

1. Summary of Significant Accounting Policies - continued

B. Basis of Presentation and Accounting - continued

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.

The proprietary funds are reported using the same basis of accounting and measurement focus as the government-wide statements.

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

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, money market accounts, and certificates of deposit or short-term investments with an original maturity of three-months or less.

D. Capital Assets

Property, plant and equipment are accounted for as capital assets in the government-wide and proprietary fund financial statements. The City's capitalization threshold for the year ended June 30, 2020 was \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2012, governmental activities' infrastructure assets were not capitalized. These assets (dating back to July 1, 1964) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings	20-50 years
Other Improvements	20-50 years
Equipment and vehicles	5-50 years
Infrastructure	25-50 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The City capitalizes interest as a component of capital assets constructed for its own use.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

1. Summary of Significant Accounting Policies – continued

E. Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds and repayment of debt as other financing sources and uses for the current period. Issuance costs are reported as expenditures.

F. Fund Balances and Net Position

Fund Statements:

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 (1) not in spendable form or (2) 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.
- e. *Unassigned* – represents fund balance that has not been restricted, committed, or assigned to specific purposes.

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.

Net position is displayed in three components:

- A. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- B. *Restricted net positions* - Consists of net positions 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 positions* - All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 positions are available.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

1. Summary of Significant Accounting Policies – continued

G. 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 then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

H. Use of Estimates

Certain estimates are made in the preparation of the financial statements. Estimates are based on management’s best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2020, the City recognized \$9,393 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 deposits.

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

<u>Type</u>	<u>Carrying Value</u>
Petty cash	2,935
Demand deposits	14,289,235
	<u>14,292,170</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	13,225,832
Agency fund cash and cash equivalents	1,066,338
	<u>14,292,170</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 a counterparty or a counterparty’s trust, department or agent, but not in the government’s name.

As of June 30, 2020, the City was not exposed to custodial credit risk as defined above.

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.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

2. Deposits and Investments - continued

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.

3. Internal and Interfund Balances and Transfers

Internal balances are comprised of the following at June 30, 2020:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Limited Purpose Sales Tax	Del City EDA	\$ 846,901
Limited Purpose Sales Tax	Del City MSA	380,237
Debt Service	Del City MSA	45,000
Del City MSA	General Fund	198,351
Economic Development	Del City EDA	1,638,945
Neighborhood Enhancement	Limited Purpose Sales Tax	948,329
Total		<u><u>\$ 4,057,763</u></u>

Reconciliation to Fund and Government-wide Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 3,859,412	\$ 1,146,680	\$ 2,712,732
Business-Type Funds	198,351	2,911,083	(2,712,732)
Total	<u><u>\$ 4,057,763</u></u>	<u><u>\$ 4,057,763</u></u>	<u><u>\$ -</u></u>

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

3. Internal and Interfund Balances and Transfers - continued

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2020, were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Del City MSA	\$ 1,500,000
General Fund	Hotel/Motel Tax	70,351
General Fund	Limited Purpose Sales Tax	396,520
General Fund	Limited Purpose Sales Tax	12,016
Del City EDA	General Fund	672,022
Del City EDA	Limited Purpose Sales Tax	1,610,190
Limited Purpose Sales Tax	Del City MSA	380,241
Public Safety	General Fund	125,492
Public Safety	General Fund	125,492
Internal Service Fund	General Fund	292,311
Internal Service Fund	Del City MSA	40,205
Del City MSA	Del City EDA	39,977
Del City MSA	Limited Purpose Sales Tax	3,118,107
Neighborhood Enhancement	General Fund	115,892
General Fund	Del City EDA	3,785,680
Total		<u>\$ 12,284,496</u>

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 6,511,684	\$ 6,538,393	\$ (26,709)
Business-Type Funds	5,440,296	5,746,103	(305,807)
Total	<u>\$ 11,951,980</u>	<u>\$ 12,284,496</u>	<u>\$ (332,516)</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ (332,516)
Internal Service Fund Allocation	332,516
	<u>\$ -</u>

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

4. Capital Assets

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

	(Restated) Balance at June 30, 2019	Additions	Transfers	Disposals	Balance at June 30, 2020
Governmental Activities:					
Non-depreciable:					
Land	\$ 1,797,978	\$ 128,627	\$ -	\$ -	\$ 1,926,605
Construction in Progress	732,995	148,732	1,388,151	-	2,269,878
Total non-depreciable assets at historical cost	<u>2,530,973</u>	<u>277,359</u>	<u>1,388,151</u>	<u>-</u>	<u>4,196,483</u>
Depreciable:					
Buildings	12,879,472	56,771	-	-	12,936,243
Machinery and Equipment	4,586,342	132,198	2,144,185	-	6,862,725
Infrastructure	28,699,954	112,077	253,344	-	29,065,375
Total depreciable assets at historical cost	<u>46,165,768</u>	<u>301,046</u>	<u>2,397,529</u>	<u>-</u>	<u>48,864,343</u>
Less accumulated depreciation					
Buildings	2,426,717	387,509	-	-	2,814,226
Machinery and Equipment	3,265,207	631,678	-	-	3,896,885
Infrastructure	13,535,601	667,519	-	-	14,203,120
Total accumulated depreciation	<u>19,227,525</u>	<u>1,686,706</u>	<u>-</u>	<u>-</u>	<u>20,914,231</u>
Net Depreciable Assets	<u>26,938,243</u>	<u>(1,385,660)</u>	<u>2,397,529</u>	<u>-</u>	<u>27,950,112</u>
Governmental activities capital assets, net	<u>\$ 29,469,216</u>	<u>\$ (1,108,301)</u>	<u>\$ 3,785,680</u>	<u>\$ -</u>	<u>\$ 32,146,595</u>
Business-type activities:					
Non-depreciable:					
Land	\$ 982,281	\$ 1,500	\$ -	\$ -	\$ 983,781
Construction in Progress	18,703,044	2,032,358	(20,731,902)	-	3,500
Total non-depreciable assets at historical cost	<u>19,685,325</u>	<u>2,033,858</u>	<u>(20,731,902)</u>	<u>-</u>	<u>987,281</u>
Depreciable:					
Buildings	5,317,880	32,729	19,343,751	-	24,694,360
Machinery and Equipment	9,117,767	2,656,499	(2,144,185)	-	9,630,081
Infrastructure	14,793,440	547,494	(253,344)	-	15,087,590
Total depreciable assets at historical cost	<u>29,229,087</u>	<u>3,236,722</u>	<u>16,946,222</u>	<u>-</u>	<u>49,412,031</u>
Less accumulated depreciation					
Buildings	3,098,700	847,172	-	-	3,945,872
Machinery and Equipment	7,749,065	311,239	-	-	8,060,304
Infrastructure	8,951,798	321,159	-	-	9,272,957
Total accumulated depreciation	<u>19,799,563</u>	<u>1,479,570</u>	<u>-</u>	<u>-</u>	<u>21,279,133</u>
Net Depreciable Assets	<u>9,429,524</u>	<u>1,757,152</u>	<u>16,946,222</u>	<u>-</u>	<u>28,132,898</u>
Business-type activities capital assets, net	<u>\$ 29,114,849</u>	<u>\$ 3,791,010</u>	<u>\$ (3,785,680)</u>	<u>\$ -</u>	<u>\$ 29,120,179</u>

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

5. Long-Term Debt

A summary of long-term debt follows:

	(Restated) Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Amount Due Within One Year
Governmental:					
General Obligation Bonds - Series 2011A	\$ 1,740,000	\$ -	\$ (210,000)	\$ 1,530,000	\$ 210,000
General Obligation Bonds - Series 2011B	1,740,000	-	(210,000)	1,530,000	210,000
Judgments Payable	55,748	-	(20,528)	35,220	20,528
Total - Governmental	\$ 3,535,748	\$ -	\$ (440,528)	\$ 3,095,220	\$ 440,528
Business-type:					
DeI City MSA					
Notes Payable	18,107,515	993,296	(1,360,198)	17,740,613	1,214,324
Contract Payable	189,925	-	(33,151)	156,774	23,699
DeI City EDA					
Note Payable	12,365,000	-	(1,245,035)	11,119,965	1,280,000
DCDEA Line of Credit	4,224,855	4,246,070	(4,224,855)	4,246,070	4,246,071
Total - Business-type	\$ 34,887,295	\$ 5,239,366	\$ (6,863,239)	\$ 33,263,422	\$ 6,764,094

General Obligation Bonds Payable:

\$3,000,000 General Obligation Bonds, Series 2011A, due in annual installments of \$210,000 with a final installment of \$270,000; final maturity in November 2026 with interest rate of 3%.

Balance Outstanding at June 30, 2020 \$1,530,000

\$3,000,000 General Obligation Limited Tax Bonds, Series 2011B, due in annual installments of \$210,000 with a final installment of \$270,000; final maturity in November 2026 with interest rate of 3%.

Balance Outstanding at June 30, 2020 \$1,530,000

Total Bonds Payable \$3,060,000

Del City Economic Development Authority (DCEDA):

Line of Credit:

During the year ended June 30, 2020, Del City Economic Development Authority renewed a \$5,000,000 line of credit with interest calculated at 5%. This loan is to be used for the purchase and development of land and matures October 2020 (see Note 11).

Balance Outstanding as of June 30, 2020 \$4,246,070

Del City Economic Development Authority entered into a loan agreement in the amount of \$12,365,000 with BancFirst in April 2019 to finance certain capital improvements, including the repair and replacement of various streets throughout the City, construction of new municipal library, acquisition of vehicles and equipment for various departments citywide, and the costs associated with the issuance of the loan. The loan is payable in 28 semi-annual installments with 3.13% interest. Maturity date of the loan is April 2033.

Balance Outstanding as of June 30, 2020 \$11,119,965

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

5. Long-Term Debt - continued

Del City Municipal Services Authority (DCMSA):

Contract Payable:

The City and Del City Municipal Services Authority in September 2009 approved refinancing the July 2007 amendment to the Central Oklahoma Master Conservancy District dated October 2007, whereby DCMSA agreed to incur \$397,502 of debt, payable in 34 semiannual installments beginning March 2010; final maturity dated 2026 with interest of 2.44%, for the purpose of funding its proportionate share of the District's 2007 Electrical Energy Savings Project with a total projected cost of \$2,475,000.

Balance Outstanding as of June 30, 2020 \$156,774

Notes Payable:

Del City Municipal Services Authority entered into a loan agreement with Oklahoma Water Resources Board (OWRB) on October 1, 2009 in the amount of \$1,190,000 for modifications to their wastewater treatment plant. During 2011 a change order was added to the loan agreement increasing the principal balance with semi-annual payments of principal and accrued interest at 2.58% beginning March 15, 2010. Using funds received from the American Recovery and Reinvestment Act of 2009, OWRB forgave \$367,472 of the principal of this loan. The note is to be repaid no later than 20 years after the date the project is completed; maturity is on March 15, 2030.

Balance Outstanding as of June 30, 2020 \$449,343

Del City Municipal Services Authority entered into a loan agreement with OWRB in November 2016 in the available amount of \$21,000,000 for wastewater treatment plan improvements. The loan has an annual interest rate of 2%, with semi-annual principal and interest payments, and final payment due March 2033.

Balance Outstanding as of June 30, 2020 \$17,291,270

Total Notes Payable \$17,740,613

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

5. Long-Term Debt – continued

Payment requirements to maturity:

Year Ending June 30,	Governmental-Type Activities		Business-Type Activities	
	Bonds and Notes Payable		Notes and Contracts Payable	
	Principal	Interest	Principal	Interest
2021	\$ 420,000	\$ 87,511	\$ 2,518,023	\$ 696,804
2022	420,000	60,720	2,588,248	631,202
2023	420,000	53,280	2,648,994	563,671
2024	420,000	45,900	2,714,520	495,264
2025	420,000	37,260	1,942,076	430,069
2026-2033	960,000	60,300	16,605,491	1,683,165
	<u>\$ 3,060,000</u>	<u>\$ 344,971</u>	<u>\$ 29,017,352</u>	<u>\$ 4,500,175</u>

Pledge of Future Revenues:

Sales Tax Pledge – In November of 2016, the City pledged 0.5% sales tax to repay the \$21,000,000 OWRB Promissory Note Payable. The pledged sales tax revenues were \$2,403,150. The total principal and interest payable for the remainder of the life of the note is \$19,772,337. Debt service payments for the note of \$1,608,384 for the current fiscal year was 67% of the pledged sales taxes.

Net Revenues Pledge – The City has also pledged net water and wastewater utility revenues to repay the \$1,190,000 OWRB Promissory Note Payable. Net water and wastewater utility revenues were \$2,712,294. Debt service payments on the note of \$51,365 were 1.9% of pledged net utility revenues.

6. Prior period adjustments

During the year, the City determined that the Economic Development Authority was incorrectly classified as a proprietary fund. The reclassification of the fund resulted in a restatement on the fund financial statements due to long-term liabilities being removed from those statements. Additionally, there the City identified restatements related to the accounting for the issuance of debt during fiscal year 2019 as well as the capitalization and depreciation of capital assets. Beginning net position was restated as of June 30, 2019, as follows:

	Del City Municipal Services Authority	Economic Development Authority	Business-Type Activities
Beginning net position, as previously reported as of June 30, 2019	\$ 3,564,326	\$ (5,784,704)	\$ (2,220,378)
Record issuance of note payable in fiscal year 2019:			
Note payable balance	-	(12,365,000)	(12,365,000)
Trustee cash balances	-	12,204,089	12,204,089
Capital assets previously expensed in prior years	1,060,041		1,060,041
Correction of depreciation expense in prior years	3,731,586		3,731,586
Beginning net position, as restated, as of June 30, 2019	<u>\$ 8,355,953</u>	<u>\$ (5,945,615)</u>	<u>\$ 2,410,338</u>

**CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020**

7. Sales Tax Increment Districts

The City has established two sales tax increment districts. A portion of the City's non-dedicated sales tax attributable to investment and development within the specified districts is apportioned for improvements under the project plans. The Crutch Creek Floodplain Remediation tax apportionment is an effective 2.25% incremental sales tax rate, 50% of the use tax revenues, and 50% of the hotel/motel tax revenues. The Eagle Point Apartments Remediation, Increment District No. 2, has an effective 1.75% incremental sales tax rate and is apportioned 100% of the incremental use tax revenues and 50% of the hotel/motel tax generated by commercial transactions in the project area.

8. 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 by securing commercial insurance for all risks, except for injuries to employees. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

9. Commitments and Contingencies

Litigation:

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trusts. While the outcome of the above noted proceedings 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.

Federal and State Award Programs:

The City of Del City participates in various federal and state grant and loan programs from year to year. In 2020, the City's involvement in federal and state award programs was not significant. The programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability or reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020**

10. Pension Plan Participation

The City of Del City participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS)- a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF)-an agent multiple-employer defined benefit plan

Firefighter Pension System

Pursuant to the requirements of Title 11, section 22-102, the City of Del City participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan, while the City is required by law to contribute 14% per year per firefighter to the statewide plan.

The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's obligation to fund the plan extends only to making the statutorily required contributions. For 2020, the City's annual contribution was \$305,750 for the OFPRS plan.

A copy of the Firefighter Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Police Pension System

The City of Del City, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2020, the City's annual contribution was \$257,396 for the OPPRS plan.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to, OPPRS, 1001 N.W. 63rd St., Suite 605, Oklahoma City, OK 73116.

OMRF Defined Benefit Plan

The City contributes to the City of Del City Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, and agent multiple employer-defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

**CITY OF DEL CITY, OKLAHOMA
 FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
 As of and for the Year Ended June 30, 2020**

10. Pension Plan Participation – continued

Eligibility Factors, Contributions Methods, and Benefit Provisions:

<u>Provisions</u>	<u>OMRF Plan</u>
Eligible to Participate	Full-time, non-uniformed employees of the City after 1 year of service
Contribution Requirements:	
Authorization	By City ordinance
Actuarially Determined	Yes
Employer Rate	14% of covered payroll
Employee Rate	6%
Period Required to Vest	7 years of credited service
Eligibility for Distribution	Normal retirement at age 60 with 7 years of service Early retirement at age of 55 with 20 years of service Disability retirement with 10 years of service Marital death benefit with 10 years of service
Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
Benefit Determination Methods:	
Normal Retirement	3% of final average salary multiplied by credited years of service
Early Retirement	Actuarially reduced benefit based upon age and years of service at termination.
Disability Retirement	Same as normal retirement
Death Benefit	50% of employee’s accrued benefit but terminates upon spouse remarriage.
Prior to 7 Years of Service	Return of employee contributions with accrued interest.
Form of Benefit Payments	Normal form is a 60-months certain and life thereafter basis; employee may elect, with City consent, optional form based on actuarial equivalent

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma 73105.

CITY OF DEL CITY, OKLAHOMA
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

11. Subsequent Events

The City evaluated subsequent events through the date of the audit report. The City concluded that no events have occurred subsequent to year end that would require recognition in the financial statements. The following events occurred subsequent to June 30, 2020 that meet the disclosure requirements:

- In October 2020, the City received \$1,673,566 from the Office of Management and Enterprise Services for reimbursement of public safety expenses related to the CARES Act grant.
- In October 2020, the Economic Development Authority renewed its \$5,000,000 line of credit for an additional year (maturity of October 10, 2021) at substantially the same terms as outline in Note 5.

Supplementary Information

CITY OF DEL CITY, OKLAHOMA
Budgetary Comparison Schedule (Modified Cash Basis) - General Fund
Year Ended June 30, 2020

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance Positive (Negative)
Beginning Budgetary Fund Balance	412,878	412,878	-	(412,878)
Resources (Inflows):				
Taxes	7,363,578	7,363,578	8,088,833	725,255
Intergovernmental	400,000	400,000	154,204	(245,796)
Charges for services	499,300	499,300	69,422	(429,878)
Fines & forfeitures	700,000	700,000	1,030,975	330,975
Licenses & permits	296,700	296,700	99,959	(196,741)
Investment income	-	-	9,393	9,393
Miscellaneous	157,935	157,935	3,886	(154,049)
Transfers in	2,823,350	2,823,350	1,978,887	(844,463)
Total Resources (Inflows)	<u>12,240,863</u>	<u>12,240,863</u>	<u>11,435,559</u>	<u>(805,304)</u>
Amount Available for Appropriation	<u>12,653,741</u>	<u>12,653,741</u>	<u>11,435,559</u>	<u>(1,218,182)</u>
Charges to Appropriations (Outflows):				
Administration	406,033	406,033	284,642	121,391
Community Services	614,907	614,907	664,559	(49,652)
Police	3,538,134	3,538,134	3,447,379	90,755
Fire	2,059,830	2,059,830	2,057,685	2,145
General government	2,665,158	2,665,158	2,608,779	56,379
Streets	712,239	712,239	524,471	187,768
Parks and recreation	418,298	418,298	354,320	63,978
Transfers out	2,036,523	2,036,523	1,331,209	705,314
Total Charges to Appropriations	<u>12,451,122</u>	<u>12,451,122</u>	<u>11,273,044</u>	<u>1,178,078</u>
Ending Budgetary Fund Balance	<u>202,619</u>	<u>202,619</u>	<u>162,515</u>	<u>(40,104)</u>

See Independent Auditor's Report

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2020 (Continued)

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the City Manager's approval, while supplemental appropriations require City Council approval.

CITY OF DEL CITY, OKLAHOMA
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds					Debt Service	Capital Projects	Total Governmental Funds	
	CDBG	Hotel/Motel Tax	Police Training	Labor Relations	Police Grant	Public Safety	Debt Service		Capital Improvements
Assets									
Cash and cash equivalents	92,570	126,222	-	7,907	200	-	479,462	626,517	1,332,878
Due from other funds	-	-	-	-	-	-	45,000	-	45,000
Total assets	<u>92,570</u>	<u>126,222</u>	<u>-</u>	<u>7,907</u>	<u>200</u>	<u>-</u>	<u>524,462</u>	<u>626,517</u>	<u>1,377,878</u>
Fund Balances									
Restricted	92,570	126,222	-	7,907	200	-	524,462	626,517	1,377,878
Unassigned (deficit)	-	-	-	-	-	-	-	-	-
Total fund balances	<u>92,570</u>	<u>126,222</u>	<u>-</u>	<u>7,907</u>	<u>200</u>	<u>-</u>	<u>524,462</u>	<u>626,517</u>	<u>1,377,878</u>
Total liabilities and fund balances	<u>92,570</u>	<u>126,222</u>	<u>-</u>	<u>7,907</u>	<u>200</u>	<u>-</u>	<u>524,462</u>	<u>626,517</u>	<u>1,377,878</u>

CITY OF DEL CITY, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2020

	Special Revenue Funds					Debt Service	Capital Projects	Total Governmental Funds	
	CDBG	Hotel/Motel Tax	Police Training	Labor Relations	Police Grant	Public Safety	Debt Service		Capital Improvements
Revenues:									
Sales and use taxes	-	164,493	-	-	-	1,335,083	-	-	1,499,576
Ad valorem taxes	-	-	-	-	-	-	519,676	-	519,676
Grant proceeds	92,370	-	-	-	-	50,223	-	-	142,593
Miscellaneous	-	-	27,198	7,907	-	-	-	-	35,105
Total revenues	92,370	164,493	27,198	7,907	-	1,385,306	519,676	-	2,196,950
Expenditures:									
Current:									
Public safety	-	-	27,198	-	-	1,636,290	-	-	1,663,488
Community services	-	-	-	-	-	-	-	-	-
Drainage	-	-	-	-	-	-	-	146,711	146,711
Economic Development	-	66,602	-	-	-	-	-	-	66,602
Debt service									
Principal	-	-	-	-	-	-	440,528	-	440,528
Interest	-	-	-	-	-	-	92,321	-	92,321
Total expenditures	-	66,602	27,198	-	-	1,636,290	532,849	146,711	2,409,650
Excess (deficiency) of revenues over expenditures	92,370	97,891	-	7,907	-	(250,984)	(13,173)	(146,711)	(212,700)
Other financing sources (uses):									
Proceeds from debt	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	250,984	-	-	250,984
Transfers out	-	(70,351)	-	-	-	-	-	-	(70,351)
Total other financing sources and (uses)	-	(70,351)	-	-	-	250,984	-	-	180,633
Net change in fund balances	92,370	27,540	-	7,907	-	-	(13,173)	(146,711)	(32,067)
Fund balances, beginning of year	200	98,682	-	-	200	-	537,635	773,228	1,409,945
Fund balances (deficit), end of year	92,570	126,222	-	7,907	200	-	524,462	626,517	1,377,878

CITY OF DEL CITY, OKLAHOMA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS- MODIFIED CASH BASIS
AGENCY FUNDS
June 30, 2020

	<u>FIDUCIARY FUNDS</u>			
	Employee Benefit	Legal Escrow	Housing Authority	TOTAL AGENCY FUNDS
Assets				
Cash	987,211	25,144	53,983	1,066,338
Total assets	<u>987,211</u>	<u>25,144</u>	<u>53,983</u>	<u>1,066,338</u>
Liabilities				
Assets held on behalf of others	987,211	25,144	53,983	1,066,338
Total liabilities	<u>987,211</u>	<u>25,144</u>	<u>53,983</u>	<u>1,066,338</u>

City of Del City, Oklahoma
Schedule of Debt Coverage
For the fiscal year ended June 30, 2020

	<u>OWRB Notes, FNB Loan, MCD Contracts</u>
Gross revenue available for debt service:	
Charges for services:	
Water charges	2,579,848
Wastewater charges	<u>2,937,249</u>
Total gross revenues available	<u>5,517,097</u>
Operating expenses:	
Water	1,706,175
Wastewater	<u>1,098,628</u>
Total operating expenses	<u>2,804,803</u>
Net revenues for debt service	<u><u>2,712,294</u></u>
Debt service requirements:	
Average annual debt service - FNB Loan, Master Conservancy Contracts	35,933
Maximum annual debt service - 2009 OWRB Note	51,365
Maximum annual debt service - 2016 OWRB Note	<u>1,629,500</u>
Total debt service requirements	<u><u>1,716,798</u></u>
Computed coverage	158%
Coverage requirement	125%

Note: The above gross revenue and operating expenses only include the activities of the Authority related to water and wastewater service, excluding depreciation and amortization expense.

Internal Control over Financial Reporting and Compliance



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

To the Honorable Mayor and City Council
City of Del City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Del City, Oklahoma (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 11, 2021. Our report included an emphasis-of-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2020-01 to be a material weakness.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as Finding 2020-02.

City of Del City, Oklahoma's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Orledge & Associates, P.C.

March 11, 2021

CITY OF DEL CITY, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2020

Finding 2021-01 Controls over Financial Reporting (Repeat Finding)

Criteria: The City's management is responsible for ensuring the accuracy and completeness of financial records.

Condition: Fixed asset additions were not appropriately identified or properly included in the financial records. Cash was not sufficiently reconciled. Debt reserve funds were not appropriately classified. Debt payments were not properly recorded. The Economic Development Authority Fund was not reported as the correct fund type. Numerous adjustments were proposed to correct recording of financial transactions. Additionally, several prior period adjustments were required.

Cause: Insufficient procedures and controls are in place to ensure accurate financial records are generated throughout the course of the fiscal year.

Effect or Potential Effect: Financial statements may be issued which are incomplete, inaccurate and misleading. Significant additions and findings during the audit process slow the issuance of financial reports. Decision makers may make decisions adversely affecting the City's well-being without fully understanding the City's financial position.

Recommendation: The City should increase controls over financial reporting. Additional competent staff, and/or use of outside consultants within the finance department is required to ensure proper controls are implemented, monitored, and maintained. The City should also address communication within and between departments and trust authorities to ensure future capital assets additions and deletions are identified and properly recorded. Steps should be taken to ensure the proper allocation and recording of debt payments at the time of payment.

City's Response: In the future there will be an increase in control over financial reporting. Transactions will be monitored closely to ensure the accuracy and completeness of financial records and to reduce uncorrected error, irregularities and inaccurate or incomplete information in funds, accounts, and reports.

The City Treasurer will be utilized as backup for in-house review of fixed assets and reconciliation of cash are recorded properly and in a timely manner and then reviewed by the City Clerk on a monthly basis. The City will also utilize its outside financial consultant to ensure debt payments are properly recorded and ensure proper controls are implemented.

Finding 2020-02 Budgeted Appropriations (Repeat Finding)

Criteria: Oklahoma State law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each object category within a department or fund.

Condition: Expenditures exceeded appropriations at the legal level for the General Fund's Community Services by \$49,652.

Cause: Improper monitoring of spending and appropriations in relation to budgeted amounts.

Effect or Potential Effect: Expenditures may exceed appropriations at the legal level of control.

Recommendation: We recommend that the City complete accurate budget-actual comparisons and adopt formal budget amendments, especially at or near year-end by department.

City's Response: The City will monitor budget amendments for accuracy and completeness not to exceed the available appropriations and make transfers as necessary to maintain a positive fund balance. The City will monitor that transactions are being recorded in the correct fund to avoid movement for reporting in the audit which can result in expenses exceeding appropriations.

CITY OF DEL CITY, OKLAHOMA

SCHEDULE OF PRIOR FINDINGS AND RESPONSES

Year Ended June 30, 2020

Finding 2019-01 – Budgeted Appropriations

Criteria: Oklahoma State law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each object category within a department or fund.

Condition: Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General Fund	Administration	\$ 60,788
General Fund	Community Services	\$ 68,248
General Fund	General Government	\$ 67,124
General Fund	Parks and Recreation	\$ 41,189
General Fund	Transfers Out	\$ 368,417

Cause: Improper monitoring of spending and appropriations in relation to budgeted amounts.

Effect or Potential Effect: Expenditures may exceed appropriations at the legal level of control.

Recommendation: We recommend that the City complete accurate budget-actual comparisons and adopt formal budget amendments, especially at or near year-end by department.

City's Response: The City will monitor budget amendments for accuracy, not to exceed the available appropriations and make transfers as necessary to maintain a positive fund balance. The City will also review the budget actual at or near year-end to ensure budget amendments are completed correctly. The City has been working on getting out of a deficit in the General Fund and we are continuing to move in the right direction.

Status: Conditions still exists. See Finding 2020-01

CITY OF DEL CITY, OKLAHOMA

SCHEDULE OF PRIOR FINDINGS AND RESPONSES

Year Ended June 30, 2019

Finding 2019-02 Controls over Financial Reporting

Criteria: The City's management is responsible for ensuring the accuracy and completeness of financial records.

Condition: Fixed assets credit were not appropriately identified or properly included in the financial records. Numerous adjustments were proposed in order to correct recording of financial transactions.

Fixed assets – Various material capital assets were not properly recorded. An audit prior period adjustment was required to correct the balances.

Financial Statement Adjustments – Numerous adjustments were proposed in order to correct errors in the recording of sales tax revenues and adjustments to correct deficit fund balances.

Cause: Insufficient procedures and controls are in place to ensure accurate financial records are generated throughout the course of the fiscal year.

Effect or Potential Effect: Financial statements may be issued which are incomplete, inaccurate and misleading. Significant additions and findings during the audit process slow the issuance of financial reports. Decision makers may make decisions adversely affecting the City's well-being without fully understanding the City's financial position.

Recommendation: The City should increase controls over financial reporting. Additional competent staff, and/or use of outside consultants within the finance department is required to ensure proper controls are implemented, monitored, and maintained. The City should also address communication within and between departments and trust authorities to ensure future capital assets additions and deletions are identified and properly recorded. Steps should be taken to ensure the proper allocation and recording of sales tax revenues at the time of receipt.

City's Response: If the City chooses to have the fixed assets or any other financials reviewed, the City will use an outside firm other than the one that completes the audit. There will also be an increase in internal controls by utilizing the City's Treasurer, who has a background in accounting, for in-house review of fixed assets.

In the future there will be an increase in control over financial reporting. Transactions will be monitored closely to ensure the accuracy and completeness of financial records and to reduce uncorrected error, irregularities and inaccurate or incomplete information in funds, accounts, and reports.

Status: Conditions still exists. See Finding 2020-02.