

CITY OF DUNCAN, OKLAHOMA



ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

THE CITY OF DUNCAN, OKLAHOMA

Annual Financial Statements
And Independent Auditor's Report

As of and For the Fiscal Year Ended
December 31, 2019

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Elfrink and Associates, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor and City Council
City of Duncan, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duncan, Oklahoma (the City), as of and for the year ended December 31, 2019, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Duncan Industrial Authority and Duncan Area Economic Development Foundation, Inc. discretely presented component units of the City, which represent 99.9%, 99.9% and 100%, respectively, of the assets, net position, and revenues. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Duncan Industrial Authority and Duncan Area Economic Development Foundation, Inc. are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Duncan Area Economic Development Foundation, Inc. were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

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 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duncan, Oklahoma, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Government Accounting and Auditing

Other Matters

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and other post-employment benefit schedules, 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 and individual nonmajor fund financial statements, the schedule of debt service requirements, and other schedules as presented in the Supplementary Information section of the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, based on our audit procedures performed and the report of the other auditors, the combining and individual nonmajor fund financial statements and other 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 October 23, 2020, 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.



Elfrink and Associates, PLLC

Tulsa, Oklahoma
October 23, 2020

Management's Discussion and Analysis

Our discussion and analysis of the City of Duncan's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended December 31, 2019, the City's total net position increased by \$5,459,620 or (8.58%) from the prior year.
- In the City's governmental activities, program expenses exceeded program revenues by \$15,333,032, while the governmental activities total net position increased by \$851,915 for the fiscal year.
- In the City's business-type activities, such as utilities, program revenues exceeded program expenses by \$3,045,041. The business-type activities total net position increased by \$4,607,705 for the fiscal year.
- At December 31, 2019, the General Fund reported an unassigned fund balance of \$1,816,431.
- At December 31, 2019, the Worker's Compensation Internal Service Fund reported a deficit net position of \$68,075.
- For budgetary reporting purposes, the General Fund reported revenues above estimates of \$650,306 or 5.52%, while expenditures were under the final appropriations by \$1,057,095 or 6.34%.
- The City early implemented GASB Statement 84, *Fiduciary Activities*, which resulted in the movement of a fund reported in the prior year as an Agency Fund to an account of the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Duncan (the "City") and its component units using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB) Statements No. 14, 34, 39, and 61. Included in this report are governmental-wide statements for each of three categories of activities – governmental, business-type, and discretely presented component units. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) and deferred outflows of resources, as well as all liabilities (including all long-term debt) and deferred inflows of resources.

About the City

The City of Duncan is an incorporated municipality with a population of approximately 23,000 located in southwestern Oklahoma. The City operates under a council-manager form of government with a charter that provides for three branches of government.

- Legislative – the governing body includes an elected five-member City Council and Mayor
- 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's Financial Reporting Entity

This annual report includes all activities for which the City Council of the City of Duncan is fiscally responsible. These activities are operated within several separate legal entities that are reported together to make up the City's financial reporting entity.

The City's financial reporting entity includes the City of Duncan, three blended component units, and three discretely presented component units.

Primary Government:

The City of Duncan – incorporated municipality that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities

Blended Component Units:

Duncan Public Utilities Authority (DPUA) – public trust that operates the electric, water, wastewater, solid waste/sanitation, airport and lake services of the City.

Duncan Economic Development Trust Authority – public trust that accounts for sales tax restricted for the promotion of economic development.

Duncan Enhancement Trust Authority (DETA) – public trust that finances and promotes beautification and aesthetic enhancement of the appearance of the City.

Discretely Presented Component Units:

Duncan Industrial Authority (DIA) - created to finance, promote, develop and maintain industry within the City of Duncan and the surrounding area. The DIA issues separate financial statements, which are available by contacting that entity at Box 1468, Duncan, OK 73534.

Duncan Hospital Authority (DHA) - created to provide financing for physical plant facilities, improvements, equipment, and medical services for the purpose of providing or improving health care within the City of Duncan. The Authority does not issue separate financial statements.

Duncan Area Economic Development Foundation (DAEDF) - created as a non-profit corporation December 19, 1954 to promote industry development and job creation within the City and surrounding area. A majority of the Foundation revenues are derived from sales tax proceeds, which are passed through the Duncan Economic Development Trust Authority (DEDTA). The DAEDF issues separate financial statements, which are available by contacting that entity at Box 1051, Duncan, OK 73534.

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements.
- **Supplemental Schedules** – that provide additional information about specified elements of the financial statements, such as budgetary comparison information, combining non-major fund schedules, and information related to the City's participation in pension systems and other post-employment benefit plans.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" 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. These statements include all assets, liabilities and deferrals using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets, deferred outflows, liabilities, and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, electric, airport, lake and sanitation activities are reported here.
- Discretely-presented component units -- Accounts for various activities related to industrial and economic development and hospital development.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many 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.

Governmental funds - Most 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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service 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 charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way in that all activities are reported in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds are essentially the same as the business-type activities that the city reports in the government-wide statements but provide more detail and additional information, such as cash flows.

Fiduciary funds - When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or others parties, these activities are reported as fiduciary funds, such as the Employee Retirement Trust Fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance operations.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2019

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$69,106,335 at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2019	2018		2019	2018		2019	2018	
Current assets	\$ 24,078	\$ 25,225	-5%	\$ 24,183	\$ 20,402	19%	\$ 48,261	\$ 45,627	6%
Capital assets, net	40,659	41,742	-3%	56,014	54,013	4%	96,673	95,755	1%
Deferred outflows	8,127	8,914	-9%	8,791	3,123	181%	16,918	12,037	41%
Total assets and deferred outflows	72,864	75,881	-4%	88,988	77,538	15%	161,852	153,419	5%
Current liabilities	2,739	2,470	11%	8,163	7,694	6%	10,902	10,164	7%
Non-current liabilities	18,708	26,161	-28%	50,097	42,931	17%	68,805	69,092	0%
Deferred inflows	7,822	4,506	74%	5,217	6,010	-13%	13,039	10,516	24%
Total liabilities and deferred inflows	29,269	33,137	-12%	63,477	56,635	12%	92,746	89,772	3%
Net position									
Net investment in capital assets	39,577	40,569	-2%	24,129	18,557	30%	63,706	59,126	8%
Restricted	18,699	21,080	-11%	5,654	6,162	-8%	24,353	27,242	-11%
Unrestricted (deficit)	(14,681)	(18,905)	-22%	(4,272)	(3,816)	12%	(18,953)	(22,721)	-17%
Total net position	\$ 43,595	\$ 42,744	2%	\$ 25,511	\$ 20,903	22%	\$ 69,106	\$ 63,647	9%

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. For 2019, the net investment in capital assets amounted to \$63,705,426. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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 major portion of the City's net position, \$24,353,021 also represents resources that are subject to external restrictions on how they may be used.

Explanations of significant changes displayed in Table 1 are as follows:

Governmental Activities:

Non-current liabilities – Decrease of \$7.45 million (28%) due to a decrease in the net pension liability.

Deferred inflows – Increase of \$3.32 million (74%) due to an increase in the deferred amount related to pension and OPEB.

Business-type Activities:

Deferred outflows – Increase of \$5.67 million (181%) due to the change in deferred outflow related to the pension liability for the single employer defined benefit plan and the deferred outflow related to the total OPEB liability.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2019

Changes in Net Position

For the year ended December 31, 2019, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2019	2018		2019	2018		2019	2018	
Revenues									
Charges for service	\$ 1,434	\$ 1,217	18%	\$ 34,416	\$ 31,780	8%	\$ 35,850	\$ 32,997	9%
Operating grants and contributions	1,434	1,420	1%	232	231	0%	1,666	1,651	1%
Capital grants and contributions	251	49	417%	433	18	2306%	684	67	928%
Taxes	16,474	16,397	0%	-	-	-	16,474	16,397	0%
Intergovernmental revenue	403	724	-44%	-	-	-	403	724	-44%
Investment income	164	(27)	707%	142	(375)	138%	306	(402)	-176%
Miscellaneous	398	93	328%	166	221	-25%	564	314	80%
Total revenues	20,558	19,873	3%	35,389	31,875	11%	55,947	51,748	8%
Expenses									
General government	1,524	1,978	-23%	-	-	-	1,524	1,978	-23%
Public safety	11,332	9,301	22%	-	-	-	11,332	9,301	22%
Highways and streets	3,105	3,509	-12%	-	-	-	3,105	3,509	-12%
Culture and recreation	815	1,259	-35%	-	-	-	815	1,259	-35%
Health	215	297	-28%	-	-	-	215	297	-28%
Community development	570	509	12%	-	-	-	570	509	12%
Economic development	858	822	4%	-	-	-	858	822	4%
Interest on long-term debt	34	15	127%	-	-	-	34	15	127%
Water	-	-	-	8,305	6,830	22%	8,305	6,830	22%
Wastewater	-	-	-	2,289	2,304	-1%	2,289	2,304	-1%
Sanitation	-	-	-	4,227	4,279	-1%	4,227	4,279	-1%
Electric	-	-	-	15,743	16,037	-2%	15,743	16,037	-2%
Airport	-	-	-	230	271	-15%	230	271	-15%
Lake	-	-	-	1,241	858	45%	1,241	858	45%
Total expenses	18,453	17,690	4%	32,035	30,579	5%	50,488	48,269	-5%
Excess (deficiency) before transfers	2,105	2,183	4%	3,354	1,296	159%	5,459	3,479	57%
Transfers	(1,254)	4,311	-129%	1,254	(4,311)	-129%	-	-	
Change in net position	851	6,494	87%	4,608	(3,015)	-253%	5,459	3,479	57%
Beginning net position	42,744	36,250	18%	20,903	23,918	-13%	63,647	60,168	6%
Ending net position	\$ 43,595	\$ 42,744	2%	\$ 25,511	\$ 20,903	22%	\$ 69,106	\$ 63,647	9%

Explanations of significant changes (changes in excess of \$1 million and 20%) in Table 2 are as follows:

Governmental:

Public Safety Expense – increase of 22% related to the creation of an emergency management department and an increase in state of behalf payments.

Business-type Activities:

Water expense – increase of 22% due to changes in the net pension liability and debt issuance cost.

Transfers in both governmental and business type activities showed a 129% change due to a reduction in the operation transfer from the business-type activities to the governmental activities.

**CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2019**

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2019	2018		2019	2018	
	General government	\$ 1,524	\$ 1,978	-23%	(\$1,249)	\$ (1,942)
Public safety	11,332	9,301	22%	(9,097)	(7,220)	26%
Highways and streets	3,105	3,509	-12%	(2,890)	(3,279)	-12%
Culture and recreation	815	1,259	-35%	(709)	(1,181)	-40%
Health	215	297	28%	(132)	201	-166%
Community development	570	509	12%	(396)	(377)	5%
Economic development	858	822	4%	(826)	(790)	5%
Interest on long-term debt	34	15	-127%	(34)	(15)	127%
Total	\$ 18,453	\$ 17,690	4%	(\$15,333)	\$ (14,603)	5%

For the year ended December 31, 2019 total expenses for governmental activities amounted to \$18.5 million which was an increase from the prior year of 4%. See Table 2 above for explanations of changes.

Business-type Activities

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2019	2018		2019	2018	
	Water	\$ 8,305	\$ 6,830	22%	\$ 377	\$ 350
Wastewater	2,289	2,304	-1%	97	87	11%
Sanitation	4,227	4,279	-1%	(548)	(672)	-18%
Electric	15,743	16,037	-2%	3,951	2,606	52%
Airport	230	271	-15%	245	(211)	-216%
Lake	1,241	858	45%	(1,077)	(710)	52%
Total	\$ 32,035	\$ 30,579	5%	\$ 3,045	\$ 1,450	110%

The City's business-type activities include utility services for water, electric, wastewater, and sanitation.

**CITY OF DUNCAN, OKLAHOMA
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In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported an increase in net position of \$4,607,705 for the year ended December 31, 2019.
- Water, wastewater, airport and electric utilities operating revenues exceeded operational expenses.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2019 fiscal year, the governmental funds reported a combined total fund balance of \$21.5 million, or a 5.7% decrease of \$1,307,438, mainly due to an decrease in transfers from other funds and an increase in public safety expense and capital outlay.

The enterprise funds reported combined total net position of \$25.4 million, or a 20.92% increase from 2018, mainly related to a decrease in transfers out.

General Fund Budgetary Highlights

For budgetary reporting purposes, the General Fund reported revenues above estimates of \$650,306 or 5.52%, while expenditures were under the final appropriations by \$1,057,095 or 6.34%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2019, the City had \$96.7 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, electrical infrastructure, water lines and sewer lines, along with other capital (See table below). This represents a net decrease of \$.9 million or 1.0% compared to last year.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 1,235	\$ 1,232	\$ 374	\$ 374	1,609	\$ 1,606
Buildings	12,766	10,409	12,837	10,304	25,603	20,713
Machinery, furniture and equipment	4,280	3,857	2,777	2,224	7,057	6,081
Infrastructure	22,321	24,600	30,151	32,574	52,472	57,174
Water rights	-	-	7,222	7,455	7,222	7,455
Construction in progress	57	1,644	2,653	1,083	2,710	2,727
Totals	<u>\$ 40,659</u>	<u>\$ 41,742</u>	<u>\$ 56,014</u>	<u>\$ 54,014</u>	<u>\$ 96,673</u>	<u>\$ 95,756</u>

This year's more significant capital asset additions included:

City hall renovations	\$1,125,828
Water improvements	\$1,053,000

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Electric improvements	\$1,192,000
Sewer improvements	\$559,000
Lake improvements	\$358,000
Airport Projects	\$111,900

See Note III. D. to the financial statements for more detail information on the City’s capital assets and changes therein.

Long- Term Debt

At year-end, the City had \$37.1 in long-term debt outstanding which represents a \$3.7 million or 9.0% decrease from the prior year. The City’s changes in long-term debt by type of debt are as follows:

TABLE 6
Long-Term Debt
(In Thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018-2019</u>
Notes payable	\$ -	\$ 86	\$ 31,431	\$ 34,991	\$ 31,431	\$ 35,077	-10.4%
Debt premium	-	-	591	627	591	627	-5.7%
Capital leases	1,082	1,088	710	738	1,792	1,826	-1.9%
Meter deposits	-	-	1,093	1,099	1,093	1,099	-0.5%
Accrued compensated absences	1,505	1,360	323	282	1,828	1,642	11.3%
Claims liability	378	515	-	-	378	515	-26.5%
Totals	<u>\$ 2,965</u>	<u>\$ 3,049</u>	<u>\$ 34,148</u>	<u>\$ 37,737</u>	<u>\$ 37,113</u>	<u>\$ 40,786</u>	-9.0%

See Note III. E. to the financial statements for more detail information on the City’s long-term debt and changes therein.

Economic Factors and Next Year’s Budget

Duncan’s economy continued to show improvement in 2019, however, the 2020 pandemic has resulted in a 19% decrease in sales tax beginning in March and we anticipate this trend throughout the rest of the 2020 year. As our local businesses start to reopen and adjust to the new normal we anticipate new ideas to bring back growth to the business climate. Additionally, some of our oil and gas manufacturing businesses have altered their plants in order to accommodate other manufacturing opportunities such as aerospace. Although business opportunities in Duncan have depended on the overall outlook of National and State policies regarding energy production, particularly oil and gas we are actively seeking out other manufacturing avenues that will help retain our current workforce. Our economy has continued to rebound from previous years when a drastic downturn in the energy sector deepened. Our recovery has been slow and steady and has continued to be challenged by lower oil and natural gas prices and reduced activity in the oil and gas manufacturing sector. The current situation will improve and the City of Duncan staff and constituents are up for the challenge and committed to improve fiscally.

The sales tax collection for 2019 was \$13.9 million. For 2020 the City budgeted \$13.9 million of sales tax revenue. Since our current monthly sales tax revenue is down approximately 19% we have informed all staff that we will be cutting out 20% of budgeted items where possible.

One of the principal sources of revenue that support the City of Duncan’s governmental functions is sales tax collection. We are a consumer driven economy with retail purchases and tourism playing vital roles in the funding of our community. We have engaged the services of a retail consulting firm to assist in bringing new retail businesses to our community and we have revamped our City Lakes which has increased our tourism considerably. The chart below shows total sales taxes for Duncan and Stephens County, as well as, the unemployment rate. The source for this information is from the Oklahoma Tax Commission monthly collections reports and the revised report on Oklahoma Workforce Data from the Oklahoma Employment Securities Commission.

Year	City and County Annual Sales Tax	Stephens County Unemployment Rate	End of year Oil Prices	End of year Rig Count
2011	\$13,065,145	5.8%	\$98.83	2007
2012	\$14,046,199	4.9%	\$91.83	1763
2013	\$14,130,286	5.4%	\$94.25	1757
2014	\$15,295,481	4.5%	\$87.07	1840
2015	\$14,734,521	6.0%	\$42.53	698
2016	\$13,747,370	9.5%	\$34.13	658
2017	\$13,095,207	6.2%	\$60.46	929
2018	\$14,304,855	3.9%	\$45.15	1093
2019	\$13,904,069	3.4%	\$60.52	773

With the realignment of our workforce and a tight labor market based on current employment numbers, Duncan’s wages should stay stable through this year. Business retention and expansion activity will be our main concern throughout 2020.

The City of Duncan constructed the 2020 Budget using conservative estimates for revenues while it is obvious that budget cuts will be necessary the City Staff will make every effort to see that much needed repairs and maintenance continue to be addressed. We are confident that the financial outlook of the City will improve as we move forward.

Contacting the City’s Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City’s finances and to demonstrate the City’s accountability for the resources it receives. If you have questions about this report or need additional financial information, contact:

City of Duncan
PO Box 969
Duncan OK 73534

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF DUNCAN, OKLAHOMA
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Statement of Net Position – December 31, 2019

	Governmental Activities	Business-type Activities	Total	Aggregate Discretely Presented Component Units
ASSETS				
Cash and cash equivalents	\$ 18,399,587	\$ 11,711,319	\$ 30,110,906	\$ 3,262,501
Investments	3,193,811	-	3,193,811	3,600,796
Interest receivable	-	-	-	10,754
Accounts receivable, net of allowance	679,853	4,282,040	4,961,893	5,490
Other receivable	-	-	-	1,542
Internal balances	(418,761)	418,761	-	-
Due from other governmental agencies	2,173,101	86,400	2,259,501	-
Inventories	-	674,117	674,117	-
Other assets	-	16	16	-
Prepaid items	-	-	-	14,508
Cash and cash equivalents, restricted	-	2,286,264	2,286,264	116,396
Investment in joint venture	-	87,138	87,138	-
Investments, restricted	-	4,636,425	4,636,425	-
Net pension asset	50,850	-	50,850	-
Land available for development	-	-	-	1,156,274
Capital assets:				
Land and construction in progress	1,291,856	3,026,828	4,318,684	-
Other capital assets, net of depreciation	39,366,848	52,986,910	92,353,758	10,375,641
Total assets	<u>64,737,145</u>	<u>80,196,218</u>	<u>144,933,363</u>	<u>18,543,902</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to pensions	7,624,218	7,572,932	15,197,150	-
Deferred amounts related to OPEB	503,024	371,224	874,248	-
Deferred amounts on refunding	-	847,209	847,209	-
Total deferred outflows	<u>8,127,242</u>	<u>8,791,365</u>	<u>16,918,607</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses	1,989,180	2,291,307	4,280,487	11,282
Accrued interest payable	13,120	180,381	193,501	2,192
Due to depositors	54,608	-	54,608	-
Unearned income	-	-	-	4,000
Long-term liabilities				
Due within one year	681,926	5,691,268	6,373,194	476,066
Due in more than one year	18,707,803	50,097,089	68,804,892	417,748
Total liabilities	<u>21,446,637</u>	<u>58,260,045</u>	<u>79,706,682</u>	<u>911,288</u>
DEFERRED INFLOW OF RESOURCES				
Deferred amounts related to pensions	6,534,438	4,802,170	11,336,608	-
Deferred amounts related to OPEB	1,287,987	414,358	1,702,345	-
Total deferred inflows	<u>7,822,425</u>	<u>5,216,528</u>	<u>13,038,953</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	39,576,717	24,128,709	63,705,426	12,430,666
Restricted for:				
Debt service	115,273	5,654,259	5,769,532	-
Public safety	207,560	-	207,560	-
Capital projects	9,654,687	-	9,654,687	-
Economic development	8,403,892	-	8,403,892	-
Other	317,350	-	317,350	4,965,438
Unrestricted (deficit)	(14,680,154)	(4,271,958)	(18,952,112)	236,510
Total net position	<u>\$ 43,595,325</u>	<u>\$ 25,511,010</u>	<u>\$ 69,106,335</u>	<u>\$ 17,632,614</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2019

Statement of Activities – Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Aggregate Discretely Presented Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government								
Governmental activities:								
General government	\$ 1,524,293	\$ 47,063	\$ -	\$ 228,399	\$ (1,248,831)	\$ -	\$ (1,248,831)	\$ -
Public safety	11,332,295	1,039,557	1,173,294	22,746	(9,096,698)	-	(9,096,698)	-
Highways and streets	3,105,333	-	215,504	-	(2,889,829)	-	(2,889,829)	-
Culture and recreation	814,666	91,898	13,564	-	(709,204)	-	(709,204)	-
Health	214,838	82,465	-	-	(132,373)	-	(132,373)	-
Community development	569,860	173,540	-	-	(396,320)	-	(396,320)	-
Economic development	858,051	-	32,237	-	(825,814)	-	(825,814)	-
Interest on long-term debt	33,963	-	-	-	(33,963)	-	(33,963)	-
Total governmental activities	<u>18,453,299</u>	<u>1,434,523</u>	<u>1,434,599</u>	<u>251,145</u>	<u>(15,333,032)</u>	<u>-</u>	<u>(15,333,032)</u>	<u>-</u>
Business-type activities:								
Water	8,305,371	8,450,688	231,691	-	-	377,008	377,008	-
Wastewater	2,288,546	2,385,861	-	-	-	97,315	97,315	-
Sanitation	4,227,190	3,679,195	-	-	-	(547,995)	(547,995)	-
Electric	15,742,462	19,693,750	-	-	-	3,951,288	3,951,288	-
Airport	230,210	42,292	-	432,510	-	244,592	244,592	-
Lake	1,240,902	163,735	-	-	-	(1,077,167)	(1,077,167)	-
Total business-type activities	<u>32,034,681</u>	<u>34,415,521</u>	<u>231,691</u>	<u>432,510</u>	<u>-</u>	<u>3,045,041</u>	<u>3,045,041</u>	<u>-</u>
Total primary government	<u>\$ 50,487,980</u>	<u>\$ 35,850,044</u>	<u>\$ 1,666,290</u>	<u>\$ 683,655</u>	<u>\$ (15,333,032)</u>	<u>3,045,041</u>	<u>(12,287,991)</u>	
Component Unit								
Industrial Development	\$ 118,401	\$ 4,944	\$ -	\$ -				(113,457)
Economic Development	706,853	784,296	2,086	-				79,529
Health and Welfare	-	167	-	-				167
Total component units	<u>\$ 825,254</u>	<u>\$ 789,407</u>	<u>\$ 2,086</u>	<u>\$ -</u>				<u>(33,761)</u>
General revenues:								
Taxes:								
Sales and use taxes					15,468,861	-	15,468,861	-
Franchise taxes and public service taxes					617,982	-	617,982	-
Hotel/motel taxes					387,241	-	387,241	-
Intergovernmental					402,875	-	402,875	-
Unrestricted investment earnings					163,962	142,437	306,399	-
Miscellaneous					398,224	166,029	564,253	-
Transfers					(1,254,198)	1,254,198	-	-
Total general revenues and transfers					<u>16,184,947</u>	<u>1,562,664</u>	<u>17,747,611</u>	<u>-</u>
Change in net position					851,915	4,607,705	5,459,620	(33,761)
Net position - beginning					42,743,410	20,903,305	63,646,715	17,666,375
Net position - ending					<u>\$ 43,595,325</u>	<u>\$ 25,511,010</u>	<u>\$ 69,106,335</u>	<u>\$ 17,632,614</u>

The accompanying notes are an integral part of these financial statements.

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

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Balance Sheet – Governmental Funds – December 31, 2019

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>Duncan Economic Development Trust Authority (DEDTA)</u>	<u>Capital Improvement Fund</u>		
ASSETS					
Cash and cash equivalents	\$ 1,986,540	\$ 6,044,001	\$ 9,367,468	\$ 741,928	\$ 18,139,937
Investments	-	2,260,610	933,201	-	3,193,811
Receivable from other governments	1,337,800	251,670	503,343	73,218	2,166,031
Due from other funds	-	-	109,526	-	109,526
Taxes receivable, net	126,972	-	-	-	126,972
Court fines receivable, net	427,709	-	-	-	427,709
Other receivables	67,973	-	-	7,070	75,043
Total assets	<u>\$ 3,946,994</u>	<u>\$ 8,556,281</u>	<u>\$ 10,913,538</u>	<u>\$ 822,216</u>	<u>\$ 24,239,029</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 216,205	\$ 42,863	\$ 1,258,851	\$ 136,255	\$ 1,654,174
Accrued payroll payable	327,968	-	-	-	327,968
Due to other funds	300,000	109,526	-	-	409,526
Due to bondholders	55,208	-	-	-	55,208
Unearned revenue	-	-	-	6,706	6,706
Total liabilities	<u>899,381</u>	<u>152,389</u>	<u>1,258,851</u>	<u>142,961</u>	<u>2,453,582</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>271,378</u>	<u>-</u>	<u>-</u>	<u>23,268</u>	<u>294,646</u>
Fund balances:					
Restricted	-	8,403,892	9,654,687	653,303	18,711,882
Committed	-	-	-	9,200	9,200
Assigned	959,804	-	-	-	959,804
Unassigned (deficit)	1,816,431	-	-	(6,516)	1,809,915
Total fund balances	<u>2,776,235</u>	<u>8,403,892</u>	<u>9,654,687</u>	<u>655,987</u>	<u>21,490,801</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,946,994</u>	<u>\$ 8,556,281</u>	<u>\$ 10,913,538</u>	<u>\$ 822,216</u>	<u>\$ 24,239,029</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2019

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances –Year Ended December 31, 2019

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>Duncan Economic Development Trust Authority (DEDTA)</u>	<u>Capital Improvement Fund</u>		
REVENUES					
Taxes	\$ 10,388,920	\$ 1,969,926	\$ 3,939,852	\$ 316,993	\$ 16,615,691
Intergovernmental	1,644,294	-	45,512	215,644	1,905,450
Licenses and permits	136,402	-	-	-	136,402
Charges for services	330,386	-	-	10,326	340,712
Fees and fines	806,437	-	-	9,200	815,637
Investment earnings	33,083	8,868	122,011	-	163,962
Miscellaneous	214,141	32,237	447,470	59,287	753,135
Total revenues	<u>13,553,663</u>	<u>2,011,031</u>	<u>4,554,845</u>	<u>611,450</u>	<u>20,730,989</u>
EXPENDITURES					
Current:					
General government	2,463,236	-	898	9,254	2,473,388
Community development	596,848	-	-	-	596,848
Public safety	11,221,345	-	-	47,874	11,269,219
Highways and streets	831,481	-	-	234,977	1,066,458
Health	392,561	-	-	-	392,561
Culture and recreation	1,251,887	-	-	18,279	1,270,166
Economic development	-	690,400	-	-	690,400
Capital outlay	-	829,518	6,709,303	273,626	7,812,447
Debt Service:					
Principal	-	85,714	343,065	-	428,779
Interest and other charges	-	-	28,329	-	28,329
Total expenditures	<u>16,757,358</u>	<u>1,605,632</u>	<u>7,081,595</u>	<u>584,010</u>	<u>26,028,595</u>
Excess (deficiency) of revenues over expenditures	<u>(3,203,695)</u>	<u>405,399</u>	<u>(2,526,750)</u>	<u>27,440</u>	<u>(5,297,606)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	-	337,211	-	337,211
Transfers in	4,097,845	-	-	-	4,097,845
Transfers out	-	-	(347,043)	(97,845)	(444,888)
Total other financing sources and uses	<u>4,097,845</u>	<u>-</u>	<u>(9,832)</u>	<u>(97,845)</u>	<u>3,990,168</u>
Net change in fund balances	894,150	405,399	(2,536,582)	(70,405)	(1,307,438)
Fund balances - beginning	1,882,085	7,998,493	12,191,269	726,392	22,798,239
Fund balances - ending	<u>\$ 2,776,235</u>	<u>\$ 8,403,892</u>	<u>\$ 9,654,687</u>	<u>\$ 655,987</u>	<u>\$ 21,490,801</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2019

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – December 31, 2019

Total fund balance, governmental funds	\$	21,490,801
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 statements, but are reported in the governmental activities of the Statement of Net Position.		40,658,704
Certain outflows and inflows are a consumption of or acquisition of resources applicable to a future period, and therefore are not reported in the funds:		
Pension related deferred outflows		7,624,218
Pension related deferred inflows		(6,534,438)
OPEB related deferred outflows		503,024
OPEB related deferred inflows		(1,287,987)
Certain assets are not available to pay for current fund liabilities and therefore are deferred inflows in the funds:		
Unavailable revenues		301,352
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Net pension asset		50,850
Some liabilities 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:		
Interest payable		(13,120)
Net pension liability		(12,914,979)
Total OPEB liability		(3,509,464)
Accrued compensated absences		(1,504,813)
Capital leases payable		(1,081,987)
Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds are reported in governmental activities:		
Internal service fund net position (deficit)		(186,836)
Net Position of Governmental Activities in the Statement of Net Position	\$	43,595,325

The accompanying notes are an integral part of these financial statements.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2019

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Year Ended December 31, 2019

Net change in fund balances - total governmental funds: \$ (1,307,438)

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	2,824,713
Depreciation expense	(3,931,560)
Contributed assets	23,297

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The governmental fund financial statements report pension contributions as expenditures.

2,954,952

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Change in unavailable revenue	(201,649)
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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:

Change in accrued compensated absences	(144,227)
Change in total OPEB liability	76,909
Payments on note payable	85,714
Capital lease proceeds	(337,211)
Payments on capital leases payable	343,063

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	(5,632)
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Internal service fund activity is reported as a proprietary fund in fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities:

Total change in net position of governmental activities, net of amount allocated to business type activities -internal service funds	470,984
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Change in net position of governmental activities	\$ 851,915
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The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2019**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2019

Proprietary Funds Statement of Net Position –December 31, 2019

	Duncan Public Utilities Authority Enterprise Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,711,319	\$ 259,650
Restricted:		
Cash and cash equivalents	2,286,264	-
Due from other funds	300,000	-
Accounts receivable, net	4,264,193	-
Receivables from other governments	86,400	-
Other receivables	17,847	-
Inventories	674,117	-
Prepaid items	16	-
Annuities receivable	-	57,199
Total current assets	19,340,156	316,849
Non-current assets:		
Restricted:		
Investments	4,636,425	-
Investment in joint venture	87,138	-
Capital assets:		
Land and construction in progress	3,026,828	-
Other capital assets, net of accumulated depreciation	52,986,910	-
Total non-current assets	60,737,301	-
Total assets	80,077,457	316,849
DEFERRED OUTFLOW OF RESOURCES		
Deferred amounts related to pension	7,572,932	-
Deferred amounts on refunding	847,209	-
Deferred amounts related to OPEB	371,224	-
	8,791,365	-
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,251,552	6,438
Salaries payable	28,554	-
Accrued interest payable	180,381	-
Payable to other governments	11,201	-
Deposits subject to refund	1,093,461	-
Compensated absences	32,258	-
Capital lease obligation	181,615	-
Claims and judgments	-	151,394
Notes payable	4,383,934	-
Total current liabilities	8,162,956	157,832
Non-current liabilities:		
Compensated absences, net of current portion	290,325	-
Capital lease obligation	528,553	-
Claims and judgments, net of current portion	-	227,092
Net pension liability	20,376,668	-
Total OPEB liability	1,263,407	-
Notes payable, net of current portion	27,638,136	-
Total non-current liabilities	50,097,089	227,092
Total liabilities	58,260,045	384,924
DEFERRED INFLOW OF RESOURCES		
Deferred amounts related to pension	4,802,170	-
Deferred amounts related to OPEB	414,358	-
	5,216,528	-
NET POSITION		
Net investment in capital assets	24,128,709	-
Restricted for debt service	5,654,259	-
Unrestricted (deficit)	(4,390,719)	(68,075)
Total net position	\$ 25,392,249	\$ (68,075)
Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund balances are included with business-type activities and reported as interfund balances	\$ 118,761	
Total net position per Government-Wide financial statements	\$ 25,511,010	

The accompanying notes are an integral part of these financial statements.

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Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position –Year Ended December 31, 2019

	Duncan Public Utilities Authority Enterprise Fund	Internal Service Fund
REVENUES		
Water	\$ 8,239,771	\$ -
Electric	19,617,531	-
Wastewater	2,379,966	-
Sanitation	3,679,195	-
Lake	163,735	-
Airport	42,292	-
Charges for services	-	756,205
Miscellaneous	285,595	-
Total operating revenues	<u>34,408,085</u>	<u>756,205</u>
OPERATING EXPENSES		
General government	2,147,496	107,387
Water	4,525,244	-
Wastewater	1,000,378	-
Sanitation	3,427,256	-
Electric	15,428,320	-
Lake	764,533	-
Airport	40,923	-
Claims expense	-	59,919
Depreciation	3,809,819	-
Total operating expenses	<u>31,143,969</u>	<u>167,306</u>
Operating income	<u>3,264,116</u>	<u>588,899</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	142,437	1,420
Miscellaneous revenue	397,720	95,440
Gain on capital asset disposal	11,541	-
Interest expense	(1,018,402)	-
Total non-operating revenue (expenses)	<u>(466,704)</u>	<u>96,860</u>
Income before contributions and transfers	<u>2,797,412</u>	<u>685,759</u>
Capital grants and contributions	432,510	-
Capital contributions from governmental activities	4,816,516	-
Transfers in	347,043	-
Transfers out	(4,000,551)	-
Change in net position	<u>4,392,930</u>	<u>685,759</u>
Total net position - beginning	20,999,319	(753,834)
Total net position - ending	<u>\$ 25,392,249</u>	<u>\$ (68,075)</u>
Change in net position per above	\$ 4,392,930	
Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue of certain internal service fund are reported with business-type activities	214,775	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements	<u>\$ 4,607,705</u>	

The accompanying notes are an integral part of these financial statements.

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Proprietary Funds Statement of Cash Flows – Year Ended December 31, 2019

	Duncan Public Utilities Authority	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 33,730,971	\$ 789,097
Payments to suppliers and employees	(22,437,445)	(106,913)
Claims and judgments paid	-	(196,700)
Receipts of customer meter deposits	359,508	-
Refunds of customer meter deposits	(365,169)	-
Interfund receipts	622,905	-
Interfund payments	-	(622,905)
Net cash provided by (used in) operating activities	11,910,770	(137,421)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	347,043	-
Transfers to other funds	(4,000,551)	-
Net cash provided by (used in) noncapital financing activities	(3,653,508)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(762,803)	-
Proceeds of capital grants	346,110	-
Proceeds from sale of capital assets	11,541	-
Proceeds from debt	564,648	-
Principal paid on debt	(4,273,492)	-
Interest and fiscal agent fees paid on debt	(1,023,892)	-
Net cash provided by (used in) capital and related financing activities	(5,137,888)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	798,562	-
Interest and dividends	17,552	1,420
Net cash provided by investing activities	816,114	1,420
Net increase (decrease) in cash and cash equivalents	3,935,488	(136,001)
Balances - beginning of year	10,062,095	395,651
Balances - end of year	\$ 13,997,583	\$ 259,650
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 11,711,319	\$ 259,650
Restricted cash and cash equivalents - current	2,286,264	-
Total cash and cash equivalents, end of year	\$ 13,997,583	\$ 259,650
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,264,116	\$ 588,899
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	3,809,819	-
Miscellaneous income	397,720	95,440
Change in assets, liabilities, and deferrals:		
Due from other funds	622,905	-
Accounts receivable	(1,098,640)	-
Due from other governments	-	(622,905)
Other receivable	23,806	-
Inventory	234,870	-
Deferred outflows related to pension	(5,477,619)	-
Deferred outflows related to OPEB	(245,779)	-
Accounts payable	241,085	(57,199)
Accrued payroll payable	(98,719)	-
Deposits subject to refund	(5,661)	-
Due to other funds	-	474
Due to other governments	(142)	-
Total OPEB liability	82,478	-
Deferred inflows related to OPEB	164,120	-
Accrued compensated absences	40,195	(136,781)
Deferred inflows related to pension	(957,158)	-
Annuities payable	-	(5,349)
Net pension liability	10,913,374	-
Net cash provided by (used in) operating activities	\$ 11,910,770	\$ (137,421)
Noncash activities:		
Assets acquired by capital lease	\$ 120,431	\$ -
Assets transferred from other funds	4,816,516	-
	\$ 4,936,947	\$ -

The accompanying notes are an integral part of these financial statements.

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BASIC FINANCIAL STATEMENTS – FIDUCIARY FUNDS

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Fiduciary Funds Statement of Net Position –December 31, 2019

	City Employees Retirement Trust Funds
ASSETS	
Cash and cash equivalents	\$ 260,649
Investments, at fair value:	
Common trust funds	2,620,323
Mutual fund equity	1,913,330
Mutual fund fixed income	3,722,555
Accrued interest receivable	2,806
Total assets	\$ 8,519,663
LIABILITIES	
Total liabilities	\$ -
NET POSITION	
Restricted for employees' pension benefits held in trust	\$ 8,519,663

The accompanying notes are an integral part of these financial statements.

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Fiduciary Funds Statement of Changes in Plan Net Position – Year Ended December 31, 2019

	City Employees Retirement Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 774,573
Plan members	218,367
Miscellaneous receipts	17,336
Total contributions	1,010,276
Investment earnings:	
Net increase (decrease) in fair value of investments	1,104,129
Interest and dividends	223,647
Total net investment earnings	1,327,776
Total additions	2,338,052
DEDUCTIONS	
Benefits paid to participants or beneficiaries	1,722,777
Refunds of contributions	150,758
Administrative	35,050
Total deductions	1,908,585
Change in net position held in trust for employees' pension benefits	429,467
Net position held in trust for employees' pension benefits - beginning	8,090,196
Net position held in trust for employees' pension benefits- ending	\$ 8,519,663

The accompanying notes are an integral part of these financial statements.

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BASIC FINANCIAL STATEMENTS – DISCRETELY PRESENTED COMPONENT UNITS

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Discretely Presented Component Units Combining Statement of Net Position –December 31, 2019

	<u>Major Component Units</u>		<u>Nonmajor Component Unit</u>	<u>TOTALS</u>
	<u>Duncan Area Economic Development Foundation</u>	<u>Duncan Industrial Authority</u>	<u>Duncan Hospital Authority</u>	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,017,218	\$ 219,670	\$ 25,613	\$ 3,262,501
Investments	3,600,796	-	-	3,600,796
Receivables:				
Accounts receivable	5,490	-	-	5,490
Interest receivable	10,754	-	-	10,754
Other	45	1,497	-	1,542
Cash and cash equivalents, restricted	116,396	-	-	116,396
Prepaid building lease	14,508	-	-	14,508
Total current assets	<u>6,765,207</u>	<u>221,167</u>	<u>25,613</u>	<u>7,011,987</u>
Noncurrent Assets:				
Capital Assets:				
Depreciable, net of accumulated depreciation	10,375,641	-	-	10,375,641
Land available for development	1,079,550	76,724	-	1,156,274
Total noncurrent assets	<u>11,455,191</u>	<u>76,724</u>	<u>-</u>	<u>11,531,915</u>
Total Assets	<u>\$ 18,220,398</u>	<u>\$ 297,891</u>	<u>\$ 25,613</u>	<u>\$ 18,543,902</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 10,270	\$ -	\$ 10,270
Wages payable	1,012	-	-	1,012
Interest payable	2,192	-	-	2,192
Unearned lease revenue	4,000	-	-	4,000
Real estate mortgage loan	476,066	-	-	476,066
Total Current Liabilities	<u>483,270</u>	<u>10,270</u>	<u>-</u>	<u>493,540</u>
Noncurrent Liabilities:				
Real estate mortgage loan	417,748	-	-	417,748
Total Noncurrent Liabilities	<u>417,748</u>	<u>-</u>	<u>-</u>	<u>417,748</u>
Total Liabilities	<u>901,018</u>	<u>10,270</u>	<u>-</u>	<u>911,288</u>
NET POSITION				
Net investment in capital assets	12,353,942	76,724	-	12,430,666
Restricted	4,965,438	-	-	4,965,438
Unrestricted	-	210,897	25,613	236,510
Total Net Position	<u>\$ 17,319,380</u>	<u>\$ 287,621</u>	<u>\$ 25,613</u>	<u>\$ 17,632,614</u>

The accompanying notes are an integral part of these financial statements.

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Discretely Presented Component Units Combining Statement of Activities - Year Ended December 31, 2019

	Major Component Units		Nonmajor Component Unit	TOTALS
	Duncan Area Economic Development Foundation	Duncan Industrial Authority	Duncan Hospital Authority	
Operating Revenues:				
Contributions	\$ 682,463	\$ -	\$ -	\$ 682,463
Rentals	(32,423)	-	-	(32,423)
Total Operating Revenues	<u>650,040</u>	<u>-</u>	<u>-</u>	<u>650,040</u>
Operating Expenses:				
Economic development	706,853	118,401	-	825,254
Total Operating Expenses	<u>706,853</u>	<u>118,401</u>	<u>-</u>	<u>825,254</u>
Operating Income (Loss)	(56,813)	(118,401)	-	(175,214)
Non-Operating Revenues:				
Investment income	120,117	4,944	167	125,228
Miscellaneous income	2,086	-	-	2,086
Gain on sale of assets	14,139	-	-	14,139
Total non-operating revenues	<u>136,342</u>	<u>4,944</u>	<u>167</u>	<u>141,453</u>
Change in Net Position	79,529	(113,457)	167	(33,761)
Net Position, beginning of year	<u>17,239,851</u>	<u>401,078</u>	<u>25,446</u>	<u>17,666,375</u>
Net Position, end of year	<u>\$ 17,319,380</u>	<u>\$ 287,621</u>	<u>\$ 25,613</u>	<u>\$ 17,632,614</u>

The accompanying notes are an integral part of these financial statements.

I. Organization

The City of Duncan, Oklahoma, (the City) operates under a Council-Manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

II. Summary of significant accounting policies

A. Reporting entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations. The City's financial statements also include three discretely presented component units, which are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended component units. The Duncan Public Utilities Authority (DPUA) was created to finance, develop, and operate the electric, water, sewer, and solid waste activities. The current City Council serves as the entire governing body (trustees) and city management has operational responsibility of the DPUA. Any issuance of debt would require a two-thirds approval of the City Council. DPUA is reported as an enterprise fund.

The Duncan Economic Development Trust Authority (DEDTA) was created to develop, finance, and promote the development of industry within the City of Duncan and the surrounding area. The current City Council serves as its entire governing body (trustees) and city management has operational responsibility of the DEDTA. Any issuance of debt would require a two-thirds approval of the City Council. DEDTA is reported as a special revenue fund.

Duncan Enhancement Trust Authority (DETA) was created to develop, finance, and promote the beautification and aesthetic enhancement of the appearance of the City. The current City Council serves as its entire governing body (trustees) and city management has operational responsibility of the DETA. Any issuance of debt would require a two-thirds approval of the City Council. DETA is reported as a special revenue fund.

Separate, stand-alone financial statements are not prepared for the blended component units.

Discretely presented component units. Duncan Industrial Authority (DIA) was created to finance, promote, develop and maintain industry within the City of Duncan and the surrounding area. The governing body is appointed by the City Council. Any issuance of debt requires a two-thirds approval of the City Council. The DIA issues separate, stand-alone financial statements, which are available by contacting that entity at Box 1468, Duncan, OK 73534. The DIA fiscal year end is June 30, and this information included herein for DIA is as of and for the fiscal year ended June 30, 2019.

Duncan Hospital Authority (DHA) was created to provide financing for physical plant facilities, improvements, equipment, and medical services for the purpose of providing or improving health care within the City of Duncan. The governing body is appointed by the City Council. Any

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issuance of debt requires a two-thirds approval of the City Council. The DHA assets consists of a savings account remaining from when the City owned and operated the hospital. The Authority does not issue separate, stand-alone financial statements.

Duncan Area Economic Development Foundation (the “DAEDF”) was created as a non-profit corporation December 19, 1954 to promote industry development and job creation within the City and surrounding area. It is a legally separate, tax-exempt component unit of the City. The DAEDF receives the majority of its resources through a sales tax allocation from the City and these resources are restricted to directly benefit the constituents of the City, or the City itself. Because these restricted resources held by the DAEDF can only be used by, or for the benefit of the City or the City’s constituents, the DAEDF is considered a component unit of the City and its financial statements are discretely presented in the City’s financial statements. The DAEDF issues separate, stand-alone financial statements, which are available by contacting that entity at Box 1051, Duncan, OK 73534.

Each of these components, with the exception of the DAEDF (which is a non-profit organization), listed above are Public Trusts established pursuant to Title 60 of the 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. In accordance with the state law, the City Council must approve, by two-thirds vote, all debt obligations of these public trusts prior to incurring the obligation. 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 from the Authorities 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.

Jointly Governed Organizations

The City, participates (with equity interest) in the general operations portion of the South Central Oklahoma Environmental Authority (SCOEA). The City maintains approximately 78.9% equity interest in the Authority with the City’s of Marlow and Comanche.

The SCOEA’s Board is composed of three trustees one appointed by each governing body. SCOEA was created for the purpose of providing sanitation services to the three cities. SCOEA has contracted with a third party to perform these services. SCOEA operates on a fiscal year ending each June 30. The City paid the SCOEA \$3,137,015 in FY 2019 in connection with these sanitation services.

For the year ended June 30, 2019, the “investments in joint venture” balance changed as follows:

Beginning investment in joint venture	\$86,359
Current year contributions	<u>780</u>
Beginning investment in joint venture	<u>\$87,139</u>

The Following summary is segment information from the SCOEA most recently issued annual audited financial report, which was for the period ended June 30, 2019:

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Total Assets	\$831,810
Total Liabilities	721,369
Total Net Position	110,441
Total Revenues	4,308,565
Total Expenses	4,307,577
Increase in Net Position	988

In addition, at June 30, 2019, SCOEA had paid off all notes payable. Separate financial statements are available from the Finance Department of the City Duncan.

B. Government-wide and fund financial statements

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Combined and/or individual financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and budgeted. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement type grants are recorded as revenues when the related expenditures are incurred. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, property taxes, franchise taxes, licenses, court fines and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following fund types:

General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for certain purposes.

Debt Service Funds are used to account for ad-valorem taxes levied by the City for use in retiring judgments rendered against the City.

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects.

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-type activities provided to the general public. Internal service funds are used to account for business-type activities provided and charged to other funds or entities within the reporting entity.

Fiduciary funds are used to report net position and changes therein of assets held by the City in a fiduciary capacity. The net position is not available for operations of the City and is not included in the Government-wide financial statements. The City reports a Pension Trust Fund.

The funds of the financial reporting entity are described below:

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The most significant operating revenue is the sales tax. For reporting purposes the General Fund also includes the activities of the following accounts: Fire Uniform Allowance, Hunting and Fishing, and Deposit and Refund.
- The Duncan Economic Development Trust Authority is a special revenue fund that accounts for sales tax restricted for the promotion of economic development.

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- The Capital Improvement fund accounts for the purchase of capital equipment and construction of facilities funded with sales tax.

The City reports the following major proprietary fund:

- The Duncan Public Utilities Authority, accounts for the City's electric, water, sewer, sanitation, lake and airport operations. The funds major revenue source is user charges.

The City reports the following internal service funds:

- Worker's Comp internal service fund accounts for workers' compensation insurance services provided to other departments or agencies of the City based on premiums charged per full-time employee.
- Self-Insurance/Internal service fund accounts for liability claim services and unemployment claims provided to other departments or agencies of the City based on premiums charged per full-time employee.

Included in the aggregated other governmental fund totals are the following funds:

- The Street and Alley Fund accounts for the operation and maintenance of local streets and thoroughfares through dedicated taxes.
- The Cemetery Care Fund accounts for the continuing care and maintenance as well as future capital investments of the City owned cemetery funded with fees restricted by external sources.
- The Library Gifts and Grants Fund accounts for grants and donations restricted for the operations of the library.
- The CDBG Grant Funds account for federal funds received by the City and expenditures related to the operation of these grants.
- The E-911 Dispatch Fund accounts for the operations and maintenance of the City's 911 emergency services through dedicated taxes.
- The Police Grants and Seizures Fund account for grants and seized property funds for police operations.
- The Technology Fund accounts for funds committed for technology improvements related to municipal court.
- Duncan Enhancement Trust Authority account for funds restricted for city wide beautification.
- The Sinking Fund accounts for advalorm tax collected to retire judgments levied against the City.

The City reports one fiduciary fund:

- City Employees Retirement Trust Fund accounts for assets and changes therein of the City's single employer defined benefit plan for non-uniform personnel hired before March 2015, and the defined contribution plan for certain long-term city employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges

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between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Duncan Public Utilities Authority enterprise fund and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, deferred outflows, liabilities, deferred inflows, and fund equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less at the date of acquisition. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments consist of long-term certificates of deposit, U.S. Treasury bonds and notes, U.S. agency securities, government money market funds, mutual funds and common stock (in the employee retirement fund only). Although classified as investments for purposes of the statement of cash flows, certificates of deposit are considered deposits and are reported at cost, while all other investments are reported at fair value. Fair value is the price that would be received in an orderly transaction between market participants at the measurement date.

2. Receivable and payable

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In addition, because the City has a pooled cash arrangement for the majority of its funds, for financial reporting purposes, a negative position in the pooled cash fund is reflected as a due to other funds, with corresponding due from other funds presented in funds with positive cash positions in the pooled cash fund.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for governmental activities include sale and use taxes, franchise taxes, grant and court fines. Non-exchange transactions collectible but not available are deferred inflows (unavailable revenues) in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Business-type activities report utilities as its major

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receivable, and include receivables for which services have been provided but not billed as of the end of the fiscal year. Accounts receivable are net of the allowance for doubtful accounts.

3. *Restricted assets*

Certain proceeds of the DPUA enterprise fund promissory notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the Proprietary Funds Statement of Net Position because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants. The projects fund account is used to report those proceeds that are restricted for use in construction. The debt service fund account is used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt services account. The Waurika debt service account is used to segregate resources from a one-cent restricted sales tax accumulated for debt service payments over the remaining life of the notes.

4. *Inventories*

Inventories in proprietary funds consist of transformers, electrical supplies and other materials held for utility installation. The items are recorded at cost when purchased and transferred to capital assets when used if the item is an improvement that extends the life of the asset, or they are expensed.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	20-75
Furniture, equipment, and vehicles	2-40

DAEDF capitalizes individual items of property and equipment when the cost exceeds \$5,000.

6. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation benefits after six months of employment. Sick leave is earned by full-time, permanent employees upon hire. City employees are entitled to payment for accrued vacation benefits upon termination with a maximum of 520 hours and accrued compensatory time with a maximum of 40 hours. Firefighters are paid 85% of excess sick leave over 1,040 hours per year, not to exceed 108 hours. Upon retirement, police officers are paid 20% of total accrued sick leave up to a maximum of 1,040 hours. The General Fund is used to liquidate compensated absences in the governmental activities.

Vacation pay is accrued when earned and sick leave is recorded when vested in the government-wide and proprietary fund financial statements. In governmental funds, these amounts are recorded when they are due and payable.

7. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statements of Net Position. If applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using a neutral method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are also reported as other financing sources, and discounts are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, and principal payments are reported as debt service expenditures.

8. *Deferred Outflow/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenues) until that time. The City reports deferred outflows and deferred inflows for items related to pensions, OPEB, and deferred costs related to refundings. The City also reports deferred inflows of resources for unavailable revenues, court fines and grants, in its governmental funds financial statements.

9. Fund equity

Government-Wide and Proprietary Fund Financial Statements:

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 improvements of those assets.
- 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.”

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial 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, while the DETA and DEDTA’s highest levels of decision-making authority are by resolution.
- 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, motion or resolution, or by management decision when the city council has authorized management (city manager) to make the decision. 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.

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

E. Revenues, Expenditures, and Expenses

1. Sales Tax

The City levies a three and one-half cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded as follows:

- Two (2) cents recorded in the General Fund for general operations. Fifty-five one hundredths (.55) of one cent is then transferred from the General Fund to the DPUA as pledged revenue for the 2007 Sales Tax Revenue Note, in accordance with the pledged sales tax agreement.
- One (1) cent recorded in the Capital Improvement Fund as restricted by the voters for capital improvement or for debt service payments on capital projects.
- One-half (.50) cent recorded in the Duncan Economic Development Trust Authority (DEDTA) as restricted by the voters for economic development (.25) and capital improvements (.25).

2. Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

Oklahoma State Statutes give the City the ability to levy a property tax to fund court assessed judgments and general obligation bonds. The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent or more than 13 ½ percent.

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are considered delinquent the following October. Property taxes levied, but not collected during the year or within 60 days of the year-end are reported as deferred inflows of resources.

For the year ended December 31, 2019, the city failed to file the sinking fund estimate of needs timely. The levy for 2019 will be added to the 2020 levy.

3. Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each category:

- General Government – rents and royalties, special assessments, and federal and state operating and capital grants.
- Public Safety – court fines and fees, fire runs, restitution, school resource officer reimbursements, state on-behalf pension payments, property seizures, and federal and state capital and operating grants.
- Streets – reimbursements, motor fuel and commercial vehicle taxes, and federal and state grants.
- Cemetery – cemetery opening and closings, lot sales, and monument fees.
- Culture and Recreation – park and recreation fees, library fines and fees, donations, swimming pool fees, lake permits and fees, donations and federal and state capital and operating grants.
- Community Development – license and permits.
- Economic Development – reimbursements and fees.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

4. Expenditures/Expenses

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by function, capital outlay, and debt service. In proprietary fund financial statements, expenses are reported by activity. Fiduciary funds report deductions to net position.

F. Use of Estimates

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

III. Detailed Notes on All Funds

A. Deposits and investments – The City held the following deposits/investments at December 31, 2019:

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PRIMARY GOVERNMENT:

Schedule of Deposits and Investments by Type

Type	Fair Value	Credit Rating	Fair Value Category	Maturities in Years				
				Less Than One	1 - 5	6 - 10	11-20	20+
Government money markets	\$ 948,067	AAA	n/a	948,067	-	-	-	-
US Agency	7,830,237	AA+	Level 2	-	-	-	-	7,830,237
Mutual funds fixed income	8,044,971	not rated	Level 2	8,044,971	-	-	-	-
Sub-total	16,823,275			\$ 8,993,038	\$ -	\$ -	\$ -	\$ 7,830,237
Demand accounts	\$ 27,384,493	n/a	n/a					
Cash on hand	2,843	n/a	n/a					
Mutual Funds:								
Equity	1,913,329	n/a	Level 1					
Common trust fund equity	2,620,323	n/a	Level 1					
	\$ 48,744,263							
Reconciliation to Statement of Net Position:								
Cash and cash equivalents	\$ 30,110,906							
Cash and cash equivalents restricted	2,286,264							
Investments	3,193,811							
Investments, restricted	4,636,425							
Pension cash and cash equivalents	260,649							
Pension investments	8,256,208							
	\$ 48,744,263							

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of an asset. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date; Level 2 inputs are quoted prices for similar assets or significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical investments. Fixed income investments classified in Level 2 of the fair value hierarchy are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors. Valuation estimates from service providers' internal models use observable inputs such as interest rates, graded curves, credit/risk spreads and default rates. Matrix pricing techniques value securities based on their relationship to benchmark quoted market prices.

The City has adopted an investment policy for the general City accounts, Duncan Public Utilities Authority, and the Duncan Economic Development Trust Authority, as discussed below in the City's policies on Investment Credit Risk. A separate policy has been adopted for the City Retirement Plan.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than a market value of 102% of the uninsured deposits. The City's policy limits acceptable collateral to U.S. Treasury bills, notes or bonds; Government National Mortgage Association obligations; Student Loan Marketing Association obligations, Federal National Mortgage Association obligations; Federal Home Loan Mortgage Corporation obligations; Small Business Association obligations; Federal Farm Credit Bank obligations; Federal Land Bank obligations; Federal Home Loan Bank obligations; and insured or

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direct obligations of the State of Oklahoma or its' agencies, counties or school districts. At December 31, 2019, the City's deposits were fully insured and collateralized.

Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. At December 31, 2019, the City had no investments that are exposed to custodial credit risk.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments by date range as outlined in the table above. The City of Duncan's formal investment policy requires that the portfolio be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the City's legal constraints, investment risk constraints and the cash flow characteristics of the portfolio.

Investment Credit Risk. Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The City's investments are subject to credit risk as shown in the table above. The City of Duncan's policy limits investments to those items allowed in State Statutes: a) obligations of the U.S. Government, its agencies or instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; b) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; c) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; d) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes or public trusts whose beneficiary is a county, municipality or school district; and e) government money market funds regulated by the SEC.

Concentration of Investment Credit Risk. Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this consideration. All U.S. Agencies investments held by the city are explicitly guaranteed by the U.S. government.

PENSION PLAN INVESTMENTS:

The Plan policy provides that assets be invested to provide for "growth and income" with the primary objective to provide a balance between capital appreciation and current income. The Plan shall be invested in a diversified portfolio that will provide current income to pay retirees and equity investments for long-term growth. The overall rate of return objective of the portfolio is a reasonable "real" rate, consistent with the risk levels established by the Pension Board. The minimum acceptable long-term rate of return over a full market cycle (5 year) is that which achieves the total return of its benchmark while maintaining a risk level similar to, or less than, that of the benchmark.

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Asset allocation guidelines for the Plan are as follows:

Class	Target Percent	December 2019 Percent
Equities	45-65%	26%
Small Cap Equities	Up to 25%	22%
International Equities	Up to 15%	4%
Fixed Income	35%-55%	44%
Cash and equivalents	0% to 5%	3%

Concentration of Investment Credit Risk. Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Plan (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this consideration. All investments of the plan are in common trust funds, money markets or cash at December 31, 2019.

Rate of return – For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.4 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

COMPONENT UNITS:

The DIA was not exposed to custodial credit risk at December 31, 2019. The \$219,670 of cash and cash equivalents was held in cash deposits and interest-bearing certificate of deposits were insured by Federal Depository Insurance (FDIC). The DIA 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.

The DHA was not exposed to custodial credit risk at December 31, 2019. The \$25,613 of cash and cash equivalents was held in cash deposits fully insured by Federal Depository Insurance (FDIC) or direct obligations of the U.S. government. The DHA 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.

The DAEDF total demand deposits and certificates of deposit in banks were \$1,141,185 of which \$1,058,330 were covered by FDIC insurance. The deposits are placed with quality financial institutions and management believes the risk of loss is minimal. In addition, DAEDF held \$873,609 of Federal Home Loan Bank Bonds (Level II securities) bearing interest at 1.50%; and certificates of deposit totaling \$2,727,187 with interest from .85% to 2.35% with maturities from November 2020 to April 2021.

B. Receivables

Receivables as of December 31, 2019, for the City of Duncan’s governmental and business-type activities, including the applicable allowances for uncollectible accounts are as follows:

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	<u>Accounts Receivable</u>	<u>Less: Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
Governmental Activities:			
Taxes	\$ 126,972	\$ -	\$ 126,972
Court fines	1,448,899	(1,021,190)	427,709
Annuities	57,199	-	57,199
Other	67,973	-	67,973
Total Governmental Activities	<u>\$ 1,701,043</u>	<u>\$ (1,021,190)</u>	<u>\$ 679,853</u>
Business-Type Activities:			
Utilities	<u>\$ 4,428,153</u>	<u>\$ (146,113)</u>	<u>\$ 4,282,040</u>

C. Restricted assets

The amounts reported as restricted assets of the business-type activities are comprised of assets held by the trustee bank on behalf of the Duncan Public Utilities Authority related to their required revenue note and bond accounts, as well as deposits held for refund.

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Noncurrent Investments</u>	<u>Total</u>
Due to Depositors	\$ 1,089,343	\$ -	\$ 1,089,343
Trustee Accounts:			
2009A Debt Service Account	86,374	-	86,374
2009A SRF	44,178	-	44,178
OWRB 2002A Debt Service Account	63,346	-	63,346
2012 Note Revenue Account	309,316	-	309,316
Waurika Debt Service	693,707	4,636,425	5,330,132
Total Restricted Assets	<u>\$ 2,286,264</u>	<u>\$ 4,636,425</u>	<u>\$ 6,922,689</u>

DAEDF restricted assets consist of unexpended sales tax funds transferred from the primary government to be used for economic development.

D. Capital Assets

The following is a summary of changes in capital assets during fiscal year 2019 for the primary government:

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PRIMARY GOVERNMENT:

	Balance at January 1, 2019	Additions	Deductions	Balance at December 31, 2019
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,232,295	\$ 2,417	\$ -	\$ 1,234,712
Construction in progress	1,643,686	1,295,793	2,882,335	57,144
Total capital assets not being depreciated	<u>2,875,981</u>	<u>1,298,210</u>	<u>2,882,335</u>	<u>1,291,856</u>
Capital assets being depreciated:				
Buildings	23,049,880	3,172,462	-	26,222,342
Machinery, furniture and equipment	14,732,570	1,288,248	337,999	15,682,819
Infrastructure	93,551,763	-	-	93,551,763
Total other capital assets at historical cost	<u>131,334,213</u>	<u>4,460,710</u>	<u>337,999</u>	<u>135,456,924</u>
Less accumulated depreciation for:				
Buildings	12,640,450	815,894	-	13,456,344
Machinery, furniture and equipment	10,875,266	837,468	309,424	11,403,310
Infrastructure	68,952,224	2,278,198	-	71,230,422
Total accumulated depreciation	<u>92,467,940</u>	<u>3,931,560</u>	<u>309,424</u>	<u>96,090,076</u>
Capital assets being depreciated, net	<u>38,866,273</u>	<u>529,150</u>	<u>28,575</u>	<u>39,366,848</u>
Governmental activities capital assets, net	<u>\$ 41,742,254</u>	<u>\$ 1,827,360</u>	<u>\$ 2,910,910</u>	<u>\$ 40,658,704</u>

	Balance at January 1, 2019	Additions	Deductions	Balance at December 31, 2019
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 374,176	\$ -	\$ -	\$ 374,176
Construction in progress	1,082,866	3,282,234	1,712,448	2,652,652
Total capital assets not being depreciated	<u>1,457,042</u>	<u>3,282,234</u>	<u>1,712,448</u>	<u>3,026,828</u>
Capital assets being depreciated:				
Buildings	21,286,762	3,344,160	-	24,630,922
Machinery, furniture and equipment	7,457,677	896,166	211,158	8,142,685
Utility property	99,200,908	-	-	99,200,908
Water rights	18,785,708	-	-	18,785,708
Total other capital assets at historical cost	<u>146,731,055</u>	<u>4,240,326</u>	<u>211,158</u>	<u>150,760,223</u>
Less accumulated depreciation for:				
Buildings	10,982,637	811,436	-	11,794,073
Machinery, furniture and equipment	5,233,610	342,760	211,158	5,365,212
Utility property	66,627,290	2,422,667	-	69,049,957
Water rights	11,331,115	232,956	-	11,564,071
Total accumulated depreciation	<u>94,174,652</u>	<u>3,809,819</u>	<u>211,158</u>	<u>97,773,313</u>
Capital assets being depreciated, net	<u>52,556,403</u>	<u>430,507</u>	<u>-</u>	<u>52,986,910</u>
Business-type activities capital assets, net	<u>\$ 54,013,445</u>	<u>\$ 3,712,741</u>	<u>\$ 1,712,448</u>	<u>\$ 56,013,738</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 182,174
Culture and recreation	310,375
Community development	12,352
Health and welfare	38,822
Economic development	167,650
Public safety	602,416
Streets	2,617,771
	<u>\$ 3,931,560</u>

Business-Type Activities:

Water	\$ 1,836,267
Wastewater	921,626
Sanitation	242,785
Electric	392,215
Lake	227,639
Airport	189,287
	<u>\$ 3,809,819</u>

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DAEDF capital assets were as follows:

	<u>Balance, December 31, 2019</u>
Duncan Area Economic Development Foundation:	
Capital assets, being depreciated:	
Buildings and improvements	\$ 16,069,560
Equipment	224,079
Total capital assets, being depreciated	<u>16,293,639</u>
Less accumulated depreciation	<u>(5,917,998)</u>
Total capital assets, being depreciated, net	<u>10,375,641</u>
Governmental activities capital assets, net	<u><u>\$ 10,375,641</u></u>

E. Long-term liabilities

Long-term liabilities of the City of Duncan as of December 31, 2019, are summarized as follows:

Governmental Activities

Capital Leases Payable:

\$91,244 capital lease agreement for the purchase of computers, payable to Arvest Bank in annual installments of \$32,220, including interest at 2.90%, with final payment due February 2020.	\$ 31,305
\$82,783 capital lease agreement for the purchase of a backhoe, payable to Arvest Bank in annual installments of \$28,979, including interest at 2.49%, with final payment due May 2020.	28,195
\$624,888 capital lease agreement for the purchase of a 2017 fire truck, payable to First Bank in annual installments of \$161,621, including interest at 2.00%, with final payment due January 2021.	313,522
\$118,180 capital lease agreement for the purchase of an asphalt machine, payable to OK State Bank in annual installments of \$25,358, including interest at 2.39%, with final payment due September 2022.	72,574

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Capital Leases Payable (continued):

\$41,946 capital lease agreement for the purchase of a tractor, payable to OK State Bank in annual installments of \$9,001, including interest at 2.39%, with final payment due September 2022.	25,759
\$73,136 capital lease agreement for the purchase of a 3-2018 Ford F150 pickups, payable to First Bank & Trust Co. in annual installments of \$25,500, including interest at 2.25%, with final payment due August 2021.	49,290
\$29,228 capital lease agreement for the purchase of a 2019 Chevrolet pickup, payable to First Bank & Trust Co. in annual installments of \$7,798, including interest at 2.75%, with final payment due August 2021.	22,199
\$76,471 capital lease agreement for the purchase of a 2019 Chevrolet street sweeper, payable to First Bank & Trust Co. in annual installments of \$16,357, including interest at 2.25%, with final payment due June 2023.	61,834
\$30,821 capital lease agreement for the purchase of a 2018 Ford F150 pickup, payable to First Bank & Trust Co. in annual installments of \$6,593, including interest at 2.25%, with final payment due August 2022.	24,928
\$46,969 capital lease agreement for the purchase of a brush truck, payable to First Bank & Trust Co. in annual installments of \$10,121, including interest at 2.50%, with final payment due September 2023.	38,036
\$29,863 capital lease agreement for the purchase of a 2018 Ford F150, payable to First Bank & Trust Co. in annual installments of \$10,432, including interest at 2.25%, with final payment due July 2021.	20,239
\$31,876 capital lease agreement for the purchase of a 2018 Ford van, payable to First Bank & Trust Co. in annual installments of \$11,224, including interest at 2.75%, with final payment due October 2021.	21,541
\$31,007 capital lease agreement for the purchase of a 2019 Ford F150, payable to First Bank & Trust Co. in annual installments of \$8,351, including interest at 3.00%, with final payment due December 2022.	23,535
\$25,652 capital lease agreement for the purchase of a 2018 Ford F250, payable to First Bank & Trust Co. in annual installments of \$6,737, including interest at 2.00%, with final payment due June 2022.	19,494
\$95,723 capital lease agreement for the purchase of a brush apparatus bed, payable to First Bank & Trust Co. in annual installments of \$20,928, including interest at 3.00%, with final payment due January 2024.	95,723
\$241,488 capital lease agreement for the purchase of a motor grader, payable to Prosperity Bank, in monthly installments of \$2,230, including interest at 3.50%, with final payment due August 2024.	233,813
	\$ 1,081,987

Compensated Absences:

Accrued compensated absences. The general fund typically has been used to liquidate this liability.	\$ 1,504,813
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Business-type Activities

Notes payable -direct borrowings:

\$12,068,282 note payable to the Waurika Lake Master Conservancy District, issued January 10, 1978, payable in monthly installments of \$55,060, including principal and interest at 3.463%, final payment due June 30, 2030. The note is secured by pledged revenues of the DPUA and a one percent sales tax restricted for debt retirement. Debt was issued for the City's use of water rights.	\$ 4,967,227
\$9,318,240 note payable to the Waurika Lake Master Conservancy District, issued November 1, 2010, payable in monthly variable amounts, final payment due October 1, 2035. The note is secured by pledged water revenues of the DPUA. Debt was issued for the City's use of water rights.	238,747
\$3,080,000 note payable to the Waurika Master Conservancy District, issued May 26, 2015, payable in monthly variable amounts, final payment due October 1, 2040. The note is secured by pledged water revenues of the DPUA. Debt was issued for the City's use of water system improvements.	2,725,911
\$6,666,600 note payable to the Waurika Master Conservancy District, issued December 2017, payable in monthly variable amounts, final payment due October 1, 2035. The note is secured by pledged water revenues of the DPUA. Debt was issued for the City's use of water system improvements.	6,587,851
\$3,606,378 note payable to the Oklahoma Water Resources Board, issued September 12, 2002, payable semi-annually with interest at 0.0%, the DPUA pays a 0.5% administrative fee, final payment due August 15, 2022. The note is secured by pledged revenues of the DPUA. Debt was issued for wastewater system improvements.	540,957
\$7,635,000 note payable to the Oklahoma Water Resources Board, originally issued September 28, 2005 and amended September 12, 2013, payable semi-annually with interest at 2.75% and an administrative fee of 0.5%, final payment due March 15, 2026. The note is secured by pledged revenues of the DPUA. Debt was issued for water system improvements.	1,529,000
\$7,755,000 note payable to the Oklahoma Water Resources Board, originally issued September 26, 2007 and amended September 12, 2013, payable semi-annually with interest at 3.20% and an administrative fee of 0.5%, final payment due September 15, 2029. The note is secured by pledged revenues of the DPUA. Debt was issued for water system improvements.	2,186,000
\$4,130,000 note payable to the Oklahoma Water Resources Board, issued March 17, 2009, payable semi-annually with interest at 3.13%, and an administrative fee of 0.5%, final payment due September 15, 2030. The note is secured by pledged revenues of the DPUA. Debt was issued for a construction of a new water tower.	2,950,000

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Notes payable - direct borrowings (continued):

\$11,245,000 note payable to the Oklahoma Water Resources Board, issued August 26, 2009, payable semi-annually with interest at 2.79% and an administrative fee of 0.5%, final payment due September 15, 2030. The note is secured by pledged revenues of the DPUA. Debt was issued to upgrade pump stations and install automated meters.	7,085,000
\$7,390,000 Series 2012 Utility System Revenue Note, issued October 12, 2012, payable to BancFirst semi-annually with interest at 2.350%, final payment due September 2021. The note is secured by pledged revenues of the DPUA. Debt was issued for the refunding of the 2002B and 2009 Notes.	1,792,000
\$20,446,00 note payable to the Oklahoma Water Resources Board, issued December 6, 2019, payable semi-annually with interest at 2.16%, and an administrative fee of 0.5%, final payment due March 15, 2052. The note is secured by pledged revenues of the DPUA. Debt was issued for a sewer infiltration reduction program.	490,920
\$11,325,000 note payable to the Oklahoma Water Resources Board, issued December 26, 2018, payable semi-annually with interest at 2.28%, and an administrative fee of 0.5%, final payment due September 15, 2050. The note is secured by pledged revenues of the DPUA. Debt was issued for a rehabilitation of the dam spillway.	<u>337,228</u>
Total notes payable	<u><u>\$ 31,430,841</u></u>

Capital Leases Payable:

\$73,660 capital lease agreement for the purchase of a backhoe, payable to First Bank & Trust Co. in annual installments of \$15,157, including interest at 2.25%, with final payment due July 2023.	\$ 60,183
\$254,532 capital lease agreement for the purchase of a 2018 Freightliner - Jetta Truck, payable to First Bank & Trust Co. in annual installments of \$54,445, including interest at 2.25%, with final payment due July 2023.	205,840
\$102,385 capital lease agreement for the purchase of a 2018 Ford F550 bucket truck, payable to First Bank & Trust Co. in annual installments of \$22,223, including interest at 2.75%, with final payment due December 2023.	82,955
\$26,004 capital lease agreement for the purchase of a 2019 Ford F250, payable to First Bank & Trust Co. in annual installments of \$9,156, including interest at 2.75%, with final payment due October 2021.	17,573

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Capital Leases Payable (continued):

\$24,129 capital lease agreement for the purchase of a 2018 Chevrolet half ton pickup, payable to First Bank & Trust Co. in annual installments of \$8,413, including interest at 2.25%, with final payment due August 2021.	16,257
\$192,443 capital lease agreement for the purchase of a 2019 M2-106 Truck with digger, payable to First Bank & Trust Co. in annual installments of \$41,769, including interest at 2.75%, with final payment due October 2023.	156,039
\$29,378 capital lease agreement for the purchase of a 2018 Chevrolet, payable to First Bank & Trust Co. in annual installments of \$7,768, including interest at 2.25%, with final payment due June 2022.	22,287
\$40,000 capital lease agreement for the purchase of four payment kiosk, payable to VenTek International, in monthly installments of \$830, including interest at 9.0%, with final payment due May 2023.	28,603
\$120,431 capital lease agreement for the purchase of 2019 bucket truck, payable to First Bank & Trust Co., in annual installments of \$32,316, including interest at 2.85%, with final payment due November 2023.	120,431
Total capital leases	<u><u>\$ 710,168</u></u>

Compensated Absences:

Accrued compensated absences. The Duncan Public Utilities Authority typically has been used to liquidate this liability.	<u><u>\$ 322,583</u></u>
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In the event of default on debt borrowed from the Oklahoma Water Resources Board (OWRB) and the DPUA Utility system Revenue Note, Series 2012 the lenders may 1) file suit for specific performance of covenants contained in the agreement; 2) accelerate maturity; 3) gain control of operations through temporary trustees; or 4) file suit to enforce or enjoin action of parties under provisions of the indenture, security agreement or lease agreement.

In the event of default on debt issued through the Waurika Master Conservancy District the District shall have all the rights and remedies at law or equity as may be allowed by law, including but not limited to, suit for specific performance of any or all of the covenants of the Authority or the City contained in the debt agreement.

Long-term liability transactions for the year ended December 31, 2019 and changes therein were as follows:

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Type of Debt	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019	Due Within One Year
Governmental Activities:					
Notes payable	\$ 85,714	\$ -	\$ 85,714	\$ -	\$ -
Capital leases payable	1,087,840	337,211	343,064	1,081,987	380,051
Accrued compensated absences	1,360,585	144,228	-	1,504,813	150,481
Claims liability	515,267	-	136,781	378,486	151,394
Total Governmental Activities	<u>\$ 3,049,406</u>	<u>\$ 481,439</u>	<u>\$ 565,559</u>	<u>\$ 2,965,286</u>	<u>\$ 681,926</u>
			Add: Total OPEB liability	3,509,464	
			Add: Net Pension Liability	12,914,979	
				<u>\$ 19,389,729</u>	
Business-Type Activities:					
Notes Payable (direct borrowings)	\$ 34,991,247	\$ 564,648	\$ 4,125,054	\$ 31,430,841	\$ 4,383,934
Premium on debt issued	627,413	-	36,184	591,229	-
Capital leases payable	738,175	120,431	148,438	710,168	181,615
Meter deposits	1,098,622	360,008	365,169	1,093,461	1,093,461
Accrued compensated absences	282,388	40,195	-	322,583	32,258
Total Business-Type Activities	<u>\$ 37,737,845</u>	<u>\$ 1,085,282</u>	<u>\$ 4,674,845</u>	<u>\$ 34,148,282</u>	<u>\$ 5,691,268</u>
			Add: Total OPEB liability	1,263,407	
			Add: Net Pension Liability	20,376,668	
				<u>\$ 55,788,357</u>	

Annual debt service requirements to maturity for long-term debt are as follows:

Fiscal Year Ending December 31,	Governmental Activities			
	Capital Leases			
	Principal	Interest		
2020	\$ 380,051	\$ 27,842		
2021	327,861	18,788		
2022	126,861	11,153		
2023	72,871	7,740		
2024	174,343	4,057		
	<u>\$ 1,081,987</u>	<u>\$ 69,580</u>		
Fiscal Year Ending December 31,	Business-Type Activities			
	Notes Payable (direct borrowings)		Capital Lease	
	Principal	Interest	Principal	Interest
2020	\$ 4,383,934	\$ 915,751	\$ 181,615	\$ 19,545
2021	3,913,667	808,381	186,670	14,460
2022	3,839,514	711,390	174,438	9,142
2023	3,926,141	612,027	167,445	10,894
2024	4,055,650	505,580	-	-
2025-2029	6,771,915	1,563,742	-	-
2030-2034	3,162,033	657,480	-	-
2035-2039	1,267,344	125,397	-	-
2040	110,643	1,433	-	-
	<u>\$ 31,430,841</u>	<u>\$ 5,901,181</u>	<u>\$ 710,168</u>	<u>\$ 54,041</u>

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DAEDF has a mortgage loan payable to finance expansion of a commercial property; permanent financing of the construction project was completed in November 2009 in the amount of \$4,500,000. The loan requires monthly payments of \$42,842 including interest at 5.508 percent until maturity on October 15, 2021. The loan is secured by commercial real estate with a net book value of \$4,153,893. Total interest paid during 2019 was \$62,547. The current loan balance is \$893,814. Future debt service requirements are as follows:

Fiscal Year Ending December 31,	DAEDF Component Unit	
	Notes Payable	
	Principal	Interest
2020	\$ 476,066	\$ 38,037
2021	417,748	10,772
	\$ 893,814	\$ 48,809

Pledge of Future Revenues

Utility Revenues Pledge – The City has also pledged future gross water, wastewater, electric and garbage revenues to repay \$3,606,378 of the 2002A Series OWRB Note Payable, \$7,635,000 of the 2005 Series OWRB Note Payable, \$7,755,000 of the 2007 Series OWRB Note Payable, \$4,130,000 of the 2009 Series OWRB Note Payable, \$11,245,000 of the 2009A series OWRB Note Payable, \$7,390,000 of the 2012 Utility Revenue Note, \$11,325,000 of the 2018 series OWRB Note Payable, and \$20,446,000 of the 2019 series OWRB Note Payable. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2022, 2026, 2029, 2030, 2030, 2021, 2050 and 2052, respectively. The total principal and interest payable for the remainder of the life of these notes is \$18,154,911. The notes are payable from the above-mentioned utility revenues. The debt service payments on the notes this year were \$3,602,378 which was 10.6% of pledged utility revenues of \$33,916,463.

Water Revenues Pledge - The City has also pledged future gross water revenues to repay \$9,318,240 of Waurika Master Conservancy District Debt. The debt was refinanced in 2017. Proceeds from the note provided water rights. The note is payable through 2035. The total principal and interest payable for the remainder of the life of the note is \$9,015,348. The note is payable from the above-mentioned utility revenues. The debt service payments on the note this year were \$327,494 which was 3.97% of pledged utility revenues of \$8,239,771.

F. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2019 is as follows:

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Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
* Capital Improvement Fund	* DEDTA	\$ 109,526	Project funding
* DPUA	* General	300,000	Negative pooled cash
		<u>\$ 409,526</u>	

* Denotes major fund.

Reconciliation to Fund Financial Statements:

	Due From	Due to	Net Interfund Balances
Governmental Funds	\$ 109,526	\$ 409,526	\$ (300,000)
Proprietary Funds	300,000	-	300,000
	<u>\$ 409,526</u>	<u>\$ 409,526</u>	<u>\$ -</u>

Reconciliation of Statement of Net Position:

Net Internal Balances	\$ 300,000
Internal Service Fund Activity reported in Business-type Activities	118,761
Net Internal Balances - Government Wide	<u>\$ 418,761</u>

A summary of interfund transfers for the fiscal year ended December 31, 2019 is as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
911 Telephone	* General	\$ 97,845	Budgeted operational transfer
* DPUA	* Capital Improvement Fund	82,235	operational cost
* DPUA	* General	4,000,000	Budgeted operational transfer
* Capital Improvement Fund	* DPUA	264,808	Capital projects
Total		<u>\$ 4,444,888</u>	

* Denotes major fund.

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 4,097,845	\$ (444,888)	\$ 3,652,957
Proprietary Funds	347,043	(4,000,551)	(3,653,508)
	<u>\$ 4,444,888</u>	<u>\$ (4,445,439)</u>	<u>\$ (551)</u>

Reconciliation to Statement of Activities:

Net transfers governmental activities	\$ 3,652,957
Transfer of capital assets to business-type activities	(4,816,516)
Transfer of capital assets to governmental activities	(90,639)
Transfers - internal activity	<u>\$ (1,254,198)</u>

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G. Net Position

Government-Wide and Proprietary Fund Financial Statements

The following table shows the net position restricted for other purposes shown on the Statement of Net Position:

Fund	Restricted By	Amount
Governmental Activities:		
Cemetery Fund	Statutory requirements	\$ 136,182
Street and Alley Fund	Statutory requirements	83,939
E911 Fund	Statutory requirements	94,140
		<u>\$ 314,261</u>
CDBG Fund	External sources	\$ 90,700
Police grants and seizures	External sources	113,420
Library grants	External sources	6,529
Economic Development Fund	External sources	8,403,892
Capital Projects Fund	External sources	9,654,687
Debt Service Fund	External sources	115,273
		<u>\$ 18,384,501</u>
Total Governmental Restricted		<u>\$ 18,698,762</u>
Reconciliation to Statement of Net Position:		
Restricted for:		
Debt service		\$ 115,273
Public Safety		207,560
Capital projects		9,654,687
Economic development		8,403,892
Other		317,350
Total Governmental Restricted		<u>\$ 18,698,762</u>

Governmental Fund Financial Statements:

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet.

	General Fund	DEDTA	Capital Improvement Fund	Other Governmental Funds	Total
Restricted for:					
Street improvements	\$ -	\$ -	\$ -	\$ 83,939	\$ 83,939
Cemetery improvements	-	-	-	136,182	136,182
CDBG programs	-	-	-	90,700	90,700
E911 dispatch	-	-	-	94,140	94,140
Debt service	-	-	-	128,393	128,393
Police	-	-	-	113,420	113,420
Economic development	-	8,403,892	-	-	8,403,892
Culture and recreation	-	-	-	6,529	6,529
Capital improvements	-	-	9,654,687	-	9,654,687
Sub-total restricted	<u>-</u>	<u>8,403,892</u>	<u>9,654,687</u>	<u>653,303</u>	<u>18,711,882</u>
Committed for:					
Technology	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,200</u>	<u>9,200</u>
Assigned for:					
Supplement next fiscal year budget	<u>959,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>959,804</u>
Sub-total assigned	<u>959,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>959,804</u>
Unassigned (deficit)	1,816,431	-	-	(6,516)	1,809,915
TOTAL FUND BALANCE	<u>\$ 2,776,235</u>	<u>\$ 8,403,892</u>	<u>\$ 9,654,687</u>	<u>\$ 655,987</u>	<u>\$ 21,490,801</u>

H. Postemployment Healthcare Plan

Plan Description. The City offers post-employment benefits (OPEB) for medical insurance to qualifying retirees and their dependents. Coverage is provided through fully-insured arrangements that collectively operate as a substantive single-employer defined benefit plan. A substantive plan is one in which the plan terms are understood by the employer and the plan members. This understanding is based on communication between the employer and the plan member and historical pattern of practice with regard to the sharing of benefit cost. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter’s Pension and Retirement System, or the City of Duncan Employees Retirement System. Retirees may continue coverage with the City by paying a portion (approximately 49% at the end of 2019) of the carrier premium rate. Coverage is available until the age of 65 for retirees. Authority to establish and amend benefit provisions rests with the City Council. Benefits are paid from general operating assets of the City. No assets are accumulated in a trust to pay benefits. The plan does not issue separate financial statements.

Benefits provided - The Plan covers all current retirees of the City who elected post-retirement medical coverage through the City Health Plan and future retired employees of the City’s health plan. In accordance with administrative policy, the benefit levels are the same as those afforded to active employees; this creates an implicit rate subsidy. The benefits offered by the City to retirees include health, prescription, dental and vision. Beginning July 1, 2017 and each July 1 thereafter, retirees will pay the cost of any premium increases annually to their health plan coverage. In addition, they will pay an additional 10% of the current premium cost until the retiree is paying 100% of the premium cost.

Contributions – Retirees continue coverage with the City by paying a portion (approximately 49% at the end of 2019) of the carrier premium rate. Authority to establish and amend contributions rests with the City Council. The amount of benefit payments during fiscal year December 31, 2019 were \$175,431.

Employees Covered by Benefit Terms

Active Employees	221
Inactive not yet receiving benefits	0
Inactive or beneficiaries receiving benefits	<u>30</u>
Total	<u>251</u>

Total OPEB Liability – The total OPEB liability was determined based on an actuarial valuation performed as of December 31, 2019 which is also the measurement date.

Actuarial Assumptions- The total OPEB liability in the December 31, 2019 valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 2.74% based on the 20 year municipal bond yield
- Pay increases – 3.0% per annum

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- Retirement Age – Civilians - 55 with 10 years of service, Police and Fire 20 years of service
- Mortality – RP-2014, with improvement scale MP-2019
- Inflation rate – 2.5% per annum
- Medical Trend Rates

<u>Year</u>	<u>Rate</u>
2020	6.0%
2021	5.5%
2022	5.0%
2023	4.5%
2024+	4.0%

Changes in Total OPEB Liability –

	Total OPEB Liability
Balances at Beginning of Year	<u>\$ 5,134,473</u>
Changes for the Year:	
Service cost	30,178
Interest expense	196,530
Difference in expected and actual experience	(642,624)
Difference due to changes in actuarial assumptions	244,313
Employer contributions	<u>(189,999)</u>
Net Changes	<u>(361,602)</u>
Balances End of Year	<u><u>\$ 4,772,871</u></u>

The total OPEB liability of \$4,772,871 is allocated \$3,509,464 to governmental activities and \$1,263,407 to business-type activities based on the number of employees covered by benefit terms.

The changes in assumptions relate to a change in the discount rate from 4.10% at January 1, 2019 to 2.74% at December 31, 2019. The mortality table was changed to reflect recent improvements in mortality.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2019, the City recognized OPEB expense of \$113,908. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,404,728
Changes of assumptions	684,113	107,483
Changes in proportion on OPEB plan investments	190,135	190,134
Total	<u>\$ 874,248</u>	<u>\$ 1,702,345</u>

Any amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in pension expense in future years as follows:

Year Ended June 30:

2020	\$ (112,800)
2021	(112,800)
2022	(112,800)
2023	(112,800)
2024	(112,800)
Thereafter	(264,097)
	<u>\$ (828,097)</u>

Sensitivity of the City's total OPEB liability to changes in the discount rate- The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74 percent) or 1-percentage-point higher (3.74 percent) than the current discount rate:

	1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
Employer's total OPEB liability	\$4,964,590	\$4,772,871	\$4,591,434

Sensitivity of the City's total OPEB liability to changes in the healthcare cost trend rates - The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent decreasing to 3.0 percent) or 1-percentage-point higher (7.0 percent decreasing to 5.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00% decreasing to 3.0%)	Current Rate (6.00% decreasing to 4.0%)	1% Increase (7.00% decreasing to 5.0%)
Employer's total OPEB liability	\$4,570,777	\$4,772,871	\$4,989,354

IV. Other Information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has insurance for the major risks such as property and general liability, and is self-insured for workers' compensation and employee health.

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- General Liability – Covered through purchased insurance.
- Physical Property – Covered through purchase insurance with a \$1,000 deductible.
- Workers Compensation – self-insured using a third party administrator that process claims and establish reserves. The City has a stop-loss policy which covers individual claims in excess of \$600,000, per occurrence. The maximum indemnity limit is \$2,000,000.
- Employee’s Group Medical –Covered through purchased commercial insurance.
- Judgments against the City may be paid by a property tax assessment over a three-year period. Claims have not exceeded coverage in the past three years.

Claims Liability Analysis

The claims liabilities related to the above noted risk of loss that is retained is determined in accordance with Generally Accepted Accounting Principles, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For the internal service self-insurance workers’ compensation fund changes in the claims liability for the City from December 31, 2017 to December 31, 2019, are as follows:

CLAIMS LIABILITY ANALYSIS

	Worker's Comp
Claims liability, December 31, 2017	\$ 942,864
Claims and changes in estimates	(152,649)
Claims payments	<u>(274,948)</u>
Claims liability, December 31, 2018	515,267
Claims and changes in estimates	59,919
Claims payments	<u>(196,700)</u>
Claims liability, December 31, 2019	<u><u>\$ 378,486</u></u>

The City estimates that the liability of \$378,486 is \$151,394 (40%) current and \$227,092 (60%) long-term.

B. Commitments and contingent liabilities

Grant Programs

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Litigation

The City is a 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. 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

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any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Tax Abatement

The City entered in a tax abatement agreement with a developer for the construction of a hotel. Under the terms of the agreement the city will rebate the sales tax collected for a period of five years. Amount to be rebated cannot exceed \$500,000 over five years. At December 31, 2019, the hotel was under construction and no taxes had been rebated.

Construction Commitments

The City had the following outstanding construction commitments at December 31, 2019.

<u>Fund/Project</u>	<u>Balance Remaining at December 31, 2019</u>
Spillway repair	\$ 396,772
Engineering	69,065
Sewer line improvements, phase I	575,000
Chisholm Trail waterline improvements	514,833
Water pump station generator project	46,048
Humphrey lake restroom septic system	3,728
Lake restrooms	44,750

Purchased Power

The Duncan Public Utilities Authority has entered into a long term contract with the Oklahoma Municipal Power Authority (OMPA), to purchase electrical power and transmission services required for the operations of the electrical system. Purchased power requirements are based upon average demand.

C. Employee retirement systems and pensions plans

The City of Duncan participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Copies of the State of Oklahoma sponsored multiple-employer plans and a schedule of funding progress is available, for each from the respective Plan. Additionally, for City employees not covered by these plans, the City of Duncan maintains the City of Duncan Employee Retirement Plan, a single employer defined benefit pension plan, and also a defined contribution plan designated as the Employee Retirement System of City of Duncan, Oklahoma, Defined Contribution Plan. A summary of all the amounts recorded in the City's financial statements for the plans is as follows:

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	Governmental Activities	Business Type Activites	Total
Net Pension Asset			
Police Pension System	\$ 50,850	\$ -	\$ 50,850
Net Pension Liability			
Firefighter's Pension System	\$ 8,297,546	\$ -	\$ 8,297,546
Single Employer Plan	4,617,433	20,376,668	24,994,101
Total Net Pension Liability	\$ 12,914,979	\$ 20,376,668	\$ 33,291,647
Deferred Outflows of Resources			
Police Pension System	\$ 819,310	\$ -	\$ 819,310
Firefighter's Pension System	1,559,411	-	1,559,411
Single Employer Plan	5,245,497	7,572,932	12,818,429
Total Deferred Outflows of Resources	\$ 7,624,218	\$ 7,572,932	\$ 15,197,150
Deferred Inflows of Resources			
Police Pension System	\$ 302,051	\$ -	\$ 302,051
Firefighter's Pension System	1,618,427	-	1,618,427
Single Employer Plan	4,613,960	4,802,170	9,416,130
Total Deferred Inflows of Resources	\$ 6,534,438	\$ 4,802,170	\$ 11,336,608
Pension Expense			
Police Pension System	\$ 575,015	\$ -	\$ 575,015
Firefighter's Pension System	1,117,928	-	1,117,928
Single Employer Plan	435,559	1,922,116	2,357,675
Total Pension Expense	\$ 2,128,502	\$ 1,922,116	\$ 4,050,618

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan description - The City of Duncan, 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.

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

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

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

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

Contributions - The contributions requirements of the Plan are at an established rate determined 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 \$359,170. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$315,096 during the current fiscal year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$315,095. These on-behalf payments did not meet the criteria of a special funding situation.

Net Pension Liability (Asset), Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - At December 31, 2019, the City reported an asset of \$50,850 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was 0.796520%.

For the year ended December 31, 2019, the City recognized pension expense of \$575,015. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,516	\$ 240,085
Changes of assumptions	129,840	-
Net difference between projected and actual earnings on pension plan investments	464,670	-
Changes in proportion	3,024	19,404
Contributions during measurement date	972	42,562
City contributions subsequent to the measurement date	190,288	-
Total	\$ 819,310	\$ 302,051

Deferred outflows of resources related to pensions totaling \$190,288 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ 191,724
2021	(87,372)
2022	70,024
2023	149,248
2024	3,347
	\$ 326,971

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

Inflation:	2.75%
Salary increases:	3.5% to 12% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation).
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

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Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years.

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

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

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

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

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

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

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	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$2,166,184	(\$50,850)	(\$1,925,380)

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

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan description - The City of Duncan, 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 (OFPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OFPRS. OFPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

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

Normal Retirement:

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

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

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limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

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

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$363,563. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$788,630 during the current fiscal year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$798,608. These on-behalf payments did not meet the criteria of a special funding situation.

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - At December 31, 2019, the City reported a liability of \$8,297,546 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was 0.7853%.

For the year ended December 31, 2019, the City recognized a pension expense of \$1,117,928. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,389,421	\$ 168,775
Changes of assumptions	-	213,159
Net difference between projected and actual earnings on pension plan investments	-	600,646
Changes in proportion	131,174	511,860
City contributions during measurement date	1,699	123,987
City contributions subsequent to the measurement date	37,117	-
Total	\$ 1,559,411	\$ 1,618,427

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Deferred outflows of resources related to pensions totaling \$37,117 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	46,983
2021		(159,444)
2022		40,304
2023		7,647
2024		(31,623)
	<u>\$</u>	<u>(96,133)</u>

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

Inflation:	3%	
Salary increases:	3.5% to 9% average, including inflation	
Investment rate of return:	7.5% net of pension plan investment expense	

For 2019, mortality rates were based on:

Active members—Pub-2010 Public Safety Table with generational mortality improvement using MP-2018.

Retired members—Pub-2010 Public Safety Below Median Table with generational mortality improvement using Scale MP-2018.

Disabled members—Pub-2010 Public Safety Disabled Table set forward 2 years

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

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

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

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

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employer's net pension liability	\$ 10,714,477	\$ 8,297,546	\$ 5,643,538

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OFPRS; which can be located at www.ok.gov/OFPRS.

City of Duncan Employee Retirement Plan (the Plan) – Single-Employer, Defined Benefit Pension Plan

Plan Description – The City maintains a single-employer defined benefit retirement plan, the City of Duncan Employee Retirement Plan (the Plan), which covers employees not covered by other plans. The Plan is administered by a five member Board consisting of two department heads appointed by the City Council, the city clerk/treasurer, and two other city employees elected by their fellow employees. The City Council must approve all amendments to The Plan. The Plan does not issue separate financial statements.

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Plan Participation and Benefits: Plan benefits and contribution rates are set by Ordinance approved by the City Council. All regular, full-time City employees hired prior to March 12, 2015 and not covered by other plans are required to participate in the Plan and temporary employees with 12 consecutive months of employment with the City. Benefits partially vest after ten years with full vesting after twenty years of service. Employees hired prior to November 1, 1994, who retire at age 65 with completion of five years of service, are entitled to an annual retirement benefit, payable monthly in an amount equal to 3% of final average compensation multiplied by the number of years of credited service through April 30, 1995, plus 2.5% of the final average earning multiplied by years of credited service earned after April 30, 1995. Final average earnings for service are not to exceed 75% of final average earnings. Final average compensation is defined as the average last 60 months of compensation paid.

For employees hired after November 1, 1994, the monthly benefit is 2.5% of the final average earnings multiplied by the number of years of credited service not to exceed 30 years. Final average compensation is defined as the average last 60 months of compensation paid. A participant who has completed eleven years of credited service will have a 10% vested interest in the Plan. This interest will increase to 100% after 20 years of credited service.

Employees who have reached the maximum accrual rate may choose to freeze their accrued benefit and have future contributions made to a defined contribution account. See additional information at the section “City of Duncan Employee Retirement Plan Defined Contribution Plan”.

Effective March 12, 2015 the plan was closed to new participants. Employees hired after that date participate in a defined contribution plan administered by the Oklahoma Municipal Retirement Fund. Effective for 2015 and later years, pay for purposes of the retirement plan is limited to no more than the annual rate of pay as of March 1, 2015.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed five years of service if hired prior to November 1, 1994 and ten years of service if hired after November 1, 1994. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the amount of benefit will not be reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

A participant who becomes totally and permanently disabled will be entitled to a disability benefit based on a monthly benefit equal to the amount he would be entitled to at the date of disability.

A death benefit is payable based upon the employees’ accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse.

Plan Membership -

Active participants	53
Retired participants and beneficiaries	96
Inactive plan members not yet receiving benefits	<u>8</u>
Total Members	<u>157</u>

Summary of Significant Accounting Policies and Plan Asset Matters - Basis of Accounting – Disclosures of the Plan’s financial condition are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as Plan revenues in the period in which they are

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due to the plan per the plan agreement. Benefits and refunds are recognized when due and payable per plan provisions.

Measurement Dates - The net pension liability, changes in net pension liability and other information presented below as it pertains to the Plan is as of the actuarial valuation date of December 31, 2018, the end of the Plan's fiscal year. GASB Statement No. 67 requires that the Plan use a measurement date as of the end of the Plan's fiscal year. The net pension liability, changes in net pension liability and other information presented below as it pertains to the amounts recorded in the City's government-wide and proprietary funds financial statements is as of the December 31, 2018 actuarial valuation date. As permitted by GASB Statement No. 68, the City elected to adopt the beginning of the fiscal year for purposes measuring the net pension liability, deferred inflows and outflows of resources and pension expense recorded in the government-wide and proprietary funds financial statements.

Changes in Net Pension Liability – As stated above, the total pension liability recognized by the City was determined based on an actuarial valuation performed as of December 31, 2018, which is the measurement date elected by the City for purposes or recognizing the net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense. There were no changes in actuarial assumptions that affected the measurement of the total pension liability. As discussed above, effective in 2015, the plan is closed to new participants and salaries for purposes of computing retirement plan benefits was frozen to the annual rate of pay as of March 1, 2015.

City of Duncan Net Pension Liability - December 31, 2018 Plan Year

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at beginning of year, January 1, 2017	\$ 29,088,687	\$ 8,432,559	\$ 20,656,128
Charges for year:			
Service cost	415,875	-	415,875
Interest expense	1,445,573	-	1,445,573
Contributions - employer	-	778,849	(778,849)
Contributions - employee	-	240,438	(240,438)
Net investment income	-	(410,245)	410,245
Changes of benefit terms	-	-	-
Difference between actual and expected experience	(614,991)	-	(614,991)
Changes in assumptions	3,678,085	-	3,678,085
Benefit payments, including refunds of member contributions	(1,739,203)	(1,739,203)	-
Plan administrative expenses	-	(22,473)	22,473
Net changes	<u>\$ 3,185,339</u>	<u>\$ (1,152,634)</u>	<u>\$ 4,337,973</u>
Balances at end of year, December 31, 2018	<u>\$ 32,274,026</u>	<u>\$ 7,279,925</u>	<u>\$ 24,994,101</u>

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City of Duncan Net Pension Liability - December 31, 2019 Plan Year

	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balances at beginning of year, January 1, 2018	\$ 32,274,026	\$ 7,279,925	\$ 24,994,101
Charges for year:			
Service cost	445,081	-	445,081
Interest expense	1,467,009	-	1,467,009
Contributions - employer	-	750,283	(750,283)
Contributions - employee	-	200,428	(200,428)
Net investment income	-	1,208,634	(1,208,634)
Changes of benefit terms	-	-	-
Difference between actual and expected experience	(209,790)	-	(209,790)
Changes in assumptions	6,521,874	-	6,521,874
Benefit payments, including refunds of member contributions	(1,730,223)	(1,730,223)	-
Plan administrative expenses	-	(27,060)	27,060
Net changes	<u>\$ 6,493,951</u>	<u>\$ 402,062</u>	<u>\$ 6,091,889</u>
Balances at end of year, December 31, 2019	<u>\$ 38,767,977</u>	<u>\$ 7,681,987</u>	<u>\$ 31,085,990</u>

The City reported \$2,357,675 in pension expense for the year ended December 31, 2019. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 445,676	\$ 385,641
Changes of assumptions	2,284,871	-
Net difference between projected and actual earnings on pension plan investments	586,725	-
Changes in proportion and differences between City contributions and proportionate share of contributions	8,714,524	9,030,489
City contributions subsequent to the measurement date	786,633	-
Total	<u>\$ 12,818,429</u>	<u>\$ 9,416,130</u>

The \$786,633 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Deferred Inflows of Resources related to the differences between expected and actual experience are amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period which was 2.69 years as of December 31, 2018 and 2019, respectively. Deferred outflows of resources related to the difference between expected and actual investment earnings are being amortized over a closed 5-year period as of the beginning of each measurement period. Other amounts reported as deferred outflows and inflows will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ 1,260,220
2021	795,491
2022	208,398
2023	291,743
2024	59,814
	<u>\$ 2,615,666</u>

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Actuarial Assumptions – Unless stated otherwise, the assumptions described below are as of the actuarial valuation date of December 31, 2018 and December 31, 2019:

Investment rate of return -	7%
Projected salary increases -	4% (0% after 2015)
Inflation -	3%
Mortality -	RP-2017 Mortality Table, with Mortality Improvement scale MP-2019

Actuarial Method - GASB 67 requires the use of the Entry Age Normal Cost Method. Under the *Entry Age Normal Cost Method* the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability. It is equal to the theoretical asset accumulation had the plan always been in effect, all actuarial assumptions were perfectly met and the employer contributed the normal cost each year.

Rate of Return on Investments – The long-term expected rate of return on pension plan investments (7%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation (3.0%) and deducting investment-related expenses. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Target Allocation	Real Return
Equities	50%	2.90%
Fixed income	46%	1.10%
Cash equivalents 3 month Treasury	4%	0.00%
Inflation	N/A	3.00%

Money-Weighted Rate of Return on Investments – For the year ended December 31, 2019, the annual money-weighted rate of return on investments, net of investment expense, was a 17.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - The discount rate used to measure the total pension liability was a blended rate of 3.15 percent for the measurement date ended December 31, 2019. This was based on the expected rate of return of pension plan investments of 7.0% and the municipal bond rate of 2.74%. The discount rate includes no allowance for administrative expenses, which are expensed separately. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be 8

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percent of pay and that City contributions will be 10 percent of pay with additional supplementary contributions from the City under the established funding policy. By making additional contributions of an average of \$.7 million per year for twenty years there is a depletion date in year 24 within the 40 year projection period. Supplemental annual contributions of approximately \$.7 million have been made in recent years.

For the plan year ended December 31, 2019 the discount rate is 4.67%. This was based on the expected rate of return of pension plan investments of 7.0% and the municipal bond rate of 4.10%. The discount rate includes no allowance for administrative expenses, which are expensed separately. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be 8 percent of pay and that City contributions will be 10 percent of pay with additional supplementary contributions from the City under the established funding policy. By making additional contributions of \$.7 million per year for twenty years there is a depletion date in year 21 within the 40 year projection period. Supplemental annual contributions of approximately \$.7 million have been made in recent years.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the Plan, calculated using the discount rate of 5.12 and 3.15 percent, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.12 or 2.15 percent) or 1-percentage-point higher (6.12 or 4.15 percent) than the current rate:

	1% Decrease - 4.12%	Current Discount Rate - 5.12%	1% Increase - 6.12%
Plan Net Pension Liability - December 31, 2018 Plan Year	\$ 29,257,850	\$ 24,994,101	\$ 21,503,624
	1% Decrease - 2.15%	Current Discount Rate - 3.15%	1% Increase - 4.15%
Plan Net Pension Liability - December 31, 2019 Plan Year	\$ 36,763,226	\$ 31,085,990	\$ 26,503,390

The components of the net pension liability of the City and the Plan at December 31, 2019, were as follows:

	City - Primary Government Financial Statements	Pension Plan
Total Pension Liability	\$ 32,274,026	\$ 38,767,976
Plan Fiduciary Net Position	7,279,925	7,681,986
Net Pension Liability	\$ 24,994,101	\$ 31,085,990
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	22.56%	19.82%

Pension Fund Contingency - For the single-employer pension plan to remain solvent, the actuary has determined that the City must continue to make the annual contribution amount required by ordinance of 8% of covered wages for employees and 10% for employer. In addition, the employer must make additional contributions of approximately \$.7 million in year four (FY 2020) and for each of the next seventeen years.

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City of Duncan Employee Retirement Plan - Defined Contribution Plan

Plan Description – As part of the City’s retirement system, the City has also provided a defined contribution plan and trust known as the City of Duncan “New Plan” Defined Contribution Plan under Section 401(a) of the IRS Code. The defined contribution plan is available to all full-time employees who have completed at least 30 years of credited service or are entitled to a monthly pension benefit of at least 75% of the Participant’s Final Average Earnings and who elects termination of coverage under the Defined Benefit Plan. Separate audited financial statements are not available.

The New Plan is administered by a five member Board of city employees. The City Council must approve changes to the plan. Benefits depend solely on amounts contributed to the Plan plus investment earnings. At December 31, 2019, there were eight (8) participants in the New Plan. The assets of the New Plan are held in trust for the benefit of the participants and are included in the Fiduciary Funds financial statements. At December 31, 2019, total assets held in trust were \$845,452.

Funding Policy – Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate upon thirty years of employment, and must make a mandatory minimum pre-tax contribution of 8%. By City ordinance, the City, as the employer, is required to make contributions to the Plan, based on an amount equal to the city contributions that would have been made under the Defined Benefit Plan. City contributions for fiscal year 2018 were 10%. The employee is always fully vested in the New Plan. The authority to establish and amend the provisions of the Plan rests with the City Commission. Contributions to the Plan for the year ended December 31, 2019, by employees and employer were \$17,939 and \$22,363, respectively, on a covered payroll of \$413,770.

City of Duncan Defined Contribution Plan Administered by OkMRF (the Plan)

Plan Description – Effective March 2015, the City began providing a defined contribution plan and trust known as the City of Duncan Plan “the Plan” in the form of The Oklahoma Municipal Retirement Master Defined Contribution Plan (OkMRF). OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The defined contribution plan is available to all full-time employees hired after March 12, 2015 except those participating in state police or fire programs.

Funding Policy – Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees must make a mandatory minimum pre-tax contribution of 5%. By City ordinance, the City, as employer, is required to make contributions to the plan based upon employee contributions under the pick-up option, at a current rate of 5% of covered payroll. The City’s contributions for each employee (and interest allocated to the employee’s account) are vested at 50% after 5 years of service, 10% thereafter until fully vested after 10 years of service. The authority to establish and amend the provisions of the Plan rests with the City Council. Contributions to the Plan for the year ended December 31, 2019, for employees and employer were \$125,970 and \$125,970, respectively, on a covered payroll of \$2,519,393. Employer and employee contributions are held in trust by OkMRF.

City of Duncan Defined Contribution City Manager Plan Administered by OkMRF (the Plan)

Plan Description – Effective October 2016, the City began providing a defined contribution plan and trust known as the City of Duncan Plan “the Plan” in the form of The Oklahoma Municipal Retirement

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Master Defined Contribution Plan (OkMRF). OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The defined contribution plan is available to the City Manager. At December 31, 2019, there was one (1) participant in the Plan.

Funding Policy – Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees must make a mandatory minimum pre-tax contribution of 8%. By City ordinance, the City, as employer, is required to make contributions to the plan based upon employee contributions under the pick-up option, at a current rate of 8% of covered payroll. The City’s contributions for each employee (and interest allocated to the employee’s account) immediately 100% vested. The authority to establish and amend the provisions of the Plan rests with the City Council. Contributions to the Plan for the year ended December 31, 2019, for employees and employer were \$12,217 and \$15,272, respectively, on a covered payroll of \$152,715. Employer and employee contributions are held in trust by OkMRF.

ICMA Retirement Deferred Compensation Plan

In addition to the above plans, the City of Duncan offers a retirement plan through ICMA which is funded 10 percent by the employer and 8 percent by employee contributions. Employee and employer contributions to the plan for the year ended December 31, 2019, the employer contributions were \$11,976 and employee contributions were \$9,581 on a covered payroll of \$119,758. Separate audited financial statements are not available.

D. DAEDF Operating Lease

In 2003, DAEDF leased an industrial building to a private company for twelve years with monthly rental payments of \$14,215. On November 1, 2009 a major expansion of the facilities was completed and the original lease was replaced with a new agreement providing for monthly rental payments of \$60,459 for an initial term of fifteen years and option for another five years. Future minimum lease payments are \$3,506,622.

The Foundation receives other rental income from various tenants in exchange for office, manufacturing and warehouse space in connection with its business incubator program, Duncan Center for Business Development.

The Foundation completed construction on a new building and leased it for a period of eight years beginning April 2016 at a monthly rental of \$24,000 which began September 2016. During 2019, lease income on this property was \$48,000 and the lessee relinquished occupancy. The lease is being restructured with a new entity pending future negotiations.

Total lease revenues from all properties for 2019 was \$1,088,817. Real estate lease revenue presented in the statement of activities is reflected net of direct expense in the amount of \$1,121,240, for a net decrease of \$32,423. Cost and carrying amount of property held for leasing as of December 31, 2019:

Building and land (cost)	\$15,900,423
Accumulated depreciation	<u>(5,839,817)</u>
Net book value	<u>\$10,060,606</u>

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Future minimum lease payments on lease agreements in existence at December 31, 2019 are approximately \$893,420 for 2020, \$893,420 for 2021, \$749,400 for 2022, \$732,800 for 2023 and \$611,882 for 2024.

E. Other Matters

The Worker's Compensation Internal Service Fund had a deficit of \$68,075. Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Duncan Enhancement Trust Authority (DETA), a Special Revenue Fund, had a deficit fund balance of \$6,516.

F. Subsequent Events

In March 2020, the city entered into two lease purchase agreements. The first for the purchase of an excavator for \$182,700 and the second for two bucket trucks for Duncan Power for \$54,400.

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of the virus to the United States is reported to have begun in February 2020, causing business disruption through temporary business closures throughout the country. While the City expects this matter to negatively impact its revenue collections, the impact and duration cannot be reasonably estimated at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules – General Fund - (Budgetary Basis) – Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
REVENUES				
Taxes	\$ 10,179,986	\$ 10,179,986	\$ 10,388,920	\$ 208,934
Licenses and permits	108,256	108,256	108,618	362
Intergovernmental	300,500	300,500	540,568	240,068
Charges for services	190,115	190,115	330,386	140,271
Fees and fines	742,298	742,298	806,437	64,139
Investment earnings	8,215	8,215	33,083	24,868
Miscellaneous	242,477	242,477	214,141	(28,336)
Total revenues	<u>11,771,847</u>	<u>11,771,847</u>	<u>12,422,153</u>	<u>650,306</u>
EXPENDITURES				
Departmental:				
General government	2,622,517	2,622,517	2,463,236	159,281
Community development	640,262	640,262	596,848	43,414
Public safety	10,704,226	10,704,226	10,084,583	619,643
Highways and streets	972,725	972,725	831,481	141,244
Health	453,173	453,173	392,561	60,612
Culture and recreation	1,281,462	1,281,462	1,248,561	32,901
Total expenditures	<u>16,674,365</u>	<u>16,674,365</u>	<u>15,617,270</u>	<u>1,057,095</u>
Excess (deficiency) of revenues over expenditures	<u>(4,902,518)</u>	<u>(4,902,518)</u>	<u>(3,195,117)</u>	<u>1,707,401</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,097,845	4,097,845	4,097,845	-
Transfers out	(51,334)	(51,334)	(51,334)	-
Total other financing sources and uses	<u>4,046,511</u>	<u>4,046,511</u>	<u>4,046,511</u>	<u>-</u>
Net change in fund balances	(856,007)	(856,007)	851,394	1,707,401
Fund balances - beginning	856,007	856,007	1,792,515	936,508
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,643,909</u>	<u>\$ 2,643,909</u>

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**Budgetary Comparison Schedules – DEDTA Major Special Revenue Fund - (Budgetary Basis) –
Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,993,340	\$ 1,993,340	\$ 1,969,926	\$ (23,414)
Investment earnings	57,759	57,759	8,868	(48,891)
Miscellaneous	-	-	32,237	32,237
Total revenues	<u>2,051,099</u>	<u>2,051,099</u>	<u>2,011,031</u>	<u>(40,068)</u>
EXPENDITURES				
Departmental:				
Economic development	<u>1,711,027</u>	<u>1,711,027</u>	<u>1,605,632</u>	<u>105,395</u>
Total expenditures	<u>1,711,027</u>	<u>1,711,027</u>	<u>1,605,632</u>	<u>105,395</u>
Net change in fund balances	340,072	340,072	405,399	65,327
Fund balances - beginning	7,998,493	7,998,493	7,998,493	-
Fund balances - ending	<u>\$ 8,338,565</u>	<u>\$ 8,338,565</u>	<u>\$ 8,403,892</u>	<u>\$ 65,327</u>

Footnotes to Budgetary Comparison Schedule:

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to December 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to January 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

All funds with revenues and/or expenditures/expenses as defined by State law are required to have annual budgets under this section of state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between departments also require the approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

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In accordance with Title 60 of the Oklahoma State Statutes, the Duncan Public Utilities Authority, the Duncan Economic Development Trust Authority, the Duncan Industrial Authority and the Duncan Hospital Authority are required to prepare an annual budget and submit a copy to the city as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal spending limit.

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on a modified cash basis of accounting.

The following is a reconciliation of the difference in budget and actual:

	General Fund
Total revenue - budgetary basis	\$ 16,519,998
Total expenses - budgetary basis	(15,668,604)
Change in fund balance - budgetary basis	851,394
Add change in fund balance of sub-accounts combined for reporting purposes:	
Fire Uniform Allowance Account	18,298
Hunting and Fishing Account	24,458
Change in fund balance - GAAP basis	\$ 894,150

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers most all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are re-appropriated in the next year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

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**CITY OF DUNCAN EMPLOYEE RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2019
Total pension liability						
Service cost	\$ 819,768	\$ 553,112	\$ 526,133	\$ 475,144	\$ 415,875	\$ 445,081
Interest	1,507,326	1,573,160	1,560,485	1,562,236	1,445,573	1,467,009
Changes of benefit terms	-	(1,104,023)	-	-	-	-
Difference between expected and actual experience	-	(483,444)	(286,458)	(1,222,112)	(614,991)	(209,790)
Changes of assumptions	-	-	-	1,860,722	3,678,085	6,521,874
Benefit payments, including refunds of member contributions	(1,585,149)	(1,585,679)	(1,781,876)	(1,674,840)	(1,739,203)	(1,730,223)
Net change in total pension liability	\$ 741,945	\$ (1,046,874)	\$ 18,284	\$ 1,001,150	\$ 3,185,339	\$ 6,493,951
Total pension liability - beginning	28,321,561	29,063,506	28,016,632	28,087,537	29,088,687	32,274,026
Total pension liability - ending (a)	\$ 29,063,506	\$ 28,016,632	\$ 28,034,916	\$ 29,088,687	\$ 32,274,026	\$ 38,767,977
Plan fiduciary net position						
Contributions - employer	\$ 1,436,483	\$ 1,880,420	\$ 1,877,217	\$ 806,899	\$ 778,849	\$ 750,283
Contributions - members	368,322	334,780	303,402	249,490	240,438	200,428
Net investment income	342,804	(76,239)	666,290	963,257	(410,245)	1,208,634
Benefit payments, including refunds of member contributions	(1,585,149)	(1,585,679)	(1,781,876)	(1,674,840)	(1,739,203)	(1,730,223)
Administrative expense	(54,172)	(29,434)	(64,067)	(65,576)	(22,473)	(27,060)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	508,288	523,848	1,000,966	279,230	(1,152,634)	402,062
Plan fiduciary net position - beginning	6,067,606	6,575,894	7,099,742	8,153,329	8,432,559	7,279,925
Plan fiduciary net position - ending (b)	\$ 6,575,894	\$ 7,099,742	\$ 8,100,708	\$ 8,432,559	\$ 7,279,925	\$ 7,681,987
City's net pension liability - ending (a-b)	\$ 22,487,612	\$ 20,916,891	\$ 19,934,208	\$ 20,656,128	\$ 24,994,101	\$ 31,085,990
Plan fiduciary net position as a percentage of the total pension liability	22.63%	25.34%	28.90%	29.00%	22.56%	19.82%
Covered-employee payroll	\$ 4,261,764	\$ 4,046,479	\$ 4,007,413	\$ 2,535,041	\$ 2,516,819	\$ 2,017,753
City's net pension liability as a percentage of covered employee payroll	527.66%	516.92%	497.43%	814.82%	993.08%	1540.62%
Actuarial Assumptions:						
Valuation date	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar	Level Dollar	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Amortization period	40 years rolling	40 years rolling	40 years rolling	40 years rolling	40 years rolling	40 years rolling
Actuarial asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
Investment rate of return	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Projected salary increases	4.00%	4.00%	N/A - compensation is frozen	N/A - compensation is frozen	N/A - compensation is frozen	N/A - compensation is frozen
Mortality table	RP 2000 projected	RP 2000 projected	RP 2000 projected	RP 2000 projected, with cohort projections	RP 2000 projected, with cohort projections	RP 2000 projected, with cohort projections
Experience study						

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten-year trend is compiled, pension plans should present information for those years for which information is available.

Note 1 - Changes of Benefit Terms - There were no significant changes of benefit terms.

Note 2 - Changes of Assumptions - The discount rate changed from 5.74% in 2016 to 5.12% in 2017 to 4.67% in 2018.

The discount rate changed from 4.67% in 2018 to 3.15% in 2019.

The mortality table improvement scale was changed in 2018 and 2019

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**CITY OF DUNCAN EMPLOYEE RETIREMENT PLAN
SCHEDULE OF CITY'S CONTRIBUTIONS
Last Ten Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,214,612	\$ 950,603	\$ 957,485	\$ 1,345,314	\$ 1,326,214	\$ 1,477,104	\$ 1,580,051	\$ 1,555,638	\$ 1,384,412	\$ 1,414,968
Contributions in relation to the actuarially determined contribution	750,283	778,849	806,899	1,877,216	1,918,481	1,442,614	1,446,929	1,235,749	940,566	830,164
Contribution deficiency (excess)	\$ 464,329	\$ 171,754	\$ 150,586	\$ (531,902)	\$ (592,267)	\$ 34,490	\$ 133,122	\$ 319,889	\$ 443,846	\$ 584,804
Covered-employee payroll	\$ 3,215,811	\$ 2,516,819	\$ 2,535,041	\$ 4,007,413	\$ 4,046,479	\$ 4,046,479	\$ 4,261,764	\$ 4,440,377	\$ 4,235,881	\$ 4,384,280
Contributions as a percentage of covered-employee payroll	23.3%	30.9%	31.8%	46.8%	47.4%	35.7%	34.0%	27.8%	22.2%	18.9%

Notes to Schedule:

Valuation Date December 31, 2018
 Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.
 Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal - percentage of pay basis
Amortization method	Level dollar
Remaining amortization period	40 years rolling (funding)
Asset valuation method	Market Value
Inflation	3.0%
Salary increases	4%, including inflation. Not applicable after 2015.
Investment rate of return	7.0% (before admin expenses)
Retirement age	Oklahoma municipal experience

CITY OF DUNCAN EMPLOYEE RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years

Year Ended	Annual money-weighted rate of return, net of investment expense
2019	17.10%
2018	-5.40%
2017	11.40%
2016	9.13%
2015	-1.64%
2014	5.61%
2013	16.94%
2012	9.87%
2011	-3.51%
2010	10.32%

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SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability (asset)	0.8122%	0.7539%	0.7799%	7.6988%	7.9652%
City's proportionate share of the net pension liability (asset)	\$ 33,116	\$ 1,154,578	\$ 59,987	\$ (366,733)	\$ (50,850)
City's covered payroll	\$ 2,230,110	\$ 2,230,110	\$ 2,296,727	\$ 2,248,877	\$ 2,440,080
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.48%	51.77%	2.61%	-16.31%	-2.08%
Plan fiduciary net position as a percentage of the total pension liability	99.82%	93.50%	99.68%	101.89%	100.24%

* Only five fiscal years are presented because 10-year data is not yet available.
Note 1- Changes of Benefit terms - There were no significant changes of benefit terms.
Note 2 - Changes of Assumptions - There were no significant changes in assumptions

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily required contribution	\$ 288,707	\$ 298,575	\$ 292,354	\$ 317,210	\$ 359,170
Contributions in relation to the statutorily required contribution	<u>288,707</u>	<u>298,575</u>	<u>293,559</u>	<u>317,607</u>	<u>359,170</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,205)</u>	<u>\$ (397)</u>	<u>\$ -</u>
City's covered payroll	\$ 2,230,110	\$ 2,296,727	\$ 2,248,877	\$ 2,440,080	\$ 2,762,849
Contributions as a percentage of covered-employee payroll	12.95%	13.00%	13.05%	13.02%	13.00%

* Only five fiscal years are presented because 10-year data is not yet available.

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SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability	0.8242%	0.8372%	0.8158%	0.7754%	0.7853%
City's proportionate share of the net pension liability	\$ 8,747,637	\$ 10,228,267	\$ 10,260,242	\$ 8,728,801	\$ 8,297,546
City's covered payroll	\$ 2,282,721	\$ 2,282,721	\$ 2,265,861	\$ 2,300,403	\$ 2,314,922
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	383%	448%	453%	379%	358%
Plan fiduciary net position as a percentage of the total pension liability	68.27%	64.87%	66.61%	70.73%	72.58%

* Only the five previous fiscal years are presented because 10-year data is not yet available.

Note 1 - Changes of Benefit terms - There were no significant changes of benefit terms.

Note 2 - Changes of Assumptions - There were no significant changes in assumptions

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorially required contribution	\$ 319,270	\$ 320,327	\$ 320,327	\$ 324,089	\$ 363,563
Contributions in relation to the statutorially required contribution	<u>319,270</u>	<u>320,327</u>	<u>322,149</u>	<u>324,089</u>	<u>363,563</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,822)</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,282,721	\$ 2,265,861	\$ 2,300,403	\$ 2,314,922	\$ 2,596,872
Contributions as a percentage of covered payroll	13.99%	14.14%	14.00%	14.00%	14.00%

* Only the five previous fiscal years are presented because 10-year data is not yet available.

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Other Post-Employment Benefits

	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>Total OPEB Liability</i>			
Service cost	\$ 318,425	\$ 32,020	\$ 30,178
Interest expense	602,632	190,601	196,530
Difference in expected and actual experience	(521,176)	(635,258)	(642,624)
Difference due to changes in actuarial assumptions	704,657	(140,505)	244,313
Difference due to changes in plan provision	(11,278,547)	-	-
Benefits paid	(227,919)	(240,012)	(189,999)
Net change in total OPEB liability	<u>(10,401,928)</u>	<u>(793,154)</u>	<u>(361,602)</u>
Balances at Beginning of Year	<u>16,329,555</u>	<u>5,927,627</u>	<u>5,134,473</u>
Balances End of Year	<u>\$ 5,927,627</u>	<u>\$ 5,134,473</u>	<u>\$ 4,772,871</u>
Covered employee payroll	\$ 8,174,099	\$ 9,564,912	\$ 13,325,670
Total OPEB liability as a percentage of covered-employee payroll	72.52%	53.68%	35.82%

Notes to Schedule:

Only three fiscal years are presented because 10-year data is not yet available

The plan is not held in a trust and no assets are accumulated.

Changes in assumptions (measurement date):

Discount rate	Decreased from 3.78% at 12/31/2016 to 3.44% at December 31, 2017
Discount rate	Increased from 3.44% at 12/31/2017 to 4.10% at December 31, 2018
Discount rate	Decreased from 4.10% at 12/31/2018 to 2.74% at December 31, 2019

SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts – December 31, 2019

	<u>General Fund</u>	<u>Fire Uniform Allowance</u>	<u>Hunting and Fishing</u>	<u>Deposit and Refund</u>	<u>Total General Fund</u>
ASSETS					
Cash and cash equivalents	\$ 1,793,408	\$ 46,640	\$ 91,884	\$ 54,608	\$ 1,986,540
Receivable from other governments	1,337,800	-	-	-	1,337,800
Taxes receivable, net	126,972	-	-	-	126,972
Court fines receivable, net	427,709	-	-	-	427,709
Other receivables	67,973	-	-	-	67,973
Total assets	<u>3,753,862</u>	<u>46,640</u>	<u>91,884</u>	<u>54,608</u>	<u>3,946,994</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	210,607	4,649	949	-	216,205
Accrued payroll payable	327,968	-	-	-	327,968
Due to other funds	300,000	-	-	-	300,000
Due to bondholders	-	-	600	54,608	55,208
Total liabilities	<u>838,575</u>	<u>4,649</u>	<u>1,549</u>	<u>54,608</u>	<u>899,381</u>
Deferred inflows of resources:					
Unavailable revenue	<u>271,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,378</u>
Fund balances:					
Assigned	959,804	-	-	-	959,804
Unassigned	1,684,105	41,991	90,335	-	1,816,431
Total fund balances	<u>2,643,909</u>	<u>41,991</u>	<u>90,335</u>	<u>-</u>	<u>2,776,235</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,753,862</u>	<u>\$ 46,640</u>	<u>\$ 91,884</u>	<u>\$ 54,608</u>	<u>\$ 3,946,994</u>

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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund Accounts
– December 31, 2019**

	<u>General Fund</u>	<u>Fire Uniform Allowance</u>	<u>Hunting and Fishing</u>	<u>Deposit and Refund</u>	<u>Total General Fund</u>
REVENUES					
Taxes	\$ 10,388,920	\$ -	\$ -	\$ -	\$ 10,388,920
Intergovernmental	1,644,294	-	-	-	1,644,294
Licenses and permits	108,618	-	27,784	-	136,402
Charges for services	330,386	-	-	-	330,386
Fees and fines	806,437	-	-	-	806,437
Investment earnings	33,083	-	-	-	33,083
Miscellaneous	214,141	-	-	-	214,141
Total revenues	<u>13,525,879</u>	<u>-</u>	<u>27,784</u>	<u>-</u>	<u>13,553,663</u>
EXPENDITURES					
Current:					
General government	2,463,236	-	-	-	2,463,236
Community development	596,848	-	-	-	596,848
Public safety	11,188,309	33,036	-	-	11,221,345
Highways and streets	831,481	-	-	-	831,481
Health	392,561	-	-	-	392,561
Culture and recreation	1,248,561	-	3,326	-	1,251,887
Total expenditures	<u>16,720,996</u>	<u>33,036</u>	<u>3,326</u>	<u>-</u>	<u>16,757,358</u>
Excess (deficiency) of revenues over expenditures	<u>(3,195,117)</u>	<u>(33,036)</u>	<u>24,458</u>	<u>-</u>	<u>(3,203,695)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in - interaccount	-	51,334	-	-	51,334
Transfers out - interaccount	(51,334)	-	-	-	(51,334)
Transfers in	4,097,845	-	-	-	4,097,845
Total other financing sources and uses	<u>4,046,511</u>	<u>51,334</u>	<u>-</u>	<u>-</u>	<u>4,097,845</u>
Net change in fund balances	851,394	18,298	24,458	-	894,150
Fund balances - beginning	1,792,515	23,693	65,877	-	1,882,085
Fund balances - ending	<u>\$ 2,643,909</u>	<u>\$ 41,991</u>	<u>\$ 90,335</u>	<u>\$ -</u>	<u>\$ 2,776,235</u>

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Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2019

	<u>Street and Alley Fund</u>	<u>Cemetery Care</u>	<u>Library Gifts and Grants</u>	<u>CDBG</u>	<u>E911 Dispatch</u>
ASSETS					
Cash and cash equivalents	\$ 64,416	\$ 137,149	\$ 6,734	\$ 90,700	\$ 182,138
Receivable from other governments	48,270	-	-	-	24,948
Other receivables	-	-	-	-	-
Total assets	<u>112,686</u>	<u>137,149</u>	<u>6,734</u>	<u>90,700</u>	<u>207,086</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	5,479	967	205	-	112,946
Unearned revenue	-	-	-	-	-
Total liabilities	<u>5,479</u>	<u>967</u>	<u>205</u>	<u>-</u>	<u>112,946</u>
Deferred inflows of resources:					
Unavailable revenue	<u>23,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted	83,939	136,182	6,529	90,700	94,140
Committed	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	<u>83,939</u>	<u>136,182</u>	<u>6,529</u>	<u>90,700</u>	<u>94,140</u>
Total liabilities and fund balances	<u>\$ 112,686</u>	<u>\$ 137,149</u>	<u>\$ 6,734</u>	<u>\$ 90,700</u>	<u>\$ 207,086</u>

(continued)

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Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2019, continued

	<u>Police Grants and Seizures</u>	<u>Technology Fee</u>	<u>Duncan Enhancement Trust Authority</u>	<u>Ad Valorem Sinking</u>	<u>Total Other Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 113,420	\$ 9,200	\$ 10,142	\$ 128,029	\$ 741,928
Receivable from other governments	-	-	-	-	73,218
Other receivables	-	-	-	7,070	7,070
Total assets	<u>113,420</u>	<u>9,200</u>	<u>10,142</u>	<u>135,099</u>	<u>822,216</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	-	-	16,658	-	136,255
Unearned revenue	-	-	-	6,706	6,706
Total liabilities	<u>-</u>	<u>-</u>	<u>16,658</u>	<u>6,706</u>	<u>142,961</u>
Deferred inflows of resources:					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,268</u>
Fund balances:					
Restricted	113,420	-	-	128,393	653,303
Committed	-	9,200	-	-	9,200
Unassigned (deficit)	-	-	(6,516)	-	(6,516)
Total fund balances	<u>113,420</u>	<u>9,200</u>	<u>(6,516)</u>	<u>128,393</u>	<u>655,987</u>
Total liabilities and fund balances	<u>\$ 113,420</u>	<u>\$ 9,200</u>	<u>\$ 10,142</u>	<u>\$ 135,099</u>	<u>\$ 822,216</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – December 31, 2019

	<u>Street and Alley Fund</u>	<u>Cemetery Care</u>	<u>Library Gifts and Grants</u>	<u>CDBG</u>	<u>E911 Dispatch</u>
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 276,876
Fees and fines	-	-	-	-	-
Intergovernmental	200,712	-	14,932	-	-
Charges for services	-	10,326	-	-	-
Miscellaneous	-	2,607	1,283	-	-
Total revenues	<u>200,712</u>	<u>12,933</u>	<u>16,215</u>	<u>-</u>	<u>276,876</u>
EXPENDITURES					
Current:					
Public safety	-	-	-	-	38,333
Highways and streets	234,977	-	-	-	-
Culture and recreation	-	-	18,279	-	-
General government	-	300	-	-	-
Capital outlay	1,910	58,295	-	-	179,357
Total expenditures	<u>236,887</u>	<u>58,595</u>	<u>18,279</u>	<u>-</u>	<u>217,690</u>
Excess (deficiency) of revenues over expenditures	<u>(36,175)</u>	<u>(45,662)</u>	<u>(2,064)</u>	<u>-</u>	<u>59,186</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	(97,845)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,845)</u>
Net change in fund balances	(36,175)	(45,662)	(2,064)	-	(38,659)
Fund balances - beginning	120,114	181,844	8,593	90,700	132,799
Fund balances - ending	<u>\$ 83,939</u>	<u>\$ 136,182</u>	<u>\$ 6,529</u>	<u>\$ 90,700</u>	<u>\$ 94,140</u>

(continued)

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor
Governmental Funds – December 31, 2019, continued**

	Police Grants and Seizures	Technology Fee	Duncan Enhancement Trust Authority	Ad Valorem Sinking	Total Other Governmental Funds
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 40,117	\$ 316,993
Fees and fines	-	9,200	-	-	9,200
Intergovernmental	-	-	-	-	215,644
Charges for services	-	-	-	-	10,326
Miscellaneous	55,397	-	-	-	59,287
Total revenues	<u>55,397</u>	<u>9,200</u>	<u>-</u>	<u>40,117</u>	<u>611,450</u>
EXPENDITURES					
Current:					
Public safety	9,541	-	-	-	47,874
Streets	-	-	-	-	234,977
Culture and recreation	-	-	-	-	18,279
General government	-	-	8,954	-	9,254
Capital outlay	11,735	-	22,329	-	273,626
Total expenditures	<u>21,276</u>	<u>-</u>	<u>31,283</u>	<u>-</u>	<u>584,010</u>
Excess (deficiency) of revenues over expenditures	<u>34,121</u>	<u>9,200</u>	<u>(31,283)</u>	<u>40,117</u>	<u>27,440</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	(97,845)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,845)</u>
Net change in fund balances	34,121	9,200	(31,283)	40,117	(70,405)
Fund balances - beginning	79,299	-	24,767	88,276	726,392
Fund balances - ending	<u>\$ 113,420</u>	<u>\$ 9,200</u>	<u>\$ (6,516)</u>	<u>\$ 128,393</u>	<u>\$ 655,987</u>

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Combining Schedule of Net Position – Duncan Public Utilities Authority – December 31, 2019

	DPUA Enterprise Fund Accounts						Total
	DPUA - Other Utilities	DPUA - Electric	DPUA Airport	DPUA Sinking - Waurika	Redeposit Cash	Meter Deposit	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 3,285,281	\$ 8,241,264	\$ 173,090	\$ -	\$ 11,684	\$ -	\$ 11,711,319
Restricted:							
Cash and cash equivalents	802,786	-	-	693,707	-	789,771	2,286,264
Due from other funds	-	300,000	-	-	-	-	300,000
Due from other funds - interaccount	-	-	-	-	-	297,786	297,786
Accounts receivable, net	1,942,652	2,314,321	6,720	-	-	500	4,264,193
Receivables from other governments	-	-	86,400	-	-	-	86,400
Other receivables	8,501	-	-	-	9,346	-	17,847
Inventories	-	674,117	-	-	-	-	674,117
Prepaid Expenses	16	-	-	-	-	-	16
Total current assets	<u>6,039,236</u>	<u>11,529,702</u>	<u>266,210</u>	<u>693,707</u>	<u>21,030</u>	<u>1,088,057</u>	<u>19,637,942</u>
Non-current assets:							
Restricted:							
Investments	-	-	-	4,636,425	-	-	4,636,425
Investment in joint venture	87,138	-	-	-	-	-	87,138
Capital assets:							
Land and construction in progress	2,533,693	392,591	100,544	-	-	-	3,026,828
Other capital assets, net of accumulated depreciation	45,439,965	4,481,072	3,065,873	-	-	-	52,986,910
Total non-current assets	<u>48,060,796</u>	<u>4,873,663</u>	<u>3,166,417</u>	<u>4,636,425</u>	<u>-</u>	<u>-</u>	<u>60,737,301</u>
Total assets	<u>54,100,032</u>	<u>16,403,365</u>	<u>3,432,627</u>	<u>5,330,132</u>	<u>21,030</u>	<u>1,088,057</u>	<u>80,375,243</u>
DEFERRED OUTFLOW OF RESOURCES							
Deferred amounts on refunding	847,209	-	-	-	-	-	847,209
Deferred amounts related to pension	3,776,503	3,796,429	-	-	-	-	7,572,932
Deferred amounts related to OPEB	325,233	45,991	-	-	-	-	371,224
Total deferred inflows	<u>4,948,945</u>	<u>3,842,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,791,365</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	1,283,146	854,627	113,779	-	-	-	2,251,552
Salaries payable	18,955	9,599	-	-	-	-	28,554
Accrued interest payable	179,087	1,294	-	-	-	-	180,381
Due to other funds - interaccount	297,786	-	-	-	-	-	297,786
Payable to other governments	-	11,201	-	-	-	-	11,201
Deposits subject to refund	-	14,802	-	-	1,078,659	-	1,093,461
Compensated absences	17,659	14,599	-	-	-	-	32,258
Capital lease obligation	78,534	103,081	-	-	-	-	181,615
Notes payable	4,383,934	-	-	-	-	-	4,383,934
Total current liabilities	<u>6,259,101</u>	<u>1,009,203</u>	<u>113,779</u>	<u>-</u>	<u>-</u>	<u>1,078,659</u>	<u>8,460,742</u>
Non-current liabilities:							
Compensated absences, net of current portion	158,928	131,397	-	-	-	-	290,325
Capital lease obligation	238,379	290,174	-	-	-	-	528,553
Total OPEB liability	942,542	320,865	-	-	-	-	1,263,407
Net pension liability	10,178,890	10,197,778	-	-	-	-	20,376,668
Notes payable, net of current portion	27,638,136	-	-	-	-	-	27,638,136
Total non-current liabilities	<u>39,156,875</u>	<u>10,940,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,097,089</u>
Total liabilities	<u>45,415,976</u>	<u>11,949,417</u>	<u>113,779</u>	<u>-</u>	<u>-</u>	<u>1,078,659</u>	<u>58,557,831</u>
DEFERRED INFLOW OF RESOURCES							
Deferred amounts related to pension	2,569,346	2,232,824	-	-	-	-	4,802,170
Deferred amounts related to OPEB	298,630	115,728	-	-	-	-	414,358
Total deferred inflows	<u>2,867,976</u>	<u>2,348,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,216,528</u>
NET POSITION							
Net investment in capital assets	16,481,884	4,480,408	3,166,417	-	-	-	24,128,709
Restricted for debt service	324,127	-	-	5,330,132	-	-	5,654,259
Unrestricted (deficit)	(6,040,986)	1,467,408	152,431	-	21,030	9,398	(4,390,719)
Total net position	<u>\$ 10,765,025</u>	<u>\$ 5,947,816</u>	<u>\$ 3,318,848</u>	<u>\$ 5,330,132</u>	<u>\$ 21,030</u>	<u>\$ 9,398</u>	<u>\$ 25,392,249</u>

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Combining Schedule of Revenues, Expenses, and Changes in Net Position – Duncan Public Utilities Authority – Year Ended December 31, 2019

	Enterprise Fund Accounts						Total
	DPUA - Other Utilities	DPUA - Electric	DPUA Airport	DPUA Sinking - Waurika	Redeposit Cash	Meter Deposit	
REVENUES							
Water	\$ 8,239,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,239,771
Electric	-	19,617,531	-	-	-	-	19,617,531
Sewer	2,379,966	-	-	-	-	-	2,379,966
Sanitation	3,679,195	-	-	-	-	-	3,679,195
Lake	163,735	-	-	-	-	-	163,735
Airport	-	-	42,292	-	-	-	42,292
Miscellaneous	207,420	76,219	-	-	1,956	-	285,595
Total operating revenues	<u>14,670,087</u>	<u>19,693,750</u>	<u>42,292</u>	<u>-</u>	<u>1,956</u>	<u>-</u>	<u>34,408,085</u>
OPERATING EXPENSES							
General government	2,147,496	-	-	-	-	-	2,147,496
Water	4,525,244	-	-	-	-	-	4,525,244
Wastewater	1,000,378	-	-	-	-	-	1,000,378
Sanitation	3,427,256	-	-	-	-	-	3,427,256
Electric	-	15,428,320	-	-	-	-	15,428,320
Lake	764,533	-	-	-	-	-	764,533
Airport	-	-	40,923	-	-	-	40,923
Depreciation	3,227,761	392,771	189,287	-	-	-	3,809,819
Total operating expenses	<u>15,092,668</u>	<u>15,821,091</u>	<u>230,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,143,969</u>
Operating income (loss)	<u>(422,581)</u>	<u>3,872,659</u>	<u>(187,918)</u>	<u>-</u>	<u>1,956</u>	<u>-</u>	<u>3,264,116</u>
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment revenue	7,884	66,773	-	63,251	-	4,529	142,437
Miscellaneous revenue	354,730	32,495	10,495	-	-	-	397,720
Gain (loss) on capital asset disposal	11,541	-	-	-	-	-	11,541
Interest expense	(1,009,043)	(9,359)	-	-	-	-	(1,018,402)
Total non-operating revenue (expenses)	<u>(634,888)</u>	<u>89,909</u>	<u>10,495</u>	<u>63,251</u>	<u>-</u>	<u>4,529</u>	<u>(466,704)</u>
Income (loss) before contributions and transfers	<u>(1,057,469)</u>	<u>3,962,568</u>	<u>(177,423)</u>	<u>63,251</u>	<u>1,956</u>	<u>4,529</u>	<u>2,797,412</u>
Capital grants and contributions	-	-	432,510	-	-	-	432,510
Capital contributions from governmental activities	2,796,123	2,020,393	-	-	-	-	4,816,516
Transfers in - interaccount	598,304	-	-	-	-	-	598,304
Transfers out - interaccount	-	-	-	(598,304)	-	-	(598,304)
Transfers in	87,334	177,474	82,235	-	-	-	347,043
Transfers out	(551)	(4,000,000)	-	-	-	-	(4,000,551)
Change in net position	<u>2,423,741</u>	<u>2,160,435</u>	<u>337,322</u>	<u>(535,053)</u>	<u>1,956</u>	<u>4,529</u>	<u>4,392,930</u>
Total net position - beginning, restated	<u>8,341,284</u>	<u>3,787,381</u>	<u>2,981,526</u>	<u>5,865,185</u>	<u>19,074</u>	<u>4,869</u>	<u>20,999,319</u>
Total net position - ending	<u>\$ 10,765,025</u>	<u>\$ 5,947,816</u>	<u>\$ 3,318,848</u>	<u>\$ 5,330,132</u>	<u>\$ 21,030</u>	<u>\$ 9,398</u>	<u>\$ 25,392,249</u>

**CITY OF DUNCAN, OKLAHOMA
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Combining Schedule of Cash Flows – Duncan Public Utilities Authority – Year Ended December 31, 2019

	Enterprise Fund Accounts						Total
	DPUA - Other Utilities	DPUA - Electric	DPUA Airport	DPUA Sinking - Waurika	Redeposit Cash	Meter Deposit	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 14,459,782	\$ 19,206,031	\$ 52,490	\$ -	\$ 12,668	\$ -	\$ 33,730,971
Payments to suppliers and employees	(8,528,475)	(13,869,872)	(39,098)	-	-	-	(22,437,445)
Receipts of customer meter deposits	-	46,178	-	-	-	313,330	359,508
Refunds of customer meter deposits	-	(38,798)	-	-	-	(326,371)	(365,169)
Interfund receipts	-	622,905	-	-	-	-	622,905
Interfund receipts - interaccount	984	-	-	-	-	-	984
Interfund payments - interaccount	-	-	-	-	(984)	-	(984)
Net cash provided by (used in) operating activities	<u>5,932,291</u>	<u>5,966,444</u>	<u>13,392</u>	<u>-</u>	<u>11,684</u>	<u>(13,041)</u>	<u>11,910,770</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from other funds - interaccount	598,304	-	-	-	-	-	598,304
Transfers to other funds - interaccount	-	-	-	(598,304)	-	-	(598,304)
Transfers from other funds	87,334	177,474	82,235	-	-	-	347,043
Transfers to other funds	(551)	(4,000,000)	-	-	-	-	(4,000,551)
Net cash provided by (used in) noncapital financing activities	<u>685,087</u>	<u>(3,822,526)</u>	<u>82,235</u>	<u>(598,304)</u>	<u>-</u>	<u>-</u>	<u>(3,653,508)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of capital assets	(250,643)	(60,552)	(451,608)	-	-	-	(762,803)
Proceeds of capital grants	-	-	346,110	-	-	-	346,110
Proceeds from sale of capital assets	11,541	-	-	-	-	-	11,541
Proceeds from debt	564,648	-	-	-	-	-	564,648
Principal paid on debt	(4,201,355)	(72,137)	-	-	-	-	(4,273,492)
Interest and fiscal agent fees paid on debt	(1,014,468)	-	(9,424)	-	-	-	(1,023,892)
Net cash provided by (used in) capital and related financing activities	<u>(4,890,277)</u>	<u>(142,113)</u>	<u>(105,498)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,137,888)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Sale of investments	-	-	-	798,562	-	-	798,562
Interest and dividends	7,104	66,773	-	(60,854)	-	4,529	17,552
Net cash provided by investing activities	<u>7,104</u>	<u>66,773</u>	<u>-</u>	<u>737,708</u>	<u>-</u>	<u>4,529</u>	<u>816,114</u>
Net increase (decrease) in cash and cash equivalents	<u>1,734,205</u>	<u>2,068,578</u>	<u>(9,871)</u>	<u>139,404</u>	<u>11,684</u>	<u>(8,512)</u>	<u>3,935,488</u>
Balances - beginning of year	<u>2,353,862</u>	<u>6,172,686</u>	<u>182,961</u>	<u>554,303</u>	<u>-</u>	<u>798,283</u>	<u>10,062,095</u>
Balances - end of year	<u>\$ 4,088,067</u>	<u>\$ 8,241,264</u>	<u>\$ 173,090</u>	<u>\$ 693,707</u>	<u>\$ 11,684</u>	<u>\$ 789,771</u>	<u>\$ 13,997,583</u>
Reconciliation to Statement of Net Position:							
Cash and cash equivalents	\$ 3,285,281	\$ 8,241,264	\$ 173,090	\$ -	\$ 11,684	\$ -	\$ 11,711,319
Restricted cash and cash equivalents - current	802,786	-	-	693,707	-	789,771	2,286,264
Total cash and cash equivalents, end of year	<u>\$ 4,088,067</u>	<u>\$ 8,241,264</u>	<u>\$ 173,090</u>	<u>\$ 693,707</u>	<u>\$ 11,684</u>	<u>\$ 789,771</u>	<u>\$ 13,997,583</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (422,581)	\$ 3,872,659	\$ (187,918)	\$ -	\$ 1,956	\$ -	\$ 3,264,116
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	3,227,761	392,771	189,287	-	-	-	3,809,819
Miscellaneous revenue	354,730	32,495	10,495	-	-	-	397,720
Change in assets and liabilities:							
Due from other funds	-	622,905	-	-	-	-	622,905
Due from other funds - interaccount	984	-	-	-	-	-	984
Accounts receivable	(578,129)	(520,214)	(297)	-	-	-	(1,098,640)
Other receivable	13,094	-	-	-	10,712	-	23,806
Inventory	-	234,870	-	-	-	-	234,870
Deferred outflows related to pension	(2,729,605)	(2,748,014)	-	-	-	-	(5,477,619)
Deferred outflows related to OPEB	(237,967)	(7,812)	-	-	-	-	(245,779)
Accounts payable	1,238,246	(999,086)	1,825	-	-	-	241,085
Accrued payroll payable	(60,034)	(38,685)	-	-	-	-	(98,719)
Deposits subject to refund	-	7,380	-	-	-	(13,041)	(5,661)
Due to other funds - interaccount	-	-	-	-	(984)	-	(984)
Due to other governments	-	(142)	-	-	-	-	(142)
Total OPEB liability	121,026	(38,548)	-	-	-	-	82,478
Deferred inflows related to OPEB	124,552	39,568	-	-	-	-	164,120
Accrued compensated absences	19,434	20,761	-	-	-	-	40,195
Deferred inflows related to pension	(580,692)	-	-	-	-	-	(580,692)
Net pension liability	5,441,372	5,472,002	-	-	-	-	10,913,374
Net cash provided by (used in) operating activities	<u>\$ 5,932,291</u>	<u>\$ 5,966,444</u>	<u>\$ 13,392</u>	<u>\$ -</u>	<u>\$ 11,684</u>	<u>\$ (13,041)</u>	<u>\$ 11,910,770</u>
Noncash activities:							
Assets acquired by capital lease	-	\$ 120,431	-	-	-	-	\$ 120,431
Asset transferred from other funds	2,796,123	2,020,393	-	-	-	-	4,816,516
	<u>\$ 2,796,123</u>	<u>\$ 2,140,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,936,947</u>

**CITY OF DUNCAN, OKLAHOMA
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Combining Statement of Net Position – Pension Trust Funds – December 31, 2019

	City Employees Retirement Trust Fund - Defined Benefit	City Employees Retirement Trust Fund - Defined Contribution	Totals
ASSETS			
Cash and cash equivalents	\$ 227,375	\$ 33,274	\$ 260,649
Investments, at fair value:			
Common trust funds	2,620,323	-	2,620,323
Mutual fund equity	1,522,461	390,869	1,913,330
Mutual fund fixed	3,304,052	418,503	3,722,555
Accrued interest receivable	-	2,806	2,806
Total assets	\$ 7,674,211	\$ 845,452	\$ 8,519,663
LIABILITIES			
Refunds payable and others	\$ -	\$ -	\$ -
Other accrued expenses	-	-	-
Total liabilities	\$ -	\$ -	\$ -
NET POSITION			
Restricted for employees' pension benefits held in trust	\$ 7,674,211	\$ 845,452	\$ 8,519,663

**CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2019**

Combining Statement of Changes in Plan Net Position – Pension Trust Funds – December 31, 2019

	City Employees Retirement Trust Fund	City Employees Retirement Trust Fund - Defined Contribution	Totals
ADDITIONS			
Contributions:			
Employer	\$ 752,210	\$ 22,363	\$ 774,573
Plan members	200,428	17,939	218,367
Miscellaneous receipts	4,649	12,687	17,336
Total contributions	<u>957,287</u>	<u>52,989</u>	<u>1,010,276</u>
Investment earnings:			
Increase in fair value of investments	1,023,696	80,433	1,104,129
Interest and dividends	187,792	35,855	223,647
Total net investment earnings	<u>1,211,488</u>	<u>116,288</u>	<u>1,327,776</u>
Total additions	<u>2,168,775</u>	<u>169,277</u>	<u>2,338,052</u>
DEDUCTIONS			
Benefits paid to participants or beneficiaries	1,584,483	138,294	1,722,777
Refunds of contributions	150,758	-	150,758
Administrative	33,529	1,521	35,050
Total deductions	<u>1,768,770</u>	<u>139,815</u>	<u>1,908,585</u>
Change in net position held in trust for employees' pension benefits	400,005	29,462	429,467
Net position held in trust for employees' pension benefits - beginning	<u>7,274,206</u>	<u>815,990</u>	<u>8,090,196</u>
Net position held in trust for employees' pension benefits- ending	<u>\$ 7,674,211</u>	<u>\$ 845,452</u>	<u>\$ 8,519,663</u>

INTERNAL CONTROL AND COMPLIANCE INFORMATION

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Elfrink and Associates, PLLC

Certified Public Accountants

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 Duncan, 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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duncan, Oklahoma ("City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated October 23, 2020. Our report includes a reference to other auditors who audited the financial statements of Duncan Industrial Authority and Duncan Area Economic Development Foundation, Inc., discretely presented component units of the City. This report does not include the results of Duncan Industrial Authority auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The Duncan Area Economic Development Foundation, Inc. was not audited in accordance with *Government Auditing Standards*.

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.

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, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC

Tulsa, Oklahoma

October 23, 2020