



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

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2023**

THE CITY OF DUNCAN, OKLAHOMA

Annual Financial Statements
And Independent Auditor's Report

As of and For the Fiscal Year Ended
December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Duncan, Oklahoma (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, 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.

We did not audit the financial statements of the Duncan Area Economic Development Foundation, Inc. (DAEDF), a discretely presented component unit of the City representing 99.9%, 99.9% and 100%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units opinion group. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for DAEDF, are based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and post-employment benefit plan information on pages 3-12 and 75-83 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and non-major fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and non-major fund financial statements and statement of expenditures of federal awards 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 September 20, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Elfrink and Associates, PLLC
Tulsa, Oklahoma
September 20, 2024

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, 2023. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended December 31, 2023, the City's total net position increased by \$9,298,251 or 16.53% from the prior year.
- In the City's governmental activities, program expenses exceeded program revenues by \$23,687,866, while the governmental activities total net position increased by \$4,129,563 for the fiscal year.
- In the City's business-type activities, such as utilities, program expenses exceeded program revenues by \$7,969,090. The business-type activities total net position increased by \$5,168,688 for the fiscal year.
- At December 31, 2023, the General Fund reported an unassigned fund balance of \$7,581,941.
- At December 31, 2023, the Worker's Compensation Internal Service Fund reported a net position of \$85,964.
- For budgetary reporting purposes, the General Fund reported revenues above estimates by \$4,050,528 or 31.42%, while expenditures were under the final appropriations by \$1,810,608 or 8.21%.

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 (DEDTA) – 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 Authority does not issue separate financial statements. The DIA is currently inactive.

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 other 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. 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.

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 \$65,558,931 at the close of the most recent fiscal year.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2023

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Current assets	\$ 40,657	\$ 37,973	7%	\$ 33,758	\$ 35,890	-6%	\$ 74,415	\$ 73,863	1%
Capital assets, net	39,829	38,520	3%	73,526	64,850	13%	113,355	103,370	10%
Deferred outflows	5,854	7,256	-19%	4,763	3,386	41%	10,617	10,642	0%
Total assets and deferred outflows	<u>86,340</u>	<u>83,749</u>	3%	<u>112,047</u>	<u>104,126</u>	8%	<u>198,387</u>	<u>187,875</u>	6%
Current liabilities	6,226	6,769	-8%	9,989	8,405	19%	16,215	15,174	7%
Non-current liabilities	26,028	27,762	-6%	77,936	80,285	-3%	103,964	108,047	-4%
Deferred inflows	5,812	5,074	15%	6,837	3,319	106%	12,649	8,393	51%
Total liabilities and deferred inflows	<u>38,066</u>	<u>39,605</u>	-4%	<u>94,762</u>	<u>92,009</u>	3%	<u>132,828</u>	<u>131,614</u>	1%
Net position									
Net investment in capital assets	36,718	37,432	-2%	40,565	28,953	40%	77,283	66,385	16%
Restricted	15,991	13,591	18%	2,898	3,075	-6%	18,889	16,666	13%
Unrestricted (deficit)	(4,435)	(6,879)	-36%	(26,178)	(19,911)	31%	(30,613)	(26,790)	14%
Total net position	<u>\$ 48,274</u>	<u>\$ 44,144</u>	9%	<u>\$ 17,285</u>	<u>\$ 12,117</u>	43%	<u>\$ 65,559</u>	<u>\$ 56,261</u>	17%

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 2023, the net investment in capital assets amounted to \$77,282,799. 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, \$18,888,560 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:

Deferred outflows – Decrease of \$1.40 million (19%) due to changes in deferred outflows related the pensions.

Business-type Activities:

Deferred outflows – Increase of \$1.38 million (41%) due to changes in deferred outflows related the pensions.

Current liabilities – Increase of \$1.58 million (19%) due to an increase in accounts payable and accrued liabilities.

Deferred inflows - Increase of \$3.52 million (106%) due to an increase in the inflows related the pension plans and the OPEB plan.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2023

Changes in Net Position

For the year ended December 31, 2023, 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.)
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Revenues									
Charges for service	\$ 1,746	\$ 1,525	14%	\$ 35,904	\$ 35,866	0%	\$ 37,650	\$ 37,391	1%
Operating grants and contributions	2,275	1,965	16%	221	232	-5%	2,496	2,197	14%
Capital grants and contributions	103	518	-80%	-	-	-	103	518	-80%
Taxes	22,237	19,600	13%	-	-	-	22,237	19,600	13%
Intergovernmental revenue	1,403	383	266%	-	-	-	1,403	383	266%
Investment income	584	(954)	161%	548	(1,073)	151%	1,132	(2,027)	156%
Miscellaneous	189	189	0%	56	54	4%	245	243	1%
Total revenues	28,537	23,226	23%	36,729	35,079	5%	65,266	58,305	12%
Expenses									
General government	4,925	4,254	16%	-	-	-	4,925	4,254	16%
Public safety	14,576	13,370	9%	-	-	-	14,576	13,370	9%
Highways and streets	4,110	4,285	-4%	-	-	-	4,110	4,285	-4%
Culture and recreation	1,790	1,742	3%	-	-	-	1,790	1,742	3%
Health	369	425	-13%	-	-	-	369	425	-13%
Community development	737	626	18%	-	-	-	737	626	18%
Economic development	982	4,458	-78%	-	-	-	982	4,458	-78%
Interest on long-term debt	323	227	42%	-	-	-	323	227	42%
Water	-	-	-	4,142	7,987	-48%	4,142	7,987	-48%
Wastewater	-	-	-	2,312	2,981	-22%	2,312	2,981	-22%
Sanitation	-	-	-	4,331	4,577	-5%	4,331	4,577	-5%
Electric	-	-	-	16,190	19,774	-18%	16,190	19,774	-18%
Airport	-	-	-	414	289	43%	414	289	43%
Lake	-	-	-	767	1,151	-33%	767	1,151	-33%
Total expenses	27,812	29,387	-5%	28,156	36,759	-23%	55,968	66,146	-15%
Excess (deficiency) before transfers	725	(6,161)	-112%	8,573	(1,680)	-610%	9,298	(7,841)	-219%
Transfers	3,405	3,454	-1%	(3,405)	(3,454)	-1%	-	-	
Change in net position	4,130	(2,707)	-253%	5,168	(5,134)	-201%	9,298	(7,841)	-219%
Beginning net position	44,144	46,851	-6%	12,117	17,251	-30%	56,261	64,102	-12%
Ending net position	\$ 48,274	\$ 44,144	9%	\$ 17,285	\$ 12,117	43%	\$ 65,559	\$ 56,261	17%

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

Governmental:

Intergovernmental revenue – increase of 266%, due to the recognition of ARPA grant revenue.

Investment income – increase of 161% due to the increase in interest earning on investments.

Economic development – decrease of 78% due to expenses pertaining to community development projects.

Business-Type Activities:

Investment income – increase of 151% due to the increase in interest earning on investments.

Water expense – decrease of 48% due to the change in pension and OPEB expenses.

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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.)
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
General government	\$ 4,925	\$ 4,254	16%	(\$4,717)	\$ (3,349)	41%
Public safety	14,576	13,370	9%	(12,192)	(11,396)	7%
Highways and streets	4,110	4,285	-4%	(3,331)	(4,048)	-18%
Culture and recreation	1,790	1,742	3%	(1,691)	(1,670)	1%
Health	369	425	-13%	(222)	(270)	-18%
Community development	737	626	18%	(281)	39	-821%
Economic development	982	4,458	-78%	(930)	(4,458)	-79%
Interest on long-term debt	323	227	42%	(323)	(227)	42%
Total	<u>\$ 27,812</u>	<u>\$ 29,387</u>	-5%	<u>(\$23,687)</u>	<u>\$ (25,379)</u>	-7%

For the year ended December 31, 2023 total expenses for governmental activities amounted to \$27.8 million which was a slight decrease compared with the prior year. 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.
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Water	\$ 4,142	\$ 7,987	-48%	\$ 6,414	\$ 1,543	316%
Wastewater	2,312	2,981	-22%	546	(312)	-275%
Sanitation	4,331	4,577	-5%	(623)	(680)	-8%
Electric	16,190	19,773	-18%	2,583	(42)	-6250%
Airport	414	289	43%	(361)	(237)	52%
Lake	767	1,151	-33%	(590)	(933)	-37%
Total	<u>\$ 28,156</u>	<u>\$ 36,758</u>	-23%	<u>\$ 7,969</u>	<u>\$ (661)</u>	-1306%

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

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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 \$5,168,688 for the year ended December 31, 2023.
- The sanitation, lake and airport utility operating revenues were slightly less than operational expenses.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2023 fiscal year, the governmental funds reported a combined total fund balance of \$33.7 million, or a 10.6% increase of \$3,233,482 , mainly due to the unspent proceeds from the issuance of debt and transfers from other funds.

The enterprise funds reported combined total net position of \$17.2 million, or a 44.1% increase from 2022, mainly related to contributed capital and increases in investment income.

General Fund Budgetary Highlights

For budgetary reporting purposes, the General Fund reported revenues above estimates by \$4,050,528 or 31.42%, while expenditures were under the final appropriations by \$1,810,608 or 8.21%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2023, the City had \$113.4 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 increase of 9.66% compared to last year.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 1,438	\$ 1,438	\$ 374	\$ 374	1,812	\$ 1,812
Buildings	11,811	11,996	13,179	12,562	24,990	24,558
Machinery, furniture and equipment	8,294	7,278	3,039	3,407	11,333	10,685
Infrastructure	16,592	17,232	22,578	23,287	39,170	40,519
Water rights	-	-	6,290	6,523	6,290	6,523
SIBITA	60	-	-	-	60	-
Intangible leased assets	-	-	89	148	89	148
Construction in progress	1,633	575	27,978	18,548	29,611	19,123
Totals	<u>\$ 39,828</u>	<u>\$ 38,519</u>	<u>\$ 73,527</u>	<u>\$ 64,849</u>	<u>\$ 113,355</u>	<u>\$ 103,368</u>

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This year's more significant capital asset additions included:

Settling pond improvements	\$1,041,000
Lighting projects	1,168,700

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 \$72.9 in long-term debt outstanding, which represents a \$6.4 million or 9.6% increase 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>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2022-2023</u>
Notes payable	\$ 12,016	\$ 10,942	\$ 54,259	\$ 49,091	\$ 66,275	\$ 60,033	10.4%
Lease liability	-	-	91	149	91	149	-38.9%
Debt premium	-	-	2,495	2,316	2,495	2,316	7.7%
Meter deposits	-	-	1,167	1,149	1,167	1,149	1.6%
Accrued compensated absences	1,789	1,830	410	379	2,199	2,209	-0.5%
Subscription liability	53	-	-	-	53	-	100.0%
Claims liability	612	646	-	-	612	646	-5.3%
Totals	\$ 14,470	\$ 13,418	\$ 58,422	\$ 53,084	\$ 72,892	\$ 66,502	9.6%

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

Sales Tax remains one of the principal sources of revenue that supports the City of Duncan's governmental functions. We are a consumer driven economy with retail purchases and tourism playing vital roles in the funding of our community. Duncan welcomed 45 new businesses in 2023 bringing a glimpse of recovery with them. The four natural resources that are Duncan's stable tourist attraction: the lakes, continue their remodeling and marketing to bring tourism to our town. The Stephens County Fairgrounds continue to be a lively resource as they host large, multi-day events such as the Duncan Auto Swap Meet, the Free Fair, The National Swine Registry, and the Prairie Circuit Finals. The Fairground events average from 3 to 5 days and bring 5 – 10 thousand people to Duncan with each event.

The sales tax collection for 2023 was \$17,595,551 which was an increase of 11.44% over the previous year's collection. 2024 appears to be strong and as such the budget reflects a breakeven with the Fiscal Year 2023 budget.

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Comparison Chart:

Year	City and County Annual Sales Tax <i>Oklahoma Tax Commission</i>	Stephens County Unemployment Rate <i>Oklahoma Workforce</i>	End of Year Oil Prices <i>Baker Hughes</i>	End of Year Rig Count <i>EIA.gov</i>
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
2020	\$12,981,078	6.0%	\$44.00	51
2021	\$14,129,431	2.5%	\$70.86	480
2022	\$15,788,506	2.9%	\$100.93	780
2023	\$17,595,551	3.4%	\$71.33	622
Budgeted 2024	\$14,865,010			

Duncan wages are expected to remain stable as the City of Duncan and its entire workforce is now in a perpetual alignment and evaluation of the city and national labor market trends. Business retention and expansion activity will continue to be a concern throughout 2024. Confidently moving forward, the City will diligently continue the budget conservation mindset knowing that recovery is our future goal.

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
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2023

Statement of Net Position – December 31, 2023

	Governmental	Business-type	Total	Aggregate Discretely Presented Component Units
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 29,006,495	\$ 4,802,935	\$ 33,809,430	\$ 1,153,365
Investments	2,150,975	-	2,150,975	816,651
Interest receivable	-	-	-	1,900
Accounts receivable, net of allowance	686,033	4,820,328	5,506,361	51,722
Other receivable	-	-	-	864,611
Internal balances	3,952,039	(3,952,039)	-	-
Due from other governmental agencies	3,329,031	38,700	3,367,731	-
Inventories	-	647,870	647,870	-
Prepaid items	-	16	16	3,834
Leases receivable	1,311,890	-	1,311,890	-
Cash and cash equivalents, restricted	-	26,265,467	26,265,467	114,115
Investment in joint venture	-	62,188	62,188	-
Investments, restricted	-	1,072,760	1,072,760	-
Net pension asset	220,905	-	220,905	-
Land available for development	-	-	-	1,292,667
Capital assets:				
Land and construction in progress	3,071,591	28,351,931	31,423,522	30,720
Other capital assets, net of depreciation	36,757,099	45,174,469	81,931,568	19,580,256
Total assets	80,486,058	107,284,625	187,770,683	23,909,841
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to pensions	5,451,277	3,883,973	9,335,250	-
Deferred amounts related to OPEB	402,907	246,525	649,432	-
Deferred amounts on refunding	-	632,045	632,045	-
Total deferred outflows	5,854,184	4,762,543	10,616,727	-
LIABILITIES				
Accounts payable and accrued expenses	2,015,446	4,237,608	6,253,054	241,322
Accrued interest payable	94,598	405,447	500,045	-
Due to depositors	15,315	-	15,315	-
Unearned revenue	2,525,921	-	2,525,921	56,780
Long-term liabilities				
Due within one year	1,574,468	5,345,476	6,919,944	-
Due in more than one year	26,028,559	77,936,180	103,964,739	-
Total liabilities	32,254,307	87,924,711	120,179,018	298,102
DEFERRED INFLOW OF RESOURCES				
Deferred amounts related to pensions	1,684,000	5,817,273	7,501,273	-
Deferred amounts related to OPEB	2,811,313	1,019,765	3,831,078	-
Deferred amounts related to leases	1,317,110	-	1,317,110	-
Total deferred inflows	5,812,423	6,837,038	12,649,461	-
NET POSITION				
Net investment in capital assets	36,718,217	40,564,582	77,282,799	19,610,976
Restricted for:				
Debt service	335,972	2,897,964	3,233,936	-
Public safety	395,536	-	395,536	-
Capital projects	11,007,902	-	11,007,902	-
Economic development	3,843,924	-	3,843,924	-
Other	407,262	-	407,262	9,316,089
Unrestricted (deficit)	(4,435,301)	(26,177,127)	(30,612,428)	(5,315,326)
Total net position	\$ 48,273,512	\$ 17,285,419	\$ 65,558,931	\$ 23,611,739

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, 2023

Statement of Activities – Year Ended December 31, 2023

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	\$ 4,925,259	\$ 124,709	\$ 83,560	\$ -	\$ (4,716,990)	\$ -	\$ (4,716,990)	\$ -
Public safety	14,574,957	938,067	1,341,797	102,898	(12,192,195)	-	(12,192,195)	-
Highways and streets	4,109,900	-	778,814	-	(3,331,086)	-	(3,331,086)	-
Culture and recreation	1,790,298	80,844	18,539	-	(1,690,915)	-	(1,690,915)	-
Health	368,703	146,616	-	-	(222,087)	-	(222,087)	-
Community development	737,067	455,855	-	-	(281,212)	-	(281,212)	-
Economic development	982,156	-	52,041	-	(930,115)	-	(930,115)	-
Interest on long-term debt	323,266	-	-	-	(323,266)	-	(323,266)	-
Total governmental activities	<u>27,811,606</u>	<u>1,746,091</u>	<u>2,274,751</u>	<u>102,898</u>	<u>(23,687,866)</u>	<u>-</u>	<u>(23,687,866)</u>	<u>-</u>
Business-type activities:								
Water	4,141,896	10,335,362	220,852	-	-	6,414,318	6,414,318	-
Wastewater	2,311,458	2,857,006	-	-	-	545,548	545,548	-
Sanitation	4,330,991	3,707,699	-	-	-	(623,292)	(623,292)	-
Electric	16,190,415	18,773,648	-	-	-	2,583,233	2,583,233	-
Airport	414,007	53,154	-	-	-	(360,853)	(360,853)	-
Lake	766,844	176,980	-	-	-	(589,864)	(589,864)	-
Total business-type activities	<u>28,155,611</u>	<u>35,903,849</u>	<u>220,852</u>	<u>-</u>	<u>-</u>	<u>7,969,090</u>	<u>7,969,090</u>	<u>-</u>
Total primary government	<u>\$ 55,967,217</u>	<u>\$ 37,649,940</u>	<u>\$ 2,495,603</u>	<u>\$ 102,898</u>	<u>\$ (23,687,866)</u>	<u>7,969,090</u>	<u>(15,718,776)</u>	
Component Unit								
Economic Development	\$ 976,778	\$ 1,554,544	\$ 10,164	\$ 1,090,000				1,677,930
Health and Welfare	-	722	-	-				722
Total component units	<u>\$ 976,778</u>	<u>\$ 1,555,266</u>	<u>\$ 10,164</u>	<u>\$ 1,090,000</u>				<u>1,678,652</u>
General revenues:								
Taxes:								
Sales and use taxes					21,088,779	-	21,088,779	-
Franchise taxes and public service taxes					652,630	-	652,630	-
Hotel/motel taxes					494,529	-	494,529	-
Intergovernmental					440,481	-	440,481	-
Intergovernmental revenue not restricted to specific programs					962,644	-	962,644	-
Unrestricted investment earnings					583,788	548,403	1,132,191	-
Miscellaneous					189,234	56,539	245,773	-
Transfers					3,405,344	(3,405,344)	-	-
Total general revenues and transfers					<u>27,817,429</u>	<u>(2,800,402)</u>	<u>25,017,027</u>	<u>-</u>
Change in net position					4,129,563	5,168,688	9,298,251	1,678,652
Net position, beginning					44,143,949	12,116,731	56,260,680	21,933,087
Net position, ending					<u>\$ 48,273,512</u>	<u>\$ 17,285,419</u>	<u>\$ 65,558,931</u>	<u>\$ 23,611,739</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
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Balance Sheet – Governmental Funds – December 31, 2023

		Capital Project			
	General Fund	Capital Improvement Fund	2021 C Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,554,549	\$ 10,706,657	\$ 9,027,871	\$ 6,026,995	\$ 28,316,072
Investments	-	667,190	-	1,483,785	2,150,975
Receivable from other governments	2,139,964	700,546	-	421,705	3,262,215
Due from other funds	5,145,376	109,526	-	23,682	5,278,584
Taxes receivable, net	95,288	-	-	-	95,288
Court fines receivable, net	177,651	-	-	-	177,651
Leases receivable	1,311,890	-	-	-	1,311,890
Other receivables	401,065	-	-	66,816	467,881
Total assets	<u>\$ 11,825,783</u>	<u>\$ 12,183,919</u>	<u>\$ 9,027,871</u>	<u>\$ 8,022,983</u>	<u>\$ 41,060,556</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 666,462	\$ 332,784	\$ 34,454	\$ 283,742	\$ 1,317,442
Accrued payroll payable	693,145	-	-	-	693,145
Due to other funds	323,682	-	808,779	128,287	1,260,748
Due to bondholders	15,915	-	-	-	15,915
Unearned revenue	-	-	-	2,536,696	2,536,696
Total liabilities	<u>1,699,204</u>	<u>332,784</u>	<u>843,233</u>	<u>2,948,725</u>	<u>5,823,946</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	215,296	-	-	-	215,296
Deferred amounts related to leases	1,317,110	-	-	-	1,317,110
Total deferred inflows	<u>1,532,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,532,406</u>
Fund balances:					
Restricted	-	11,851,135	8,184,638	5,094,601	25,130,374
Assigned	1,012,232	-	-	-	1,012,232
Unassigned (deficit)	7,581,941	-	-	(20,343)	7,561,598
Total fund balances	<u>8,594,173</u>	<u>11,851,135</u>	<u>8,184,638</u>	<u>5,074,258</u>	<u>33,704,204</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,825,783</u>	<u>\$ 12,183,919</u>	<u>\$ 9,027,871</u>	<u>\$ 8,022,983</u>	<u>\$ 41,060,556</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, 2023

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances –Year Ended December 31, 2023

		Capital Project			
	General Fund	Capital Improvement Fund	2021 C Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 14,328,682	\$ 5,143,950	\$ -	\$ 2,888,048	\$ 22,360,680
Intergovernmental	2,063,872	-	-	1,182,950	3,246,822
Licenses and permits	264,800	-	-	-	264,800
Charges for services	624,578	-	-	17,725	642,303
Fees and fines	571,990	-	-	17,712	589,702
Investment earnings	79,497	114,184	437,304	(47,197)	583,788
Miscellaneous	305,355	99,494	25,771	88,132	518,752
Total revenues	<u>18,238,774</u>	<u>5,357,628</u>	<u>463,075</u>	<u>4,147,370</u>	<u>28,206,847</u>
EXPENDITURES					
Current:					
General government	4,387,645	3	-	583,917	4,971,565
Community development	751,477	-	-	-	751,477
Equipment and building maintenance	-	-	-	-	-
Public safety	13,346,693	-	-	90,397	13,437,090
Highways and streets	1,174,390	-	-	152,147	1,326,537
Health	403,889	-	-	-	403,889
Culture and recreation	1,503,047	-	-	21,618	1,524,665
Economic development	-	-	-	980,038	980,038
Capital outlay	-	4,916,051	1,359,419	1,727,344	8,002,814
Debt Service:					
Principal	-	441,896	591,000	-	1,032,896
Interest and other charges	-	40,136	185,264	-	225,400
Total expenditures	<u>21,567,141</u>	<u>5,398,086</u>	<u>2,135,683</u>	<u>3,555,461</u>	<u>32,656,371</u>
Excess (deficiency) of revenues over expenditures	<u>(3,328,367)</u>	<u>(40,458)</u>	<u>(1,672,608)</u>	<u>591,909</u>	<u>(4,449,524)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	2,075,374	-	-	2,075,374
Transfers in	5,041,185	-	776,264	8,665	5,826,114
Transfers out	(8,665)	(168,632)	-	(41,185)	(218,482)
Total other financing sources and uses	<u>5,032,520</u>	<u>1,906,742</u>	<u>776,264</u>	<u>(32,520)</u>	<u>7,683,006</u>
Net change in fund balances	1,704,153	1,866,284	(896,344)	559,389	3,233,482
Fund balances - beginning	6,890,020	9,984,851	9,080,982	4,514,869	30,470,722
Fund balances - ending	<u>\$ 8,594,173</u>	<u>\$ 11,851,135</u>	<u>\$ 8,184,638</u>	<u>\$ 5,074,258</u>	<u>\$ 33,704,204</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, 2023

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – December 31, 2023

Total fund balance, governmental funds	\$ 33,704,204
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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.	39,828,690
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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:

Other receivable	226,071
Net pension asset	220,905
Pension related deferred outflows	5,451,277
Pension related deferred inflows	(1,684,000)
OPEB related deferred outflows	402,907
OPEB related deferred inflows	(2,811,313)

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	(94,598)
Net pension liability	(12,308,041)
Total OPEB liability	(824,194)
Accrued compensated absences	(1,789,456)
Notes payable	(12,015,608)
Subscription liability	(53,499)

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	20,167
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 48,273,512</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Year Ended December 31, 2023

Net change in fund balances - total governmental funds:	\$ 3,233,482
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	6,305,427
Depreciation expense	(5,080,868)
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.	362,585
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	226,071
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	40,958
Change in total OPEB liability	320,972
Note proceeds	(2,075,378)
Payments on notes payable	1,002,046
Payments on subscription liabilities	30,850
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	(60,333)
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	(176,249)
Change in net position of governmental activities	<u>\$ 4,129,563</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, 2023

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2023

Proprietary Funds Statement of Net Position –December 31, 2023

	Duncan Public Utilities Authority Enterprise Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,802,935	\$ 690,423
Restricted:		
Cash and cash equivalents	26,265,467	-
Due from other funds	1,108,779	-
Accounts receivable, net	4,778,280	-
Receivables from other governments	38,700	-
Other receivables	42,048	-
Inventories	647,870	-
Prepaid items	16	-
Annuities receivable	-	12,029
Total current assets	<u>37,684,095</u>	<u>702,452</u>
Non-current assets:		
Restricted:		
Investments	1,072,760	-
Investment in joint venture	62,188	-
Capital assets:		
Land and construction in progress	28,351,931	-
Other capital assets, net of accumulated depreciation	45,174,469	-
Total non-current assets	<u>74,661,348</u>	<u>-</u>
Total assets	<u>112,345,443</u>	<u>702,452</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred amounts related to pension	3,883,973	-
Deferred amounts on refunding	632,045	-
Deferred amounts related to OPEB	246,525	-
Total deferred outflow of resources	<u>4,762,543</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	4,090,545	4,259
Salaries payable	114,626	-
Accrued interest payable	405,447	-
Due to other funds	5,126,615	-
Payable to other governments	32,437	-
Deposits subject to refund	1,167,259	-
Compensated absences	41,041	-
Leases liability	59,526	-
Claims and judgments	-	153,058
Notes payable	4,077,650	-
Total current liabilities	<u>15,115,146</u>	<u>157,317</u>
Non-current liabilities:		
Compensated absences, net of current portion	369,368	-
Lease liability	31,906	-
Claims and judgments, net of current portion	-	459,171
Net pension liability	24,602,445	-
Total OPEB liability	256,229	-
Notes payable, net of current portion	52,676,232	-
Total non-current liabilities	<u>77,936,180</u>	<u>459,171</u>
Total liabilities	<u>93,051,326</u>	<u>616,488</u>
DEFERRED INFLOW OF RESOURCES		
Deferred amounts related to pension	5,817,273	-
Deferred amounts related to OPEB	1,019,765	-
Total deferred inflow of resources	<u>6,837,038</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	40,564,582	-
Restricted for debt service	2,897,964	-
Unrestricted (deficit)	(26,242,924)	85,964
Total net position	<u>\$ 17,219,622</u>	<u>\$ 85,964</u>
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	\$ 65,797	
Total net position per Government-Wide financial statements	<u>\$ 17,285,419</u>	

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, 2023

	Duncan Public Utilities Authority Enterprise Fund	Internal Service Fund
REVENUES		
Water	\$ 10,144,957	\$ -
Electric	18,725,755	-
Wastewater	2,857,006	-
Sanitation	3,707,699	-
Lake	176,980	-
Airport	53,154	-
Charges for services	-	-
Miscellaneous	238,298	-
Total operating revenues	<u>35,903,849</u>	<u>-</u>
OPERATING EXPENSES		
General government	-	149,112
Water	1,150,995	-
Wastewater	1,184,388	-
Sanitation	3,771,330	-
Electric	15,374,749	-
Lake	451,856	-
Airport	213,596	-
Claims expense	-	161,445
Depreciation	4,317,901	-
Total operating expenses	<u>26,464,815</u>	<u>310,557</u>
Operating income (loss)	<u>9,439,034</u>	<u>(310,557)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment income	548,403	415
Miscellaneous revenue	277,391	34,425
Interest expense	(1,467,159)	-
Total non-operating revenue (expenses)	<u>(641,365)</u>	<u>34,840</u>
Income (loss) before contributions and transfers	<u>8,797,669</u>	<u>(275,717)</u>
Capital contributions from governmental activities	2,078,119	-
Transfers in	168,632	-
Transfers out	(5,776,264)	-
Change in net position	<u>5,268,156</u>	<u>(275,717)</u>
Total net position - beginning	11,951,466	361,681
Total net position - ending	<u>\$ 17,219,622</u>	<u>\$ 85,964</u>
Change in net position per above	\$ 5,268,156	
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	(99,468)	
Change in Business-Type Activities in Net Postion per Government-Wide Financial Statements	<u>\$ 5,168,688</u>	

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

CITY OF DUNCAN, OKLAHOMA
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Proprietary Funds Statement of Cash Flows – Year Ended December 31, 2023

	Duncan Public Utilities Authority	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 35,552,170	\$ 45,719
Payments to suppliers and employees	(26,281,715)	(152,250)
Claims and judgments paid	-	(195,567)
Receipts of customer meter deposits	323,470	-
Refunds of customer meter deposits	(305,265)	-
Interfund receipts	5,126,615	-
Interfund payments	(808,779)	-
Net cash provided by (used in) operating activities	13,606,496	(302,098)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	168,617	-
Transfers to other funds	(5,776,264)	-
Net cash provided by (used in) noncapital financing activities	(5,607,647)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(10,916,545)	-
Proceeds from debt	9,283,712	-
Principal paid on debt	(4,115,901)	-
Premium on issuance of debt	281,860	-
Interest and fiscal agent fees paid on debt	(1,430,641)	-
Net cash provided (used in) by capital and related financing activities	(6,897,515)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	2,396,965	-
Interest and dividends	58,996	415
Net cash provided by investing activities	2,455,961	415
Net increase (decrease) in cash and cash equivalents	3,557,295	(301,683)
Balances - beginning of year	27,511,107	992,106
Balances - end of year	\$ 31,068,402	\$ 690,423
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 4,802,935	\$ 690,423
Restricted cash and cash equivalents - current	26,265,467	-
Total cash and cash equivalents, end of year	\$ 31,068,402	\$ 690,423
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 9,439,034	\$ (310,557)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	4,317,901	-
Miscellaneous income	277,391	34,425
Change in assets, liabilities, and deferrals:		
Due from other funds	(808,779)	-
Accounts receivable	(583,412)	-
Due from other governments	(38,700)	-
Other receivable	(7,004)	11,294
Lease receivable	25,790	-
Prepaid expenses	873	-
Inventory	(33,041)	-
Deferred outflows related to pension	(1,445,711)	-
Deferred outflows related to OPEB	15,235	-
Deferred amounts related to leases	(25,744)	-
Accounts payable	1,463,642	(37,260)
Accrued payroll payable	52,214	-
Deposits subject to refund	18,205	-
Due to other funds	5,126,615	-
Due to other governments	(666)	-
Total OPEB liability	(183,399)	-
Lease liability	(57,147)	-
Deferred inflows related to OPEB	77,224	-
Accrued compensated absences	30,976	-
Deferred inflows related to pension	3,466,449	-
Net pension liability	(7,521,450)	-
Net cash provided by (used in) operating activities	\$ 13,606,496	\$ (302,098)
Noncash activities:		
Assets transferred from other funds	\$ 2,078,119	\$ -
	\$ 2,078,119	\$ -

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

CITY OF DUNCAN, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – FIDUCIARY FUNDS

CITY OF DUNCAN, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Fiduciary Funds Statement of Net Position –December 31, 2023

	City Employees Retirement Trust Funds
ASSETS	
Cash and cash equivalents	\$ 419,598
Investments, at fair value:	
Mutual fund equity	3,587,088
Mutual fund fixed income	3,039,156
Accrued interest receivable	4,328
Total assets	<u>\$ 7,050,170</u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
NET POSITION	
Restricted for employees' pension benefits held in trust	<u>\$ 7,050,170</u>

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, 2023

	City Employees Retirement Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 1,338,593
Plan members	13,333
Miscellaneous receipts	25,627
Total contributions	<u>1,377,553</u>
Investment earnings:	
Net increase in fair value of investments	642,274
Interest and dividends	251,707
Total net investment earnings	<u>893,981</u>
Total additions	<u>2,271,534</u>
DEDUCTIONS	
Benefits paid to participants or beneficiaries	2,284,686
Administrative	43,106
Total deductions	<u>2,327,792</u>
Change in net position held in trust for employees' pension benefits	(56,258)
Net position held in trust for employees' pension benefits - beginning	<u>7,106,428</u>
Net position held in trust for employees' pension benefits- ending	<u><u>\$ 7,050,170</u></u>

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

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BASIC FINANCIAL STATEMENTS – DISCRETELY PRESENTED COMPONENT UNITS

CITY OF DUNCAN, OKLAHOMA
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Discretely Presented Component Units Combining Statement of Net Position –December 31, 2023

	Major Component Unit	Nonmajor Component Unit	
	Duncan Area Economic Development Foundation	Duncan Hospital Authority	TOTALS
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,126,820	\$ 26,545	\$ 1,153,365
Investments	816,651	-	816,651
Receivables:			
Accounts receivable	51,722	-	51,722
Interest receivable	1,900	-	1,900
Other	864,611	-	864,611
Cash and cash equivalents, restricted	114,115	-	114,115
Prepays	3,834	-	3,834
Total current assets	2,979,653	26,545	3,006,198
Noncurrent Assets:			
Capital Assets:			
Nondepreciable	30,720	-	30,720
Depreciable, net of accumulated depreciation	19,580,256	-	19,580,256
Land available for development	1,292,667	-	1,292,667
Total noncurrent assets	20,903,643	-	20,903,643
Total Assets	\$ 23,883,296	\$ 26,545	\$ 23,909,841
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 233,710	\$ -	\$ 233,710
Wages payable	7,612	-	7,612
Unearned revenue	56,780	-	56,780
Total Current Liabilities	298,102	-	298,102
Total Liabilities	298,102	-	298,102
<u>NET POSITION</u>			
Net investment in capital assets	19,610,976	-	19,610,976
Restricted	9,316,089	-	9,316,089
Unrestricted (deficit)	(5,341,871)	26,545	(5,315,326)
Total Net Position	\$ 23,585,194	\$ 26,545	\$ 23,611,739

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

CITY OF DUNCAN, OKLAHOMA
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Discretely Presented Component Units Combining Statement of Activities - Year Ended December 31, 2023

	<u>Major Component Unit Duncan Area Economic Development Foundation</u>	<u>Nonmajor Component Unit Duncan Hospital Authority</u>	<u>TOTALS</u>
Operating Revenues:			
Contributions	\$ 1,147,685	\$ -	\$ 1,147,685
Rentals	305,860	-	305,860
Total Operating Revenues	1,453,545	-	1,453,545
Operating Expenses:			
Economic development	976,778	-	976,778
Total Operating Expenses	976,778	-	976,778
Operating Income	476,767	-	476,767
Non-Operating Revenues (expenses):			
Investment income	100,999	722	101,721
Miscellaneous income	10,164	-	10,164
Contributions capital	1,090,000	-	1,090,000
Total non-operating revenues (expenses)	1,201,163	722	1,201,885
Change in Net Position	1,677,930	722	1,678,652
Net Position, beginning of year, restated	21,907,264	25,823	21,933,087
Net Position, end of year	<u>\$ 23,585,194</u>	<u>\$ 26,545</u>	<u>\$ 23,611,739</u>

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

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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 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 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 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 Authority does not issue separate, stand-alone financial statements. The DIA is currently inactive.

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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 issuance of debt requires two-thirds approval of the City Council. The DHA assets consist 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 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 Cities 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 \$3,824,943 in FY 2023 in connection with these sanitation services.

For the year ended June 30, 2023, the “investments in joint venture” balance changed as follows:

Beginning investment in joint venture	\$80,529
Current year contributions	<u>(18,341)</u>
Ending investment in joint venture	<u>\$62,188</u>

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The Following summary is segment information from the SCOEA most recently issued annual audited financial report, which was for the period ended June 30, 2023:

Total Assets	\$904,237
Total Liabilities	825,419
Total Net Position	78,818
Total Revenues	4,787,416
Total Expenses	4,811,771
Decrease in Net Position	(24,355)

In addition, at June 30, 2023, 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 Capital Improvement fund accounts for the purchase of capital equipment and construction of facilities funded with sales tax.

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- The 2021C Construction fund accounts for the proceeds of the 2021C Sales Tax issued to construct a fire station and street improvements.

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 fund's 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.

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 Duncan Economic Development Trust Authority is a special revenue fund that accounts for sales tax restricted for the promotion of economic development.
- The E-911 Dispatch Fund accounts for the operations and maintenance of the City's 911 emergency services through dedicated taxes.
- The First Responder Program Fund accounts for grants and other revenues restricted for public safety.
- 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.
- American Rescue Plan Fund accounts for the proceeds of the American Rescue Plan Grant received from the federal government.
- Duncan Enhancement Trust Authority accounts for funds restricted for city wide beautification.
- The Ad Valorem Sinking Fund accounts for ad valorem 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 between the City's utility functions and various other functions of the City. Elimination of these

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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 uncollectible. 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.

The City is a party as lessor and lessee for various non-cancellable long-term leases of assets. The corresponding lease receivables or lease payable are recorded in an amount equal to the present value of the expected future minimum lease payments received or paid, respectively, discounted by an applicable interest rate.

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. Intangible leased assets are amortized over the life of the associated contract.

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<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

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of resources (revenues) until that time. The City reports deferred outflows and deferred inflows for items related to pensions, OPEB, leases, 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.

Lease-related amounts are recognized at the inception of leases in which the City is the lessor and are recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

9. Leases

The City and DPUA is a party as lessor and lessee for various noncancellable long-term leases of equipment. The corresponding lease receivable or lease payable, are recorded in an amount equal to the present value of the expected future minimum lease payments received or paid, respectively, discounted by an applicable interest rate.

10. 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.

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- 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 .

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.

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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, 2023, the City's net assessed valuation of taxable property was \$182,241,946. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended December 31, 2023, was \$.37.

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.

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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. The City generally uses an estimate based on municipal bond rate yield curves as the discount rate for leases unless the rate that the lessor/vendor charges is known.

III. Detailed Notes on All Funds

A. Deposits and investments – The City held the following deposits/investments at December 31, 2023:

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	\$ 34,187,585	AAAm	n/a	\$ 34,187,585	-	-	-	-
US Agency	3,233,736	AA+	Level 2	-	-	-	-	3,233,736
Mutual funds fixed income	4,107,674	not rated	Level 2	4,107,674	-	-	-	-
Sub-total	41,528,995			<u>\$ 38,295,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,233,736</u>
Demand accounts	\$ 20,501,932	n/a	n/a					
Cash on hand	2,875	n/a	n/a					
Amounts held by escrow agent	1,684,428							
Mutual Funds:								
Equity	3,587,088	n/a	Level 1					
Fixed income	3,039,156	n/a	Level 1					
	<u>\$ 70,344,474</u>							
Reconciliation to Statement of Net Position:								
Cash and cash equivalents	\$ 33,809,430							
Cash and cash equivalents restricted	26,265,467							
Investments	2,150,975							
Investments, restricted	1,072,760							
Pension cash and cash equivalents	419,598							
Pension investments	6,626,244							
	<u>\$ 70,344,474</u>							

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

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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 direct obligations of the State of Oklahoma or its' agencies, counties or school districts. At December 31, 2023, 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, 2023, 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.

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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 years) is that which achieves the total return of its benchmark while maintaining a risk level similar to, or less than, that of the benchmark.

Asset allocation guidelines for the Plan are as follows:

Class	Target Percent	December 2023 Percent
Equities	45-65%	20%
Small Cap Equities	Up to 25%	17%
International Equities	Up to 15%	16%
Fixed Income	35%-55%	41%
Cash and equivalents	0% to 5%	6%

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, 2023.

Rate of return – For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.1% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

COMPONENT UNITS:

The DHA was not exposed to custodial credit risk at December 31, 2023. The \$26,545 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 \$101,777 of which \$101,777 was covered by FDIC insurance. The deposits are placed with quality financial institutions and management believes the risk of loss is minimal.

B. Receivables

Receivables as of December 31, 2023, 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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	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Taxes	\$ 3,146,829	\$ -	\$ 3,146,829
Court fines	1,353,296	(1,175,645)	177,651
Annuities	58,840	-	58,840
Leases	1,311,890	-	1,311,890
Other	631,744	-	631,744
Total Governmental Activities	<u>\$ 6,502,599</u>	<u>\$ (1,175,645)</u>	<u>\$ 5,326,954</u>
Business-Type Activities:			
Utilities	\$ 5,220,937	\$ (361,909)	\$ 4,859,028
Total Business-Type Activities	<u>\$ 5,220,937</u>	<u>\$ (361,909)</u>	<u>\$ 4,859,028</u>

The City as a lessor, has entered into lease agreements involving certain assets. The total amount of inflows of resources, including lease revenue and interest revenue recognized during the fiscal year was \$112,216.

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.

	Current Cash and Cash Equivalents	Noncurrent Investments	Total
<u>Type of Restricted Assets</u>			
Due to Depositors	\$ 823,781	\$ -	\$ 823,781
Trustee Accounts:			
2009A Debt Service Account	628,852	-	628,852
2009A SRF	268,254	-	268,254
2019 Debt Service Account	14,926	-	14,926
2021 Project Account	122,704	-	122,704
2021 Debt Service Account	15,221,946	-	15,221,946
2023 Project Account	8,028,695	-	8,028,695
2023 Debt Service Account	684,200	-	684,200
Waurika Debt Service	472,109	1,072,760	1,544,869
Total Restricted Assets	<u>\$ 26,265,467</u>	<u>\$ 1,072,760</u>	<u>\$ 27,338,227</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 2023 for the primary government:

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PRIMARY GOVERNMENT:

	Balance at January 1, 2023	Additions	Deductions	Balance at December 31, 2023
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,438,312	\$ -	\$ -	\$ 1,438,312
Construction in progress	574,835	2,056,701	998,257	1,633,279
Total capital assets not being depreciated	2,013,147	2,056,701	998,257	3,071,591
Capital assets being depreciated:				
Buildings	28,421,256	876,161	-	29,297,417
Machinery, furniture and equipment	20,921,384	2,545,496	31,308	23,435,572
Infrastructure	95,391,864	1,825,326	-	97,217,190
Intangible asset - SBITA	-	84,349	-	84,349
Total other capital assets at historical cost	144,734,504	5,331,332	31,308	150,034,528
Less accumulated depreciation for:				
Buildings	16,425,269	1,061,436	-	17,486,705
Machinery, furniture and equipment	13,643,229	1,529,510	31,308	15,141,431
Infrastructure	78,159,371	2,465,822	-	80,625,193
Intangible asset - SBITA	-	24,100	-	24,100
Total accumulated depreciation	108,227,869	5,080,868	31,308	113,277,429
Capital assets being depreciated, net	36,506,635	250,464	-	36,757,099
Governmental activities capital assets, net	\$ 38,519,782	\$ 2,307,165	\$ 998,257	\$ 39,828,690

	Balance at January 1, 2023	Additions	Deductions	Balance at December 31, 2023
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 374,176	\$ -	\$ -	\$ 374,176
Construction in progress	18,548,049	11,963,953	2,534,247	27,977,755
Total capital assets not being depreciated	18,922,225	11,963,953	2,534,247	28,351,931
Capital assets being depreciated:				
Buildings	27,426,131	1,668,526	-	29,094,657
Machinery, furniture and equipment	10,118,452	241,834	-	10,360,286
Utility property	99,441,178	1,654,599	-	101,095,777
Water rights	18,785,708	-	-	18,785,708
Total depreciable capital assets at historical cost	155,771,469	3,564,959	-	159,336,428
Less accumulated depreciation for:				
Buildings	14,864,358	1,050,878	-	15,915,236
Machinery, furniture and equipment	6,711,105	610,385	-	7,321,490
Utility property	76,153,840	2,364,408	-	78,518,248
Water rights	12,262,939	232,956	-	12,495,895
Total accumulated depreciation	109,992,242	4,258,627	-	114,250,869
Other assets:				
Intangible leased equipment	207,458	-	-	207,458
Total other assets:	207,458	-	-	207,458
Less accumulated amortization for:				
Intangible leased equipment	59,274	59,274	-	118,548
Total accumulated amortization	59,274	59,274	-	118,548
Capital assets being depreciated and amortized, net	45,927,411	(752,942)	-	45,174,469
Business-type activities capital assets, net	\$ 64,849,636	\$ 11,211,011	\$ 2,534,247	\$ 73,526,400

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

Governmental Activities:

General government	\$ 314,516
Culture and recreation	463,903
Community development	12,559
Health and welfare	65,798
Economic development	224,810
Public safety	1,064,097
Streets	2,935,185
	<u><u>\$ 5,080,868</u></u>

Business-Type Activities:

Water	\$ 1,623,834
Wastewater	998,439
Sanitation	559,661
Electric	620,629
Lake	314,927
Airport	200,411
	<u><u>\$ 4,317,901</u></u>

DAEDF capital assets were as follows:

Duncan Area Economic Development Foundation:	Balance, December 31, 2023
Capital assets, not being depreciated:	
Construction in progress	<u>\$ 30,720</u>
Total capital assets, not being depreciated	<u>30,720</u>
Capital assets, being depreciated:	
Buildings and improvements	\$ 28,570,954
Equipment	<u>220,833</u>
Total capital assets, being depreciated	<u>28,791,787</u>
Less accumulated depreciation	<u>(9,211,531)</u>
Total capital assets, being depreciated, net	<u>19,580,256</u>
Governmental activities capital assets, net	<u><u>\$ 19,610,976</u></u>

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E. Long-term liabilities

Long-term liabilities of the City of Duncan as of December 31, 2023, are summarized as follows:

Governmental Activities

Notes Payable (direct borrowing):

10,000,000 Series 2021C Utility System and Sales Tax Revenue Note, issued November 18, 2021, payable to BancFirst semi-annually with interest at 1.980%, final payment due December 2036. The note is secured by sales tax and pledged revenues of the DPUA. Debt was issued for the construction of a fire station and street improvements	\$ 8,837,000
\$95,723 note payable 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.	20,285
\$241,488 note payable 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.	154,161
\$561,101 note payable agreement for the purchase of a pumper truck, payable to First Bank in annual installments of \$119,245, including interest at 2.03%, with final payment due June 2025.	231,266
\$183,110 note payable agreement for the purchase of an excavator, payable to First Bank in annual installments of \$39,824, including interest at 2.85%, with final payment due March 2025.	76,086
\$379,408 note payable agreement for the purchase of radio equipment, payable to Motorola in annual installments of \$80,408 including interest at 2.60%, with final payment due January 2024.	78,009
\$379,408 note payable agreement for the purchase of a fire pumper, payable to First Bank in annual installments of \$143,348 including interest at 2.13%, with final payment due April 2027.	543,423
\$1,684,428 note payable agreement for the purchase of an aerial fire truck, payable to Santander Bank in annual installments of \$243,997, including interest at 4.64%, with final payment due April 2033	1,684,428
\$195,475 note payable agreement for the purchase of a Ford F550, payable to First Bank & Trust Co. in annual installments of \$44,483, including interest at 4.40%, with final payment due July 2028.	195,475
\$195,475 note payable agreement for the purchase of a Ford F550, payable to First Bank & Trust Co. in annual installments of \$44,483, including interest at 4.40%, with final payment due July 2028.	195,475

Total Notes Payable

\$ 12,015,608

Compensated Absences:

Accrued compensated absences. The general fund typically has been used to liquidate this liability.

\$ 1,789,456

Subscription liability:

Subscription liability for software payable in annual installments of \$26,396, final payment due June 2025

\$ 53,499

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Business-type Activities

Notes payable (direct borrowing):

\$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.	\$ 3,142,706
\$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.	2,348,304
\$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.	5,243,697
\$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.	1,075,000
\$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.	2,710,000
\$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.	2,520,813
\$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.	10,458,819
\$13,575,000 note payable to the Oklahoma Water Resources Board, issued December 2, 2021, payable semi-annually with interest at 3.70%, and an administrative fee of 0.5%, final payment due September 15, 2051. The note is secured by pledged revenues of the DPUA. Debt was issued for waterline and water tower improvements.	13,575,000
\$8,200,000 note payable to the Oklahoma Water Resources Board, issued October 1, 2021, payable semi-annually with interest at 1.87%, 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 wastewater treatment plant improvements.	4,310,485

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Notes payable (continued):

\$10,250,000 note payable to the Oklahoma Water Resources Board, issued December 1, 2021, payable semi-annually with interest at 1.49%, and an administrative fee of 0.5%, final payment due September 15, 2037. The note is secured by pledged revenues of the DPUA. Debt was issued for automatic metering improvements. 244,132

\$8,630,000 note payable to the Oklahoma Water Resources Board, issued November 2023, payable semi-annually with interest at 5.20%, final payment due October 2053. The note is secured by pledged revenues of the DPUA. Debt was issued for water system improvements 8,630,000

Total notes payable \$ 54,258,956

Compensated Absences:

Accrued compensated absences. The Duncan Public Utilities Authority typically has been used to liquidate this liability. \$ 410,409

Lease Liability

Leases reported in the business-type activities of liabilities related to the City being lessee under GASB 87 \$ 91,432

In the event of default on debt borrowed from the Oklahoma Water Resources Board (OWRB) and the DPUA Utility System Revenue Notes, 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, 2023 and changes therein were as follows:

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<u>Type of Debt</u>	<u>Balance</u> <u>January 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2022\3</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Notes payable (direct borrowings)	\$ 10,942,275	\$ 2,075,379	\$ 1,002,046	\$ 12,015,608	\$ 1,210,854
Accrued compensated absences	1,830,415	-	40,959	1,789,456	178,946
Subscription liability	-	84,349	30,850	53,499	31,610
Claims liability	646,351	127,323	161,445	612,229	153,058
Total Governmental Activities	<u>\$ 13,419,041</u>	<u>\$ 2,287,051</u>	<u>\$ 1,235,300</u>	<u>\$ 14,470,792</u>	<u>\$ 1,574,468</u>
			Add: Total OPEB liability	824,194	
			Add: Net Pension Liability	12,308,041	
				<u>\$ 27,603,027</u>	
Business-Type Activities:					
Notes Payable (direct borrowings)	\$ 49,091,145	\$ 9,283,712	\$ 4,115,901	\$ 54,258,956	\$ 4,077,650
Lease Liability	148,579	-	57,147	91,432	59,526
Premium on debt issued	2,315,512	281,860	102,446	2,494,926	-
Meter deposits	1,149,054	323,470	305,265	1,167,259	1,167,259
Accrued compensated absences	379,433	30,976	-	410,409	41,041
Total Business-Type Activities	<u>\$ 53,083,723</u>	<u>\$ 9,920,018</u>	<u>\$ 4,580,759</u>	<u>\$ 58,422,982</u>	<u>\$ 5,345,476</u>
			Add: Total OPEB liability	256,229	
			Add: Net Pension Liability	24,602,445	
				<u>\$ 83,281,656</u>	

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

Fiscal Year Ending December 31,	Governmental Activities			
	Notes Payable (direct borrowings)		Subscription Liability	
	Principal	Interest	Principal	Interest
2024	\$ 1,210,854	\$ 214,110	\$ 31,610	\$ 1,319
2025	1,063,085	346,382	21,889	540
2026	1,012,123	238,955	-	-
2027	1,038,231	212,151	-	-
2028	922,291	184,529	-	-
2029-2033	4,525,024	566,159	-	-
2034-2038	2,244,000	78,397	-	-
	<u>\$ 12,015,608</u>	<u>\$ 1,840,683</u>	<u>\$ 53,499</u>	<u>\$ 1,859</u>
Fiscal Year Ending December 31,	Business-Type Activities			
	Notes Payable (direct borrowings)		Lease Liability	
	Principal	Interest	Principal	Interest
2024	\$ 4,077,650	\$ 1,868,767	\$ 59,526	\$ 398
2025	2,761,446	1,649,923	31,906	56
2026	2,594,456	1,547,027	-	-
2027	2,666,419	1,472,749	-	-
2028	2,739,429	1,406,553	-	-
2029-2033	12,454,725	7,694,029	-	-
2034-2038	12,812,002	5,846,609	-	-
2039-2043	9,463,309	4,326,365	-	-
2044-2048	10,983,821	2,672,919	-	-
2049-2053	8,429,264	773,941	-	-
Amount to be drawn	<u>(14,723,565)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 54,258,956</u>	<u>\$ 29,258,882</u>	<u>\$ 91,432</u>	<u>\$ 454</u>

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Pledge of Future Revenues

Utility Revenues Pledge – The City has also pledged future gross water, wastewater, electric and garbage revenues to repay \$4,130,000 of the 2009 Series OWRB Note Payable, \$11,245,000 of the 2009A series OWRB Note Payable, \$11,325,000 of the 2018 series OWRB Note Payable, \$20,446,000 of the 2019 series OWRB Note Payable, \$13,575,000 of the 2021D OWRB Note Payable, \$8,200,000 of the 2021A OWRB Note Payable, \$10,250,000 of the 2021B OWRB Note Payable, \$4,105,000 of 2023A OWRB Note Payable, and \$8,630,000 of 2023B Note Payable. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2030, 2030, 2050, 2052, 2051, 2052, 2037, 2052 and 2052 respectively. The total principal and interest payable for the remainder of the life of these notes is \$86,378,083. The notes are payable from the above-mentioned utility revenues. The debt service payments on the notes this year were \$3,390,818 which was 9.6% of pledged utility revenues of \$35,435,417.

Water Revenues Pledge - The City has also pledged future gross water revenues to repay \$6,666,600 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 \$6,724,704. The note is payable from the above-mentioned utility revenues. The debt service payments on the note this year were \$562,642 which was 5.5% of pledged utility revenues of \$10,144,957.

F. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2023 is as follows:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
* General	Library grants	\$ 6,083	Negative cash
* General	Technology fund	12,030	Negative cash
* General Fund	Police Grants and Seizures	648	Revenue posted to incorrect fund
* General	* DPUA	5,126,615	Negative cash
Capital Improvement Fund	* DEDTA	\$ 109,526	Project funding
Sinking Fund	* General	23,682	Revenue posted to incorrect fund
* DPUA	* General	300,000	Revenue posted to incorrect fund
* DPUA	* 2021C Construction Fund	808,779	Negative cash
		<u>\$ 6,387,363</u>	
* Denotes major fund.			

Reconciliation to Fund Financial Statements:

	Due From	Due to	Net Interfund Balances
Governmental Funds	\$ 5,278,584	\$ 1,260,748	\$ 4,017,836
Proprietary Funds	1,108,779	5,126,615	(4,017,836)
	<u>\$ 6,387,363</u>	<u>\$ 6,387,363</u>	<u>\$ -</u>

Reconciliation to Statement of Net Position:

Net Internal Balances	\$ (4,017,836)
Internal Service Fund Activity reported in Business-type Activities	65,797
Net Internal Balances - Government Wide	<u>\$ (3,952,039)</u>

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A summary of interfund transfers for the fiscal year ended December 31, 2023 is as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
911 Telephone	* General	\$ 41,185	Budgeted operational transfer
General Fund	DETA	8,665	Budgeted operational transfer
DPUA	* 2021C Constrution Fund	776,264	Debt Service
* DPUA	* General	5,000,000	Budgeted operational transfer
* Capital Improvement Fund	* DPUA	168,632	Capital projects
Total		<u>\$ 5,994,746</u>	

* Denotes major fund.

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 5,826,114	\$ (218,482)	\$ 5,607,632
Proprietary Funds	168,632	(5,776,264)	(5,607,632)
	<u>\$ 5,994,746</u>	<u>\$ (5,994,746)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Net transfers governmental activities	\$ 5,607,632
Transfer of capital assets to business-type activities	(2,078,119)
Transfer of material and supplies expense	(124,169)
Transfers - internal activity	<u>\$ 3,405,344</u>

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	\$ 95,814
Street and Alley Fund	Statutory requirements	263,422
E911 Fund	Statutory requirements	308,835
		<u>\$ 668,071</u>
Police grants and seizures	External sources	86,701
Grants	External sources	48,026
Economic Development Fund	External sources	3,843,924
Capital Projects Fund	External sources	11,007,902
Debt Service Fund	External sources	335,972
		<u>\$ 15,322,525</u>
Total Governmental Restricted		<u>\$ 15,990,596</u>
Reconciliation to Statement of Net Position:		
Restricted for:		
Debt service		\$ 335,972
Public Safety		395,536
Capital projects		11,007,902
Economic development		3,843,924
Other		407,262
Total Governmental Restricted		<u>\$ 15,990,596</u>

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Governmental Fund Financial Statements:

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

	General Fund	Capital Improvement Fund	2021 C Construction Fund	Other Governmental Funds	Total
Restricted for:					
Street improvements	\$ -	\$ -	\$ -	\$ 263,422	\$ 263,422
Cemetery improvements	-	-	-	95,814	95,814
E911 dispatch	-	-	-	308,835	308,835
Debt service	-	-	69,237	281,316	350,553
Grant	-	-	-	48,026	48,026
Police	-	-	-	86,701	86,701
American Rescue Plan	-	-	-	166,563	166,563
Economic development	-	-	-	3,843,924	3,843,924
Capital improvements	-	11,851,135	8,115,401	-	19,966,536
Sub-total restricted	-	11,851,135	8,184,638	5,094,601	25,130,374
Assigned for:					
General government programs	1,012,232	-	-	-	1,012,232
Sub-total assigned	1,012,232	-	-	-	1,012,232
Unassigned (deficit)	7,581,941	-	-	(20,343)	7,561,598
TOTAL FUND BALANCE	\$ 8,594,173	\$ 11,851,135	\$ 8,184,638	\$ 5,074,258	\$ 33,704,204

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 78% at the end of 2023) 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.

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Contributions – Retirees continue coverage with the City by paying a portion (approximately 78% at the end of 2023) 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, 2023 were \$193,092.

Employees Covered by Benefit Terms

Active Employees	226
Inactive not yet receiving benefits	0
Inactive or beneficiaries receiving benefits	<u>13</u>
Total	<u>239</u>

Total OPEB Liability – The total OPEB liability was determined based on an actuarial valuation performed as of December 31, 2023 which is also the measurement date.

Actuarial Assumptions- The total OPEB liability in the December 31, 2023 valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 4.00% based on the 20 year municipal bond yield
- Pay increases – 3.0% per annum
- Retirement Age – Civilians - 55 with 10 years of service, Police and Fire 20 years of service
- Mortality – RP-2012, with improvement scale MP-2021
- Inflation rate – 3.0% per annum
- Medical Trend Rates

<u>Year</u>	<u>Rate</u>
2024	6.0%
2025	5.5%
2026	5.0%
2027	4.5%
2028+	4.0%

Changes in Total OPEB Liability –

	Total OPEB Liability
Balances at Beginning of Year	<u>\$ 1,884,118</u>
Changes for the Year:	
Service cost	12,544
Interest expense	73,610
Difference in expected and actual experience	(878,752)
Difference due to changes in actuarial assumptions	5,470
Employer contributions	<u>(16,567)</u>
Net Changes	<u>(803,695)</u>
Balances End of Year	<u><u>\$ 1,080,423</u></u>

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The total OPEB liability of \$1,080,423 is allocated \$824,194 to governmental activities and \$256,229 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 4.31% at January 1, 2023 to 4.00% at December 31, 2023. 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, 2023, the City recognized an OPEB expense (benefit) of (\$395,347). At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,366,538
Changes of assumptions	321,864	136,972
Changes in proportion	327,568	327,568
Total	<u>\$ 649,432</u>	<u>\$ 3,831,078</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:

2024	\$ (481,503)
2025	(484,610)
2026	(457,567)
2027	(411,076)
2028	(385,657)
Thereafter	(961,233)
	<u>\$ (3,181,646)</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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current discount rate:

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Employer's total OPEB liability	\$1,105,204	\$1,080,423	\$1,056,232

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 (4.0 percent decreasing to 2.0 percent) or 1-percentage-point higher (7.0 percent decreasing to 5.0 percent) than the current healthcare cost trend rates:

	1% Decrease (4.00% decreasing to 2.00%)	Current Rate (6.00% decreasing to 4.00%)	1% Increase (7.00% decreasing to 5.00%)
Employer's total OPEB liability	\$1,051,386	\$1,080,423	\$1,110,839

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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.

- 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 claim's liability for the City from December 31, 2021 to December 31, 2023, are as follows:

CLAIMS LIABILITY ANALYSIS

	Worker's Comp
Claims liability, December 31, 2021	\$ 529,384
Claims and changes in estimates	411,591
Claims payments	<u>(294,624)</u>
Claims liability, December 31, 2022	646,351
Claims and changes in estimates	127,323
Claims payments	<u>(161,445)</u>
Claims liability, December 31, 2023	<u><u>\$ 612,229</u></u>

The City estimates that the liability of \$612,229 is \$153,058 (25%) current and \$459,171 (75%) 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.

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

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.

Asset Retirement Obligation

The City has incurred certain asset retirement obligations related to the operation of its wastewater utility system. The estimated liability of the legally required closure costs for the wastewater utility system cannot be reasonably estimated as of December 31, 2023, since the specific legally required costs of retirement has not yet been identified. The City anticipates identifying those specific legally required costs, if any, and obtaining an estimate of those costs in a subsequent fiscal year.

Outstanding Construction Contracts

The City/DPUA has the following outstanding construction contracts at December 31:

Fund/Project	Balance Remaining at December 31, 2023
Advanced metering	\$ 2,047,005
El Rancho Water Tower	326,546
Stepscreen	109,319
Electrical upgrades	642,340
Clear Creek Spillway Replacement	164,413
Hydrogate	14,844
Sanitary Sewer Rehabilitation	607,201
WWTP Chlorination	304,539
2021D Water System Improvements	1,040,214

C. Tax Abatement

The City enters into sales tax rebate agreements with local businesses as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic Development programs and provide sales tax increments for development as part of its economic development plan.

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Due to confidentiality laws in Oklahoma Statutes Title 68, Section 1354.11, the amounts of sales taxes rebated will not be disclosed. The following business had rebate agreement with the City:

The City entered into a tax abatement agreement with a developer for the construction of a hotel. Under the terms of the agreement the city will rebate 2% the sales tax collected for a period of five years. The amount to be rebated cannot exceed \$500,000 over five years. The Hotel opened in June 2020.

D. 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:

	Governmental Activities	Business Type Activites	Total
Net Pension Asset			
Police Pension System	\$ 220,905	\$ -	\$ 220,905
Net Pension Liability			
Firefighter's Pension System	\$ 10,614,914	\$ -	\$ 10,614,914
Single Employer Plan	1,693,127	24,602,445	26,295,572
Total Net Pension Liability	\$ 12,308,041	\$ 24,602,445	\$ 36,910,486
Deferred Outflows of Resources			
Police Pension System	\$ 1,982,157	\$ -	\$ 1,982,157
Firefighter's Pension System	2,732,823	-	2,732,823
Single Employer Plan	736,297	3,883,973	4,620,270
Total Deferred Outflows of Resources	\$ 5,451,277	\$ 3,883,973	\$ 9,335,250
Deferred Inflows of Resources			
Police Pension System	\$ 689,451	\$ -	\$ 689,451
Firefighter's Pension System	655,128	-	655,128
Single Employer Plan	339,421	5,817,273	6,156,694
Total Deferred Inflows of Resources	\$ 1,684,000	\$ 5,817,273	\$ 7,501,273
Pension Expense (Benefit)			
Police Pension System	\$ 554,650	\$ -	\$ 554,650
Firefighter's Pension System	1,808,158	-	1,808,158
Single Employer Plan	(321,373)	(4,669,789)	(4,991,162)
Total Pension Expense	\$ 2,041,435	\$ (4,669,789)	\$ (2,628,354)

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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. 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 \$355,758. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$321,550 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 \$321,563. These on-behalf payments did not meet the criteria of a special funding situation.

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Net Pension Liability (Asset), Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - At December 31, 2023, the City reported an asset of \$220,905 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2023. 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, 2023. Based upon this information, the City's proportion was 0.723329%.

For the year ended December 31, 2023, the City recognized pension expense of \$554,650. At December 31, 2023, 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	\$ 604,727	\$ 34,069
Changes of assumptions	-	412,342
Net difference between projected and actual earnings on pension plan investments	1,094,494	-
Changes in proportion	62,742	3,006
Contributions during measurement date	35,192	240,034
City contributions subsequent to the measurement date	185,002	-
Total	<u>\$ 1,982,157</u>	<u>\$ 689,451</u>

Deferred outflows of resources related to pensions totaling \$185,002 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of or addition to the net pension liability (asset) in the year ended December 31, 2024. 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:	
2024	\$ 171,513
2025	(26,951)
2026	828,845
2027	157,930
2028	(23,633)
	<u>\$ 1,107,704</u>

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2023, 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

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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. 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, 2023, 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, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	5.78%
Domestic equity	7.73%
International equity	11.55%
Real estate	7.66%
Private equity	11.64%
Commodities	0.00%

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

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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:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$2,085,706	(\$220,905)	(\$2,173,880)

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

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benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

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

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

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$434,984. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$940,278 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 \$940,278. 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, 2023, the City reported a liability of \$10,614,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. 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, 2023. Based upon this information, the City's proportion was 0.822702%.

For the year ended December 31, 2023, the City recognized a pension expense of \$1,808,158. At December 31, 2023, 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	\$ 1,262,408	\$ 13,476
Changes of assumptions	-	17,020
Net difference between projected and actual earnings on pension plan investments	700,257	-
Changes in proportion	516,134	575,555
City contributions during measurement date	28,856	49,077
City contributions subsequent to the measurement date	225,168	-
Total	<u>\$ 2,732,823</u>	<u>\$ 655,128</u>

Deferred outflows of resources related to pensions totaling \$225,168 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, 2024. 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:

2024	\$ 646,364
2025	225,328
2026	1,097,193
2027	(116,358)
2028	-
	<u>\$ 1,852,527</u>

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates	PubS-210 with generational mortality improvement using MP-2018

The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2018.

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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 weighing 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, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.80%
Domestic equity	42%	9.49%
International equity	15%	11.55%
Real estate	10%	8.48%
Other assets	8%	6.47%

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:

	<u>1% Decrease 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
Employer's net pension liability	\$ 13,831,695	\$ 10,614,914	\$ 7,924,839

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.

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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.

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 over a 30-month continuous period.

For employees hired after November 1, 1994, and terminated prior to July 1, 2020, the monthly benefit is 2.5% of the final average earnings multiplied by the number of years of credited service, not to exceed 75% of final average compensation. Final average compensation is equal to 1/12th of the average of a participant's compensation over a 60-month consecutive period of employment resulting in the highest average. 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.

Because of the plan freeze, there is no further accrual of plan benefits after July 1, 2020.

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.

Effective July 1, 2020, the plan was amended to freeze the accrual of plan benefits for all plan participants as of July 1, 2020. Also, no further employee contributions are required after July 1, 2020. As a result, the plan is considered to have undergone a "hard freeze". In addition, all plan benefits are considered to be 100% fully vested for all City employees who are plan participants and who are employed on July 1, 2020.

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

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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 on the Plan freeze date.

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	31
Retired participants and beneficiaries	107
Inactive plan members not yet receiving benefits	<u>6</u>
Total Members	<u>144</u>

Summary of Significant Accounting Policies and Plan Asset Matters - Basis of Accounting – Disclosures of the Plan's financial condition is prepared using the accrual basis of accounting. Employee and employer contributions are recognized as Plan revenues in the period in which they are 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, 2022, 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, 2022, 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, 2022, which is the measurement date elected by the City for purposes of recognizing the net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense. The mortality tables were updated in the current 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 is frozen as of July 1, 2020, and salaries for purposes of computing retirement plan benefits was frozen to the annual rate of pay as of March 1, 2015.

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City of Duncan Net Pension Liability - December 31, 2022 Plan Year

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at beginning of year, January 1, 2022	\$ 42,476,908	\$ 7,833,335	\$ 34,643,573
Charges for year:			
Service cost	-	-	-
Interest expense	1,017,448	-	1,017,448
Contributions - employer	-	1,152,857	(1,152,857)
Contributions - employee	-	-	-
Net investment income	-	(883,928)	883,928
Changes of benefit terms	-	-	-
Difference between actual and expected experience	629,009	-	629,009
Changes in assumptions	(9,741,508)	-	(9,741,508)
Benefit payments, including refunds of member contributions	(1,879,698)	(1,879,698)	-
Plan administrative expenses	-	(15,982)	15,982
Net changes	<u>\$ (9,974,749)</u>	<u>\$ (1,626,751)</u>	<u>\$ (8,347,998)</u>
Balances at end of year, December 31, 2022	<u>\$ 32,502,159</u>	<u>\$ 6,206,584</u>	<u>\$ 26,295,575</u>

City of Duncan Net Pension Liability - December 31, 2023 Plan Year

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at beginning of year, January 1, 2023	\$ 32,502,159	\$ 6,206,584	\$ 26,295,575
Charges for year:			
Service cost	-	-	-
Interest expense	1,444,993	-	1,444,993
Contributions - employer	-	1,324,542	(1,324,542)
Contributions - employee	-	-	-
Net investment income	-	798,292	(798,292)
Changes of benefit terms	-	-	-
Difference between actual and expected experience	(11,420)	-	(11,420)
Changes in assumptions	871,952	-	871,952
Benefit payments, including refunds of member contributions	(1,967,338)	(1,967,338)	-
Plan administrative expenses	-	(27,606)	27,606
Net changes	<u>\$ 338,187</u>	<u>\$ 127,890</u>	<u>\$ 210,297</u>
Balances at end of year, December 31, 2023	<u>\$ 32,840,346</u>	<u>\$ 6,334,474</u>	<u>\$ 26,505,872</u>

The City reported (\$4,991,162) in pension expense (benefit) for the year ended December 31, 2023. At December 31, 2023, 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	\$ 295,686	\$ -
Changes of assumptions	-	3,653,064
Net difference between projected and actual earnings on pension plan investments	548,385	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,537,558	2,503,630
City contributions subsequent to the measurement date	1,238,641	-
Total	<u>\$ 4,620,270</u>	<u>\$ 6,156,694</u>

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The \$1,238,641 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, 2024. 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 2.21 and 2.21 years as of December 31, 2023 and 2022, 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:		
2024	\$	(3,343,775)
2025		124,879
2026		181,467
2027		262,364
2028		-
	\$	<u><u>(2,775,065)</u></u>

Actuarial Assumptions – Unless stated otherwise, the assumptions described below are as of the actuarial valuation date of December 31, 2022 and December 31, 2023:

Investment rate of return -	7%
Projected salary increases -	4% (0% after 2015)
Inflation -	3%
Mortality -	RP-2017 Mortality Table, with Mortality Improvement scale MP-2021

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, 2023 are summarized in the following table:

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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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 13.1%. 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 4.31 percent for the measurement date ended December 31, 2023. This was based on the expected rate of return of pension plan investments of 7.0% and the municipal bond rate of 4.00%. 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 until July 1, 2020. Beginning July 1, 2020, plan member contributions will be zero and the City contributions will be 5 percent of pay with additional supplementary contributions from the City under the established funding policy. By making additional contributions of an average of \$1.1 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 \$1.1 million have been made in recent years.

For the plan year ended December 31, 2022, the discount rate is 4.59%. This was based on the expected rate of return of pension plan investments of 7.0% and the municipal bond rate of 4.31%. 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 \$.5 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 \$.5 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 2.45 and 4.31 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 (1.45 or 3.41 percent) or 1-percentage-point higher (3.45 or 5.41 percent) than the current rate:

	1% Decrease - 1.45%	Current Discount Rate - 2.45%	1% Increase - 3.45%
Plan Net Pension Liability - December 31, 2022 Plan Year	\$ 30,307,789	\$ 26,295,575	\$ 22,997,356
	1% Decrease - 3.41%	Current Discount Rate - 4.31%	1% Increase - 5.41%
Plan Net Pension Liability - December 31, 2023 Plan Year	\$ 30,552,729	\$ 26,505,872	\$ 23,178,412

The components of the net pension liability of the City and the Plan at December 31, 2023, were as follows:

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	City - Primary Government Financial Statements	Pension Plan
Total Pension Liability	\$ 32,502,159	\$ 32,840,346
Plan Fiduciary Net Position	6,206,584	6,334,474
Net Pension Liability	<u>\$ 26,295,575</u>	<u>\$ 26,505,872</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	<u>19.10%</u>	<u>19.29%</u>

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 \$1.1 million in year five (FY 2023) and for each of the next sixteen years.

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, 2023, there were seven (7) 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, 2023, total assets held in trust were \$720,124.

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 2023 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, 2023, by employees and employer were \$12,171 and \$15,213, respectively, on a covered payroll of \$207,259.

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.

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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, 2023, for employees and employer were \$339,991 and \$339,991, respectively, on a covered payroll of \$6,799,491. 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 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 and Department Heads. At December 31, 2023, there were ten (10) participants 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, 2023, for employee and employer were \$81,062 and \$101,328, respectively, on a covered payroll of \$1,053,316. 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, 2023, the employer contributions were \$1,597 and employee contributions were \$1,278 on a covered payroll of \$47,173. Separate audited financial statements are not available.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules – General Fund - (Budgetary Basis) – Year Ended December 31, 2023

	<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	\$ 11,491,338	\$ 11,441,338	\$ 14,328,682	\$ 2,887,344
Licenses and permits	252,595	252,595	240,050	(12,545)
Intergovernmental	100,000	100,000	802,044	702,044
Charges for services	118,179	118,179	624,578	506,399
Fees and fines	563,905	563,905	559,879	(4,026)
Investment earnings	6,920	6,920	79,497	72,577
Miscellaneous	406,620	406,620	305,355	(101,265)
Total revenues	<u>12,939,557</u>	<u>12,889,557</u>	<u>16,940,085</u>	<u>4,050,528</u>
EXPENDITURES				
Departmental:				
General government	4,726,571	5,143,583	4,387,645	755,938
Community development	779,174	796,574	751,477	45,097
Public safety	11,123,068	12,706,744	12,032,813	673,931
Highways and streets	1,306,821	1,263,252	1,174,390	88,862
Health	497,912	484,059	403,889	80,170
Culture and recreation	1,631,079	1,669,337	1,502,727	166,610
Total expenditures	<u>20,064,625</u>	<u>22,063,549</u>	<u>20,252,941</u>	<u>1,810,608</u>
Excess (deficiency) of revenues over expenditures	<u>(7,125,068)</u>	<u>(9,173,992)</u>	<u>(3,312,856)</u>	<u>5,861,136</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,092,500	5,092,500	5,041,185	(51,315)
Transfers out	(48,600)	(57,265)	(57,265)	-
Total other financing sources and uses	<u>5,043,900</u>	<u>5,035,235</u>	<u>4,983,920</u>	<u>(51,315)</u>
Net change in fund balances	(2,081,168)	(4,138,757)	1,671,064	5,809,821
Fund balances - beginning	6,093,853	6,093,853	6,738,620	644,767
Fund balances - ending	<u>\$ 4,012,685</u>	<u>\$ 1,955,096</u>	<u>\$ 8,409,684</u>	<u>\$ 6,454,588</u>

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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 require the approval of the City Manager. The City prepared and adopted a legal annual budget for all governmental funds.

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:

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	General Fund
Total revenue - budgetary basis	<u>\$ 21,981,270</u>
Total expenses - budgetary basis	<u>(20,310,206)</u>
Change in fund balance - budgetary basis	1,671,064
Add change in fund balance of sub-accounts combined for reporting purposes:	
Fire Uniform Allowance Account	(3,452)
Hunting and Fishing Account	24,430
Deposit and Refund	<u>12,111</u>
Change in fund balance - GAAP basis	<u><u>\$ 1,704,153</u></u>

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded 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	Year Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2022	Year Ended December 31, 2023
Total pension liability										
Service cost	\$ 819,768	\$ 553,112	\$ 526,133	\$ 475,144	\$ 415,875	\$ 445,081	\$ 240,971	\$ -	\$ -	\$ -
Interest	1,507,326	1,573,160	1,560,485	1,562,236	1,445,573	1,467,009	1,192,499	1,000,087	1,017,448	1,444,993
Changes of benefit terms	-	(1,104,023)	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	(483,444)	(286,458)	(1,222,112)	(614,991)	(209,790)	968,970	111,167	629,009	(11,420)
Changes of assumptions	-	-	-	1,860,722	3,678,085	6,521,874	4,307,541	(547,274)	(9,741,504)	871,952
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)	(1,790,572)	(1,774,458)	(1,879,698)	(1,967,338)
Net change in total pension liability	\$ 741,945	\$ (1,046,874)	\$ 18,284	\$ 1,001,150	\$ 3,185,339	\$ 6,493,951	\$ 4,919,409	\$ (1,210,478)	\$ (9,974,745)	\$ 338,187
Total pension liability - beginning	28,321,561	29,063,506	28,016,632	28,087,537	29,088,687	32,274,026	38,767,977	43,687,386	42,476,908	32,502,163
Total pension liability - ending (a)	\$ 29,063,506	\$ 28,016,632	\$ 28,034,916	\$ 29,088,687	\$ 32,274,026	\$ 38,767,977	\$ 43,687,386	\$ 42,476,908	\$ 32,502,163	\$ 32,840,350
Plan fiduciary net position										
Contributions - employer	\$ 1,436,483	\$ 1,880,420	\$ 1,877,217	\$ 806,899	\$ 778,849	\$ 750,283	\$ 708,130	\$ 1,265,264	\$ 1,152,857	\$ 1,324,542
Contributions - members	368,322	334,780	303,402	249,490	240,438	200,428	90,849	-	-	-
Net investment income	342,804	(76,239)	666,290	963,257	(410,245)	1,208,634	784,889	904,176	(883,930)	798,292
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)	(1,790,572)	(1,774,458)	(1,879,698)	(1,967,338)
Administrative expense	(54,172)	(29,434)	(64,067)	(65,576)	(22,473)	(27,060)	(20,567)	(16,357)	(15,982)	(27,606)
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	508,288	523,848	1,000,966	279,230	(1,152,634)	402,062	(227,271)	378,625	(1,626,753)	127,890
Plan fiduciary net position - beginning	6,067,606	6,575,894	7,099,742	8,153,329	8,432,559	7,279,925	7,681,987	7,454,716	7,833,341	6,206,588
Plan fiduciary net position - ending (b)	\$ 6,575,894	\$ 7,099,742	\$ 8,100,708	\$ 8,432,559	\$ 7,279,925	\$ 7,681,987	\$ 7,454,716	\$ 7,833,341	\$ 6,206,588	\$ 6,334,478
City's net pension liability - ending (a-b)	\$ 22,487,612	\$ 20,916,890	\$ 19,934,208	\$ 20,656,128	\$ 24,994,101	\$ 31,085,990	\$ 36,232,670	\$ 34,643,567	\$ 26,295,575	\$ 26,505,872
Plan fiduciary net position as a percentage of the total pension liability	22.63%	25.34%	28.90%	29.00%	22.56%	19.82%	17.06%	18.40%	19.10%	19.30%
Covered-employee payroll	\$ 4,261,764	\$ 4,046,479	\$ 4,007,413	\$ 2,535,041	\$ 2,516,819	\$ 2,017,753	\$ 3,215,811	\$ 2,717,229	\$ 2,717,229	\$ 2,296,962
City's net pension liability as a percentage of covered employee payroll	527.66%	516.92%	497.43%	814.82%	993.08%	1540.62%	1126.70%	1274.96%	967.73%	1153.95%
Actuarial Assumptions:										
Valuation date	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	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	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	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	Market Value	Market Value	Market Value	Market Value
Investment rate of return	7.00%	7.00%	7.00%	7.00%	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	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	RP 2000 projected, with cohort projections	RP-2014, with Mortality Improvement Scale MP-2021	RP-2014, with Mortality Improvement Scale MP-2021	RP-2014, with Mortality Improvement Scale MP-2021
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 discount rate changed from 3.15% in 2019 to 2.34% in 2020.

The discount rate changed from 2.34% in 2020 to 2.45% in 2021.

The discount rate changed from 2.45% in 2021 to 4.59% in 2022.

The discount rate changed from 4.59% in 2021 to 4.31% in 2022.

The mortality table improvement scale was changed in 2018, 2019, 2020, 2021, and 2022

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,324,542	\$ 1,258,215	\$ 1,289,237	\$ 1,026,297	\$ 1,214,612	\$ 950,603	\$ 957,485	\$ 1,345,314	\$ 1,326,214	\$ 1,477,104
Contributions in relation to the actuarially determined contribution	1,324,542	1,243,301	699,508	708,130	750,283	778,849	806,899	1,877,216	1,918,481	1,442,614
Contribution deficiency (excess)	\$ -	\$ 14,914	\$ 589,729	\$ 318,167	\$ 464,329	\$ 171,754	\$ 150,586	\$ (531,902)	\$ (592,267)	\$ 34,490
Covered-employee payroll	\$ 2,296,962	\$ 2,370,994	\$ 2,486,716	\$ 2,717,229	\$ 3,215,811	\$ 2,516,819	\$ 2,535,041	\$ 4,007,413	\$ 4,046,479	\$ 4,046,479
Contributions as a percentage of covered-employee payroll	57.7%	52.4%	28.1%	26.1%	23.3%	30.9%	31.8%	46.8%	47.4%	35.7%

Notes to Schedule:

Valuation Date December 31, 2023
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
Mortality	RP-2014, with Mortality Improvement Scale MP-2021

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**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
2023	13.10%
2022	-12.00%
2021	12.30%
2020	10.60%
2019	17.10%
2018	-5.40%
2017	11.40%
2016	9.13%
2015	-1.64%
2014	5.61%

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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*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability (asset)	0.8122%	0.7539%	0.7799%	0.7699%	0.7965%	0.8031%	0.7762%	0.7488%	0.7233%
City's proportionate share of the net pension liability (asset)	\$ 33,116	\$ 1,154,578	\$ 59,987	\$ (366,733)	\$ (50,850)	\$ 922,330	\$ (3,723,440)	\$ (600,475)	\$ (220,905)
City's covered payroll	\$ 2,230,110	\$ 2,230,110	\$ 2,296,727	\$ 2,248,877	\$ 2,440,080	\$ 2,762,849	\$ 2,679,757	\$ 2,721,034	\$ 2,662,892
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%	33.38%	-138.95%	-22.07%	-8.30%
Plan fiduciary net position as a percentage of the total pension liability	99.82%	93.50%	99.68%	101.89%	100.24%	95.80%	117.07%	102.74%	101.02%

* Only nine 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*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily required contribution	\$ 288,707	\$ 298,575	\$ 292,354	\$ 317,210	\$ 359,170	\$ 348,368	\$ 351,073	\$ 341,330	\$ 355,758
Contributions in relation to the statutorily required contribution	288,707	298,575	293,559	317,607	359,170	348,368	351,073	341,330	355,758
Contribution deficiency (excess)	\$ -	\$ -	\$ (1,205)	\$ (397)	-	-	-	-	-
City's covered payroll	\$ 2,230,110	\$ 2,296,727	\$ 2,248,877	\$ 2,440,080	\$ 2,762,849	\$ 2,679,757	\$ 2,721,034	\$ 2,662,892	\$ 2,735,479
Contributions as a percentage of covered-employee payroll	12.95%	13.00%	13.05%	13.02%	13.00%	13.00%	12.90%	12.82%	13.01%

* Only nine 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*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability	0.8242%	0.8372%	0.8158%	0.7754%	0.7853%	0.7956%	0.8226%	0.8966%	0.8227%
City's proportionate share of the net pension liability	\$ 8,747,637	\$ 10,228,267	\$ 10,260,242	\$ 8,728,801	\$ 8,297,546	\$ 9,800,483	\$ 5,417,490	\$ 11,724,988	\$ 10,614,914
City's covered payroll	\$ 2,282,721	\$ 2,282,721	\$ 2,265,861	\$ 2,300,403	\$ 2,314,922	\$ 2,596,872	\$ 2,600,000	\$ 2,807,237	\$ 3,111,316
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	383%	448%	453%	379%	358%	377%	208%	418%	341%
Plan fiduciary net position as a percentage of the total pension liability	68.27%	64.87%	66.61%	70.73%	72.58%	69.98%	68.12%	69.49%	68.12%

* Only the nine 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*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily required contribution	\$ 319,270	\$ 320,327	\$ 320,327	\$ 324,089	\$ 363,563	\$ 364,000	\$ 393,013	\$ 435,218	\$ 434,984
Contributions in relation to the statutorily required contribution	319,270	320,327	322,149	324,089	363,563	364,000	393,013	435,218	434,984
Contribution deficiency (excess)	\$ -	\$ -	\$ (1,822)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,282,721	\$ 2,265,861	\$ 2,300,403	\$ 2,314,922	\$ 2,596,872	\$ 2,600,000	\$ 2,807,237	\$ 3,111,316	\$ 3,107,029
Contributions as a percentage of covered payroll	13.99%	14.14%	14.00%	14.00%	14.00%	14.00%	14.00%	13.99%	14.00%

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

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Other Post-Employment Benefits

Schedule of Changes in Net OPEB Liability and Related Ratios
Postemployment Health Insurance Implicit Rate Subsidy Plan

	2017	2018	2019	2020	2021	2022	2023
<i>Total OPEB Liability</i>							
Service cost	\$ 318,425	\$ 32,020	\$ 30,178	\$ 33,944	\$ 31,738	\$ 23,397	\$ 12,544
Interest expense	602,632	190,601	196,530	121,522	75,478	52,384	73,610
Difference in expected and actual experience	(521,176)	(635,258)	(642,624)	(1,053,956)	(1,061,201)	(750,433)	(878,752)
Difference due to changes in actuarial assumptions	704,657	(140,505)	244,313	86,310	6,171	(118,580)	5,470
Difference due to changes in plan provision	(11,278,547)	-	-	-	-	-	-
Employer contributions	(227,919)	(240,012)	(189,999)	(154,614)	(108,489)	(72,424)	(16,567)
Net change in total OPEB liability	(10,401,928)	(793,154)	(361,602)	(966,794)	(1,056,303)	(865,656)	(803,695)
Balances at Beginning of Year	16,329,555	5,927,627	5,134,473	4,772,871	3,806,077	2,749,774	1,884,118
Balances End of Year	\$ 5,927,627	\$ 5,134,473	\$ 4,772,871	\$ 3,806,077	\$ 2,749,774	\$ 1,884,118	\$ 1,080,423
Covered employee payroll	\$ 8,174,099	\$ 9,564,912	\$ 13,325,670	\$ 12,253,131	\$ 15,425,849	\$ 15,856,844	\$ 16,154,939
Total OPEB liability as a percentage of covered-employee payroll	72.52%	53.68%	35.82%	31.06%	17.83%	11.88%	6.69%

Notes to Schedule:

Only seven 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
Discount rate	Decreased from 2.74% at 12/31/2019 to 2.12% at December 31, 2020
Discount rate	Decreased from 2.12% at 12/31/2020 to 2.05% at December 31, 2021
Discount rate	Increased from 2.05% at 12/31/2021 to 4.31% at December 31, 2022
Discount rate	DEcreased from 4.31% at 12/31/2022 to 4.00% at December 31, 2020

SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts – December 31, 2023

	General Fund	Fire Uniform Allowance	Hunting and Fishing	Deposit and Refund	Total General Fund
ASSETS					
Cash and cash equivalents	\$ 2,353,365	\$ 95,277	\$ 110,413	\$ (4,506)	\$ 2,554,549
Receivable from other governments	2,139,964	-	-	-	2,139,964
Due from other funds	5,145,376	-	-	-	5,145,376
Taxes receivable, net	95,288	-	-	-	95,288
Court fines receivable, net	177,651	-	-	-	177,651
Leases receivable	1,311,890	-	-	-	1,311,890
Other receivables	401,065	-	-	-	401,065
Total assets	<u>11,624,599</u>	<u>95,277</u>	<u>110,413</u>	<u>(4,506)</u>	<u>11,825,783</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	665,682	780	-	-	666,462
Accrued payroll payable	693,145	-	-	-	693,145
Due to other funds	323,682	-	-	-	323,682
Due to bondholders	-	-	600	15,315	15,915
Total liabilities	<u>1,682,509</u>	<u>780</u>	<u>600</u>	<u>15,315</u>	<u>1,699,204</u>
Deferred inflows of resources:					
Unavailable revenue	215,296	-	-	-	215,296
Leases	1,317,110	-	-	-	1,317,110
Total Deferred inflows	<u>1,532,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,532,406</u>
Fund balances:					
Assigned	1,012,232	-	-	-	1,012,232
Unassigned (deficit)	7,397,452	94,497	109,813	(19,821)	7,581,941
Total fund balances	<u>8,409,684</u>	<u>94,497</u>	<u>109,813</u>	<u>(19,821)</u>	<u>8,594,173</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,624,599</u>	<u>\$ 95,277</u>	<u>\$ 110,413</u>	<u>\$ (4,506)</u>	<u>\$ 11,825,783</u>

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Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund Accounts
– December 31, 2023

	General Fund	Fire Uniform Allowance	Hunting and Fishing	Deposit and Refund	Total General Fund
REVENUES					
Taxes	\$ 14,328,682	\$ -	\$ -	\$ -	\$ 14,328,682
Intergovernmental	2,063,872	-	-	-	2,063,872
Licenses and permits	240,050	-	24,750	-	264,800
Charges for services	624,578	-	-	-	624,578
Fees and fines	559,879	-	-	12,111	571,990
Investment earnings	79,497	-	-	-	79,497
Miscellaneous	305,355	-	-	-	305,355
Total revenues	<u>18,201,913</u>	<u>-</u>	<u>24,750</u>	<u>12,111</u>	<u>18,238,774</u>
EXPENDITURES					
Current:					
General government	4,387,645	-	-	-	4,387,645
Community development	751,477	-	-	-	751,477
Public safety	13,294,641	52,052	-	-	13,346,693
Highways and streets	1,174,390	-	-	-	1,174,390
Health	403,889	-	-	-	403,889
Culture and recreation	1,502,727	-	320	-	1,503,047
Total expenditures	<u>21,514,769</u>	<u>52,052</u>	<u>320</u>	<u>-</u>	<u>21,567,141</u>
Excess (deficiency) of revenues over expenditures	<u>(3,312,856)</u>	<u>(52,052)</u>	<u>24,430</u>	<u>12,111</u>	<u>(3,328,367)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in - interaccount	-	48,600	-	-	48,600
Transfers out - interaccount	(48,600)	-	-	-	(48,600)
Transfers in	5,041,185	-	-	-	5,041,185
Transfers out	(8,665)	-	-	-	(8,665)
Total other financing sources and uses	<u>4,983,920</u>	<u>48,600</u>	<u>-</u>	<u>-</u>	<u>5,032,520</u>
Net change in fund balances	1,671,064	(3,452)	24,430	12,111	1,704,153
Fund balances - beginning	6,738,620	97,949	85,383	(31,932)	6,890,020
Fund balances - ending	<u>\$ 8,409,684</u>	<u>\$ 94,497</u>	<u>\$ 109,813</u>	<u>\$ (19,821)</u>	<u>\$ 8,594,173</u>

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Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2023

	Street and Alley Fund	Cemetery Care	Library Gifts and Grants	Duncan Economic Development Trust Authority (DEDTA)	E911 Dispatch	First Responder Program
ASSETS						
Cash and cash equivalents	\$ 220,837	\$ 95,814	\$ -	\$ 2,272,431	\$ 282,350	\$ 48,026
Investments	-	-	-	1,483,785	-	-
Receivable from other governments	44,948	-	-	350,272	26,485	-
Due from other funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total assets	<u>265,785</u>	<u>95,814</u>	<u>-</u>	<u>4,106,488</u>	<u>308,835</u>	<u>48,026</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	2,363	-	2,230	153,038	-	-
Due to other funds	-	-	6,083	109,526	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>2,363</u>	<u>-</u>	<u>8,313</u>	<u>262,564</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted	263,422	95,814	-	3,843,924	308,835	48,026
Unassigned (deficit)	-	-	(8,313)	-	-	-
Total fund balances	<u>263,422</u>	<u>95,814</u>	<u>(8,313)</u>	<u>3,843,924</u>	<u>308,835</u>	<u>48,026</u>
Total liabilities and fund balances	<u>\$ 265,785</u>	<u>\$ 95,814</u>	<u>\$ -</u>	<u>\$ 4,106,488</u>	<u>\$ 308,835</u>	<u>\$ 48,026</u>

(continued)

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Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2023, continued

	Police Grants and Seizures	Technology Fee	American Rescue Plan	Duncan Enhancement Trust Authority	Ad Valorem Sinking	Total Other Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 87,349	\$ -	\$ 2,818,595	\$ -	\$ 201,593	\$ 6,026,995
Investments	-	-	-	-	-	1,483,785
Receivable from other governments	-	-	-	-	-	421,705
Due from other funds	-	-	-	-	23,682	23,682
Other receivables	-	-	-	-	66,816	66,816
Total assets	<u>87,349</u>	<u>-</u>	<u>2,818,595</u>	<u>-</u>	<u>292,091</u>	<u>8,022,983</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	-	-	126,111	-	-	283,742
Due to other funds	648	12,030	-	-	-	128,287
Unearned revenue	-	-	2,525,921	-	10,775	2,536,696
Total liabilities	<u>648</u>	<u>12,030</u>	<u>2,652,032</u>	<u>-</u>	<u>10,775</u>	<u>2,948,725</u>
Fund balances:						
Restricted	86,701	-	166,563	-	281,316	5,094,601
Unassigned (deficit)	-	(12,030)	-	-	-	(20,343)
Total fund balances	<u>86,701</u>	<u>(12,030)</u>	<u>166,563</u>	<u>-</u>	<u>281,316</u>	<u>5,074,258</u>
Total liabilities and fund balances	<u>\$ 87,349</u>	<u>\$ -</u>	<u>\$ 2,818,595</u>	<u>\$ -</u>	<u>\$ 292,091</u>	<u>\$ 8,022,983</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – December 31, 2023

	Street and Alley Fund	Cemetery Care	Library Gifts and Grants	Economic Development Trust Authority (DEDTA)	E911 Dispatch	First Responder Program
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 2,571,976	\$ 259,547	\$ -
Fees and fines	-	-	-	-	-	-
Intergovernmental	203,658	-	16,648	-	-	-
Charges for services	-	17,725	-	-	-	-
Investment earnings	-	-	-	(69,041)	-	-
Miscellaneous	-	-	1,892	52,041	-	-
Total revenues	<u>203,658</u>	<u>17,725</u>	<u>18,540</u>	<u>2,554,976</u>	<u>259,547</u>	<u>-</u>
EXPENDITURES						
Current:						
General government	-	6,858	-	-	-	-
Public safety	-	-	-	-	86,533	-
Highways and streets	152,147	-	-	-	-	-
Culture and recreation	-	-	21,618	-	-	-
Economic development	-	-	-	980,038	-	-
Capital outlay	-	-	5,714	1,278,131	-	-
Total expenditures	<u>152,147</u>	<u>6,858</u>	<u>27,332</u>	<u>2,258,169</u>	<u>86,533</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>51,511</u>	<u>10,867</u>	<u>(8,792)</u>	<u>296,807</u>	<u>173,014</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(41,185)	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,185)</u>	<u>-</u>
Net change in fund balances	51,511	10,867	(8,792)	296,807	131,829	-
Fund balances - beginning	211,911	84,947	479	3,547,117	177,006	48,026
Fund balances - ending	<u>\$ 263,422</u>	<u>\$ 95,814</u>	<u>\$ (8,313)</u>	<u>\$ 3,843,924</u>	<u>\$ 308,835</u>	<u>\$ 48,026</u>

(continued)

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor
Governmental Funds – December 31, 2023, continued**

	Police Grants and Seizures	Technology Fee	American Rescue Plan	Duncan Enhancement Trust Authority	Ad Valorem Sinking	Total Other Governmental Funds
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 56,525	\$ 2,888,048
Fees and fines	-	17,712	-	-	-	17,712
Intergovernmental	-	-	962,644	-	-	1,182,950
Charges for services	-	-	-	-	-	17,725
Investment earnings	-	-	21,844	-	-	(47,197)
Miscellaneous	34,199	-	-	-	-	88,132
Total revenues	<u>34,199</u>	<u>17,712</u>	<u>984,488</u>	<u>-</u>	<u>56,525</u>	<u>4,147,370</u>
EXPENDITURES						
Current:						
General government	-	-	577,059	-	-	583,917
Public safety	3,864	-	-	-	-	90,397
Streets	-	-	-	-	-	152,147
Culture and recreation	-	-	-	-	-	21,618
Economic development	-	-	-	-	-	980,038
Capital outlay	4,315	49,962	389,222	-	-	1,727,344
Total expenditures	<u>8,179</u>	<u>49,962</u>	<u>966,281</u>	<u>-</u>	<u>-</u>	<u>3,555,461</u>
Excess (deficiency) of revenues over expenditures	<u>26,020</u>	<u>(32,250)</u>	<u>18,207</u>	<u>-</u>	<u>56,525</u>	<u>591,909</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	8,665	-	8,665
Transfers out	-	-	-	-	-	(41,185)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,665</u>	<u>-</u>	<u>(32,520)</u>
Net change in fund balances	26,020	(32,250)	18,207	8,665	56,525	559,389
Fund balances - beginning	60,681	20,220	148,356	(8,665)	224,791	4,514,869
Fund balances - ending	<u>\$ 86,701</u>	<u>\$ (12,030)</u>	<u>\$ 166,563</u>	<u>\$ -</u>	<u>\$ 281,316</u>	<u>\$ 5,074,258</u>

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Combining Schedule of Net Position – Duncan Public Utilities Authority – December 31, 2023

	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	\$ 1,322,723	\$ 3,468,491	\$ 37	\$ -	\$ 11,684	\$ -	\$ 4,802,935
Restricted:							
Cash and cash equivalents	24,969,577	-	-	472,109	-	823,781	26,265,467
Due from other funds	808,779	300,000	-	-	-	-	1,108,779
Due from other funds - interaccount	-	-	-	-	-	297,786	297,786
Accounts receivable, net	2,652,982	2,112,914	12,384	-	-	-	4,778,280
Receivables from other governments	38,700	-	-	-	-	-	38,700
Other receivables	30,521	2,181	-	-	9,346	-	42,048
Inventories	-	647,870	-	-	-	-	647,870
Prepaid Expenses	16	-	-	-	-	-	16
Total current assets	<u>29,823,298</u>	<u>6,531,456</u>	<u>12,421</u>	<u>472,109</u>	<u>21,030</u>	<u>1,121,567</u>	<u>37,981,881</u>
Non-current assets:							
Restricted:							
Investments	-	-	-	1,072,760	-	-	1,072,760
Investment in joint venture	62,188	-	-	-	-	-	62,188
Capital assets:							
Land and construction in progress	27,001,169	1,250,218	100,544	-	-	-	28,351,931
Other capital assets, net of accumulated depreciation	<u>37,035,091</u>	<u>5,783,095</u>	<u>2,356,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,174,469</u>
Total non-current assets	<u>64,098,448</u>	<u>7,033,313</u>	<u>2,456,827</u>	<u>1,072,760</u>	<u>-</u>	<u>-</u>	<u>74,661,348</u>
Total assets	<u>93,921,746</u>	<u>13,564,769</u>	<u>2,469,248</u>	<u>1,544,869</u>	<u>21,030</u>	<u>1,121,567</u>	<u>112,643,229</u>
DEFERRED OUTFLOW OF RESOURCES							
Deferred amounts on refunding	632,045	-	-	-	-	-	632,045
Deferred amounts related to pension	721,164	3,162,809	-	-	-	-	3,883,973
Deferred amounts related to OPEB	<u>187,295</u>	<u>59,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,525</u>
Total deferred outflows	<u>1,540,504</u>	<u>3,222,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,762,543</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	2,831,357	1,200,906	58,282	-	-	-	4,090,545
Salaries payable	65,241	49,385	-	-	-	-	114,626
Accrued interest payable	405,447	-	-	-	-	-	405,447
Due to other funds	5,120,149	-	6,466	-	-	-	5,126,615
Due to other funds - interaccount	297,786	-	-	-	-	-	297,786
Payable to other governments	-	32,437	-	-	-	-	32,437
Deposits subject to refund	-	72,606	-	-	-	1,094,653	1,167,259
Compensated absences	21,158	19,883	-	-	-	-	41,041
Leases liability	59,526	-	-	-	-	-	59,526
Notes payable	<u>4,077,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,077,650</u>
Total current liabilities	<u>12,878,314</u>	<u>1,375,217</u>	<u>64,748</u>	<u>-</u>	<u>-</u>	<u>1,094,653</u>	<u>15,412,932</u>
Non-current liabilities:							
Compensated absences, net of current portion	190,418	178,950	-	-	-	-	369,368
Lease liability	31,906	-	-	-	-	-	31,906
Total OPEB liability	183,629	72,600	-	-	-	-	256,229
Net pension liability	9,105,153	15,497,292	-	-	-	-	24,602,445
Notes payable, net of current portion	<u>52,676,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,676,232</u>
Total non-current liabilities	<u>62,187,338</u>	<u>15,748,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,936,180</u>
Total liabilities	<u>75,065,652</u>	<u>17,124,059</u>	<u>64,748</u>	<u>-</u>	<u>-</u>	<u>1,094,653</u>	<u>93,349,112</u>
DEFERRED INFLOW OF RESOURCES							
Deferred amounts related to pension	3,385,813	2,431,460	-	-	-	-	5,817,273
Deferred amounts related to OPEB	<u>741,683</u>	<u>278,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,019,765</u>
Total deferred inflows	<u>4,127,496</u>	<u>2,709,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,837,038</u>
NET POSITION							
Net investment in capital assets	31,074,442	7,033,313	2,456,827	-	-	-	40,564,582
Restricted for debt service	1,353,095	-	-	1,544,869	-	-	2,897,964
Unrestricted (deficit)	<u>(16,158,435)</u>	<u>(10,080,106)</u>	<u>(52,327)</u>	<u>-</u>	<u>21,030</u>	<u>26,914</u>	<u>(26,242,924)</u>
Total net position	<u>\$ 16,269,102</u>	<u>\$ (3,046,793)</u>	<u>\$ 2,404,500</u>	<u>\$ 1,544,869</u>	<u>\$ 21,030</u>	<u>\$ 26,914</u>	<u>\$ 17,219,622</u>

CITY OF DUNCAN, OKLAHOMA
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DECEMBER 31, 2023

Combining Schedule of Revenues, Expenses, and Changes in Net Position – Duncan Public Utilities Authority – Year Ended December 31, 2023

	Enterprise Fund Accounts						Total
	DPUA - Other Utilities	DPUA - Electric	DPUA Airport	DPUA Sinking - Waurika	Redeposit Cash	Meter Deposit	
REVENUES							
Water	\$ 10,144,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,144,957
Electric	-	18,725,755	-	-	-	-	18,725,755
Sewer	2,857,006	-	-	-	-	-	2,857,006
Sanitation	3,707,699	-	-	-	-	-	3,707,699
Lake	176,980	-	-	-	-	-	176,980
Airport	-	-	53,154	-	-	-	53,154
Miscellaneous	190,405	47,893	-	-	-	-	238,298
Total operating revenues	<u>17,077,047</u>	<u>18,773,648</u>	<u>53,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,903,849</u>
OPERATING EXPENSES							
Water	1,150,995	-	-	-	-	-	1,150,995
Wastewater	1,184,388	-	-	-	-	-	1,184,388
Sanitation	3,771,330	-	-	-	-	-	3,771,330
Electric	-	15,374,749	-	-	-	-	15,374,749
Lake	451,856	-	-	-	-	-	451,856
Airport	-	-	213,596	-	-	-	213,596
Depreciation	3,496,861	620,629	200,411	-	-	-	4,317,901
Total operating expenses	<u>10,055,430</u>	<u>15,995,378</u>	<u>414,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,464,815</u>
Operating income (loss)	<u>7,021,617</u>	<u>2,778,270</u>	<u>(360,853)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,439,034</u>
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment revenue	742,228	57,085	1	(262,686)	-	11,775	548,403
Miscellaneous revenue	264,776	12,615	-	-	-	-	277,391
Interest expense	(1,338,676)	(2,306)	-	(126,177)	-	-	(1,467,159)
Total non-operating revenue (expenses)	<u>(331,672)</u>	<u>67,394</u>	<u>1</u>	<u>(388,863)</u>	<u>-</u>	<u>11,775</u>	<u>(641,365)</u>
Income (loss) before contributions and transfers	<u>6,689,945</u>	<u>2,845,664</u>	<u>(360,852)</u>	<u>(388,863)</u>	<u>-</u>	<u>11,775</u>	<u>8,797,669</u>
Capital contributions from governmental activities	910,211	1,167,908	-	-	-	-	2,078,119
Transfers in - interaccount	472,127	-	-	-	-	-	472,127
Transfers out - interaccount	-	-	-	(472,127)	-	-	(472,127)
Transfers in	72,526	96,106	-	-	-	-	168,632
Transfers out	(776,264)	(5,000,000)	-	-	-	-	(5,776,264)
Change in net position	<u>7,368,545</u>	<u>(890,322)</u>	<u>(360,852)</u>	<u>(860,990)</u>	<u>-</u>	<u>11,775</u>	<u>5,268,156</u>
Total net position - beginning	<u>8,900,557</u>	<u>(2,156,471)</u>	<u>2,765,352</u>	<u>2,405,859</u>	<u>21,030</u>	<u>15,139</u>	<u>11,951,466</u>
Total net position - ending	<u>\$ 16,269,102</u>	<u>\$ (3,046,793)</u>	<u>\$ 2,404,500</u>	<u>\$ 1,544,869</u>	<u>\$ 21,030</u>	<u>\$ 26,914</u>	<u>\$ 17,219,622</u>

CITY OF DUNCAN, OKLAHOMA
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DECEMBER 31, 2023

Combining Schedule of Cash Flows – Duncan Public Utilities Authority – Year Ended December 31, 2023

	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	\$ 16,759,548	\$ 18,744,298	\$ 48,324	\$ -	\$ -	\$ -	\$ 35,552,170
Payments to suppliers and employees	(10,409,399)	(15,715,585)	(156,731)	-	-	-	(26,281,715)
Receipts of customer meter deposits	-	87,676	-	-	-	235,794	323,470
Refunds of customer meter deposits	-	(59,297)	-	-	-	(245,968)	(305,265)
Interfund receipts	5,120,149	-	6,466	-	-	-	5,126,615
Interfund payments	(808,779)	-	-	-	-	-	(808,779)
Interfund receipts - interaccount	556,105	-	-	-	-	-	556,105
Interfund payments - interaccount	-	-	-	(556,105)	-	-	(556,105)
Net cash provided by (used in) operating activities	11,217,624	3,057,092	(101,941)	(556,105)	-	(10,174)	13,606,496
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from other funds - interaccount	472,127	-	-	-	-	-	472,127
Transfers to other funds - interaccount	-	-	-	(472,127)	-	-	(472,127)
Transfers from other funds	72,526	96,091	-	-	-	-	168,617
Transfers to other funds	(5,000,000)	-	-	-	-	-	(5,776,264)
Net cash provided by (used in) noncapital financing activities	(231,611)	(4,903,909)	-	(472,127)	-	-	(5,607,647)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of capital assets	(10,778,352)	(88,455)	(49,738)	-	-	-	(10,916,545)
Proceeds from debt	9,283,712	-	-	-	-	-	9,283,712
Principal paid on debt	(4,022,384)	(93,517)	-	-	-	-	(4,115,901)
Premium on issuance of debt	281,860	-	-	-	-	-	281,860
Interest and fiscal agent fees paid on debt	(1,301,474)	(2,590)	-	(126,177)	-	-	(1,430,641)
Net cash provided by (used in) capital and related financing activities	(6,537,038)	(184,562)	(49,738)	(126,177)	-	-	(6,897,513)
CASH FLOWS FROM INVESTING ACTIVITIES							
Sale of investments	-	-	-	2,396,965	-	-	2,396,965
Interest and dividends	760,569	57,098	1	(720,442)	-	11,775	38,996
Net cash provided by (used in) investing activities	760,569	57,098	1	1,626,518	-	11,775	2,455,961
Net increase (decrease) in cash and cash equivalents	5,209,544	(1,974,281)	(151,678)	472,109	-	1,601	3,557,295
Balances - beginning of year	21,082,756	5,442,772	151,715	-	11,684	823,180	27,511,107
Balances - end of year	\$ 26,292,300	\$ 3,468,491	\$ 37	\$ 472,109	\$ 11,684	\$ 823,781	\$ 31,068,402
Reconciliation to Statement of Net Position:							
Cash and cash equivalents	\$ 1,322,723	\$ 3,468,491	\$ 37	\$ -	\$ 11,684	\$ -	\$ 4,802,935
Restricted cash and cash equivalents - current	24,969,577	-	-	472,109	-	823,781	26,265,467
Total cash and cash equivalents, end of year	\$ 26,292,300	\$ 3,468,491	\$ 37	\$ 472,109	\$ 11,684	\$ 823,781	\$ 31,068,402
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 7,021,617	\$ 2,778,270	\$ (360,853)	\$ -	\$ -	\$ -	\$ 9,439,034
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	3,496,861	620,629	200,411	-	-	-	4,317,901
Miscellaneous revenue	264,776	12,615	-	-	-	-	277,391
Change in assets, liabilities, and deferrals:							
Due from other funds	(808,779)	-	-	-	-	-	(808,779)
Due from other funds - interaccount	556,105	-	-	(556,105)	-	-	-
Accounts receivable	(536,929)	(41,653)	(4,830)	-	-	-	(583,412)
Due from other governments	(38,700)	-	-	-	-	-	(38,700)
Other receivable	(6,692)	(312)	-	-	-	-	(7,004)
Lease receivable	25,790	-	-	-	-	-	25,790
Inventory	-	(33,041)	-	-	-	-	(33,041)
Prepaid expenses	-	873	-	-	-	-	873
Deferred outflows related to pension	496,192	(1,941,983)	-	-	-	-	(1,445,791)
Deferred outflows related to OPEB	49,266	(34,031)	-	-	-	-	15,235
Accounts payable	1,399,655	7,122	56,865	-	-	-	1,463,642
Accrued payroll payable	25,838	26,376	-	-	-	-	52,214
Deposits subject to refund	-	28,379	-	-	-	(10,174)	18,205
Due to other funds	5,120,149	-	6,466	-	-	-	5,126,615
Due to other governments	-	(666)	-	-	-	-	(666)
Total OPEB liability	(146,092)	(37,307)	-	-	-	-	(183,399)
Lease liability	(57,147)	-	-	-	-	-	(57,147)
Deferred inflows related to OPEB	35,930	41,294	-	-	-	-	77,224
Deferred amounts related to leases	(25,744)	-	-	-	-	-	(25,744)
Accrued compensated absences	19,707	11,269	-	-	-	-	30,976
Deferred inflows related to pension	2,130,906	1,335,543	-	-	-	-	3,466,449
Net pension liability	(7,805,085)	283,635	-	-	-	-	(7,521,450)
Net cash provided by (used in) operating activities	\$ 11,217,624	\$ 3,057,092	\$ (101,941)	\$ (556,105)	\$ -	\$ (10,174)	\$ 13,606,496
Noncash activities:							
Asset transferred from other funds	\$ 910,211	\$ 1,167,908	\$ -	\$ -	\$ -	\$ -	\$ 2,078,119
	\$ 910,211	\$ 1,167,908	\$ -	\$ -	\$ -	\$ -	\$ 2,078,119

**CITY OF DUNCAN, OKLAHOMA
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Combining Statement of Net Position – Pension Trust Funds – December 31, 2023

	City Employees Retirement Trust Fund - Defined Benefit	City Employees Retirement Trust Fund - Defined Contribution	Totals
ASSETS			
Cash and cash equivalents	\$ 390,150	\$ 29,448	\$ 419,598
Investments, at fair value:			
Mutual fund equity	3,366,784	220,304	3,587,088
Mutual fund fixed	2,573,112	466,044	3,039,156
Accrued interest receivable	-	4,328	4,328
Total assets	<u>\$ 6,330,046</u>	<u>\$ 720,124</u>	<u>\$ 7,050,170</u>
LIABILITIES			
Other accrued expenses	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Restricted for employees' pension benefits held in trust	<u>\$ 6,330,046</u>	<u>\$ 720,124</u>	<u>\$ 7,050,170</u>

**CITY OF DUNCAN, OKLAHOMA
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Combining Statement of Changes in Plan Net Position – Pension Trust Funds – December 31, 2023

	City Employees Retirement Trust Fund	City Employees Retirement Trust Fund - Defined Contribution	Totals
ADDITIONS			
Contributions:			
Employer	\$ 1,324,542	\$ 14,051	\$ 1,338,593
Plan members	-	13,333	13,333
Miscellaneous receipts	25,627	-	25,627
Total contributions	<u>1,350,169</u>	<u>27,384</u>	<u>1,377,553</u>
Investment earnings:			
Increase (decrease) in fair value of investments	631,383	10,891	642,274
Interest and dividends	179,841	71,866	251,707
Total net investment earnings	<u>811,224</u>	<u>82,757</u>	<u>893,981</u>
Total additions	<u>2,161,393</u>	<u>110,141</u>	<u>2,271,534</u>
DEDUCTIONS			
Benefits paid to participants or beneficiaries	1,967,549	317,137	2,284,686
Administrative	41,226	1,880	43,106
Total deductions	<u>2,008,775</u>	<u>319,017</u>	<u>2,327,792</u>
 Change in net position held in trust for employees' pension benefits	 152,618	 (208,876)	 (56,258)
Net position held in trust for employees' pension benefits - beginning	<u>6,177,428</u>	<u>929,000</u>	<u>7,106,428</u>
Net position held in trust for employees' pension benefits- ending	<u><u>\$ 6,330,046</u></u>	<u><u>\$ 720,124</u></u>	<u><u>\$ 7,050,170</u></u>

INTERNAL CONTROL AND COMPLIANCE INFORMATION



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 Members of the 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, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Duncan, Oklahoma ("City"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 20, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
September 20, 2024



Elfrink and Associates, PLLC

Certified Public Accountants

REPORT ON COMPLIANCE FOR THE U.S. DEPARTMENT OF TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (CSLFRF) REQUIREMENTS FOR AN ALTERNATIVE CSLFRF COMPLIANCE EXAMINATION ENGAGEMENT

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

We have examined the City of Duncan, Oklahoma's ("City") compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2023 OMB Compliance Supplement (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended December 31, 2023. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements referenced above during the year ended December 31, 2023.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on the City's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the City of Duncan, Oklahoma complied, in all material respects with the specified requirements referenced above during the year ended December 31, 2023. Accordingly, this report is not suitable for any other purpose.

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC
Tulsa, Oklahoma
September 20, 2024

8905 S Yale Avenue, Suite 102
Tulsa, OK, 74137

Members of the AICPA, OSCP, and GAQC

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Government Accounting and Auditing

**CITY OF DUNCAN, OKLAHOMA
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FEDERAL AWARD INFORMATION

**CITY OF DUNCAN, OKLAHOMA
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Schedule of Expenditures of Federal Awards – Year Ended December 31, 2023

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through Oklahoma Emergency Management: State and Local HIDTA Task Force Grant	16.809	N/A	\$ 1,372	\$ 659
Organized Crime Drug Enforcement Task Forces	16.111		1,714	1,714
Equitable Sharing	16.922	OK0690200	4,315	4,315
Total U.S. Department of Justice			<u>7,401</u>	<u>6,688</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Corrections: Community Development Block Grants	14.228	18464 CDBGCR20	450,000	113,683
Total U.S. Department of Housing and Urban Development			<u>450,000</u>	<u>113,683</u>
<u>U.S. DEPARTMENT OF THE TREASURY:</u>				
COVID-19/American Rescue Plan Act	21.030	N/A	1,969,747	962,644
Total U.S. Department of Treasury			<u>1,969,747</u>	<u>962,644</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Emergency Management: Disaster Grants - Public Assistance	97.036	FEMA 4587	493,220	493,220
Disaster Grants - Public Assistance	97.036	FEMA 4453	6,612	6,612
Subtotal 97.036			<u>499,832</u>	<u>499,832</u>
Hazard Mitigation Grant	97.039	FEMA 4373	139,900	16,000
Emergency Management Performance Grant	97.042	ARPA 2021 EMPG	3,000	3,000
Emergency Management Performance Grant	97.042	ARPA 2021 EMPG	10,000	10,000
Emergency Management Performance Grant	97.042	EMT-2022-EP-00006	800	786
Emergency Management Performance Grant	97.042	2022-EMPG	10,000	7,500
Subtotal 97.042			<u>23,800</u>	<u>21,286</u>
Total U.S. Department of Homeland Security			<u>663,532</u>	<u>537,118</u>
<u>INSTITUTUE OF MUSEUM AND LIBRARY SERVICES</u>				
Passed through Oklahoma Department of Libraries Grants to States	43.310	F-23-266	1,860	1,822
TOTAL FEDERAL ASSISTANCE			<u>\$ 3,092,540</u>	<u>\$ 1,621,955</u>

**CITY OF DUNCAN, OKLAHOMA
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CITY OF DUNCAN, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2023. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.