

**CITY OF ELK CITY, OKLAHOMA
ELK CITY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2020**

The City of Elk City, Oklahoma
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Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Elk City, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 of Elk City, Oklahoma, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 schedules of the City's proportionate share of net pension liabilities on pages 3-10 and 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elk City, Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2020, on our consideration of the City of Elk City, Oklahoma'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 of Elk City, Oklahoma'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 of Elk City, Oklahoma's internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC

Stillwater, Oklahoma
November 17, 2020

Within this section, the City of Elk City's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2020. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL SUMMARY

- At June 30, 2020, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$119,421,336 (net position). This compared to the previous year when assets exceeded liabilities by \$117,567,758.
- The City's total net position is comprised of the following:
 - (1) Net investment in capital assets of \$79,494,611 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$25,278,713 accounts for assets restricted for debt service and capital construction in accordance with debt offerings.
 - (3) Unrestricted net position of \$14,648,012 represent the portion available to maintain the City's continuing obligations to citizens and creditors compared to \$13,774,208 in prior year.
- The City's governmental funds on the Statement of Revenues, Expenses and Changes in Fund Balances in Governmental Funds reported total ending fund balance of \$31,539,276. This compared to prior year ending fund balance of \$31,539,276, reporting an increase of \$303,373 or 1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including water and sanitation, provided by the City as well as the operation of the rock yard.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water and sanitation utilities and sales of rock and airplane fuel.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the meter deposits and police bonds are reported in the fiduciary fund financial statements but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information detailing the combining statements of non-major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

The City's combined net position at June 30, 2020 was \$119,421,336. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$66 million and \$53 million, respectively. The City's overall financial position improved marginally during fiscal year 2020.

	Summary of Net Position (in thousands)							
	Governmental Activities		Business-Type Activities		Total		Change	
	2020	2019	2020	2019	2020	2019	\$	%
Current assets	\$ 34,786	\$ 34,213	\$ 35,053	\$ 38,495	\$ 69,839	\$ 72,708	\$ (2,869)	-4%
Capital assets, net	38,451	39,974	59,285	55,101	97,736	95,075	2,661	3%
Total assets	73,237	74,187	94,338	93,596	167,575	167,783	(208)	0%
Deferred outflow of resources	1,367	1,669	-	-	1,367	1,669	(302)	-18%
Current liabilities	3,051	2,801	3,672	3,301	6,723	6,102	621	10%
Non-current liabilities	4,263	4,712	37,425	39,962	41,688	44,674	(2,986)	-7%
Total liabilities	7,314	7,513	41,097	43,263	48,411	50,776	(2,365)	-5%
Deferred inflow of resources	1,110	1,108	-	-	1,110	1,108	2	0%
Net position								
Net investment in capital assets	38,477	39,974	41,017	38,869	79,494	78,843	651	1%
Restricted	22,810	22,378	2,469	2,573	25,279	24,951	328	1%
Unrestricted	4,893	4,883	9,755	8,891	14,648	13,774	874	6%
Total net position	\$ 66,180	\$ 67,235	\$ 53,241	\$ 50,333	\$ 119,421	\$ 117,568	\$ 1,853	2%

Net position is consistent with prior year, noting a 2% change. Total assets of the City remained consistent as liquidity fell while net capital improvements increased, resulting in a shift in the allocation of assets held by the City. The City's liabilities noted a decrease of 5% when compared to prior year, driven specifically by the reduction in debt of the City.

During the fiscal year, the City refinanced debt held with the Oklahoma Water Board to recognize interest savings. The refinancing had a negligible impact on the net balance of liabilities but will result in noticeable annual savings for the City in future periods. The City made regularly scheduled payments on debt obligations totaling over \$2.5 million during the year. The reduction in liabilities is further impacted by the decline in pension obligations reported for the City of over \$315 thousand dollars.

The City reported over \$98 million in capital assets with \$39 million remaining on debt used to finance their acquisition and construction.

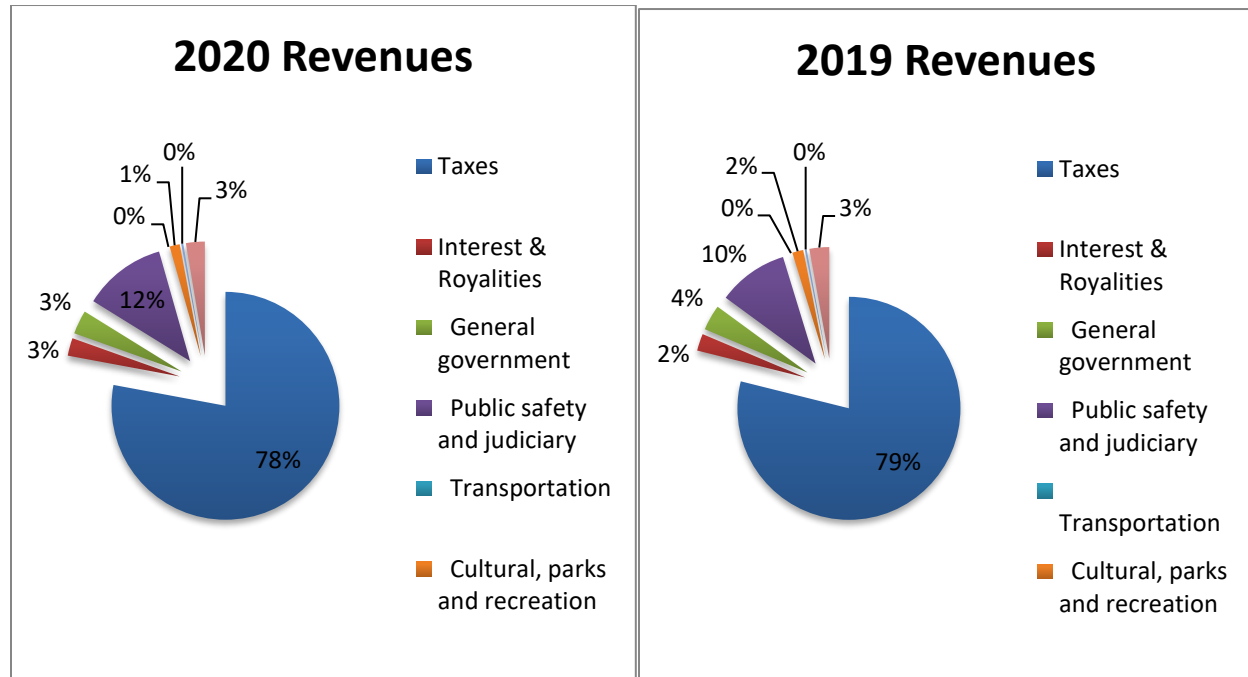
	Summary of Changes in Net Position							
	Governmental		Business-type		Total		Change	
	2020	2019	2020	2019	2020	2019	\$	%
Revenues								
Program revenues	\$ 2,897,520	\$ 3,114,833	\$ 8,512,399	\$ 7,831,150	\$ 11,409,919	\$ 10,945,983	\$ 463,936	4%
Taxes and other general revenues	12,358,962	14,964,704	4,473,102	5,044,637	16,832,064	20,009,341	(3,177,277)	-16%
Total revenues	15,256,482	18,079,537	12,985,501	12,875,787	28,241,983	30,955,324	(2,713,341)	-9%
Expenses								
General government	2,788,848	2,578,050	-	-	2,788,848	2,578,050	210,798	8%
Public safety and judiciary	7,061,706	7,098,916	-	-	7,061,706	7,098,916	(37,210)	-1%
Transportation	417,176	494,505	-	-	417,176	494,505.00	(77,329)	-16%
Cultural, parks, and recreation	1,948,752	1,947,875	-	-	1,948,752	1,947,875	877	0%
Public service	973,277	1,152,578	-	-	973,277	1,152,578	(179,301)	-16%
Economic development	1,271,993	1,528,113	-	-	1,271,993	1,528,113	(256,120)	-17%
Utilities	-	-	5,942,078	5,788,544	5,942,078	5,788,544	153,534	3%
Airport	-	-	470,799	541,289	470,799	541,289	(70,490)	-13%
Customer service	-	-	479,450	578,462	479,450	578,462	(99,012)	-17%
Industrial development	-	-	5,034,326	4,724,933	5,034,326	4,724,933	309,393	7%
Total expenses	14,461,752	14,800,037	11,926,653	11,633,228	26,388,405	26,433,265	(44,860)	0%
Excess (deficiency) before transfers	\$ 794,730	\$ 3,279,500	\$ 1,058,848	\$ 1,242,559	\$ 1,853,578	\$ 4,522,059	\$ (2,668,481)	-59%
Transfer to other governments	-	-	-	-	-	-	-	100%
Transfers	(1,849,083)	(1,010,575)	1,849,083	1,010,575	-	-	-	0%
Increase (decrease) in net position	\$ (1,054,353)	\$ 2,268,925	\$ 2,907,931	\$ 2,253,134	\$ 1,853,578	\$ 4,522,059	\$ (2,668,481)	-59%

The City reported a reduction in revenues of \$2.7 million or 9% when compared to prior year. Taxes and general revenues in Governmental funds was the largest decline. Sales tax, specifically, declined 14%; use, franchise, and other taxes slipped 4%. Additionally, the change in pension obligation did not provide the revenue boost noted in prior year, as the change recognized was \$244 thousand compared to \$1.3 million in fiscal year 2019. Utility billing receipts were steady during the period, whereas the Rock Yard and other industrial activities provided an enhancement to income for the fiscal year of approximately \$600 thousand dollars.

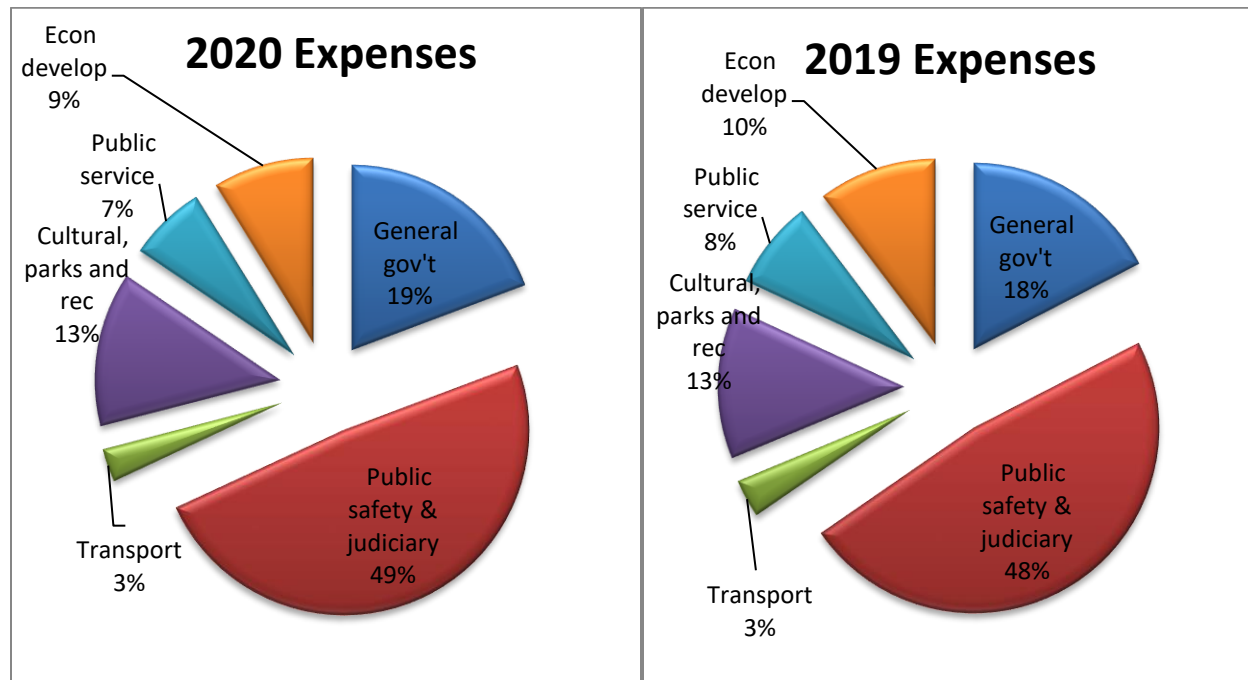
Operating expenses remained consistent between the two year period, noting a change of \$44 thousand dollars. Management made a concerted effort to monitor and expenses in light of the COVID-19 pandemic.

The City's financial position has improved when compared to prior year.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.



Taxes provided 78% of the City's governmental revenues in fiscal year 2020 compared to 79% in 2019. Sources of revenues for the governmental funds remained consistent between years.



TOTAL EXPENSES \$14,461,752

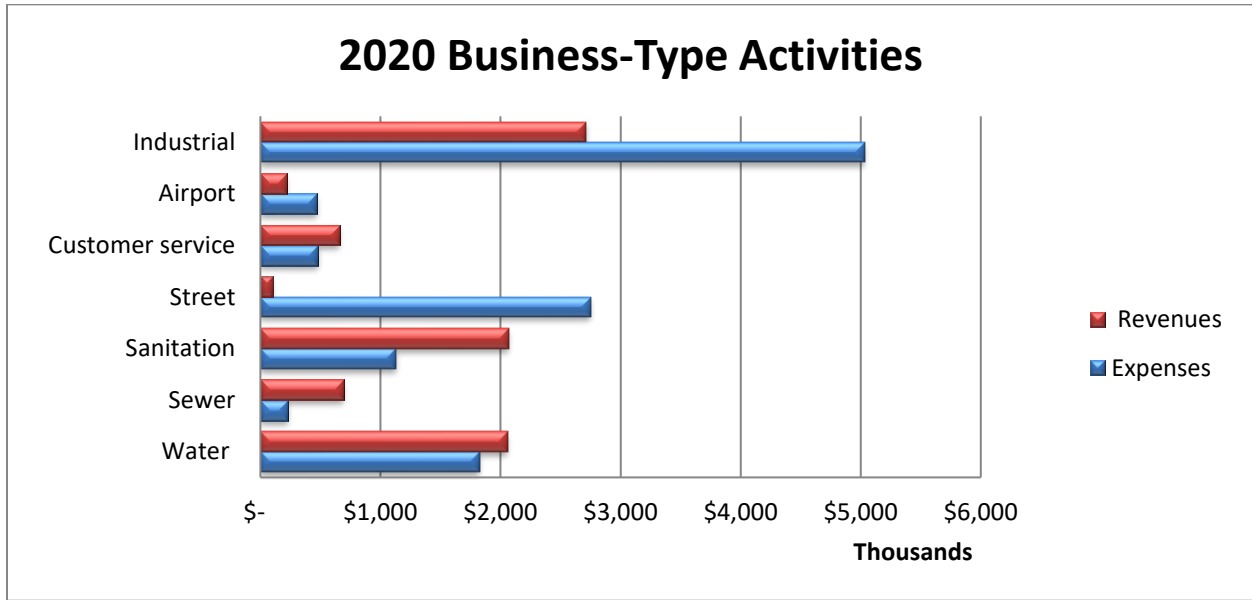
TOTAL EXPENSES \$14,800,037

For the year ended June 30, 2020, total expenses for governmental activities were \$14,461,752. Of this amount, public safety and judiciary with \$7,061,706, was the largest operating service department at 49% of the total cost of services for the City government. This compares to prior year in which public safety

accounted for 48% of total expenses. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities

The following is a graphic representation of business-type expenses as a percentage of revenues for the major departments of the City's enterprise funds:



Business-type activities are shown comparing operating costs to operating revenues generated by the related services. Sanitation, Sewer, and Water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges. The Industrial Authority is funded with a dedicated sales tax, which is pledged against debt offerings. That sales tax is not considered operating income in the above chart.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2020 was \$10,021,341 compared to \$9,693,989 in prior year. During the fiscal year, the City approved budget amendments totaling \$154,500 for a total budget of \$10,166,841. Total expenditures for the City were \$10,051,428, which is \$115,413 less than the approved budget. The City was in compliance with all budget laws and regulations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the City had \$79,494,611 net investment in capital assets, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and utility improvements/infrastructure in business-type activities. Refer to the table below.

Primary Government Capital Assets						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land and CIP	\$ 5,325	\$ 5,325	\$ 3,484	\$ 10,436	\$ 8,809	\$ 15,761
Buildings	16,273	16,222	32,668	32,667	48,941	48,889
Machinery & equipment	24,360	23,530	10,135	9,325	34,495	32,855
Utility property & improvements	46,485	45,843	46,312	32,409	92,797	78,252
Total cost	\$ 92,443	\$ 90,920	\$ 92,599	\$ 84,837	\$ 185,042	\$ 175,757
Accumulated depreciation	53,992	51,139	33,314	29,951	87,306	81,090
Total capital assets, net	\$ 38,451	\$ 39,781	\$ 59,285	\$ 54,886	\$ 97,736	\$ 94,667

Long-Term Debt

At year-end, the City had \$41,688,543 in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt						
	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Notes payable	\$ -	\$ -	\$ 38,932,104	\$ 42,644,743	\$ 38,932,104	\$ 42,644,743
Lease payable	249,830	377,149	-	-	249,830	377,149.00
Pension obligation	4,146,907	4,462,079	-	-	4,146,907	4,462,079
Premium on debt issuanc	-	-	1,271,163.00	-	1,271,163	-
less current portion	(133,553)	(127,319)	(2,777,908)	(2,682,885)	(2,911,461)	(2,810,204)
Total long term debt	\$ 4,263,184	\$ 4,711,909	\$ 37,425,359	\$ 39,961,858	\$ 41,688,543	\$ 44,673,767

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

According to the Oklahoma State University, Spears School of Business, Economic Outlook 2020 Summer Update: The Virus Rules "Oklahoma has experienced dramatic economic fallout from both the business shutdowns associated with the COVID-19 pandemic and the collapse of the energy sector." The City was aware of the economic forecast when we prepared the fiscal year 2021 budget and made proactive changes to expected revenue collections and, correspondingly, expenses for the upcoming year.

The Economic Outlook stated "the Oklahoma economy has fared better than the national economy during the second quarter of the year" of calendar year 2020. And "despite dramatic losses in wages and salaries in both the state and nation during the second quarter, personal income exploded because of the massive fiscal stimulus by the federal government". It is further forecasted that "personal income growth is projected to completely reverse course in the third quarter, with further losses projected in the fourth quarter" as a result of the declining stimulus funding.

The economic environment of the state sheds light on the local economy of the City.

Fiscal Year 2021 Planning

The City of Elk City has approved a budget for the municipal entity that encompasses the current market. For a copy of the most recent budget, please contact City Hall.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Elk City, OK City Hall, 320 West 3rd St, Elk City, Oklahoma.

City of Elk City, Oklahoma
Statement of Net Position
June 30, 2020

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 4,815,070	\$ 5,910,123	\$ 10,725,193
Investments	10,946,000	2,250,591	13,196,591
Due from other governments	915,927	-	915,927
Accounts receivable (net)	109,457	844,216	953,673
Other receivables	-	389,702	389,702
Grant receivable	-	-	-
Note receivable, current	-	-	-
Inventory	13,502	1,045,345	1,058,847
Prepaid asset	66,455	-	66,455
Due from other funds	(1,210,845)	1,273,911	63,066
Total current assets	<u>15,655,566</u>	<u>11,713,888</u>	<u>27,369,454</u>
Restricted assets:			
Cash and cash equivalents	8,833,975	20,914,647	29,748,622
Investments	10,270,500	2,218,402	12,488,902
Total restricted assets	<u>19,104,475</u>	<u>23,133,049</u>	<u>42,237,524</u>
Noncurrent Assets:			
Pension asset	25,928	-	25,928
Discount on debt issued	-	206,025	206,025
Land and construction in progress	5,325,163	10,436,486	15,761,649
Other capital assets (net of accumulated depreciation)	33,126,277	48,848,753	81,975,030
Total noncurrent assets	<u>38,477,368</u>	<u>59,491,264</u>	<u>97,968,632</u>
Total assets	<u>\$ 73,237,409</u>	<u>\$ 94,338,201</u>	<u>\$ 167,575,610</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>1,367,152</u>	<u>-</u>	<u>1,367,152</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 356,889	\$ 459,563	\$ 816,452
Payroll liabilities	119,863	42,127	161,990
Compensated absences	631,217	190,315	821,532
Accrued payables	1,809,423	181,550	1,990,973
Deferred revenue	-	20,168	20,168
Capital lease payable, current	133,553	-	133,553
Notes payable, current	-	2,777,908	2,777,908
Total current liabilities	<u>3,050,945</u>	<u>3,671,631</u>	<u>6,722,576</u>
Pension obligation	4,146,907	-	4,146,907
Capital lease payable, non-current	116,277	-	116,277
Notes payable, non-current	-	36,154,196	36,154,196
Premium on debt issuance	-	1,271,163	1,271,163
Total noncurrent liabilities	<u>4,263,184</u>	<u>37,425,359</u>	<u>41,688,543</u>
Total liabilities	<u>7,314,129</u>	<u>41,096,990</u>	<u>48,411,119</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>1,110,307</u>	<u>-</u>	<u>1,110,307</u>
NET POSITION			
Net investment in capital assets	38,477,368	41,017,243	79,494,611
Reserved for restricted purposes	22,809,772	2,468,941	25,278,713
Unrestricted	4,892,985	9,755,027	14,648,012
Total net position	<u>\$ 66,180,125</u>	<u>\$ 53,241,211</u>	<u>\$ 119,421,336</u>

City of Elk City, Oklahoma
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 2,788,848	\$ 110,516	\$ 389,492	\$ -	\$ (2,288,840)
Public safety and judiciary	7,061,706	1,468,764	204,442	72,262	(5,316,238)
Transportation	417,176	-	-	-	(417,176)
Cultural, parks and recreation	1,948,752	195,704	17,692	-	(1,735,356)
Public service	973,277	42,748	-	-	(930,529)
Economic development	1,271,993	395,900	-	-	(876,093)
Total governmental activities	<u>14,461,752</u>	<u>2,213,632</u>	<u>611,626</u>	<u>72,262</u>	<u>(11,564,232)</u>
Business-type activities:					
Water	1,828,371	2,060,782	-	-	232,411
Sewer	230,881	692,726	-	-	461,845
Sanitation	1,132,178	2,066,794	-	-	934,616
Streets	2,750,648	-	100,461	-	(2,650,187)
Customer service	479,450	659,751	-	-	180,301
Airport	470,799	218,477	-	-	(252,322)
Industrial	5,034,326	2,713,408	-	-	(2,320,918)
Total business-type activities	<u>11,926,653</u>	<u>8,411,938</u>	<u>100,461</u>	<u>-</u>	<u>(3,414,254)</u>
Total primary government	<u>\$ 26,388,405</u>	<u>\$ 10,625,570</u>	<u>\$ 712,087</u>	<u>\$ 72,262</u>	<u>\$ (14,978,486)</u>

City of Elk City, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2020

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (11,564,232)	\$ (3,414,254)	\$ (14,978,486)
General revenues:			
Taxes:			
Sales tax	8,769,096	4,209,331	12,978,427
Use tax	1,543,453	-	1,543,453
Franchise tax	420,265	-	420,265
Other taxes	489,684	-	489,684
Oil and gas royalties	327,126	-	327,126
Miscellaneous income	191,567	-	191,567
Investment income	373,645	263,771	637,416
Change in pension obligations	244,126	-	244,126
Transfers internal activity	(1,849,083)	1,849,083	-
Total general revenues and transfers	<u>10,509,879</u>	<u>6,322,185</u>	<u>16,832,064</u>
Change in net assets	(1,054,353)	2,907,931	1,853,578
Net position-beginning	67,234,478	50,333,280	117,567,758
Prior period restatement	-	-	-
Net position-ending	<u><u>\$ 66,180,125</u></u>	<u><u>\$ 53,241,211</u></u>	<u><u>\$ 119,421,336</u></u>

**City of Elk City, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2020**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Economic Development</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,815,070	\$ 7,392,889	\$ 32,671	\$ 1,408,415	\$ 13,649,045
Investments	10,946,000	4,300,000	3,400,000	2,570,500	21,216,500
Taxes receivable	513,763	402,164	-	-	915,927
Accounts receivable	109,457	-	-	-	109,457
Grant receivable	-	-	-	-	-
Inventory	13,502	-	-	-	13,502
Prepaid asset	66,455	-	-	-	66,455
Total assets	<u>\$ 16,464,247</u>	<u>\$ 12,095,053</u>	<u>\$ 3,432,671</u>	<u>\$ 3,978,915</u>	<u>\$ 35,970,886</u>
LIABILITIES					
Accounts payable	\$ 170,202	\$ 176,013	\$ 2,805	\$ 7,869	\$ 356,889
Due to other funds	1,200,286	-	7,055	3,504	1,210,845
Payroll liabilities	119,863	-	-	-	119,863
Compensated absences	631,217	-	-	-	631,217
Deferred revenue	-	-	-	-	-
Other accrued liabilities	1,809,423	-	-	-	1,809,423
Total liabilities	<u>3,930,991</u>	<u>176,013</u>	<u>9,860</u>	<u>11,373</u>	<u>4,128,237</u>
FUND BALANCES					
Nonspendable	13,502	-	-	-	13,502
Restricted	4,037,072	-	3,200,000	2,049,271	9,286,343
Committed	1,298,638	10,808,261	-	1,416,530	13,523,429
Assigned	171,542	-	4,397	438,532	614,471
Unassigned	7,012,502	1,110,779	218,414	63,209	8,404,904
Total fund balances	<u>12,533,256</u>	<u>11,919,040</u>	<u>3,422,811</u>	<u>3,967,542</u>	<u>31,842,649</u>
Total liabilities and fund balances	<u>\$ 16,464,247</u>	<u>\$ 12,095,053</u>	<u>\$ 3,432,671</u>	<u>\$ 3,978,915</u>	<u>\$ 35,970,886</u>
Total fund balance- total governmental funds					\$ 31,842,649
Amounts reported for governmental activities in the Statement of Net assets are different because:					
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported					
Land and construction in process				5,325,163	
Capital assets				87,117,825	
Less: Accumulated depreciation				<u>(53,991,548)</u>	38,451,440
Long-term portion of liabilities are not due and payable in the current period and are not reported					
Capital lease payable				(249,830)	
Deferred outflows(inflows) on pension obligation				256,845	
Net pension (obligation)/asset				<u>(4,120,979)</u>	(4,113,964)
Net position of governmental activities					<u>\$ 66,180,125</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2020

	General Fund	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
REVENUES					
Sales tax	\$ 3,794,665	\$ 4,278,898	\$ -	\$ 695,533	\$ 8,769,096
Use tax	1,543,453	-	-	-	1,543,453
Franchise tax	420,265	-	-	-	420,265
Tobacco tax	120,469	-	-	-	120,469
Licenses and permits	85,197	-	-	-	85,197
Rents & royalties	362,827	-	-	-	362,827
Fines and forfeitures	160,553	-	-	-	160,553
Charges for services	1,727,419	-	-	403,275	2,130,694
Intergovernmental revenues	767,810	72,262	-	-	840,072
Donations	7,518	-	-	7,000	14,518
Other revenues	47,494	63,839	54,500	25,734	191,567
Interest	243,257	31,888	57,932	40,568	373,645
Total revenues	<u>9,280,927</u>	<u>4,446,887</u>	<u>112,432</u>	<u>1,172,110</u>	<u>15,012,356</u>
EXPENDITURES					
General government:					
Managerial	487,844	114,031	-	-	601,875
City clerk	769,434	36,865	-	-	806,299
City treasurer	74,469	-	-	-	74,469
City attorney	51,402	-	-	-	51,402
General government	744,404	232,897	-	-	977,301
Total general government	<u>2,127,553</u>	<u>383,793</u>	<u>-</u>	<u>-</u>	<u>2,511,346</u>
Public safety and judiciary:					
Police	3,096,381	34,250	-	7,200	3,137,831
Municipal court	88,943	-	-	758	89,701
Animal control	182,910	4,998	-	-	187,908
Fire	1,340,562	36,767	-	22,490	1,399,819
Ambulance	1,498,603	46,981	-	-	1,545,584
Total public safety and judiciary	<u>6,207,399</u>	<u>122,996</u>	<u>-</u>	<u>30,448</u>	<u>6,360,843</u>
Transportation:					
Street	-	125,066	-	-	125,066
Total transportation	<u>-</u>	<u>125,066</u>	<u>-</u>	<u>-</u>	<u>125,066</u>
Cultural, parks and recreation:					
Museum	329,805	20,038	-	-	349,843
Library	251,262	13,391	-	-	264,653
Civic center	59,492	3,984	-	-	63,476
Park	550,210	12,425	-	-	562,635
Swimming pool	57,432	-	-	-	57,432
Total cultural, parks and recreation	<u>1,248,201</u>	<u>49,838</u>	<u>-</u>	<u>-</u>	<u>1,298,039</u>
Public service:					
Cemetery	135,259	2,976	-	-	138,235
Inspection	158,796	50,000	-	-	208,796
Landfill	-	2,132	-	-	2,132
Total public service	<u>294,055</u>	<u>55,108</u>	<u>-</u>	<u>-</u>	<u>349,163</u>
Economic development:					
Economic development	-	-	265,272	684,145	949,417
Total economic development	<u>-</u>	<u>-</u>	<u>265,272</u>	<u>684,145</u>	<u>949,417</u>
Capital outlay	31,606	801,737	40,995	249,074	1,123,412
Debt service					
Principle	127,319	-	-	-	127,319
Interest	15,295	-	-	-	15,295
Total debt service	<u>142,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,614</u>
Total expenditures	<u>10,051,428</u>	<u>1,538,538</u>	<u>306,267</u>	<u>963,667</u>	<u>12,859,900</u>
Excess (deficiency) of revenues over expenditures	<u>(770,501)</u>	<u>2,908,349</u>	<u>(193,835)</u>	<u>208,443</u>	<u>2,152,456</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,524,737	12,234	-	-	8,536,971
Transfers out	(8,214,868)	(1,809,804)	(12,234)	(349,148)	(10,386,054)
Total other financing sources and uses	<u>309,869</u>	<u>(1,797,570)</u>	<u>(12,234)</u>	<u>(349,148)</u>	<u>(1,849,083)</u>
Net change in fund balances	(460,632)	1,110,779	(206,069)	(140,705)	303,373
Fund balances - beginning	12,993,888	10,808,261	3,628,880	4,108,247	31,539,276
Fund balances - ending	<u>\$ 12,533,256</u>	<u>\$ 11,919,040</u>	<u>\$ 3,422,811</u>	<u>\$ 3,967,542</u>	<u>\$ 31,842,649</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2020

Reconciliation of the change in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ 303,373

Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	1,123,412	
Depreciation expense	<u>(2,852,583)</u>	(1,729,171)

The proceeds of debt issuances provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net assets. Repayment
of debt principle is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net assets. See Note 3(E) for additional detail.

Principle payment on capital lease	127,319
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In the statement of activities, the cost of pension benefits earned net of
employee contributions are reported as an component of pension expense.
The fund financial statements report pension contributions as expenditures.

<u>244,126</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (1,054,353)</u></u>
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City of Elk City, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2020

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,995,988	\$ 216,723	\$ 3,697,412	\$ 5,910,123
Investments	1,002,000	-	1,248,591	2,250,591
Due from other funds	1,630,250	-	1,127	1,631,377
Other receivables	7,784	10,690	371,228	389,702
Accounts receivable, net	537,594	799	305,823	844,216
Note receivable, current	-	-	-	-
Inventory	292,968	28,262	724,115	1,045,345
Total current assets	5,466,584	256,474	6,348,296	12,071,354
Current assets:				
Restricted assets:				
Cash, including time deposits	250,539	-	20,664,108	20,914,647
Investments	-	-	2,218,402	2,218,402
Total restricted assets	250,539	-	22,882,510	23,133,049
Noncurrent assets:				
Discount on debt issued	-	-	206,025	206,025
Capital assets (net)	25,591,608	3,447,077	30,246,554	59,285,239
Total noncurrent assets	25,591,608	3,447,077	30,452,579	59,491,264
Total assets	\$ 31,308,731	\$ 3,703,551	\$ 59,683,385	\$ 94,695,667
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 138,477	\$ 974	\$ 320,112	\$ 459,563
Payroll liabilities	219,130	3,840	9,472	232,442
Due to other funds	-	61,064	296,402	357,466
Deferred revenue	-	20,168	-	20,168
Accrued interest payable	4,522	-	177,028	181,550
Notes payable, current	635,000	-	2,142,908	2,777,908
Total current liabilities	997,129	86,046	2,945,922	4,029,097
Noncurrent liabilities:				
Notes payable, non-current	1,645,000	-	34,509,196	36,154,196
Premium on debt issuance, net	-	-	1,271,163	1,271,163
Total noncurrent liabilities	1,645,000	-	35,780,359	37,425,359
Total liabilities	2,642,129	86,046	38,726,281	41,454,456
NET POSITION				
Net investment in capital assets	23,311,608	3,447,077	14,258,558	41,017,243
Restricted	250,539	-	2,218,402	2,468,941
Unrestricted	5,104,455	170,428	4,480,144	9,755,027
Total net position	\$ 28,666,602	\$ 3,617,505	\$ 20,957,104	\$ 53,241,211

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2020

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
<u>Operating revenues:</u>				
Charges for services:				
Water charges	\$ 2,060,782	\$ -	\$ -	\$ 2,060,782
Sewer charges	692,726	-	-	692,726
Sanitation charges	2,066,794	-	-	2,066,794
Sale of fuel and rock	-	162,833	2,693,768	2,856,601
Utility surcharges	430,944	-	-	430,944
Penalties	72,434	-	-	72,434
Total charges for services	<u>5,323,680</u>	<u>162,833</u>	<u>2,693,768</u>	<u>8,180,281</u>
Lease and rental income	-	54,044	-	54,044
Other fees and charges	156,373	1,600	19,640	177,613
Total operating revenues	<u>5,480,053</u>	<u>218,477</u>	<u>2,713,408</u>	<u>8,411,938</u>
<u>Operating expenses:</u>				
Cost of sales	-	148,392	2,167,356	2,315,748
Personal services	2,246,241	62,451	158,089	2,466,781
Materials and supplies	1,704,739	28,635	90,219	1,823,593
Other services and charges	488,047	23,845	194,779	706,671
Depreciation and amortization	1,864,252	207,476	1,290,795	3,362,523
Total operating expenses	<u>6,303,279</u>	<u>470,799</u>	<u>3,901,238</u>	<u>10,675,316</u>
Net operating income	(823,226)	(252,322)	(1,187,830)	(2,263,378)
<u>Nonoperating revenue (expense):</u>				
Sales tax	-	-	4,209,331	4,209,331
Investment income	45,391	322	218,058	263,771
Intergovernmental revenue	100,461	-	-	100,461
Interest expense	(118,249)	-	(1,133,088)	(1,251,337)
Total nonoperating revenue (expense)	<u>27,603</u>	<u>322</u>	<u>3,294,301</u>	<u>3,322,226</u>
Net income before contributions and transfers	(795,623)	(252,000)	2,106,471	1,058,848
Transfers from other funds	8,214,868	83,743	901,548	9,200,159
Transfers to other funds	(1,286,914)	(9,558)	(6,054,604)	(7,351,076)
Transfer to other governments	-	-	-	-
Change in net position	6,132,331	(177,815)	(3,046,585)	2,907,931
Net position-beginning of year	22,534,271	3,795,320	24,003,689	50,333,280
Prior year restatement	-	-	-	-
Net position-end of year	<u>\$ 28,666,602</u>	<u>\$ 3,617,505</u>	<u>\$ 20,957,104</u>	<u>\$ 53,241,211</u>

City of Elk City, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	Public Works Authority	Airport Authority	Industrial Authority
<u>Cash flows from operating activities:</u>			
Receipts from customers	\$ 5,336,341	\$ 237,702	\$ 2,592,542
Payments to suppliers	(2,173,946)	(201,285)	(2,289,066)
Payments to employees	(2,222,121)	(63,518)	(155,490)
Net cash provided (used) by operating activities	940,274	(27,101)	147,986
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	8,214,868	83,743	901,548
Transfers to other funds	(1,286,914)	(9,558)	(5,153,056)
Transfers to other governments	-	-	-
Intergovernmental revenues	100,461	-	4,209,331
Net cash provided (used) by non-capital financing activities	7,028,415	74,185	(42,177)
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(1,769,277)	(5,198)	(5,987,305)
Capital grants and contributions	-	-	-
Issuance of capital debt	-	-	5,510,000
Principal paid on capital debt	(6,108,686)	-	(1,785,011)
Interest paid on capital debt	(176,204)	-	(1,302,263)
Net cash provided (used) by capital and related financing activities	(8,054,167)	(5,198)	(3,564,579)
<u>Cash flows from investing activities:</u>			
Change in investments	-	-	-
Investment income	45,391	322	218,058
Net cash provided (used) by investing activities	45,391	322	218,058
Net increase (decrease) in cash and cash equivalents	(40,087)	42,208	(3,240,712)
Cash & cash equivalents, beginning of the year	2,286,614	174,515	27,602,232
Cash & cash equivalents, end of the year	\$ 2,246,527	\$ 216,723	\$ 24,361,520
Cash, including time deposits	\$ 1,995,988	\$ 216,723	\$ 3,697,412
Restricted cash, including time deposits	250,539	-	20,664,108
Total cash and cash equivalents, end of year	\$ 2,246,527	\$ 216,723	\$ 24,361,520
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ (823,226)	\$ (252,322)	\$ (1,187,830)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,864,252	207,476	1,290,795
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(55,492)	-	(44,055)
(Increase) decrease in other receivable	(88,220)	57	(76,811)
(Increase) decrease in inventory	7,885	6,615	-
Increase (decrease) in accounts payable	10,955	(7,028)	131,160
Increase (decrease) in payroll liabilities	24,120	(1,067)	2,599
Increase (decrease) in other liabilities	-	(1,000)	32,128
Increase (decrease) in deferred revenues	-	20,168	-
Total adjustments	1,763,500	225,221	1,335,816
Net cash provided (used) by operating activities	\$ 940,274	\$ (27,101)	\$ 147,986

City of Elk City, Oklahoma
Statement of Fiduciary Net Position
June 30, 2020

	District 2 Drug Task Force Trust Funds	Agency Funds	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 111,081	\$ 35,016	\$ 146,097
Investments	2,825,000	196,000	3,021,000
Due from other governments	25,213	-	25,213
Property, plant and equipment, net	55,739	-	55,739
Total assets	<u>\$ 3,017,033</u>	<u>\$ 231,016</u>	<u>\$ 3,248,049</u>
LIABILITIES			
Accounts payable	\$ 4,652	\$ -	\$ 4,652
Accrued salaries	35,304	-	35,304
Bonds and deposits subject to refund	-	202,132	202,132
Due to other funds	34,182	28,884	63,066
Total liabilities	<u>74,138</u>	<u>231,016</u>	<u>305,154</u>
NET ASSETS HELD IN TRUST			
District 2 drug task force funds	2,942,895	-	2,942,895
Net assets held in trust	<u>\$ 2,942,895</u>	<u>\$ -</u>	<u>\$ 2,942,895</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fiduciary Net Position
Trust Fund
Year Ended June 30, 2020

	District 2 Drug Task Force Trust Funds
<u>ADDITIONS</u>	
Forfeitures	\$ 182,268
Other Income	23,162
Interest	43,031
Transfer in	325,000
Total additions	573,461
 <u>DEDUCTIONS</u>	
Personal services	254,422
Supplies and repairs	6,441
Other charges and services	58,470
Depreciation	50,959
Transfer out	325,000
Total deductions	695,292
Change in net assets	(121,831)
 <u>NET ASSETS HELD IN TRUST</u>	
Beginning of year	3,064,726
End of year	\$ 2,942,895

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Elk City, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2020. The City operates under a charter with a Council-Manager form of government.

A. Reporting Entity

Fund Types and Major Funds

Major Governmental Funds

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Capital Projects Fund

Accounts for the capital expenditures of the 1.625% limited purpose sales tax.

Economic Development Fund

Accounts for operations of the economic development of the City of Elk City.

Major Proprietary Funds

Elk City Public Works Authority

Accounts for the operating activities of the water, sewer, and sanitation utilities of the City. The City Commission serves as the trustees of the Authority. The Elk City Public Works Authority was established in June 1981 and amended in March 1999.

Elk City Airport Authority

Accounts for the operating activities of the Elk City Municipal Airport. The City Commission serves as the trustees of the Airport Authority established in July 1979.

Elk City Industrial Authority

Created in March 1967 to promote the development of industry within the City. The Industrial Authority includes the operations of the rock yard.

Fiduciary Component Units (reported in fiduciary financial statements)

District 2 Drug Task Force Trust

Established to account for the operations of the drug task force of the District

Agency Fund

Accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's Agency Fund is used to account for various deposits and bail bonds.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely. The City of Elk City blends all component units.

B. Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

District 2 Drug Task Force funds recognize revenue in the period the assets are seized. The Agency Fund is custodial in nature and does not measure results of operations.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

C. Budget Policy and Practice

Budget Approval

The City Manager submits an annual budget to the City Commission in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Commission for review, and public hearings are held to address priorities and the allocation of resources. In June, the Commission adopts the annual fiscal year budgets for City's operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Manager and must be approved by the Commission. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Commission review and approval process.

Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Commission approval. Revisions to the budget were made throughout the year.

The budgets for operating funds and proprietary funds are prepared on the cash basis. Revenues are budgeted in the year they are expected to be received. Expenses are budgeted in the year they are expected to be paid.

D. Policies Related to Assets, Liabilities, and Fund Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Inventories

Inventories are similarly reported in government-wide and fund financial statements.

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost and recorded as an expense at the time the item is used. Governmental inventory consists of maintenance supplies for the museum. Business-type inventory includes rock, maintenance parts, and repair supplies.

Accounts Receivable

Significant receivables for governmental activities include sales and use tax receivables and ambulance receivables. Business-type receivables consist mainly of amount due from customers primarily for rock sales and utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. At June 30, 2020, the City has estimated an allowance of \$1,648,826 and \$293,252 for governmental and business-type activities, respectively.

Restricted Assets

Restricted assets include assets legally restricted for capital projects and special revenue funds funded through long-term debt, debt service reserves or grants. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

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 needed.

Interfund Balances

Generally, outstanding balances between funds reported as due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost of \$4,000 or more as purchase and construction outlay occur.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

- Buildings 40 years
- Machinery, furniture & equipment 5-10 years
- Infrastructure 40 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Full-time employees accrue unlimited sick leave. Generally, after one year of services, employees are entitled to all accrued vacation leave upon termination. All sick leave used each year will count against the working days that have been accumulated. Accumulated sick leave to be paid in two (2) week increments at the employee's last hourly rate of pay until the accrued sick leave is depleted. Accrued sick leave will not be paid in a lump sum. Pay for accumulated sick leave will be paid upon termination/retirement as follows: Police officers may be paid for a total of 576 hours for 12 weeks sick leave; Fire Fighters may be paid for a total of 864 hours for 12 weeks and; All non-uniformed personnel may be paid for a total of 480 hours for 12 weeks.

The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report compensated absences payable to current employees.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Fund Equity

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

Net Investment in capital assets

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their 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.

Unrestricted net position

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Non-spendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes reports a separate section for deferred outflows of resources. This separate financials statement element represents a consumption of net position that applies to a future period(s) therefore will not be recognized as an outflow of resources (expense) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on net pension obligations for the retirement plans of the City. A deferred charge on pension obligations results from the net different between projected and actual earnings on pension plan investments.

Deferred inflows of resources

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 represents an acquisition of net position that applies to a future period(s); therefore will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred charge on net pension obligations for the retirement plans of the City. A deferred charge on pension obligations results from the net different between projected and actual earnings on pension plan investments.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

E. Policies Related to Revenues and Expenses

Program Revenues

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

General Revenues

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

Sales Tax

Effective April 2015, the City levied a 4.5% 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. A portion of the sales tax received is restricted as to use. The unrestricted portion (1.375%) is recorded as sales tax revenue within the General Fund; 1.625% is restricted and recorded as sales tax revenue in the Capital Improvement fund. The Commission voted to change the allocation of the sales tax in April 2020 resulting in 2% allocated to the General fund for operations and 1% allocated to capital improvements. The remaining 1.5% is restricted for debt payments in the Industrial Authority for the school arena and the elementary school project debt.

(2) ASSETS AND LIABILITIES

A. Assets

Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

<u>Types of Investments</u>	Primary Government			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 28,705,543	\$ 28,705,543	N/A	94
Total investments	<u>28,705,543</u>	<u>28,705,543</u>		
 Total primary government investments	 <u>\$ 28,705,543</u>	 <u>\$ 28,705,543</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary</u>	<u>Total</u>
Investments, unrestricted	\$ 10,945,000	\$ 2,250,591	\$ -	\$ 13,195,591
Investments, restricted	10,270,550	2,218,402	3,021,000	15,509,952
Total investments	<u>\$ 21,215,550</u>	<u>\$ 4,468,993</u>	<u>\$ 3,021,000</u>	<u>\$ 28,705,543</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

Receivables and Uncollectable Amounts

Due from other governments

Governmental activities report sales taxes receivable and grant receivable amounts as due from other governments. Sales tax receivable is comprised of amounts received after year-end for current year taxes on sales. Balances are considered fully collectible.

Accounts Receivable

Governmental activities report ambulance patient receivables totaling \$2,196,156, net of allowance of \$2,086,699.

Proprietary activities report accounts receivable of \$1,165,854 comprised of amounts due from rock yard vendors and citizens for utility services provided. The City has recorded an allowance of \$321,728 based upon historical management knowledge and experience.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Capital Assets

Changes in Capital Assets

	Primary Government			
	Balance at July 1, 2019	Additions	Deletions	
<i>Governmental Activities</i>				
Land and construction in process	\$ 5,325,163	\$ -	\$ -	\$ 5,325,163
Buildings & structures	16,222,663	50,740	-	16,273,403
Machinery, furniture, & equipment	23,529,704	830,074	-	24,359,778
Instructure & improvements	45,842,675	641,969	-	46,484,644
Total	\$ 90,920,205	\$ 1,522,783	\$ -	\$ 92,442,988
Less accumulated depreciation	51,138,965	2,852,583	-	53,991,548
Governmental fixed assets, net	\$ 39,781,240	\$ (1,329,800)	\$ -	\$ 38,451,440
<i>Business-type Activities</i>				
Land and construction in process	\$ 10,849,601	\$ -	\$ 7,365,143	\$ 3,484,458
Buildings & structures	32,667,510	-	-	32,667,510
Machinery, furniture, & equipment	9,325,142	1,209,031	399,371	10,134,802
Instructure & improvements	31,994,805	14,317,529	-	46,312,334
Total	\$ 84,837,058	\$ 15,526,560	\$ 7,764,514	\$ 92,599,104
Less accumulated depreciation	29,951,076	3,476,895	114,106	33,313,865
Business-type fixed assets, net	\$ 54,885,982	\$ 12,049,665	\$ 7,650,408	\$ 59,285,239
Total primary government	\$ 94,667,222	\$ 10,719,865	\$ 7,650,408	\$ 97,736,679
<i>Fiduciary Funds</i>				
Machinery, furniture, & equipment	\$ 523,315	\$ -	\$ -	\$ 523,315
Total	\$ 523,315	\$ -	\$ -	\$ 523,315
Less accumulated depreciation	416,617	50,959	-	467,576
Fiduciary fund fixed assets, net	\$ 106,698	\$ (50,959)	\$ -	\$ 55,739

Business-type Assets by Fund

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Capital Assets by Fund

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Fixed Assets
Land and CIP	\$ 2,900,966	\$ 296,917	\$ 286,575	\$ 3,484,458
Buildings & structures	293,901	140,980	32,232,628	32,667,509
Machinery, furniture, & equipment	6,438,116	993,055	2,703,631	10,134,802
Infrastructure & improvements	32,520,092	3,354,596	10,437,647	46,312,335
Total	42,153,075	4,785,548	45,660,481	92,599,104
Less accumulated depreciation	(16,561,467)	(1,338,471)	(15,413,927)	(33,313,865)
Business-type fixed assets, net	\$ 25,591,608	\$ 3,447,077	\$ 30,246,554	\$ 59,285,239

Depreciation Expense

Primary Government			
<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 277,502	Water	\$ 1,085,492
Public safety & judiciary	700,863	Customer service	106,545
Transportation	292,110	Sewer	68,182
Culture, parks and recreation	635,418	Landfill	24,165
Public service	624,114	Street	419,450
Economic development	322,576	Trash	160,688
		Airport	207,476
		Industrial	1,404,897
Total depreciation expense	\$ 2,852,583	Total depreciation expense	\$ 3,476,895

B. Liabilities

Capital Leases, Notes, and Bonds Payable

Governmental Activities

Capital Lease Payable:

The City of Elk City entered into a lease agreement with TCF for mowing equipment to be used at the golf course in the amount of \$399,371. The lease matures June 2022 carrying an interest rate of 4.79%. Monthly payments are made on the lease obligation. \$ 249,830

Business-Type Activities

Notes Payable:

The Elk City Public Works Authority issued Utility System Revenue Note, Series 2013 on December 30, 2013 in the original amount of \$5,990,000 to construct upgrades and improvements to the water system. The note carries an interest rate of 2.38%, maturing December 1, 2023. Semi-annual payments are required ranging from \$230,000 to \$330,000 per period. The note is secured with water, sewer, and garbage system revenues. 2,280,000

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The Elk City Industrial Authority established a line of credit with First National Bank and Trust in December 2015. For the year ended, the City has drawn funds on that line. The loan carries an interest rate of 2% over the prevailing certificate of deposit rate for the City. The line matures December 2028. Proceeds are used to fund the new school facilities. 2,847,103

The Elk City Industrial Authority issued Sales Tax Revenue Note, Series 2015 in March 2015 in the original amount of \$10,000,000 to construct and equip new elementary school facilities. The note carries an interest rate of 2.49%, maturing June 1, 2025. The note is secured with pledged sales tax of 0.5%. 5,370,000

The Elk City Industrial Authority issued Sales Tax Revenue Bonds, Series 2019 in June 2019 totaling \$23,530,000 for an Indoor activity center, baseball/softball fields, aquatic center, and ackley park improvements. The note carries an interest rate of 2.49%, maturing June 2043. The note is secured with pledged sales tax of 1.5%, whereas 1% from the CAPPs Sales Tax ordinance and 0.5% of general sales tax. 23,005,000

The Elk City Public Works Authority Utility System Revenue Note, Taxable Series 2019 was issued November 2019 in the amount of \$5,510,000 to refund the Authority's 2009 Drinking Water SRF Note for debt savings. The note carries an interest rate of 2.47%, maturing October 2037. 5,430,000

\$39,181,933

Changes in Long-Term Debt

<u>Type of Debt</u>	<u>Balance at July 1, 2019</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2020</u>	<u>Due Within One Year</u>
Governmental activities:					
TCF Capital Lease	\$ 377,149	\$ -	\$ 127,319	\$ 249,830	\$ 133,553
Total Governmental activities	<u>\$ 377,149</u>	<u>\$ -</u>	<u>\$ 127,319</u>	<u>\$ 249,830</u>	<u>\$ 133,553</u>
Business-type activities:					
Public Works Authority					
OWRB	\$ 5,493,686	\$ -	\$ 5,493,686	\$ -	\$ -
Series 2013 Note	2,895,000	-	615,000	2,280,000	635,000
Total Public Works Authority	<u>8,388,686</u>	<u>-</u>	<u>6,108,686</u>	<u>2,280,000</u>	<u>635,000</u>
Industrial Authority					
First National Bank (SFI)	185,011	-	185,011	-	-
Elementary School	9,212,103	-	995,000	8,217,103	1,232,908
Sales Tax Revenue Bonds 2019	23,530,000	-	525,000	23,005,000	660,000
Series 2019 Revenue Note	-	5,510,000	80,000	5,430,000	250,000
Total Industrial Authority	<u>32,927,114</u>	<u>5,510,000</u>	<u>1,785,011</u>	<u>36,652,103</u>	<u>2,142,908</u>
Total business-type debt	<u>\$ 41,315,800</u>	<u>\$ 5,510,000</u>	<u>\$ 7,893,697</u>	<u>\$ 38,932,103</u>	<u>\$ 2,777,908</u>

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Annual Debt Service Requirements

Year Ending June 30	Governmental Activities		Public Works Authority		Industrial Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 133,553	\$ 9,060	\$ 635,000	\$ 50,516	\$ 2,142,908	\$ 1,122,930
2022	116,277	2,568	645,000	35,343	2,199,274	1,065,005
2023	-	-	665,000	19,873	2,260,831	1,006,543
2024	-	-	335,000	3,989	2,312,584	951,415
2025	-	-	-	-	2,394,539	895,978
2026-2030	-	-	-	-	7,196,243	3,611,290
2031-2035	-	-	-	-	7,055,723	2,326,790
2036-2040	-	-	-	-	6,990,000	1,239,675
2040-2043	-	-	-	-	4,100,000	258,906
Totals	\$ 249,830	\$ 11,628	\$ 2,280,000	\$ 109,721	\$ 36,652,103	\$12,478,532

(3) REVENUES AND EXPENSES

A. Interfund Balances

	<u>Due From</u>	<u>Due To</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ -	\$ 1,200,286
<i>ECONOMIC DEVELOPMENT</i>		
PUBLIC WORKS AUTHORITY	-	7,055
<i>NON-MAJOR FUNDS</i>		
PUBLIC WORKS AUTHORITY	-	3,504
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	1,200,286	-
ECONOMIC DEVELOPMENT	7,055	-
AIRPORT AUTHORITY	61,064	-
INDUSTRIAL AUTHORITY	296,402	1,127
FIDUCIARY ACTIVITIES	63,067	-
NON-MAJOR FUNDS	3,504	-
<i>AIRPORT AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	-	61,064
<i>INDUSTRIAL AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	1,127	296,402
FIDUCIARY ACTIVITIES		
<i>METER FUND</i>		
PUBLIC WORKS AUTHORITY	-	28,884
<i>DRUG TASK FORCE</i>		
PUBLIC WORKS AUTHORITY	-	34,183
	<u>\$ 1,632,505</u>	<u>\$ 1,632,505</u>

	Transfer In	Transfer Out
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ 1,286,914	\$ 8,214,868
CAPITAL PROJECTS	1,735,619	-
NON-MAJOR FUNDS	349,148	-
INDUSTRIAL AUTHORITY	5,153,057	-
<i>CAPITAL PROJECTS</i>		
PUBLIC WORKS AUTHORITY	-	1,735,619
AIRPORT AUTHORITY	-	74,185
ECONOMIC DEVELOPMENT	12,234	-
<i>ECONOMIC DEVELOPMENT</i>		
CAPITAL PROJECTS	-	12,234
<i>NON-MAJOR FUNDS</i>		
GENERAL FUND	-	349,148
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	8,214,868	1,286,914
<i>AIRPORT AUTHORITY</i>		
CAPITAL PROJECTS	83,743	9,558
<i>INDUSTRIAL AUTHORITY</i>		
GENERAL FUND	901,547	6,054,604
FIDUCIARY FUNDS		
<i>PUBLIC WORKS AUTHORITY</i>		
	325,000	325,000
	\$ 18,062,130	\$ 18,062,130

(4) PENSION AND POST-EMPLOYMENT PLANS

The City participates in three employee pension systems as follows:

Name of Plan	Type of Plan
The Hartford Deferred Compensation Plan	401a Deferred Compensation Plan – Defined Contribution Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Hartford Deferred Compensation Plan

Plan Description

Substantially all of the City's full time employees, with the exception of police officers and firefighters, participate in a deferred compensation plan administered by The Hartford. The plan is funded through contributions as elected by the City Commission. Participants may contribute a portion of their salary to the plan under Internal Revenue Code section 401a. The City contributes to the plan using a sliding scale dependent upon longevity. As of June 30, 2020, the Plan covered 96 employees with a total payroll of \$6,897,464.

The City contributes \$212.50 per month for each covered employee. Employees are not required to contribute a minimum amount. The funds are credited to individual participant accounts and pooled for investment purposes through Hartford Deferred Compensation Plan. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vest portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

Total employer contribution expense was \$265,429 for fiscal year 2020, while the employees contributed \$60,173. The Plan has been established and can be amended by City Commission's approval of an ordinance and Joinder agreement.

B. Oklahoma Police Pension and Retirement Systems

Plan description – The City of Elk City, 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 determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$186,112.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported an asset of \$10,732 for its proportionate share of the net pension liability. The net pension asset was measured as of July 1, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was 0.001681.

For the year ended June 30, 2020, the City recognized pension expense of \$308,229. At June 30, 2020, 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
Difference between expected and actual experience	\$ 6,441	\$ 50,673
Changes of assumptions	27,405	-
Net difference between projected and actual earnings on pension plan investments	178,701	80,626
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	186,112	-
Total	\$ 398,659	\$ 131,299

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	232,679
2021		(14,301)
2022		15,632
2023		32,275
2024		1,066
Total	\$	267,351

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

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates: Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 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 with fully generational improvement using Scale AA.

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

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

<u>Long-Term Expected Asset Class</u>	<u>Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, 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 employers 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:

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	457,158	(10,732)	406,333

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.

C. Oklahoma Firefighter's Pension and Retirement Systems

Plan Description – The City of Elk City, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability, and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

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 years 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 determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% 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 \$167,827.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$1,729,921 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information the City's proportion was 0.00164661.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 291,349	\$ 35,391
Changes of assumptions	-	44,698
Net difference between projected and actual earnings on pension plan investments	66,829	192,779
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	167,827	-
Total	<u><u>\$ 526,005</u></u>	<u><u>\$ 272,868</u></u>

For the year ended June 30, 2020, the City recognized pension expense of \$650,970. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	216,387
2021		(5,634)
2022		34,984
2023		13,505
2024		(6,104)
Total	\$	253,138

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

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

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.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Sensitivity of the Net Pension Liability 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 would be if it were calculated using a discount rate that is 1-percent 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%)
City’s proportionate share of the net pension liability/(asset)	2,246,723	1,739,921	1,183,396

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 FPRS; which can be located at www.ok.gov/fprs.

(5) COMMITMENTS AND CONTINGENCIES

A. Landfill Closure and Post-Closure Care

State and federal laws and regulations require the City of Elk City to place a final cover on landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure on the current landfill. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, closure costs represent a liability based on landfill capacity used as of April 21, 2020. The landfill is currently in use under permit number 3505009 with an estimated useful life of 0.87 years remaining. The financial statements reflect an accrual of \$1,735,588 as a liability in current debt to cover the estimated costs. The liability is shown as a long-term obligation based upon the estimated life of the landfill. This amount is only an estimate based on current circumstances and may change due to inflation, changes in technology, or changes in regulations.

During the fiscal year 2015, the City began operating a second cell of the landfill under permit number 3505012. This cell is currently being used by the City for sanitation disposal. The estimated life of the landfill is 19.1 years with an associated closing cost of \$1,402,867. The financial statements reflect an accrual of 1/19 of the estimated liability, totaling \$73,835.

B. 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 accrual or provisions for loss contingencies that may result from these proceedings. 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.

C. Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

City of Elk City Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2020

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 4,014,025	\$ (85,062)	\$ 3,928,963	\$ 3,794,665	\$ (134,298)
Use tax	1,643,016	-	1,643,016	1,543,453	(99,563)
Franchise tax	450,000	(25,000)	425,000	420,265	(4,735)
Other taxes	211,534	35,000	246,534	120,469	(126,065)
Licenses and permits	70,000	(15,000)	55,000	85,197	30,197
Rents & royalties	528,940	(180,000)	348,940	362,827	13,887
Fines and forfeitures	185,000	(30,000)	155,000	160,553	5,553
Charges for services	1,222,500	147,000	1,369,500	1,727,419	357,919
Intergovernmental revenues	350,000	38,000	388,000	767,810	379,810
Donations	10,000	-	10,000	7,518	(2,482)
Other revenues	175,000	75,000	250,000	47,494	(202,506)
Interest	175,000	50,000	225,000	243,257	18,257
Total revenues	<u>9,035,015</u>	<u>9,938</u>	<u>9,044,953</u>	<u>9,280,927</u>	<u>235,974</u>
EXPENDITURES					
<u>General government:</u>					
Managerial	442,343	55,000	497,343	487,844	9,499
General government	1,457,523	56,750	1,514,273	1,513,838	435
Treasurer	87,094	-	87,094	74,469	12,625
City Attorney	49,575	2,500	52,075	51,402	673
<u>Public safety and judiciary:</u>					
Police & DOC	3,164,680	(65,000)	3,099,680	3,096,381	3,299
Municipal Court	79,791	10,000	89,791	88,943	848
Animal Control	211,268	(15,000)	196,268	182,910	13,358
Fire	1,393,823	(41,000)	1,352,823	1,340,562	12,261
Ambulance	1,418,890	82,000	1,500,890	1,498,603	2,287
<u>Culture and recreation:</u>					
Museum	407,330	(65,000)	342,330	335,505	6,825
Library	260,952	18,000	278,952	272,743	6,209
Civic Center	77,000	-	77,000	59,492	17,508
Park	552,905	145,000	697,905	697,249	656
Swimming Pool	86,261	(20,000)	66,261	57,432	8,829
<u>Public services</u>					
Cemetery	159,236	(4,000)	155,236	135,259	19,977
Inspection	163,670	(4,750)	158,920	158,796	124
Total expenditures	<u>10,012,341</u>	<u>154,500</u>	<u>10,166,841</u>	<u>10,051,428</u>	<u>115,413</u>
Revenue over (under) expenditures	(977,326)	(144,562)	(1,121,888)	(770,501)	120,561
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	309,869	309,869
Net other financing sources (uses)	-	-	-	309,869	309,869
Revenues and other financing sources over (under) expenditures and other uses	(977,326)	(144,562)	(1,121,888)	(460,632)	430,430
Fund balance at beginning of year (Non-GAAP budgetary basis)	<u>6,909,972</u>		<u>6,909,972</u>	<u>12,597,487</u>	
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 5,932,646</u>		<u>\$ 5,788,084</u>	<u>\$ 12,136,855</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				396,401	
Fund balance at end of year (GAAP basis)				<u>\$ 12,533,256</u>	

City of Elk City Oklahoma
Capital Projects
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2020

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 4,743,847	\$ (100,527)	\$ 4,643,320	\$ 4,278,898	\$ (364,422)
Grant income	521,857	22,500	544,357	72,262	(472,095)
Other income	40,000	-	40,000	95,727	55,727
Total revenues	<u>5,305,704</u>	<u>(78,027)</u>	<u>5,227,677</u>	<u>4,446,887</u>	<u>(780,790)</u>
EXPENDITURES					
Capital Projects					
Airport	6,000	-	6,000	-	6,000
Ambulance	76,500	3,500	80,000	63,941	16,059
Animal Control	25,000	-	25,000	4,998	20,002
Cemetery	51,000	-	51,000	46,421	4,579
City Hall	46,000	-	46,000	38,471	7,529
Civic Center	88,500	-	88,500	50,909	37,591
Fire	272,000	89,626	361,626	168,528	193,098
Fleet	56,500	5,688	62,188	1,962	60,226
Information Technology	60,000	52,690	112,690	89,312	23,378
Inspection	150,000	(91,240)	58,760	50,000	8,760
Landfill	2,100,000	326,973	2,426,973	-	2,426,973
Library	81,600	32,419	114,019	74,769	39,250
Maintenance	5,000	-	5,000	-	5,000
Managerial	303,000	191,240	494,240	195,069	299,171
Museum	63,000	-	63,000	20,038	42,963
Park	97,500	189,639	287,139	211,803	75,336
Police	297,500	-	297,500	219,413	78,087
Right of way	110,000	-	110,000	-	110,000
Sanitation	3,000	231,400	234,400	2,132	232,268
Safety	-	30,297	30,297	-	30,297
Street	400,000	2,313,657	2,713,657	125,066	2,588,591
Swimming pool	5,200	-	5,200	-	5,200
Wastewater	40,000	42,014	82,014	7,237	74,777
Water	77,140	17,500	94,640	95,896	(1,256)
Water Distribution	1,823,000	57,935	1,880,935	-	1,880,935
Youth & Family	-	-	-	-	-
Total expenditures	<u>6,237,440</u>	<u>3,493,338</u>	<u>9,730,778</u>	<u>1,465,965</u>	<u>8,264,813</u>
Revenue over (under) expenditures	(931,736)	(3,571,365)	(4,503,101)	2,980,922	(9,045,603)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	(1,797,570)	(1,797,570)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,797,570)</u>	<u>(1,797,570)</u>
Revenues and other financing sources over (under) expenditures and other uses	(931,736)	(3,571,365)	(4,503,101)	1,183,352	(10,843,173)
Fund balance at beginning of year (Non-GAAP bud	<u>9,997,605</u>	<u>4,507,330</u>	<u>14,504,935</u>	<u>12,961,786</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 14,145,138</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>(2,226,098)</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 11,919,040</u>	

City of Elk City Oklahoma
Economic Development
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2020

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Rental Income	\$ 60,000	\$ -	\$ 60,000	\$ 54,500	\$ (5,500)
Interest	42,500	-	42,500	57,932	15,432
Total revenues	<u>102,500</u>	<u>-</u>	<u>102,500</u>	<u>112,432</u>	<u>9,932</u>
EXPENDITURES					
<u>Economic Development</u>					
Personal Services	96,895	-	96,895	86,317	10,578
Materials & Supplies	23,000	-	23,000	27,531	(4,531)
Other Charges & Services	115,000	-	115,000	151,425	(36,425)
Capital Outlay	207,000	53,405	260,405	40,995	219,410
Total expenditures	<u>441,895</u>	<u>53,405</u>	<u>495,300</u>	<u>306,268</u>	<u>189,032</u>
Revenue over (under) expenditures	(339,395)	(53,405)	(392,800)	(193,836)	(179,100)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	(12,234)	(12,234)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,234)</u>	<u>(12,234)</u>
Revenues and other financing sources over (under) expenditures and other uses	(339,395)	(53,405)	(392,800)	(206,070)	
Fund balance at beginning of year (Non-GAAP budgetary basis)			<u>3,855,660</u>	<u>2,938,677</u>	
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 3,462,860	\$ 2,732,607	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>690,204</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 3,422,811</u>	

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Police Pension Retirement Plan
 Year Ended June 30, 2020

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>
City's portion of the net pension liability (asset)	0.3548%	0.3630%	0.3969%	0.4111%	0.4040%	0.1681%
City's proportionate share of the net pension liability (asset)	\$ (119,445)	\$ 14,802	\$ 607,830	\$ 31,622	\$ (192,442)	\$ (10,732)
City's covered-employee payroll	\$ 1,527,970	\$ 1,626,148	\$ 1,633,738	\$ 1,700,025	\$ 1,836,557	\$ 1,999,675
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-8%	1%	37%	2%	-10%	-1%
Plan fiduciary net position as a percentage of the total pension liability	149.70%	99.99%	99.60%	100.00%	100.01%	100.00%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>
Contractually required contribution	\$ 129,023	\$ 133,394	\$ 152,164	\$ 161,172	\$ 179,063	\$ 186,112
Contributions in relation to the contractually required contribution	<u>(129,023)</u>	<u>(133,394)</u>	<u>(152,164)</u>	<u>(161,172)</u>	<u>(179,063)</u>	<u>(186,112)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,527,970	\$ 1,626,148	\$ 1,633,738	\$ 1,700,025	\$ 1,836,557	\$ 1,999,675
Contributions as a percentage of covered-employee payroll	8.44%	8.20%	9.31%	9.48%	9.75%	9.31%

** Only the current fiscal year is presented because 10-year data is not yet available

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
 Year Ended June 30, 2020

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>
City's portion of the net pension liability (asset)	0.4238%	0.4524%	0.4263%	0.4447%	0.3925%	0.1647%
City's proportionate share of the net pension liability (asset)	\$ 5,013,129	\$ 4,801,838	\$ 5,207,678	\$ 5,592,844	\$ 4,417,805	\$ 1,739,921
City's covered-employee payroll	\$ 1,489,118	\$ 1,574,246	\$ 1,613,295	\$ 1,635,251	\$ 1,853,609	\$ 1,913,600
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	337%	305%	323%	342%	238%	91%
Plan fiduciary net position as a percentage of the total pension liability	96.11%	100.00%	99.57%	99.85%	99.89%	99.95%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>
Contractually required contribution	\$ 158,403	\$ 173,050	\$ 166,927	\$ 156,196	\$ 168,708	\$ 167,827
Contributions in relation to the contractually required contribution	(158,403)	(173,050)	(166,927)	(156,196)	(168,708)	(167,827)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,489,118	\$ 1,574,246	\$ 1,613,295	\$ 1,635,251	\$ 1,853,609	\$ 1,913,600
Contributions as a percentage of covered-employee payroll	10.64%	10.99%	10.35%	9.55%	9.10%	8.77%

** Only the current fiscal year is presented because 10-year data is not yet available

City of Elk City, Oklahoma
 Combining Balance Sheet
 Non-Major Governmental Funds (continued)
 June 30, 2020

	Street & Alley Fund	Improvement Fund	Civil Defense	Police Special Revenue	Fire Special Revenue	Cemetery Corpus Fund	Municipal Court Fund	Animal Control Fund	Special Library Fund
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 110,259	\$ 65,933	\$ -	\$ 2,746	\$ 17,086	\$ -
Investments	100,000	15,000	2,000	-	57,000	60,000	-	-	60,000
Due from other funds	-	-	-	-	-	-	-	-	-
Prepaid asset	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 110,259</u>	<u>\$ 122,933</u>	<u>\$ 60,000</u>	<u>\$ 2,746</u>	<u>\$ 17,086</u>	<u>\$ 60,000</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 902	\$ -	\$ -	\$ 1,050	\$ -
Due to other funds	-	-	-	-	-	-	3,504	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>902</u>	<u>-</u>	<u>3,504</u>	<u>1,050</u>	<u>-</u>
FUND BALANCES									
Restricted	100,000	-	-	-	-	60,000	-	-	-
Committed	-	-	-	-	-	-	-	16,036	-
Assigned	-	15,000	2,000	110,259	122,031	-	(758)	-	60,000
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>100,000</u>	<u>15,000</u>	<u>2,000</u>	<u>110,259</u>	<u>122,031</u>	<u>60,000</u>	<u>(758)</u>	<u>16,036</u>	<u>60,000</u>
Total liabilities and fund balances	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 110,259</u>	<u>\$ 122,933</u>	<u>\$ 60,000</u>	<u>\$ 2,746</u>	<u>\$ 17,086</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2020

	Revolving Loan Fund	Carousel Maintenance	Museum Exhibit Fund	Landfill	Clearing	Public Facilities	Hotel Tax Fund	Tax Incentive Fund	Total Non-Major Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 33,735	\$ 63,209	\$ -	\$ 226,176	\$ 889,271	\$ 1,408,415
Investments	5,000	100,000	25,000	450,000	-	41,000	655,500	1,000,000	2,570,500
Due from other funds	-	-	-	-	-	-	-	-	-
Prepaid asset	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 483,735</u>	<u>\$ 63,209</u>	<u>\$ 41,000</u>	<u>\$ 881,676</u>	<u>\$ 1,889,271</u>	<u>\$ 3,978,915</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,917	\$ -	\$ 7,869
Due to other funds	-	-	-	-	-	-	-	-	3,504
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,917</u>	<u>-</u>	<u>11,373</u>
FUND BALANCES									
Restricted	-	-	-	-	-	-	-	1,889,271	2,049,271
Committed	-	-	-	483,735	-	41,000	875,759	-	1,416,530
Assigned	5,000	100,000	25,000	-	-	-	-	-	438,532
Unassigned	-	-	-	-	63,209	-	-	-	63,209
Total fund balances	<u>5,000</u>	<u>100,000</u>	<u>25,000</u>	<u>483,735</u>	<u>63,209</u>	<u>41,000</u>	<u>875,759</u>	<u>1,889,271</u>	<u>3,967,542</u>
Total liabilities and fund balances	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 483,735</u>	<u>\$ 63,209</u>	<u>\$ 41,000</u>	<u>\$ 881,676</u>	<u>\$ 1,889,271</u>	<u>\$ 3,978,915</u>

City of Elk City, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds (continued)
June 30, 2020

	Street & Alley Fund	Improvement Fund	Civil Defense	Police Special Revenue	Fire Special Revenue	Cemetery Corpus Fund	Municipal Court Fund	Animal Control Fund	Special Library Fund
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	7,375	-
Other income	-	-	-	9,589	10,642	-	-	-	-
Donations	-	-	-	-	7,000	-	-	-	-
Interest income	-	-	-	201	156	-	-	25	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,790</u>	<u>17,798</u>	<u>-</u>	<u>-</u>	<u>7,400</u>	<u>-</u>
EXPENDITURES									
Public safety and judiciary:									
Police	-	-	-	-	-	-	-	7,200	-
Municipal court	-	-	-	-	-	-	758	-	-
Fire	-	-	-	-	22,490	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,490</u>	<u>-</u>	<u>758</u>	<u>7,200</u>	<u>-</u>
Economic Development:									
Economic development	-	-	-	-	-	-	-	-	-
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,490</u>	<u>-</u>	<u>758</u>	<u>7,200</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-	9,790	(4,692)	-	(758)	200	-
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	(979)	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(979)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	9,790	(5,671)	-	(758)	200	-
Fund balances - beginning	100,000	15,000	2,000	100,469	127,702	60,000	-	15,836	60,000
Fund balances - ending	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 110,259</u>	<u>\$ 122,031</u>	<u>\$ 60,000</u>	<u>\$ (758)</u>	<u>\$ 16,036</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds (continued)
June 30, 2020

	Revolving Loan Fund	Carousel Maintenance	Museum Exhibit Fund	Landfill	Clearing	Public Facilities	Hotel Tax Fund	Tax Incentive Fund	Total Non-Major Funds
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 695,533	\$ 695,533
Charges for services	-	-	-	-	-	-	395,900	-	403,275
Other income	-	-	-	-	-	-	5,503	-	25,734
Donations	-	-	-	-	-	-	-	-	7,000
Interest income	-	-	-	7,469	1,688	-	15,308	15,721	40,568
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,469</u>	<u>1,688</u>	<u>-</u>	<u>416,711</u>	<u>711,254</u>	<u>1,172,110</u>
EXPENDITURES									
Public safety and judiciary:									
Police	-	-	-	-	-	-	-	-	7,200
Municipal court	-	-	-	-	-	-	-	-	758
Fire	-	-	-	-	-	-	-	-	22,490
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,448</u>
Economic Development:									
Economic development	-	-	-	-	-	-	460,145	224,000	684,145
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460,145</u>	<u>224,000</u>	<u>684,145</u>
Capital outlay	-	-	-	-	-	-	249,074	-	249,074
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>709,219</u>	<u>224,000</u>	<u>963,667</u>
Excess (deficiency) of revenues over expenditures	-	-	-	7,469	1,688	-	(292,508)	487,254	208,443
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	(3,070)	(345,099)	(349,148)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,070)</u>	<u>(345,099)</u>	<u>(349,148)</u>
Net change in fund balances	-	-	-	7,469	1,688	-	(295,578)	142,155	(140,705)
Fund balances - beginning	5,000	100,000	25,000	476,266	61,521	41,000	1,171,337	1,747,116	4,108,247
Fund balances - ending	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 483,735</u>	<u>\$ 63,209</u>	<u>\$ 41,000</u>	<u>\$ 875,759</u>	<u>\$ 1,889,271</u>	<u>\$ 3,967,542</u>

City of Elk City, Oklahoma
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2020

	Water Meter Deposit Fund	Municipal Court Bond Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 22,255	\$ 12,761	\$ 35,016
Investments	196,000	-	196,000
Total assets	<u>\$ 218,255</u>	<u>\$ 12,761</u>	<u>\$ 231,016</u>
LIABILITIES			
Due to other funds	\$ 28,884	-	\$ 28,884
Bonds and deposits subject to refund	189,371	12,761	202,132
Total liabilities	<u>\$ 218,255</u>	<u>\$ 12,761</u>	<u>\$ 231,016</u>

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 City Commission
City of Elk City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Elk City, Oklahoma's basic financial statements, and have issued our report thereon dated November 17, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC

Stillwater, Oklahoma

November 17, 2020