

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

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

**FOR THE YEAR ENDED
JUNE 30, 2019**

The City of Elk City, Oklahoma
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Year Ended June 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 26, 2019, 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 26, 2019

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, 2019. 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, 2019, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$117,567,758 (net position). This compared to the previous year when assets exceeded liabilities by \$112,790,564, prior to adjustment for capitalized expense in fiscal year 2018.
- The City's total net position is comprised of the following:
 - (1) Net investment in capital assets of \$78,842,901 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 \$24,950,649 accounts for assets restricted for debt service and capital construction in accordance with debt offerings.
 - (3) Unrestricted net position of \$13,774,208 represent the portion available to maintain the City's continuing obligations to citizens and creditors compared to \$14,143,029 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 \$31,305,140, showing an increase of \$234,136 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 includes 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, 2019 was \$117,567,758. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$67 million and \$50 million, respectively. The City's overall financial position improved during fiscal year 2019.

	Summary of Net Position (in thousands)							
	Governmental Activities		Business-Type Activities		Total		Change	
	2019	2018	2019	2018	2019	2018	\$	%
Current assets	\$ 34,213	\$ 34,004	\$ 38,495	\$ 20,681	\$ 72,708	\$ 54,685	\$ 18,023	33%
Capital assets, net	39,974	38,648	55,101	54,777	95,075	93,425	1,650	2%
Total assets	74,187	72,652	93,596	75,458	167,783	148,110	19,673	13%
Deferred outflow of resources	1,669	1,864	-	-	1,669	1,864	(195)	-10%
Current liabilities	2,801	2,700	3,301	3,994	6,102	6,694	(592)	-9%
Non-current liabilities	4,712	5,624	39,962	23,639	44,674	29,263	15,411	53%
Total liabilities	7,513	8,324	43,263	27,633	50,776	35,957	14,819	41%
Deferred inflow of resources	1,108	1,227	-	-	1,108	1,227	(119)	-10%
Net position								
Net investment in capital assets	39,974	38,647	38,869	27,863	78,843	66,510	12,333	19%
Restricted	22,378	21,620	2,573	10,517	24,951	32,137	(7,186)	-22%
Unrestricted	4,883	4,698	8,891	9,445	13,774	14,143	(369)	-3%
Total net position	\$ 67,235	\$ 64,965	\$ 50,333	\$ 47,825	\$ 117,568	\$ 112,790	\$ 4,778	4%

Net position increased over prior year, noting a 4% change. Net increase in assets is the result of restricted cash used to fund capital assets added to the infrastructure of the City. Liabilities increased 41% due to the issuance of new debt related to the Series 2019 Bonds (\$23 million), offset with payments made on long term debt held by the City as well as a decline in the pension obligations of the City.

The Series 2019 Sales Tax Revenue Bonds were issued in June 2019 by the Elk City Industrial Authority to fund an indoor activity century (\$11.6 million), resurface baseball and softball fields (\$7 million), aquatic center (\$3.1 million), and Ackley Park improvements (\$1.5 million).

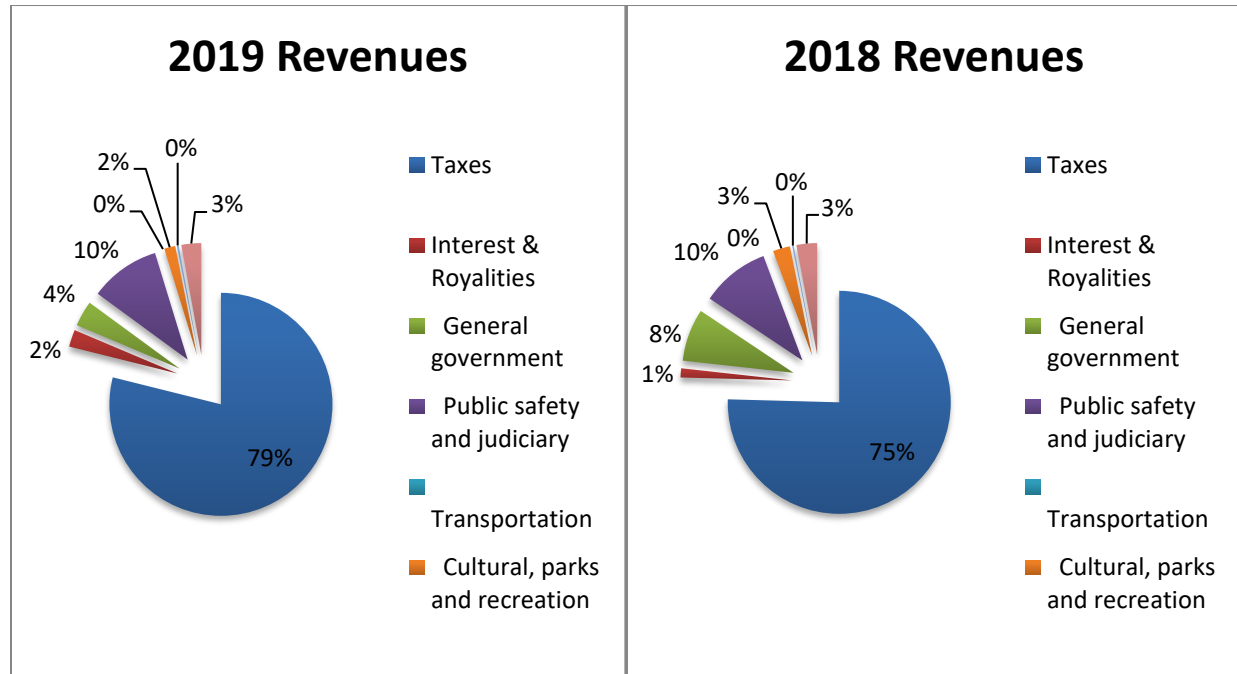
The City reports over \$94 million in capital assets with \$40 million remaining on debt used to finance their acquisition and construction.

	Summary of Changes in Net Position							
	Governmental		Business-type		Total		Change	
	2019	2018	2019	2018	2019	2018	\$	%
Revenues								
Program revenues	\$ 3,114,833	\$ 3,864,549	\$ 7,831,150	\$ 9,341,417	\$ 10,945,983	\$ 13,205,966	\$ (2,259,983)	-17%
Taxes and other general revenues	14,964,704	12,900,276	5,044,637	4,943,088	20,009,341	17,843,364	2,165,977	12%
Total revenues	18,079,537	16,764,825	12,875,787	14,284,505	30,955,324	31,049,330	(94,006)	0%
Expenses								
General government	2,578,050	2,711,029	-	-	2,578,050	2,711,029	(132,979)	-5%
Public safety and judiciary	7,098,916	6,504,140	-	-	7,098,916	6,504,140	594,776	9%
Transportation	494,505	539,228	-	-	494,505	539,228.00	(44,723)	-8%
Cultural, parks, and recreation	1,947,875	1,844,603	-	-	1,947,875	1,844,603	103,272	6%
Public service	1,152,578	1,183,116	-	-	1,152,578	1,183,116	(30,538)	-3%
Economic development	1,528,113	1,224,574	-	-	1,528,113	1,224,574	303,539	25%
Utilities	-	-	5,788,544	5,949,345	5,788,544	5,949,345	(160,801)	-3%
Airport	-	-	541,289	462,815	541,289	462,815	78,474	17%
Customer service	-	-	578,462	565,165	578,462	565,165	13,297	2%
Industrial development	-	-	4,724,933	3,801,314	4,724,933	3,801,314	923,619	24%
Total expenses	14,800,037	14,006,690	11,633,228	10,778,639	26,433,265	24,785,329	1,647,936	7%
Excess (deficiency) before transfers	\$ 3,279,500	\$ 2,758,135	\$ 1,242,559	\$ 3,505,866	\$ 4,522,059	\$ 6,264,001	\$ (1,741,942)	-28%
Transfer to other governments	-	-	-	(2,584,280)	-	(2,584,280)	2,584,280	100%
Transfers	(1,010,575)	(5,545,515)	1,010,575	5,545,515	-	-	-	0%
Increase (decrease) in net position	\$ 2,268,925	\$ (2,787,380)	\$ 2,253,134	\$ 6,467,101	\$ 4,522,059	\$ 3,679,721	\$ 842,338	23%

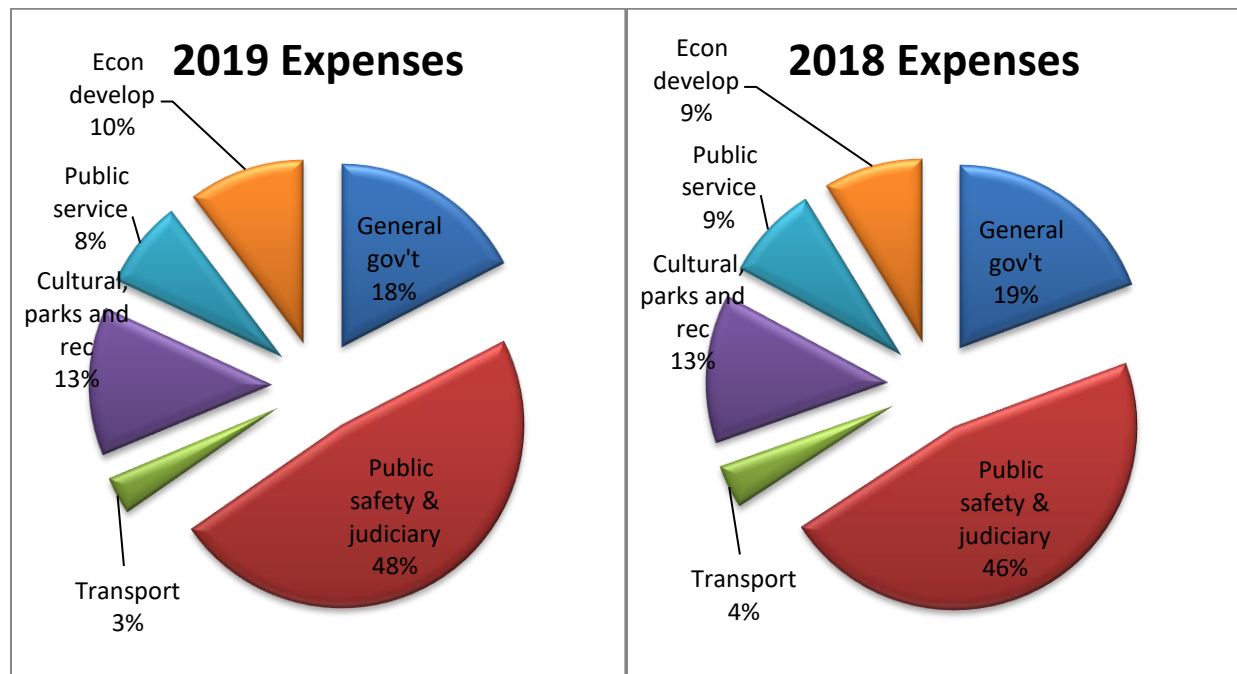
Revenues for the City remained consistent year over year with a decrease of only \$94,006, less than 1% change. Program revenues decreased due to grant funding in the prior year for the municipal airport improvements. Taxes and general revenues improved due to increasing sales (approximately \$500 thousand) and use (approximately \$300 thousand) tax collections for the City. Investment income also increased over prior year.

Operating expenses increased \$1,647,936 or 7% over prior year. This is mainly reflected in Economic Development and Industrial Development. Economic Development expenses included the Main Street project capital outlay of \$1.8 million. Industrial Development expenses include the cost of issuance of the Series 2019 Bond, \$524,588. 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 79% of the City's governmental revenues in fiscal year 2019 compared to 75% in 2018. Sources of revenues for the governmental funds remained consistent between years.



TOTAL EXPENSES \$14,800,037

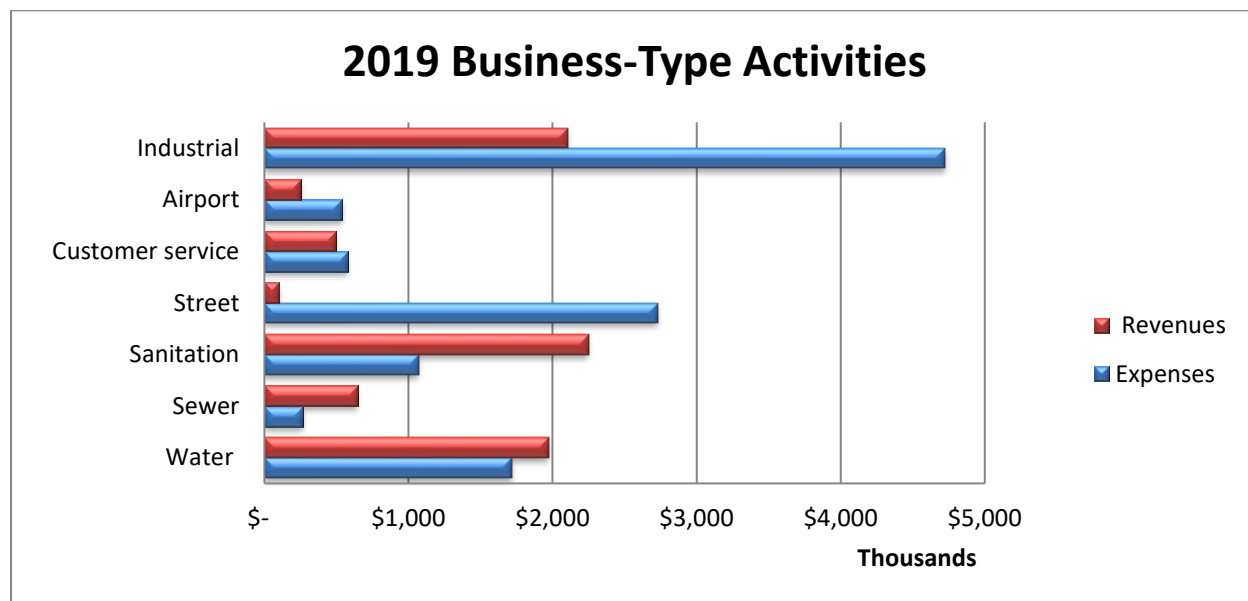
TOTAL EXPENSES \$14,006,690

For the year ended June 30, 2019, total expenses for governmental activities were \$14,800,037. Of this amount, public safety and judiciary with \$7,098,916, was the largest operating service department at 48% of the total cost of services for the City government. This compares to prior year in which public safety

accounted for 46% 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 2019 was \$9,693,989 compared to \$9,532,728 in prior year. During the fiscal year, the City approved budget amendments totaling \$645,085 for a total budget of \$10,339,074 compared to last fiscal year's budget of \$9,851,430. Total expenditures for the City were \$9,919,869, which is \$419,205 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, 2019, the City had \$78,842,901 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		2019	2018	
	2019	2018	2019	2018			
Land and CIP	\$ 5,325	\$ 4,942	\$ 10,436	\$ 10,436	\$ 15,761	\$ 15,378	
Buildings	16,222	16,095	32,667	32,386	48,889	48,481	
Machinery & equipment	23,530	22,915	9,325	8,110	32,855	31,025	
Utility property & improvements	45,843	43,038	32,409	30,698	78,252	73,736	
Total cost	\$ 90,920	\$ 86,990	\$ 84,837	\$ 81,630	\$ 175,757	\$ 168,620	
Accumulated depreciation	51,139	48,342	29,951	26,854	81,090	75,196	
Total capital assets, net	\$ 39,781	\$ 38,648	\$ 54,886	\$ 54,776	\$ 94,667	\$ 93,424	

Long-Term Debt

At year-end, the City had \$44,673,767 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		2019	2018	
	2019	2018	2019	2018			
Notes payable	\$ -	\$ -	\$ 42,644,743	\$ 26,913,926	\$ 42,644,743	\$ 26,913,926	
Lease payable	377,149	-	-	-	377,149	-	
Pension obligation	4,462,079	5,624,466	-	-	4,462,079	5,624,466	
less current portion	(127,319)	-	(2,682,885)	(3,275,192)	(2,810,204)	(3,275,192)	
Total long term debt	\$ 4,711,909	\$ 5,624,466	\$ 39,961,858	\$ 23,638,734	\$ 44,673,767	\$ 29,263,200	

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

According to the William S. Spears School of Business, Center for Applied Economic Research, noted in July 2019 "The rebound in oil and natural gas prices from their lows in early 2016 spurred growth in the energy sector and the Oklahoma economy more broadly...The rebound in energy sector employment helped turn the overall Oklahoma economy around from the employment declines during 2015-2016. For the first time in several years Oklahoma's total nonfarm employment grew as fast or faster than that of the nation at times during 2017-2018."

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

Fiscal Year 2020 Planning

The City of Elk City has approved a budget for the municipal entity that encompasses the current market. The following highlights are noted:

General Fund

- Sales tax and other tax revenues – The sales tax split is budgeted at the rate of 1.375%, consistent with prior year's budget. All tax revenues are budgeted at 90% of prior year collections to develop conservative projections in consideration of the geographic declining oil and gas

industry. Collection of the 10% incremental difference would increase revenues in the General fund by \$446,003.

- Employee raises – The budget includes a 1.5% raise for all employees of the City. The cost of the increase is approximately \$188,557 for employees in the General Fund, including the City's additional cost of FICA and Medicare. Personnel costs account for over 81% of the General Fund budget in proposal for fiscal year 2020.
- The fund projects a decrease in reserve of \$827,326 based upon budgeted revenues and expenses for FY20.

Public Works Authority

- Utility revenues – Utility revenues are budgeted with a rate increase of 2.1%. The increase will generate approximately \$102,590.
- Employee raises – The budget includes a 1.5% raise for all employees of the City. The cost of the increase is approximately \$30,124 for employees in the Public Works Authority, which includes the increase cost of FICA and Medicare. Personnel costs account for over 56% of the PWA budget in proposal for fiscal year 2020
- The PWA budget reflects a projected net loss of \$56,914 for the year ended June 30, 2020.

Airport Authority

- The Airport Authority budget reflects the ongoing operations of the municipal airport, which includes hangar rentals and fuel sales. Any capital projects undertaken will be proposed to the Commission along with an identified funding source, most likely grant proceeds.

Industrial Authority

- The Industrial Authority – Arena Sales Tax budget includes the collection of sales tax and debt service on the conduit debt.
- The Industrial Authority – Economic Development budget includes \$207,000 in capital projects for FY20, as detailed in the budget.
- The Industrial Authority - Rock Yard sales are budgeted to include \$12,000 in capital projects for FY20, as detailed in the budget. Including capital outlay, the Rock Yard is expected to clear over \$250,790 during the fiscal year.

Capital Construction Fund

- Projects – Capital projects are detailed in the budget provided. The budget proposes funding \$6,237,440 in capital projects for fiscal year 2020. Projects are funded with the allocated sales tax, as discussed above.
- Projected reserve after the FY20 budgeted capital projects reports a decrease in reserves of \$931,736, leaving approximately \$9,065,869 to be carried forward.

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 City Hall, 320 West 3rd St, Elk City, Oklahoma.

City of Elk City, Oklahoma
Statement of Net Position
June 30, 2019

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 4,834,650	\$ 4,382,243	\$ 9,216,893
Investments	10,921,000	2,452,000	13,373,000
Due from other governments	1,063,977	-	1,063,977
Accounts receivable (net)	121,213	832,836	954,049
Other receivables	-	466,878	466,878
Grant receivable	-	-	-
Note receivable, current	-	185,010	185,010
Inventory	13,354	1,059,845	1,073,199
Prepaid asset	63,864	-	63,864
Due from other funds	(1,175,096)	1,216,454	41,358
Total current assets	<u>15,842,962</u>	<u>10,595,266</u>	<u>26,438,228</u>
Restricted assets:			
Cash and cash equivalents	7,555,064	25,681,118	33,236,182
Investments	10,815,000	2,218,402	13,033,402
Total restricted assets	<u>18,370,064</u>	<u>27,899,520</u>	<u>46,269,584</u>
Noncurrent Assets:			
Pension asset	192,442	-	192,442
Discount on debt issued	-	215,389	215,389
Land and construction in progress	5,325,163	10,436,486	15,761,649
Other capital assets (net of accumulated depreciation)	34,456,077	44,449,496	78,905,573
Total noncurrent assets	<u>39,973,682</u>	<u>55,101,371</u>	<u>95,075,053</u>
Total assets	<u>\$ 74,186,708</u>	<u>\$ 93,596,157</u>	<u>\$ 167,782,865</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>1,668,748</u>	<u>-</u>	<u>1,668,748</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 341,320	\$ 324,476	\$ 665,796
Payroll liabilities	87,551	81,313	168,864
Compensated absences	584,199	125,477	709,676
Accrued payables	1,660,680	86,868	1,747,548
Capital lease payable, current	127,319	-	127,319
Notes payable, current	-	2,682,885	2,682,885
Total current liabilities	<u>2,801,069</u>	<u>3,301,019</u>	<u>6,102,088</u>
Pension obligation	4,462,079	-	4,462,079
Capital lease payable, non-current	249,830	-	249,830
Notes payable, non-current	-	38,632,915	38,632,915
Premium on debt issuance	-	1,328,943	1,328,943
Total noncurrent liabilities	<u>4,711,909</u>	<u>39,961,858</u>	<u>44,673,767</u>
Total liabilities	<u>7,512,978</u>	<u>43,262,877</u>	<u>50,775,855</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>1,108,000</u>	<u>-</u>	<u>1,108,000</u>
NET POSITION			
Net investment in capital assets	39,973,682	38,869,219	78,842,901
Reserved for restricted purposes	22,377,827	2,572,822	24,950,649
Unrestricted	4,882,969	8,891,239	13,774,208
Total net position	<u>\$ 67,234,478</u>	<u>\$ 50,333,280</u>	<u>\$ 117,567,758</u>

City of Elk City, Oklahoma
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 2,578,050	\$ 122,986	\$ 233,118	\$ 262,313	\$ (1,959,633)
Public safety and judiciary	7,098,916	1,275,174	430,719	-	(5,393,023)
Transportation	494,505	-	-	-	(494,505)
Cultural, parks and recreation	1,947,875	266,196	-	-	(1,681,679)
Public service	1,152,578	45,147	-	-	(1,107,431)
Economic development	1,528,113	479,180	-	-	(1,048,933)
Total governmental activities	<u>14,800,037</u>	<u>2,188,683</u>	<u>663,837</u>	<u>262,313</u>	<u>(11,685,204)</u>
Business-type activities:					
Water	1,720,529	1,974,162	-	-	253,633
Sewer	270,546	648,531	-	-	377,985
Sanitation	1,069,118	2,250,377	-	-	1,181,259
Streets	2,728,351	-	102,757	-	(2,625,594)
Customer service	578,462	496,334	-	-	(82,128)
Airport	541,289	254,851	-	-	(286,438)
Industrial	4,724,933	2,104,138	-	-	(2,620,795)
Total business-type activities	<u>11,633,228</u>	<u>7,728,393</u>	<u>102,757</u>	<u>-</u>	<u>(3,802,078)</u>
Total primary government	<u>\$ 26,433,265</u>	<u>\$ 9,917,076</u>	<u>\$ 766,594</u>	<u>\$ 262,313</u>	<u>\$ (15,487,282)</u>

City of Elk City, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2019

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (11,685,204)	\$ (3,802,078)	\$ (15,487,282)
General revenues:			
Taxes:			
Sales tax	10,143,819	4,874,480	15,018,299
Use tax	1,616,322	-	1,616,322
Franchise tax	462,978	-	462,978
Other taxes	476,873	-	476,873
Oil and gas royalties	484,313	-	484,313
Miscellaneous income	44,650	-	44,650
Investment income	413,091	170,157	583,248
Change in pension obligations	1,322,658	-	1,322,658
Transfers internal activity	(1,010,575)	1,010,575	-
Total general revenues and transfers	<u>13,954,129</u>	<u>6,055,212</u>	<u>20,009,341</u>
Change in net assets	2,268,925	2,253,134	4,522,059
Net position-beginning	64,965,553	47,825,011	112,790,564
Prior period restatement	-	255,135	255,135
Net position-ending	<u><u>\$ 67,234,478</u></u>	<u><u>\$ 50,333,280</u></u>	<u><u>\$ 117,567,758</u></u>

**City of Elk City, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2019**

	<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	\$ 4,834,650	\$ 6,308,617	\$ 138,966	\$ 1,107,481	\$ 12,389,714
Investments	10,921,000	4,300,000	3,500,000	3,015,000	21,736,000
Due from other governments	578,601	485,376	-	-	1,063,977
Accounts receivable	121,213	-	-	-	121,213
Grant receivable	-	-	-	-	-
Inventory	13,354	-	-	-	13,354
Prepaid asset	63,864	-	-	-	63,864
Total assets	<u>\$ 16,532,682</u>	<u>\$ 11,093,993</u>	<u>\$ 3,638,966</u>	<u>\$ 4,122,481</u>	<u>\$ 35,388,122</u>
LIABILITIES					
Accounts payable	\$ 76,526	\$ 245,954	\$ 4,606	\$ 14,234	\$ 341,320
Due to other funds	1,129,838	39,778	5,480	-	1,175,096
Payroll liabilities	87,551	-	-	-	87,551
Compensated absences	584,199	-	-	-	584,199
Deferred revenue	-	-	-	-	-
Other accrued liabilities	1,660,680	-	-	-	1,660,680
Total liabilities	<u>3,538,794</u>	<u>285,732</u>	<u>10,086</u>	<u>14,234</u>	<u>3,848,846</u>
FUND BALANCES					
Nonspendable	13,354	-	-	-	13,354
Restricted	3,506,016	-	3,200,000	1,907,116	8,613,132
Committed	1,251,995	10,808,261	-	1,704,439	13,764,695
Assigned	148,420	-	4,342	435,171	587,933
Unassigned	8,074,103	-	424,538	61,521	8,560,162
Total fund balances	<u>12,993,888</u>	<u>10,808,261</u>	<u>3,628,880</u>	<u>4,108,247</u>	<u>31,539,276</u>
Total liabilities and fund balances	<u>\$ 16,532,682</u>	<u>\$ 11,093,993</u>	<u>\$ 3,638,966</u>	<u>\$ 4,122,481</u>	<u>\$ 35,388,122</u>
Total fund balance- total governmental funds					\$ 31,539,276
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				85,595,042	
Less: Accumulated depreciation				<u>(51,138,965)</u>	39,781,240
Long-term portion of liabilities are not due and payable in the current period and are not reported					
Capital lease payable				(377,149)	
Deferred outflows(inflows) on pension obligation				560,748	
Net pension (obligation)/asset				<u>(4,269,637)</u>	(4,086,038)
Net position of governmental activities					<u>\$ 67,234,478</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2019

	General Fund	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
REVENUES					
Sales tax	\$ 4,011,721	\$ 5,280,687	\$ -	\$ 851,411	\$ 10,143,819
Use tax	1,616,322	-	-	-	1,616,322
Franchise tax	462,978	-	-	-	462,978
Tobacco tax	123,695	-	-	-	123,695
Licenses and permits	95,554	-	-	-	95,554
Rents & royalties	529,335	-	-	-	529,335
Fines and forfeitures	160,284	-	-	-	160,284
Charges for services	1,610,700	-	-	488,125	2,098,825
Intergovernmental revenues	783,897	262,313	-	-	1,046,210
Donations	22,115	-	-	-	22,115
Other revenues	27,806	50,760	292,466	44,083	415,115
Interest	269,380	39,495	56,919	47,297	413,091
Total revenues	<u>9,713,787</u>	<u>5,633,255</u>	<u>349,385</u>	<u>1,430,916</u>	<u>17,127,343</u>
EXPENDITURES					
General government:					
Managerial	447,463	43,095	-	-	490,558
City clerk	726,436	41,566	-	-	768,002
City treasurer	75,766	-	-	-	75,766
City attorney	49,127	-	-	-	49,127
General government	781,298	138,889	-	-	920,187
Total general government	<u>2,080,090</u>	<u>223,550</u>	<u>-</u>	<u>-</u>	<u>2,303,640</u>
Public safety and judiciary:					
Police	2,969,451	116,150	-	6,300	3,091,901
Municipal court	79,821	-	-	-	79,821
Animal control	175,311	467	-	-	175,778
Fire	1,358,515	81,722	-	12,465	1,452,702
Ambulance	1,564,242	36,606	-	-	1,600,848
Total public safety and judiciary	<u>6,147,340</u>	<u>234,945</u>	<u>-</u>	<u>18,765</u>	<u>6,401,050</u>
Transportation:					
Street	-	193,528	-	-	193,528
Total transportation	<u>-</u>	<u>193,528</u>	<u>-</u>	<u>-</u>	<u>193,528</u>
Cultural, parks and recreation:					
Museum	373,656	23,825	-	-	397,481
Library	276,846	41,159	-	-	318,005
Civic center	73,405	11,261	-	-	84,666
Park	555,536	20,342	-	-	575,878
Swimming pool	75,329	-	-	-	75,329
Total cultural, parks and recreation	<u>1,354,772</u>	<u>96,587</u>	<u>-</u>	<u>-</u>	<u>1,451,359</u>
Public service:					
Cemetery	173,797	-	-	-	173,797
Inspection	163,870	39,982	-	-	203,852
Landfill	-	8,435	-	-	8,435
Total public service	<u>337,667</u>	<u>48,417</u>	<u>-</u>	<u>-</u>	<u>386,084</u>
Economic development:					
Economic development	-	-	405,669	811,007	1,216,676
Total economic development	<u>-</u>	<u>-</u>	<u>405,669</u>	<u>811,007</u>	<u>1,216,676</u>
Capital outlay	-	1,989,545	1,760,750	180,000	3,930,295
Total expenditures	<u>9,919,869</u>	<u>2,786,572</u>	<u>2,166,419</u>	<u>1,009,772</u>	<u>15,882,632</u>
Excess (deficiency) of revenues over expenditures	<u>(206,082)</u>	<u>2,846,683</u>	<u>(1,817,034)</u>	<u>421,144</u>	<u>1,244,711</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	9,671,184	-	1,826,084	-	11,497,268
Transfers out	(9,223,065)	(2,832,473)	-	(452,305)	(12,507,843)
Total other financing sources and uses	<u>448,119</u>	<u>(2,832,473)</u>	<u>1,826,084</u>	<u>(452,305)</u>	<u>(1,010,575)</u>
Net change in fund balances	242,037	14,210	9,050	(31,161)	234,136
Fund balances - beginning	12,751,851	10,794,051	3,619,830	4,139,408	31,305,140
Fund balances - ending	<u>\$ 12,993,888</u>	<u>\$ 10,808,261</u>	<u>\$ 3,628,880</u>	<u>\$ 4,108,247</u>	<u>\$ 31,539,276</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2019

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 \$ 234,136
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	3,930,295	
Depreciation expense	<u>(2,847,700)</u>	1,082,595

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.

Proceeds from issuance of debt	(377,149)
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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>1,329,343</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 2,268,925</u></u>
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City of Elk City, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2019

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,904,533	\$ 174,515	\$ 2,303,195	\$ 4,382,243
Investments	1,002,000	-	1,450,000	2,452,000
Due from other funds	1,541,665	-	1,127	1,542,792
Other receivables	8,149	10,690	448,039	466,878
Accounts receivable, net	482,102	856	349,878	832,836
Note receivable, current	-	-	185,010	185,010
Inventory	300,853	34,877	724,115	1,059,845
Total current assets	<u>5,239,302</u>	<u>220,938</u>	<u>5,461,364</u>	<u>10,921,604</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	382,081	-	25,299,037	25,681,118
Investments	-	-	2,218,402	2,218,402
Total restricted assets	<u>382,081</u>	<u>-</u>	<u>27,517,439</u>	<u>27,899,520</u>
Noncurrent assets:				
Discount on debt issued	-	-	215,389	215,389
Capital assets (net)	25,686,583	3,649,355	25,550,044	54,885,982
Total noncurrent assets	<u>25,686,583</u>	<u>3,649,355</u>	<u>25,765,433</u>	<u>55,101,371</u>
Total assets	<u>\$ 31,307,966</u>	<u>\$ 3,870,293</u>	<u>\$ 58,744,236</u>	<u>\$ 93,922,495</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 127,522	\$ 8,002	\$ 188,952	\$ 324,476
Payroll liabilities	195,010	4,907	6,873	206,790
Due to other funds	-	62,064	264,274	326,338
Accrued interest payable	62,477	-	24,391	86,868
Notes payable, current	771,147	-	1,911,738	2,682,885
Total current liabilities	<u>1,156,156</u>	<u>74,973</u>	<u>2,396,228</u>	<u>3,627,357</u>
Noncurrent liabilities:				
Notes payable, non-current	7,617,539	-	31,015,376	38,632,915
Premium on debt issuance, net	-	-	1,328,943	1,328,943
Total noncurrent liabilities	<u>7,617,539</u>	<u>-</u>	<u>32,344,319</u>	<u>39,961,858</u>
Total liabilities	<u>8,773,695</u>	<u>74,973</u>	<u>34,740,547</u>	<u>43,589,215</u>
NET POSITION				
Net investment in capital assets	17,297,897	3,649,355	17,921,967	38,869,219
Restricted	382,081	-	2,190,741	2,572,822
Unrestricted	4,854,293	145,965	3,890,981	8,891,239
Total net position	<u>\$ 22,534,271</u>	<u>\$ 3,795,320</u>	<u>\$ 24,003,689</u>	<u>\$ 50,333,280</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2019

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
Operating revenues:				
Charges for services:				
Water charges	\$ 1,974,162	\$ -	\$ -	\$ 1,974,162
Sewer charges	648,531	-	-	648,531
Sanitation charges	2,250,377	-	-	2,250,377
Sale of fuel and rock	-	200,721	2,097,206	2,297,927
Utility surcharges	432,354	-	-	432,354
Penalties	63,980	-	-	63,980
Total charges for services	5,369,404	200,721	2,097,206	7,667,331
Lease and rental income	-	54,130	-	54,130
Other fees and charges	-	-	6,932	6,932
Total operating revenues	5,369,404	254,851	2,104,138	7,728,393
Operating expenses:				
Cost of sales	-	187,598	2,089,636	2,277,234
Personal services	2,406,400	61,937	133,283	2,601,620
Materials and supplies	1,470,949	29,155	52,695	1,552,799
Other services and charges	337,856	56,162	535,072	929,090
Depreciation and amortization	1,897,873	206,437	992,470	3,096,780
Total operating expenses	6,113,078	541,289	3,803,156	10,457,523
Net operating income	(743,674)	(286,438)	(1,699,018)	(2,729,130)
Nonoperating revenue (expense):				
Sales tax	-	-	4,874,480	4,874,480
Investment income	37,819	608	131,730	170,157
Intergovernmental revenue	102,757	-	-	102,757
Interest expense	(253,928)	-	(921,777)	(1,175,705)
Total nonoperating revenue (expense)	(113,352)	608	4,084,433	3,971,689
Net Income before contributions and transfers	(857,026)	(285,830)	2,385,415	1,242,559
Transfers from other funds	3,543,248	236,809	-	3,780,057
Transfers to other funds	(893,133)	(113,069)	(1,763,280)	(2,769,482)
Transfer to other governments	-	-	-	-
Change in net position	1,793,089	(162,090)	622,135	2,253,134
Net position-beginning of year	20,486,047	3,957,410	23,381,554	47,825,011
Prior year restatement	255,135	-	-	255,135
Net position-end of year	<u>\$ 22,534,271</u>	<u>\$ 3,795,320</u>	<u>\$ 24,003,689</u>	<u>\$ 50,333,280</u>

City of Elk City, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Public Works Authority	Airport Authority	Industrial Authority
<u>Cash flows from operating activities:</u>			
Receipts from customers	\$ 5,019,109	\$ 380,647	\$ 1,753,766
Payments to suppliers	(1,958,738)	(259,363)	(2,746,093)
Payments to employees	(2,382,706)	(59,426)	(130,523)
Net cash provided (used) by operating activities	677,665	61,858	(1,122,850)
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	3,543,248	236,809	-
Transfers to other funds	(893,133)	(113,069)	(1,763,280)
Transfers to other governments	-	-	-
Intergovernmental revenues	102,757	-	4,874,480
Net cash provided (used) by non-capital financing activities	2,752,872	123,740	3,111,200
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(2,751,692)	(72,104)	(382,313)
Capital grants and contributions	-	-	-
Issuance of capital debt	-	-	23,530,000
Principal paid on capital debt	(771,509)	-	(8,356,617)
Interest paid on capital debt	(257,605)	-	(921,777)
Net cash provided (used) by capital and related financing activities	(3,780,806)	(72,104)	13,869,293
<u>Cash flows from investing activities:</u>			
Change in investments	255,136	-	7,548,085
Investment income	37,819	608	131,730
Net cash provided (used) by investing activities	292,955	608	7,679,815
Net increase (decrease) in cash and cash equivalents	(57,314)	114,102	23,537,458
Cash & cash equivalents, beginning of the year	2,343,928	60,413	4,064,774
Cash & cash equivalents, end of the year	\$ 2,286,614	\$ 174,515	\$ 27,602,232
Cash, including time deposits	\$ 1,904,533	\$ 174,515	\$ 2,303,195
Restricted cash, including time deposits	382,081	-	25,299,037
Total cash and cash equivalents, end of year	\$ 2,286,614	\$ 174,515	\$ 27,602,232
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ (743,674)	\$ (286,438)	\$ (1,699,018)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,897,873	206,437	992,470
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(74,088)	113,069	(370,127)
(Increase) decrease in other receivable	(276,207)	448	19,755
(Increase) decrease in inventory	(162,595)	20,071	-
Increase (decrease) in accounts payable	12,662	(6,519)	(101,056)
Increase (decrease) in payroll liabilities	23,694	2,511	2,760
Increase (decrease) in other liabilities	-	12,279	32,366
Total adjustments	1,421,339	348,296	576,168
Net cash provided (used) by operating activities	\$ 677,665	\$ 61,858	\$ (1,122,850)

City of Elk City, Oklahoma
Statement of Fiduciary Net Position
June 30, 2019

	District 2 Drug Task Force Trust Funds	Agency Funds	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 219,174	\$ 35,827	\$ 255,001
Investments	2,825,000	196,000	3,021,000
Due from other governments	25,213	-	25,213
Property, plant and equipment, net	106,698	-	106,698
Total assets	<u>\$ 3,176,085</u>	<u>\$ 231,827</u>	<u>\$ 3,407,912</u>
LIABILITIES			
Accounts payable	\$ 44,361	\$ -	\$ 44,361
Accrued salaries	32,815	-	32,815
Bonds and deposits subject to refund	-	199,439	199,439
Due to other governments	34,183	32,388	66,571
Total liabilities	<u>111,359</u>	<u>231,827</u>	<u>343,186</u>
NET ASSETS HELD IN TRUST			
District 2 drug task force funds	3,064,726	-	3,064,726
Net assets held in trust	<u>\$ 3,064,726</u>	<u>\$ -</u>	<u>\$ 3,064,726</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fiduciary Net Position
Trust Fund
Year Ended June 30, 2019

	District 2 Drug Task Force Trust Funds
<u>ADDITIONS</u>	
Forfeitures	\$ 245,573
Other Income	46,927
Interest	44,469
Transfer in	175,475
Total additions	512,444
<u>DEDUCTIONS</u>	
Personal services	242,688
Supplies and repairs	9,682
Other charges and services	276,012
Depreciation	50,959
Transfer out	175,000
Total deductions	754,341
Change in net assets	(241,897)
<u>NET ASSETS HELD IN TRUST</u>	
Beginning of year	3,306,623
End of year	\$ 3,064,726

(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, 2019. 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.

Debt Service Fund

Accounts for the accumulation of financial resources for the payment of principal and interest on the City's debt.

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, 2019, 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 difference 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 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.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

<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	\$ 29,427,402	\$ 29,427,402	N/A	76
Total investments	29,427,402	29,427,402		
 Total primary government investments	\$ 29,427,402	\$ 29,427,402		

RECONCILIATION TO STATEMENT OF NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary</u>	<u>Total</u>
Investments, unrestricted	\$ 10,921,000	\$ 2,452,000	\$ -	\$ 13,373,000
Investments, restricted	10,815,000	2,218,402	3,021,000	16,054,402
Total investments	\$ 21,736,000	\$ 4,670,402	\$ 3,021,000	\$ 29,427,402

(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 \$1,755,254, net of allowance of \$1,648,826. Additionally, a receivable for oil royalties of \$13,919 was recognized at June 30, 2019.

Proprietary activities report accounts receivable of \$1,611,374 comprised of amounts due from rock yard vendors and citizens for utility services provided. The City has recorded an allowance of \$292,252 based upon historical management knowledge and experience.

Note Receivable

The Elk City Industrial Authority entered into a note receivable with Superior Fabrication, Inc. for the purpose of leasing a building valued at \$3,000,000, of which \$185,010 is due to the City as of June 30, 2019. The note has a variable interest rate stated 4.85% at June 30, 2019. The terms of the note call for 180 monthly payments of principal and interest in the amount of \$27,408, and the note matures on August 1, 2022. Superior Fabrication, Inc. has the option to purchase the building at any time by paying the amount owed on the offsetting loan (Note 2(B)) or extending the agreement another 15 years after the agreement matures in 2022.

Capital Assets

Changes in Capital Assets

	Primary Government			
	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
<i>Governmental Activities</i>				
Land and construction in process	\$ 4,941,861	\$ 383,302	\$ -	\$ 5,325,163
Buildings & structures	16,094,569	128,094	-	16,222,663
Machinery, furniture, & equipment	22,915,481	614,223	-	23,529,704
Instructure & improvements	43,037,999	2,804,676	-	45,842,675
Total	\$ 86,989,910	\$ 3,930,295	\$ -	\$ 90,920,205
Less accumulated depreciation	48,342,224	2,796,741	-	51,138,965
Governmental fixed assets, net	<u>\$ 38,647,686</u>	<u>\$ 1,133,554</u>	<u>\$ -</u>	<u>\$ 39,781,240</u>
<i>Business-type Activities</i>				
Land and construction in process	\$ 10,436,486	\$ 413,115	\$ -	\$ 10,849,601
Buildings & structures	32,385,948	281,562	-	32,667,510
Machinery, furniture, & equipment	8,110,082	1,215,060	-	9,325,142
Instructure & improvements	30,698,434	1,296,371	-	31,994,805
Total	\$ 81,630,950	\$ 3,206,108	\$ -	\$ 84,837,058
Less accumulated depreciation	26,854,295	3,096,781	-	29,951,076
Business-type fixed assets, net	<u>\$ 54,776,655</u>	<u>\$ 109,327</u>	<u>\$ -</u>	<u>\$ 54,885,982</u>
Total primary government	<u>\$ 93,424,341</u>	<u>\$ 1,242,881</u>	<u>\$ -</u>	<u>\$ 94,667,222</u>
<i>Fiduciary Funds</i>				
Machinery, furniture, & equipment	\$ 523,315	\$ -	\$ -	\$ 523,315
Total	\$ 523,315	\$ -	\$ -	\$ 523,315
Less accumulated depreciation	365,658	50,959	-	416,617
Fiduciary fund fixed assets, net	<u>\$ 157,657</u>	<u>\$ (50,959)</u>	<u>\$ -</u>	<u>\$ 106,698</u>

Depreciation Expense

Primary Government			
Governmental Activities		Business-type Activities	
General government	\$	274,410	Water
Public safety & judiciary		697,866	Customer service
Transportation		300,977	Sewer
Culture, parks and recreation		496,516	Landfill
Public service		766,494	Street
Economic development		311,437	Trash
			Airport
			Industrial
			\$1,189,249
			99,306
			71,424
			28,831
			382,752
			126,312
			206,437
			992,470
Total depreciation expense	\$	2,847,700	Total depreciation expense
			\$3,096,781

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. \$ 377,149

Business-Type Activities

Notes Payable:

In fiscal year 2010, The Elk City Public Works Authority obtained a construction loan not to exceed an original amount \$8,825,000 from the Oklahoma Water Resources Board (OWRB) to finance construction of a waterline. The loan has a fixed interest rate of 3.09% plus an administrative fee of .50% per year and is payable in semi-annual installments of \$117,667 plus interest and administrative fees beginning September 15, 2011. The loan is secured with the Elk City Public Works Authority's assets and future revenues, including water, sewer, and garbage. The loan matures March 15, 2041. The project was completed in January 2012 and the unused funds were de-obligated. The final loan was for \$8,686,856, reduced by \$2,000,000 of principal forgiveness through the American Recovery and Reinvestment Act of 2009. 5,493,686

The Elk City Industrial Authority entered into a loan agreement with First National Bank & Trust for the purpose of constructing a building for Superior Fabrication, Inc. The loan is offset with a note receivable with Superior Fabrication, Inc. (Note 2(A)) which has the same payment terms as this loan. The loan is payable in 180 monthly installments of principal and interest of \$27,408 and matures on August 1, 2022. The loan has a variable interest rate which was 4.75% on June 30, 2019. The loan can be paid off early if Superior Fabrication, Inc. chooses to purchase the building for the remaining cost of the loan. 185,011

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. 2,895,000

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%. 6,365,000

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

23,530,000

\$41,692,949

Changes in Long-Term Debt

<u>Type of Debt</u>	<u>Balance at July 1, 2018</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2019</u>	<u>Due Within One Year</u>
Governmental activities:					
TCF Capital Lease	\$ -	\$ 399,371	\$ 22,222	\$ 377,149	\$ 127,319
Total Governmental activities	<u>\$ -</u>	<u>\$ 399,371</u>	<u>\$ 22,222</u>	<u>\$ 377,149</u>	<u>\$ 127,319</u>
Business-type activities:					
Public Works Authority					
City of Sayre	\$ 5,728	\$ -	\$ 5,728	\$ -	\$ -
OWRB	5,654,467	-	160,781	5,493,686	166,147
Series 2013 Note	3,500,000	-	605,000	2,895,000	615,000
Total Public Works Authority	<u>9,160,195</u>	<u>-</u>	<u>771,509</u>	<u>8,388,686</u>	<u>781,147</u>
Industrial Authority					
First National Bank (SFI)	518,628	-	333,617	185,011	185,011
Bank of America (Arena)	7,058,000	-	7,058,000	-	-
Elementary School	10,177,103	-	965,000	9,212,103	1,201,727
Series 2019 Bonds	-	23,530,000	-	23,530,000	525,000
Total Industrial Authority	<u>17,753,731</u>	<u>23,530,000</u>	<u>8,356,617</u>	<u>32,927,114</u>	<u>1,911,738</u>
Total business-type debt	<u>\$ 26,913,926</u>	<u>\$ 23,530,000</u>	<u>\$ 9,128,126</u>	<u>\$ 41,315,800</u>	<u>\$ 2,692,885</u>

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Annual Debt Service Requirements

Year Ending June 30	Governmental Activities		Public Works Authority		Industrial Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 127,319	\$ 15,295	\$ 771,147	\$ 107,450	\$ 1,911,738	\$ 914,841
2021	133,533	9,060	787,789	230,861	1,892,908	990,353
2022	116,297	2,568	814,136	210,643	1,939,274	938,664
2023	-	-	830,715	189,808	1,995,831	886,625
2024	-	-	587,068	168,868	2,042,584	838,103
2025-2029	-	-	1,073,608	651,472	6,411,497	3,436,973
2030-2034	-	-	1,285,889	464,771	5,458,282	2,288,811
2035-2039	-	-	1,540,149	245,923	5,890,000	1,381,856
2039-2043	-	-	698,185	27,681	5,385,000	427,188
Totals	\$ 377,149	\$ 26,923	\$ 8,388,686	\$ 2,297,477	\$ 32,927,114	\$12,103,414

(3) REVENUES AND EXPENSES

A. Interfund Balances

	<u>Due From</u>	<u>Due To</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ -	\$ 1,129,838
<i>CAPITAL PROJECTS FUND</i>		
PUBLIC WORKS AUTHORITY	-	39,778
<i>ECONOMIC DEVELOPMENT</i>		
PUBLIC WORKS AUTHORITY	-	5,480
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	1,129,838	-
CAPITAL PROJECTS	39,778	-
ECONOMIC DEVELOPMENT	5,480	-
AIRPORT AUTHORITY	62,064	-
INDUSTRIAL AUTHORITY	264,274	-
FIDUCIARY ACTIVITIES	40,230	-
<i>AIRPORT AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	-	62,064
<i>INDUSTRIAL AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	-	263,146
FIDUCIARY ACTIVITIES		
<i>METER FUND</i>		
PUBLIC WORKS AUTHORITY	-	32,388
<i>DRUG TASK FORCE</i>		
PUBLIC WORKS AUTHORITY	-	8,970
	<u>\$ 1,541,664</u>	<u>\$ 1,541,664</u>

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

	Transfer In	Transfer Out
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ -	\$ 9,223,065
CAPITAL PROJECTS	4,816,458	-
NON-MAJOR FUNDS	1,618,242	-
INDUSTRIAL AUTHORITY	3,236,484	-
<i>CAPITAL PROJECTS</i>		
PUBLIC WORKS AUTHORITY	-	2,832,473
AIRPORT AUTHORITY	-	-
INDUSTRIAL AUTHORITY	-	-
<i>ECONOMIC DEVELOPMENT</i>		
GENERAL FUND	1,826,084	-
PUBLIC WORKS AUTHORITY	-	-
INDUSTRIAL AUTHORITY	-	-
<i>NON-MAJOR FUNDS</i>		
GENERAL FUND	-	452,305
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	3,543,248	893,133
CAPITAL PROJECTS	-	-
<i>AIRPORT AUTHORITY</i>		
CAPITAL PROJECTS	236,809	113,069
<i>INDUSTRIAL AUTHORITY</i>		
GENERAL FUND	-	1,763,280
FIDUCIARY FUNDS		
<i>PUBLIC WORKS AUTHORITY</i>		
	175,000	175,000
	\$ 15,452,325	\$ 15,452,325

(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, 2019, the Plan covered 96 employees with a total payroll of \$6,868,849.

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 \$271,077 for fiscal year 2019, while the employees contributed \$85,369. 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 \$179,063.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported an asset of \$192,445 for its proportionate share of the net pension liability. The net pension asset was measured as of July 1, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2018. 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, 2018. Based upon this information, the City's proportion was 0.00404.

For the year ended June 30, 2019, the City recognized pension expense of \$136,364. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,137	\$ 180,318
Changes of assumptions	84,046	-
Net difference between projected and actual earnings on pension plan investments	379,852	279,640
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	179,063	-
Total	\$ 644,098	\$ 459,958

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:		
2019	\$	280,065
2020		39,763
2021		(106,523)
2022		(34,582)
2023		5,416
Total	\$	184,140

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2018, 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:	<p>Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.</p> <p>Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational Improvement using scale AA.</p> <p>Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.</p>
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The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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, 2018, 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	892,695	(192,445)	(1,109,808)

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 \$168,708.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$4,417,802 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2018. Based upon this information the City's proportion was 0.00392468.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 922,755	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	280,959	648,042
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	168,708	-
Total	\$ 1,372,422	\$ 648,042

For the year ended June 30, 2019, the City recognized pension expense of \$4,808. At June 30, 2019, 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:		
2019	\$	367,419
2020		150,511
2021		21,340
2022		118,152
2023		66,958
Total	\$	724,380

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2018, 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, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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, 2018, 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.

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)	5,786,447	4,417,802	3,268,354

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 February 7, 2019. The landfill is currently in use under permit number 3505009 with an estimated useful life of 0.61 years remaining. The financial statements reflect an accrual of \$1,660,680 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 20.74 years with an associated closing cost of \$1,344,335.

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.

(6) PRIOR PERIOD ADJUSTMENT

The City recorded an adjustment to reflect assets purchased in prior year and capitalized in the current year.

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, 2019

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 3,932,507	\$ 400,000	\$ 4,332,507	\$ 4,011,721	\$ (320,786)
Use tax	1,432,420	250,000	1,682,420	1,616,322	(66,098)
Franchise tax	450,000	-	450,000	462,978	12,978
Other taxes	225,320	-	225,320	123,695	(101,625)
Licenses and permits	70,000	-	70,000	95,554	25,554
Rents & royalties	662,903	-	662,903	529,335	(133,568)
Fines and forfeitures	225,000	-	225,000	160,284	(64,716)
Charges for services	1,132,500	150,000	1,282,500	1,610,700	328,200
Intergovernmental revenues	350,000	-	350,000	783,897	433,897
Donations	10,000	-	10,000	22,115	12,115
Other revenues	175,000	50,000	225,000	27,806	(197,194)
Interest	100,000	-	100,000	269,380	169,380
Total revenues	<u>8,765,650</u>	<u>850,000</u>	<u>9,615,650</u>	<u>9,713,787</u>	<u>98,137</u>
EXPENDITURES					
General government:					
Managerial	391,069	63,500	454,569	447,463	7,106
General government	1,517,222	208,320	1,725,542	1,507,734	217,808
Treasurer	85,601	-	85,601	75,766	9,835
City Attorney	48,304	-	48,304	49,127	(823)
Public safety and judiciary:					
Police & DOC	2,932,973	8,700	2,941,673	2,969,451	(27,778)
Municipal Court	77,507	-	77,507	79,821	(2,314)
Animal Control	225,244	-	225,244	175,311	49,933
Fire	1,195,122	173,350	1,368,472	1,358,515	9,957
Ambulance	1,233,910	160,150	1,394,060	1,564,242	(170,182)
Culture and recreation:					
Museum	472,255	-	472,255	373,656	98,599
Library	286,270	-	286,270	276,846	9,424
Civic Center	80,000	-	80,000	73,405	6,595
Park	759,668	-	759,668	555,536	204,132
Swimming Pool	90,761	-	90,761	75,329	15,432
Public services					
Cemetery	155,470	5,100	160,570	173,797	(13,227)
Inspection	142,613	25,965	168,578	163,870	4,708
Total expenditures	<u>9,693,989</u>	<u>645,085</u>	<u>10,339,074</u>	<u>9,919,869</u>	<u>419,205</u>
Revenue over (under) expenditures	(928,339)	204,915	(723,424)	(206,082)	(321,068)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	448,119	448,119
Net other financing sources (uses)	-	-	-	448,119	448,119
Revenues and other financing sources over (under) expenditures and other uses	(928,339)	204,915	(723,424)	242,037	127,051
Fund balance at beginning of year (Non-GAAP budgetary basis)	<u>6,909,972</u>		<u>6,909,972</u>	<u>12,355,450</u>	
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 5,981,633</u>		<u>\$ 6,186,548</u>	<u>\$ 12,597,487</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				396,401	
Fund balance at end of year (GAAP basis)				<u>\$ 12,993,888</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, 2019

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 4,647,509	\$ 425,000	\$ 5,072,509	\$ 5,280,687	\$ 208,178
Grant income	-	-	-	262,313	262,313
Other income	65,000	-	65,000	90,255	25,255
Total revenues	<u>4,712,509</u>	<u>425,000</u>	<u>5,137,509</u>	<u>5,633,255</u>	<u>495,746</u>
EXPENDITURES					
Capital Projects					
Airport	9,000	377,122	386,122	72,829	313,293
Ambulance	117,250	4,635	121,885	76,958	44,927
Animal Control	51,000	-	51,000	40,897	10,103
Cemetery	38,000	156,280	194,280	185,294	8,986
City Hall	58,700	13,014	71,714	57,384	14,330
Civic Center	184,500	32,650	217,150	447,773	(230,623)
Fire	451,000	117,430	568,430	445,929	122,501
Fleet	345,000	296,728	641,728	603,559	38,169
Information Technology	194,000	-	194,000	75,357	118,643
Inspection	50,000	-	50,000	39,982	10,018
Landfill	845,000	317,261	1,162,261	308,115	854,146
Library	75,100	-	75,100	41,159	33,941
Maintenance	5,000	-	5,000	-	5,000
Managerial	160,000	4,575	164,575	60,248	104,327
Museum	42,000	-	42,000	41,013	987
Park	364,500	431,891	796,391	577,645	218,746
Police	363,900	-	363,900	336,958	26,942
Right of way	96,000	-	96,000	93,500	2,500
Sanitation	296,200	-	296,200	17,079	279,121
Safety	37,500	-	37,500	3,910	33,590
Street	301,400	1,952,518	2,253,918	305,891	1,948,027
Swimming pool	6,200	-	6,200	-	6,200
Wastewater	118,000	-	118,000	60,910	57,090
Water	154,500	749,526	904,026	876,741	27,285
Water Distribution	675,000	94,900	769,900	556,490	213,410
Youth & Family	6,300	-	6,300	1,768	4,532
Total expenditures	<u>5,045,050</u>	<u>4,548,530</u>	<u>9,593,580</u>	<u>5,327,389</u>	<u>4,266,191</u>
Revenue over (under) expenditures	(332,541)	(4,123,530)	(4,456,071)	305,866	(3,770,445)
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>12,655,920</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 12,961,786</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>(2,153,525)</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 10,808,261</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, 2019

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Rental Income	\$ 60,000	\$ 275,000	\$ 335,000	\$ 292,466	\$ (42,534)
Interest	27,500	-	27,500	56,919	29,419
Total revenues	<u>87,500</u>	<u>275,000</u>	<u>362,500</u>	<u>349,385</u>	<u>(13,115)</u>
EXPENDITURES					
<u>Economic Development</u>					
Personal Services	94,996	3,000	97,996	93,933	4,063
Materials & Supplies	33,000	-	33,000	72,699	(39,699)
Other Charges & Services	-	150,000	150,000	120,925	29,075
Capital Outlay	258,500	1,885,348	2,143,848	1,831,943	311,905
Total expenditures	<u>386,496</u>	<u>2,038,348</u>	<u>2,424,844</u>	<u>2,119,500</u>	<u>305,344</u>
Revenue over (under) expenditures	(298,996)	(1,763,348)	(2,062,344)	(1,770,115)	(318,459)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	1,826,084	1,826,084
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,826,084</u>	<u>1,826,084</u>
Revenues and other financing sources over (under) expenditures and other uses	(298,996)	(1,763,348)	(2,062,344)	55,969	
Fund balance at beginning of year (Non-GAAP budgetary basis)			<u>3,855,660</u>	<u>2,882,708</u>	
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 1,793,316	\$ 2,938,677	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>690,203</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 3,628,880</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, 2019

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

* 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>
Contractually required contribution	\$ 129,023	\$ 133,394	\$ 152,164	\$ 161,172	\$ 179,063
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>
Contribution deficiency (excess)	<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
Contributions as a percentage of covered-employee payroll	8.44%	8.20%	9.31%	9.48%	9.75%

** 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, 2019

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>
City's portion of the net pension liability (asset)	0.4238%	0.4524%	0.4263%	0.4447%	0.3925%
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
City's covered-employee payroll	\$ 1,489,118	\$ 1,574,246	\$ 1,613,295	\$ 1,635,251	\$ 1,853,609
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	337%	305%	323%	342%	238%
Plan fiduciary net position as a percentage of the total pension liability	96.11%	100.00%	99.57%	99.85%	99.89%

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

** 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, 2019

	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	\$ -	\$ -	\$ -	\$ 100,469	\$ 70,782	\$ -	\$ 3,505	\$ 15,911	\$ -
Investments	100,000	15,000	2,000	-	57,000	60,000	-	-	60,000
Due from other governments	-	-	-	-	-	-	-	-	-
Prepaid asset	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 100,469</u>	<u>\$ 127,782</u>	<u>\$ 60,000</u>	<u>\$ 3,505</u>	<u>\$ 15,911</u>	<u>\$ 60,000</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 80	\$ -	\$ 3,505	\$ 75	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>-</u>	<u>3,505</u>	<u>75</u>	<u>-</u>
FUND BALANCES									
Restricted	100,000	-	-	-	-	60,000	-	-	-
Committed	-	-	-	-	-	-	-	15,836	-
Assigned	-	15,000	2,000	100,469	127,702	-	-	-	60,000
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>100,000</u>	<u>15,000</u>	<u>2,000</u>	<u>100,469</u>	<u>127,702</u>	<u>60,000</u>	<u>-</u>	<u>15,836</u>	<u>60,000</u>
Total liabilities and fund balances	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 100,469</u>	<u>\$ 127,782</u>	<u>\$ 60,000</u>	<u>\$ 3,505</u>	<u>\$ 15,911</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2019

	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	\$ -	\$ -	\$ -	\$ 26,266	\$ 61,521	\$ -	\$ 81,911	\$ 747,116	\$ 1,107,481
Investments	5,000	100,000	25,000	450,000	-	41,000	1,100,000	1,000,000	3,015,000
Due from other governments	-	-	-	-	-	-	-	-	-
Prepaid asset	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 476,266</u>	<u>\$ 61,521</u>	<u>\$ 41,000</u>	<u>\$ 1,181,911</u>	<u>\$ 1,747,116</u>	<u>\$ 4,122,481</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,574	\$ -	\$ 14,234
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,574</u>	<u>-</u>	<u>14,234</u>
FUND BALANCES									
Restricted	-	-	-	-	-	-	-	1,747,116	1,907,116
Committed	-	-	-	476,266	-	41,000	1,171,337	-	1,704,439
Assigned	5,000	100,000	25,000	-	-	-	-	-	435,171
Unassigned	-	-	-	-	61,521	-	-	-	61,521
Total fund balances	<u>5,000</u>	<u>100,000</u>	<u>25,000</u>	<u>476,266</u>	<u>61,521</u>	<u>41,000</u>	<u>1,171,337</u>	<u>1,747,116</u>	<u>4,108,247</u>
Total liabilities and fund balances	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 476,266</u>	<u>\$ 61,521</u>	<u>\$ 41,000</u>	<u>\$ 1,181,911</u>	<u>\$ 1,747,116</u>	<u>\$ 4,122,481</u>

City of Elk City, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds (continued)
June 30, 2017

	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	-	-	-	-	-	-	-	8,945	-
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	9,626	7,039	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	369	409	-	-	54	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,995</u>	<u>7,448</u>	<u>-</u>	<u>-</u>	<u>8,999</u>	<u>-</u>
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	-	-	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public safety and judiciary:									
Police	-	-	-	-	-	-	-	6,300	-
Fire	-	-	-	-	12,465	-	-	-	-
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,465</u>	<u>-</u>	<u>-</u>	<u>6,300</u>	<u>-</u>
Transportation:									
Street	-	-	-	-	-	-	-	-	-
Total transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cultural, parks and recreation:									
Musuem	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Total cultural, parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Service:									
Landfill	-	-	-	-	-	-	-	-	-
Total public services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>12,465</u>	<u>-</u>	<u>-</u>	<u>6,300</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,995</u>	<u>(5,017)</u>	<u>-</u>	<u>-</u>	<u>2,699</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	(1,206)	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,206)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	9,995	(6,223)	-	-	2,699	-
Fund balances - beginning	100,000	15,000	2,000	90,474	133,925	60,000	-	13,137	60,000
Fund balances - ending	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 100,469</u>	<u>\$ 127,702</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 15,836</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, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 851,411	\$ 851,411
Charges for services	-	-	-	-	-	-	479,180	-	488,125
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	27,418	-	44,083
Donations	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	7,134	1,222	-	19,807	18,302	47,297
Total revenues	-	-	-	7,134	1,222	-	526,405	869,713	1,430,916
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	-	-	-
Total general government	-	-	-	-	-	-	-	-	-
Public safety and judiciary:									
Police	-	-	-	-	-	-	-	-	6,300
Fire	-	-	-	-	-	-	-	-	12,465
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	-	-	-	-	-	-	-	-	18,765
Transportation:									
Street	-	-	-	-	-	-	-	-	-
Total transportation	-	-	-	-	-	-	-	-	-
Cultural, parks and recreation:									
Musuem	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Total cultural, parks and recreation	-	-	-	-	-	-	-	-	-
Public Service:									
Landfill	-	-	-	-	-	-	-	-	-
Total public services	-	-	-	-	-	-	-	-	-
Economic Development:									
Economic development	-	-	-	-	-	-	587,007	224,000	811,007
Total economic development	-	-	-	-	-	-	587,007	224,000	811,007
Capital outlay	-	-	-	-	-	-	180,000	-	180,000
Total expenditures	-	-	-	-	-	-	767,007	224,000	1,009,772
Excess (deficiency) of revenues over expenditures	-	-	-	7,134	1,222	-	(240,602)	645,713	421,144
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	5,453	(456,552)	(452,305)
Total other financing sources and uses	-	-	-	-	-	-	5,453	(456,552)	(452,305)
Net change in fund balances	-	-	-	7,134	1,222	-	(235,149)	189,161	(31,161)
Fund balances - beginning	5,000	100,000	25,000	469,132	60,299	41,000	1,406,486	1,557,955	4,139,408
Fund balances - ending	\$ 5,000	\$ 100,000	\$ 25,000	\$ 476,266	\$ 61,521	\$ 41,000	\$ 1,171,337	\$ 1,747,116	\$ 4,108,247

City of Elk City, Oklahoma
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2019

	Water Meter Deposit Fund	Municipal Court Bond Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 23,085	\$ 12,742	\$ 35,827
Investments	196,000	-	196,000
Total assets	<u>\$ 219,085</u>	<u>\$ 12,742</u>	<u>\$ 231,827</u>
LIABILITIES			
Due to other funds	\$ 28,884	\$ 3,504	\$ 32,388
Bonds and deposits subject to refund	190,201	9,238	199,439
Total liabilities	<u>\$ 219,085</u>	<u>\$ 12,742</u>	<u>\$ 231,827</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, 2019, 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 26, 2019

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 26, 2019