

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

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

**FOR THE YEAR ENDED
JUNE 30, 2021**

The City of Elk City, Oklahoma
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Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and 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, 2021, 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* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2021, 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 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 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. In our opinion, based on our audit, the procedures performed as described above, 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 section has 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 February 11, 2022, 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
February 11, 2022

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, 2021. 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, 2021, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$122,010,830 (net position). This compared to the previous year when assets exceeded liabilities by \$119,421,336.
- The City's total net position is comprised of the following:
 - (1) Net investment in capital assets of \$83,294,705 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 \$21,698,705 accounts for assets restricted for debt service and capital construction in accordance with debt offerings.
 - (3) Unrestricted net position of \$17,017,420 represent the portion available to maintain the City's continuing obligations to citizens and creditors compared to \$14,648,012 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 \$29,242,331. This compared to prior year ending fund balance of \$31,842,649, reporting a decrease of \$2,600,318 or 8% due to transfers of assets purchased with governmental funding for the public works operations.

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 like 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 the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

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

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

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

Notes to the financial statements

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

Other information

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

The City's combined net position at June 30, 2021 was \$122,010,830. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$62 million and \$60 million, respectively. The City's overall financial position improved marginally during fiscal year 2021.

	Summary of Net Position							
	Governmental Activities		Business-Type Activities		Total		Change	
	2021	2020	2021	2020	2021	2020	\$	%
Current assets	\$ 32,345	\$ 34,786	\$ 32,275	\$ 35,053	\$ 64,620	\$ 69,839	\$ (5,219)	-7%
Capital assets, net	37,042	38,451	63,075	59,285	100,117	97,736	2,381	2%
Total assets	69,387	73,237	95,350	94,338	164,737	167,575	(2,838)	-2%
Deferred outflow of resources	1,904	1,367	-	-	1,904	1,367	537	39%
Current liabilities	3,219	3,051	2,862	3,672	6,081	6,723	(642)	-10%
Non-current liabilities	5,139	4,263	32,753	37,425	37,892	41,688	(3,796)	-9%
Total liabilities	8,358	7,314	35,615	41,097	43,973	48,411	(4,438)	-9%
Deferred inflow of resources	657	1,110	-	-	657	1,110	(453)	-41%
Net position								
Net investment in capital assets	37,042	38,477	46,253	41,017	83,295	79,494	3,801	5%
Restricted	17,748	22,810	3,950	2,469	21,698	25,279	(3,581)	-14%
Unrestricted	7,486	4,893	9,532	9,755	17,018	14,648	2,370	16%
Total net position	\$ 62,276	\$ 66,180	\$ 59,735	\$ 53,241	\$ 122,011	\$ 119,421	\$ 2,590	2%

Net position is consistent with prior year, noting a 2% change. Total assets of the City remained consistent as liquidity fell while net capital improvements increased, resulting in a shift in the allocation of assets held by the City. The City's liabilities noted a decrease of 9% when compared to prior year, driven specifically by the reduction in debt of the City.

During the fiscal year, the City extinguished long-term outstanding debt using reserves held by the City resulting in the early retirement of almost \$3 million in debt. Additionally, the City made regularly scheduled payments on debt obligations totaling over \$2.4 million during the year. The reduction in liabilities is offset by an increase in pension obligations of the City totaling \$992 thousand dollars.

The City reported over \$100 million in capital assets with \$38 million remaining on debt used to finance their acquisition and construction.

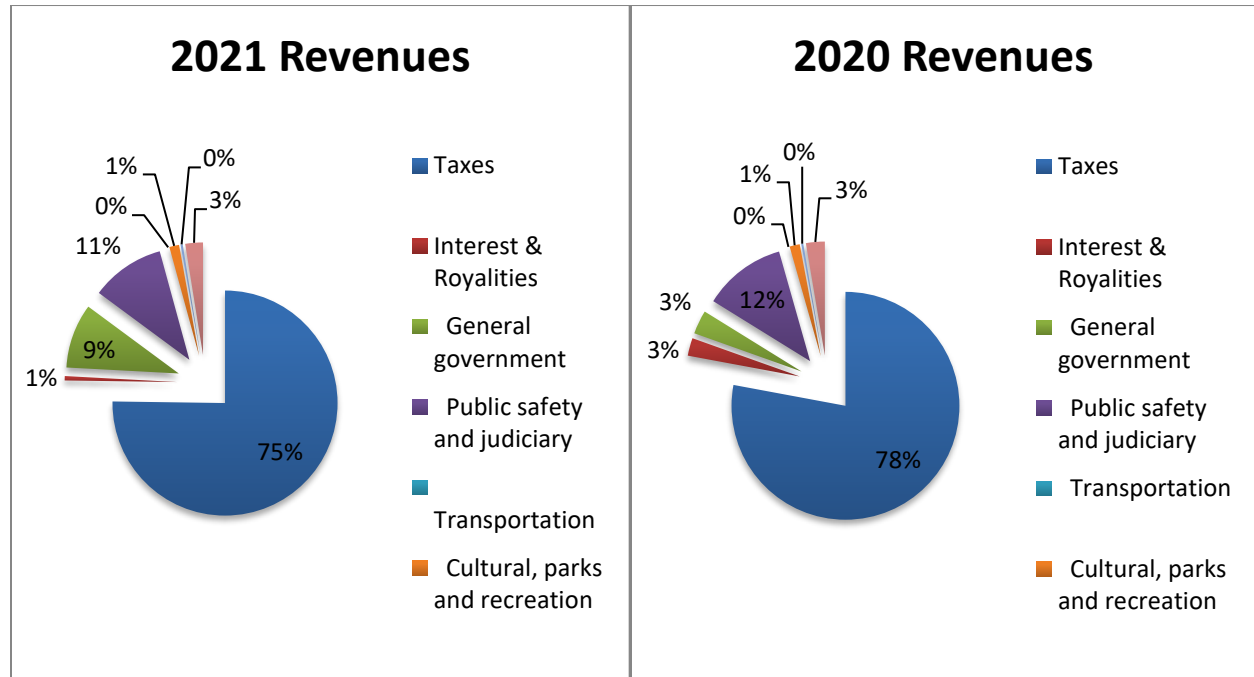
	Summary of Changes in Net Position							
	Governmental		Business-type		Total		Change	
	2021	2020	2021	2020	2021	2020	\$	%
Revenues								
Program revenues	\$ 3,649,153	\$ 2,897,520	\$ 8,978,774	\$ 8,512,399	\$12,627,927	\$11,409,919	\$ 1,218,008	11%
Taxes and other general revenues	12,045,463	12,358,962	4,252,296	4,473,102	16,297,759	16,832,064	(534,305)	-3%
Total revenues	15,694,616	15,256,482	13,231,070	12,985,501	28,925,686	28,241,983	683,703	2%
Expenses								
General government	2,334,111	2,788,848	-	-	2,334,111	2,788,848	(454,737)	-16%
Public safety and judiciary	6,940,582	7,061,706	-	-	6,940,582	7,061,706	(121,124)	-2%
Transportation	306,973	417,176	-	-	306,973	417,176.00	(110,203)	-26%
Cultural, parks, and recreation	1,837,428	1,948,752	-	-	1,837,428	1,948,752	(111,324)	-6%
Public service	889,933	973,277	-	-	889,933	973,277	(83,344)	-9%
Economic development	1,586,219	1,271,993	-	-	1,586,219	1,271,993	314,226	25%
Utilities	-	-	5,880,885	5,942,078	5,880,885	5,942,078	(61,193)	-1%
Airport	-	-	455,838	470,799	455,838	470,799	(14,961)	-3%
Customer service	-	-	673,273	479,450	673,273	479,450	193,823	40%
Industrial development	-	-	5,430,950	5,034,326	5,430,950	5,034,326	396,624	8%
Total expenses	13,895,246	14,461,752	12,440,946	11,926,653	26,336,192	26,388,405	(52,213)	0%
Excess (deficiency) before transfers	\$ 1,799,370	\$ 794,730	\$ 790,124	\$ 1,058,848	\$ 2,589,494	\$ 1,853,578	\$ 735,916	40%
Transfer to other governments	-	-	-	-	-	-	-	100%
Transfers	(5,703,200)	(1,849,083)	5,703,200	1,849,083	-	-	-	0%
Increase (decrease) in net position	\$ (3,903,830)	\$ (1,054,353)	\$ 6,493,324	\$ 2,907,931	\$ 2,589,494	\$ 1,853,578	\$ 735,916	40%

The City reported an increase in revenues of \$683 thousand or 2% when compared to prior year. Taxes and general revenues in Governmental funds declined slightly at 3%. However, program revenue increased over 11% or \$1 million dollars due to the increase in grant funding received by the City related to the Corona Virus federal pandemic funding received during the fiscal year. Sales tax remained consistent between years with less than a 1% change. Additionally, the change in pension obligation was a neutral impact on the change in net position. Utility billing receipts were steady during the period.

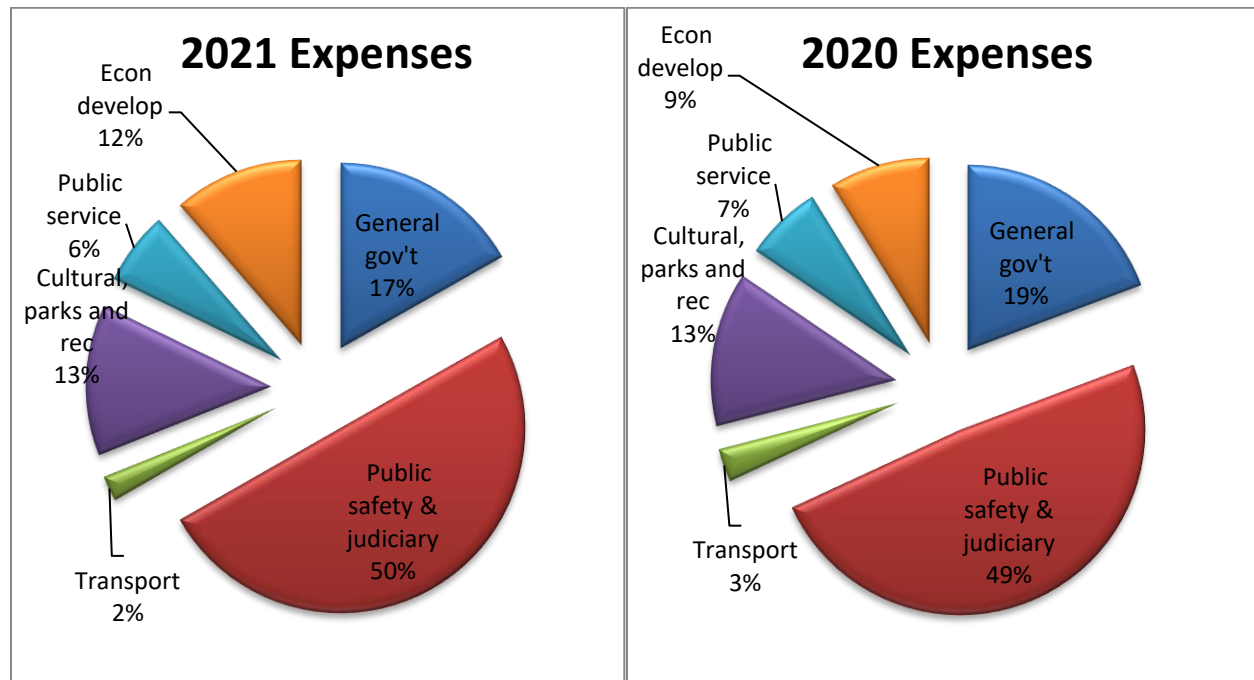
Operating expenses remained consistent between the two year period, noting a change of \$52 thousand dollars. As noted in prior year, management made a concerted effort to monitor and expenses in light of the COVID-19 pandemic.

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

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



Taxes provided 75% of the City's governmental revenues in fiscal year 2021 compared to 78% in 2020. Sources of revenues for the governmental funds remained consistent between years.



TOTAL EXPENSES \$13,895,246

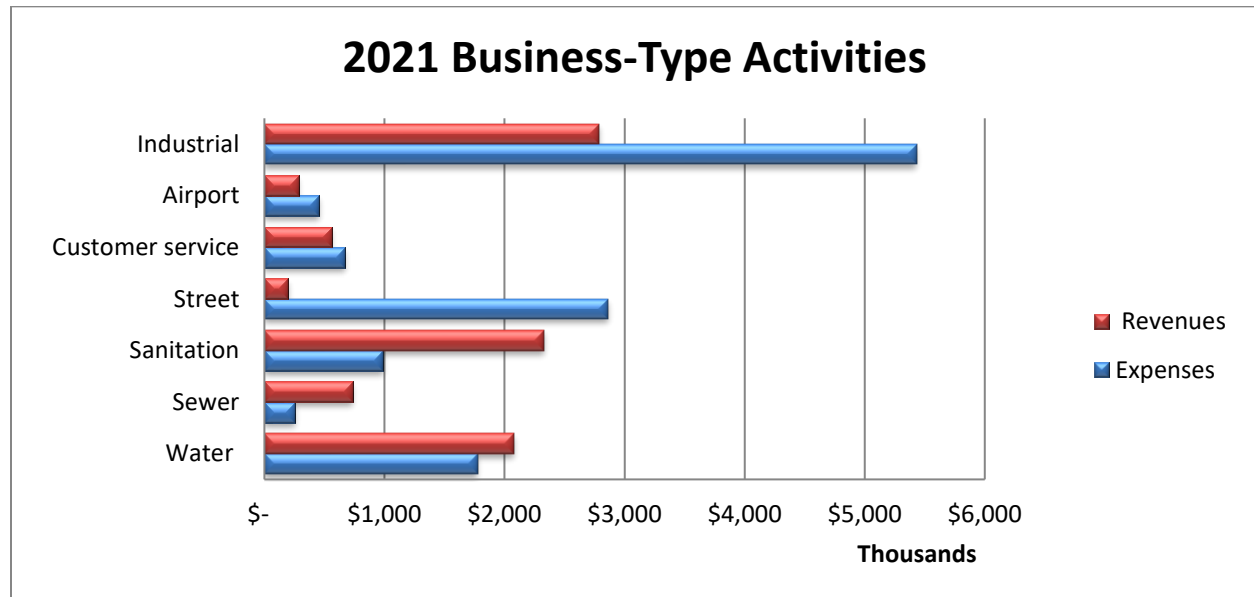
TOTAL EXPENSES \$14,461,752

For the year ended June 30, 2021, total expenses for governmental activities were \$13,895,246. Of this amount, public safety and judiciary with \$6,940,582, was the largest operating service department at 50% of the total cost of services for the City government. This compares to prior year in which public safety

accounted for 49% 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 2021 was \$9,848,837 compared to \$10,166,841 in prior year. During the fiscal year, the City approved budget amendments totaling \$300,375 for a total budget of \$10,149,212. Total expenditures for the City were \$9,732,409, which is \$416,803 less than the approved budget. The City complied all budget laws and regulations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2021, the City had \$83,294,705 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			
	2021	2020	2021	2020	2021	2020
Land and CIP	\$ 5,325	\$ 5,325	\$ 3,484	\$ 3,484	\$ 8,809	\$ 8,809
Buildings	16,495	16,273	32,964	32,668	49,459	48,941
Machinery & equipment	25,311	24,360	10,958	10,135	36,269	34,495
Utility property & improvements	46,528	46,485	52,332	46,312	98,860	92,797
Total cost	\$ 93,659	\$ 92,443	\$ 99,738	\$ 92,599	\$ 193,397	\$ 185,042
Accumulated depreciation	56,617	53,992	36,859	33,314	93,476	87,306
Total capital assets, net	\$ 37,042	\$ 38,451	\$ 62,879	\$ 59,285	\$ 99,921	\$ 97,736

Long-Term Debt

At year-end, the City had \$37,892,335 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			
	2021	2020	2021	2020	2021	2020
Notes payable	\$ -	\$ -	\$ 33,520,000	\$ 38,932,104	\$ 33,520,000	\$ 38,932,104
Lease payable	116,277	249,830	-	-	116,277	249,830.00
Pension obligation	5,138,952	4,146,907	-	-	5,138,952	4,146,907
Premium on debt issuanc	-	-	1,213,383	1,271,163	1,213,383	1,271,163
less current portion	(116,277)	(133,553)	(1,980,000)	(2,777,908)	(2,096,277)	(2,911,461)
Total long term debt	\$ 5,138,952	\$ 4,263,184	\$ 32,753,383	\$ 37,425,359	\$ 37,892,335	\$ 41,688,543

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

According to the Oklahoma State University, Spears School of Business, *Economic Outlook 2021 Summer Update* "The state and national economies continue to recover from the damage wrought by the COVID-19 pandemic. Parts of the economy that had been most affected saw the greatest increases in activity. The surge in inflation and the current wave of COVID-19 cases...pose risks to the economy." The City has continued to be proactive in unknown changes resulting from the pandemic in the upcoming year.

The *Economic Outlook* stated "the economy is moving towards a new unknown equilibrium of demand, prices, wages, and output. During the adjustment, the economy can simultaneously experience inflation and high unemployment with the combination of strong demand and constraints on supply." The pandemic continues to loom as municipalities move forward providing daily, necessary services to citizens.

Fiscal Year 2021 Planning

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Elk City, Oklahoma
Statement of Net Position
June 30, 2021

ASSETS	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current Assets:			
Cash and cash equivalents	\$ 5,787,447	\$ 5,177,999	\$ 10,965,446
Investments	11,696,102	2,250,591	13,946,693
Due from other governments	1,033,001	-	1,033,001
Accounts receivable (net)	74,315	1,067,862	1,142,177
Other receivables	-	397,717	397,717
Grant receivable	31,708	-	31,708
Inventory	12,522	1,135,090	1,147,612
Prepaid asset	27,110	-	27,110
Due from other funds	(1,338,249)	1,401,315	63,066
Total current assets	<u>17,323,956</u>	<u>11,430,574</u>	<u>28,754,530</u>
Restricted assets:			
Cash and cash equivalents	8,501,654	17,375,953	25,877,607
Investments	6,520,500	3,468,402	9,988,902
Total restricted assets	<u>15,022,154</u>	<u>20,844,355</u>	<u>35,866,509</u>
Noncurrent Assets:			
Discount on debt issued	-	196,660	196,660
Land and construction in progress	5,325,163	3,484,458	8,809,621
Other capital assets (net of accumulated depreciation)	31,716,973	59,394,175	91,111,148
Total noncurrent assets	<u>37,042,136</u>	<u>63,075,293</u>	<u>100,117,429</u>
Total assets	<u>\$ 69,388,246</u>	<u>\$ 95,350,222</u>	<u>\$ 164,738,468</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>1,904,211</u>	<u>-</u>	<u>1,904,211</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 474,672	\$ 403,940	\$ 878,612
Payroll liabilities	127,085	114,718	241,803
Compensated absences	660,994	190,315	851,309
Accrued payables	1,841,028	173,331	2,014,359
Capital lease payable, current	116,277	-	116,277
Notes payable, current	-	1,980,000	1,980,000
Total current liabilities	<u>3,220,056</u>	<u>2,862,304</u>	<u>6,082,360</u>
Noncurrent liabilities:			
Pension obligation	5,138,952	-	5,138,952
Notes payable, non-current	-	31,540,000	31,540,000
Premium on debt issuance	-	1,213,383	1,213,383
Total noncurrent liabilities	<u>5,138,952</u>	<u>32,753,383</u>	<u>37,892,335</u>
Total liabilities	<u>8,359,008</u>	<u>35,615,687</u>	<u>43,974,695</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>657,154</u>	<u>-</u>	<u>657,154</u>
NET POSITION			
Net investment in capital assets	36,925,859	46,252,569	83,178,428
Reserved for restricted purposes	17,748,286	3,950,419	21,698,705
Unrestricted	7,602,150	9,531,547	17,133,697
Total net position	<u>\$ 62,276,295</u>	<u>\$ 59,734,535</u>	<u>\$ 122,010,830</u>

City of Elk City, Oklahoma
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 2,334,111	\$ 239,220	\$ 1,116,367	\$ 46,455	\$ (932,069)
Public safety and judiciary	6,940,582	1,441,367	131,485	32,377	(5,335,353)
Transportation	306,973	-	-	-	(306,973)
Cultural, parks and recreation	1,837,428	187,174	24,217	-	(1,626,037)
Public service	889,933	47,110	-	-	(842,823)
Economic development	1,586,219	383,381	-	-	(1,202,838)
Total governmental activities	<u>13,895,246</u>	<u>2,298,252</u>	<u>1,272,069</u>	<u>78,832</u>	<u>(10,246,093)</u>
Business-type activities:					
Water	1,774,889	2,080,503	-	-	305,614
Sewer	254,994	733,737	-	-	478,743
Sanitation	988,767	2,332,193	-	-	1,343,426
Streets	2,862,235	-	198,442	-	(2,663,793)
Customer service	673,273	560,822	-	-	(112,451)
Airport	455,838	239,861	-	44,795	(171,182)
Industrial	5,430,950	2,788,421	-	-	(2,642,529)
Total business-type activities	<u>12,440,946</u>	<u>8,735,537</u>	<u>198,442</u>	<u>44,795</u>	<u>(3,462,172)</u>
Total primary government	<u>\$ 26,336,192</u>	<u>\$ 11,033,789</u>	<u>\$ 1,470,511</u>	<u>\$ 123,627</u>	<u>\$ (13,708,265)</u>

City of Elk City, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2021

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (10,246,093)	\$ (3,462,172)	\$ (13,708,265)
General revenues:			
Taxes:			
Sales tax	8,398,865	4,199,433	12,598,298
Use tax	1,578,154	-	1,578,154
Franchise tax	408,541	-	408,541
Other taxes	773,947	-	773,947
Oil and gas royalties	206,898	-	206,898
Miscellaneous income	612,395	-	612,395
Investment income	94,424	52,863	147,287
Change in pension obligations	(27,761)	-	(27,761)
Transfers internal activity	(5,703,200)	5,703,200	-
Total general revenues and transfers	<u>6,342,263</u>	<u>9,955,496</u>	<u>16,297,759</u>
Change in net position	(3,903,830)	6,493,324	2,589,494
Net position-beginning	66,180,125	53,241,211	119,421,336
Net position-ending	<u><u>\$ 62,276,295</u></u>	<u><u>\$ 59,734,535</u></u>	<u><u>\$ 122,010,830</u></u>

**City of Elk City, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2021**

	<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	\$ 5,787,447	\$ 5,688,179	\$ 402,922	\$ 2,410,553	\$ 14,289,101
Investments	11,696,102	4,300,000	-	2,220,500	18,216,602
Taxes receivable	774,233	258,768	-	-	1,033,001
Accounts receivable	74,315	-	-	-	74,315
Grant receivable	15,008	16,700	-	-	31,708
Inventory	12,522	-	-	-	12,522
Prepaid asset	27,110	-	-	-	27,110
Total assets	<u>\$ 18,386,737</u>	<u>\$ 10,263,647</u>	<u>\$ 402,922</u>	<u>\$ 4,631,053</u>	<u>\$ 33,684,359</u>
LIABILITIES					
Accounts payable	\$ 256,020	\$ 206,889	\$ 2,521	\$ 9,242	\$ 474,672
Due to other funds	1,326,331	-	7,055	4,863	1,338,249
Payroll liabilities	127,085	-	-	-	127,085
Compensated absences	660,994	-	-	-	660,994
Other accrued liabilities	1,841,028	-	-	-	1,841,028
Total liabilities	<u>4,211,458</u>	<u>206,889</u>	<u>9,576</u>	<u>14,105</u>	<u>4,442,028</u>
FUND BALANCES					
Nonspendable	12,522	-	-	-	12,522
Restricted	2,407,585	-	-	2,673,396	5,080,981
Committed	1,246,550	9,988,179	-	1,432,576	12,667,305
Assigned	187,894	-	18,134	446,203	652,231
Unassigned	10,320,728	68,579	375,212	64,773	10,829,292
Total fund balances	<u>14,175,279</u>	<u>10,056,758</u>	<u>393,346</u>	<u>4,616,948</u>	<u>29,242,331</u>
Total liabilities and fund balances	<u>\$ 18,386,737</u>	<u>\$ 10,263,647</u>	<u>\$ 402,922</u>	<u>\$ 4,631,053</u>	<u>\$ 33,684,359</u>
Total fund balance- total governmental funds					\$ 29,242,331
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				88,333,998	
Less: Accumulated depreciation				<u>(56,617,025)</u>	37,042,136
Long-term portion of liabilities are not due and payable in the current period and are not reported					
Capital lease payable				(116,277)	
Deferred outflows(inflows) on pension obligation				1,247,057	
Net pension (obligation)/asset				<u>(5,138,952)</u>	(4,008,172)
Net position of governmental activities					<u>\$ 62,276,295</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General Fund	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
REVENUES					
Sales tax	\$ 5,436,270	\$ 2,644,943	\$ -	\$ 630,001	\$ 8,711,214
Use tax	1,578,154	-	-	-	1,578,154
Franchise tax	408,541	-	-	-	408,541
Tobacco tax	115,359	-	-	-	115,359
Licenses and permits	99,778	-	-	-	99,778
Rents & royalties	237,767	-	-	-	237,767
Fines and forfeitures	97,443	-	-	-	97,443
Charges for services	2,754,261	-	-	394,516	3,148,777
Intergovernmental revenues	475,145	131,975	-	-	607,120
Donations	11,405	-	-	-	11,405
Other revenues	172,618	357,421	51,200	31,156	612,395
Interest	77,677	1,643	5,045	10,059	94,424
Total revenues	<u>11,464,418</u>	<u>3,135,982</u>	<u>56,245</u>	<u>1,065,732</u>	<u>15,722,377</u>
EXPENDITURES					
General government:					
Managerial	507,948	122,514	-	-	630,462
City clerk	773,585	-	-	-	773,585
City treasurer	74,772	-	-	-	74,772
City attorney	50,720	-	-	-	50,720
General government	468,948	93,336	-	-	562,284
Total general government	<u>1,875,973</u>	<u>215,850</u>	<u>-</u>	<u>-</u>	<u>2,091,823</u>
Public safety and judiciary:					
Police	2,963,266	34,955	-	3,884	3,002,105
Municipal court	89,922	-	-	270	90,192
Animal control	179,217	-	-	-	179,217
Fire	1,435,033	2,973	-	18,619	1,456,625
Ambulance	1,497,792	29,307	-	11,850	1,538,949
Total public safety and judiciary	<u>6,165,230</u>	<u>67,235</u>	<u>-</u>	<u>34,623</u>	<u>6,267,088</u>
Transportation:					
Street	-	21,174	-	-	21,174
Total transportation	<u>-</u>	<u>21,174</u>	<u>-</u>	<u>-</u>	<u>21,174</u>
Cultural, parks and recreation:					
Museum	332,474	7,653	-	-	340,127
Library	262,960	16,336	-	-	279,296
Civic center	57,508	12,628	-	-	70,136
Park	555,070	-	-	-	555,070
Swimming pool	56,766	-	-	-	56,766
Total cultural, parks and recreation	<u>1,264,778</u>	<u>36,617</u>	<u>-</u>	<u>-</u>	<u>1,301,395</u>
Public service:					
Cemetery	129,517	-	-	-	129,517
Inspection	154,298	40,225	-	-	194,523
Total public service	<u>283,815</u>	<u>40,225</u>	<u>-</u>	<u>-</u>	<u>324,040</u>
Economic development:					
Economic development	-	-	176,074	1,079,115	1,255,189
Total economic development	<u>-</u>	<u>-</u>	<u>176,074</u>	<u>1,079,115</u>	<u>1,255,189</u>
Capital outlay	-	1,216,173	-	-	1,216,173
Debt service					
Principle	133,553	-	-	-	133,553
Interest	9,060	-	-	-	9,060
Total debt service	<u>142,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,613</u>
Total expenditures	<u>9,732,409</u>	<u>1,597,274</u>	<u>176,074</u>	<u>1,113,738</u>	<u>12,619,495</u>
Excess (deficiency) of revenues over expenditures	<u>1,732,009</u>	<u>1,538,708</u>	<u>(119,829)</u>	<u>(48,006)</u>	<u>3,102,882</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,695,324	-	-	-	2,695,324
Transfers out	(2,785,310)	(3,400,990)	(2,909,636)	697,412	(8,398,524)
Total other financing sources and uses	<u>(89,986)</u>	<u>(3,400,990)</u>	<u>(2,909,636)</u>	<u>697,412</u>	<u>(5,703,200)</u>
Net change in fund balances	1,642,023	(1,862,282)	(3,029,465)	649,406	(2,600,318)
Fund balances - beginning	12,533,256	11,919,040	3,422,811	3,967,542	31,842,649
Fund balances - ending	<u>\$ 14,175,279</u>	<u>\$ 10,056,758</u>	<u>\$ 393,346</u>	<u>\$ 4,616,948</u>	<u>\$ 29,242,331</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

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 \$ (2,600,318)

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

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

Capital asset purchases capitalized	1,216,173	
Depreciation expense	<u>(2,625,477)</u>	(1,409,304)

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

Principle payment on capital lease	133,553
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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.

(27,761)

Change in Net Position of Governmental Activities	<u><u>\$ (3,903,830)</u></u>
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City of Elk City, Oklahoma
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,977,867	\$ 173,543	\$ 3,026,589	\$ 5,177,999
Investments	1,002,000	-	1,248,591	2,250,591
Due from other funds	1,679,615	-	1,127	1,680,742
Accounts receivable, net	520,298	2,040	545,524	1,067,862
Other receivables	9,565	-	388,152	397,717
Note receivable, current	-	-	-	-
Inventory	353,822	57,154	724,114	1,135,090
Total current assets	<u>5,543,167</u>	<u>232,737</u>	<u>5,934,097</u>	<u>11,710,001</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	482,017	-	16,893,936	17,375,953
Investments	-	-	3,468,402	3,468,402
Total restricted assets	<u>482,017</u>	<u>-</u>	<u>20,362,338</u>	<u>20,844,355</u>
Noncurrent assets:				
Discount on debt issued	-	-	196,660	196,660
Capital assets (net)	26,204,162	3,314,340	33,360,131	62,878,633
Total noncurrent assets	<u>26,204,162</u>	<u>3,314,340</u>	<u>33,556,791</u>	<u>63,075,293</u>
Total assets	<u>\$ 32,229,346</u>	<u>\$ 3,547,077</u>	<u>\$ 59,853,226</u>	<u>\$ 95,629,649</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 155,847	\$ 37,242	\$ 210,851	\$ 403,940
Payroll liabilities	286,751	3,840	14,442	305,033
Due to other funds	(96,426)	56,444	319,409	279,427
Deferred revenue	-	-	-	-
Accrued interest payable	3,263	-	170,068	173,331
Notes payable, current	-	-	1,980,000	1,980,000
Total current liabilities	<u>349,435</u>	<u>97,526</u>	<u>2,694,770</u>	<u>3,141,731</u>
Noncurrent liabilities:				
Notes payable, non-current	1,645,000	-	29,895,000	31,540,000
Premium on debt issuance, net	-	-	1,213,383	1,213,383
Total noncurrent liabilities	<u>1,645,000</u>	<u>-</u>	<u>31,108,383</u>	<u>32,753,383</u>
Total liabilities	<u>1,994,435</u>	<u>97,526</u>	<u>33,803,153</u>	<u>35,895,114</u>
NET POSITION				
Net investment in capital assets	24,559,162	3,314,340	18,379,067	46,252,569
Restricted	482,017	-	3,468,402	3,950,419
Unrestricted	<u>5,193,732</u>	<u>135,211</u>	<u>4,202,604</u>	<u>9,531,547</u>
Total fund net position	<u>\$ 30,234,911</u>	<u>\$ 3,449,551</u>	<u>\$ 26,050,073</u>	<u>\$ 59,734,535</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2021

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
<u>Operating revenues:</u>				
Charges for services:				
Water charges	\$ 2,080,503	\$ -	\$ -	\$ 2,080,503
Sewer charges	733,737	-	-	733,737
Sanitation charges	2,332,193	-	-	2,332,193
Sale of fuel and rock	-	184,692	2,773,633	2,958,325
Utility surcharges	431,082	-	-	431,082
Penalties	60,571	-	-	60,571
Total charges for services	<u>5,638,086</u>	<u>184,692</u>	<u>2,773,633</u>	<u>8,596,411</u>
Lease and rental income	-	52,184	-	52,184
Other fees and charges	69,169	2,985	14,788	86,942
Total operating revenues	<u>5,707,255</u>	<u>239,861</u>	<u>2,788,421</u>	<u>8,735,537</u>
<u>Operating expenses:</u>				
Cost of sales	-	121,529	2,604,051	2,725,580
Personal services	2,370,881	75,856	309,752	2,756,489
Materials and supplies	1,849,195	23,801	47,454	1,920,450
Other services and charges	320,024	22,389	49,553	391,966
Depreciation and amortization	1,964,820	212,263	1,310,551	3,487,634
Total operating expenses	<u>6,504,920</u>	<u>455,838</u>	<u>4,321,361</u>	<u>11,282,119</u>
Net operating income	(797,665)	(215,977)	(1,532,940)	(2,546,582)
<u>Nonoperating revenue (expense):</u>				
Sales tax	-	-	4,199,433	4,199,433
Investment income	26,029	7,506	19,328	52,863
Intergovernmental revenue	198,442	44,795	-	243,237
Interest expense	(49,238)	-	(1,109,589)	(1,158,827)
Total nonoperating revenue (expense)	<u>175,233</u>	<u>52,301</u>	<u>3,109,172</u>	<u>3,336,706</u>
Net Income before contributions and transfers	(622,432)	(163,676)	1,576,232	790,124
Transfers from other funds	2,190,741	65,801	3,523,656	5,780,198
Transfers to other funds	-	(70,079)	(6,919)	(76,998)
Transfer to other governments	-	-	-	-
Change in fund net position	1,568,309	(167,954)	5,092,969	6,493,324
Net position-beginning of year	28,666,602	3,617,505	20,957,104	53,241,211
Prior year restatement	-	-	-	-
Net position-end of year	<u>\$ 30,234,911</u>	<u>\$ 3,449,551</u>	<u>\$ 26,050,073</u>	<u>\$ 59,734,535</u>

City of Elk City, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	Public Works Authority	Airport Authority	Industrial Authority
<u>Cash flows from operating activities:</u>			
Receipts from customers	\$ 5,673,405	\$ 224,522	\$ 3,045,046
Payments to suppliers	(2,309,129)	(160,343)	(2,810,318)
Payments to employees	(2,303,260)	(75,856)	(304,782)
Net cash provided (used) by operating activities	1,061,016	(11,677)	(70,054)
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	2,190,741	65,801	3,523,656
Transfers to other funds	-	(70,079)	(6,919)
Transfers to other governments	-	-	-
Intergovernmental revenues	198,442	-	4,199,433
Net cash provided (used) by non-capital financing activities	2,389,183	(4,278)	7,716,170
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(2,577,374)	(79,526)	(4,424,128)
Capital grants and contributions	-	44,795	-
Issuance of capital debt	-	-	-
Principal paid on capital debt	(635,000)	-	(4,777,104)
Interest paid on capital debt	(50,497)	-	(1,102,629)
Net cash provided (used) by capital and related financing activities	(3,262,871)	(34,731)	(10,303,861)
<u>Cash flows from investing activities:</u>			
Change in investments	-	-	(1,802,578)
Investment income	26,029	7,506	19,328
Net cash provided (used) by investing activities	26,029	7,506	(1,783,250)
Net increase (decrease) in cash and cash equivalents	213,357	(43,180)	(4,440,995)
Cash & cash equivalents, beginning of the year	2,246,527	216,723	24,361,520
Cash & cash equivalents, end of the year	\$ 2,459,884	\$ 173,543	\$ 19,920,525
Cash, including time deposits	\$ 1,977,867	\$ 173,543	\$ 3,026,589
Restricted cash, including time deposits	482,017	-	16,893,936
Total cash and cash equivalents, end of year	\$ 2,459,884	\$ 173,543	\$ 19,920,525
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ (797,665)	\$ (215,977)	\$ (1,532,940)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,964,820	212,263	1,310,551
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	17,296	10,690	239,701
(Increase) decrease in other receivable	(51,146)	(1,241)	16,924
(Increase) decrease in inventory	(60,854)	(28,892)	1
Increase (decrease) in accounts payable	17,370	36,268	(109,261)
Increase (decrease) in payroll liabilities	67,621	-	4,970
Increase (decrease) in other liabilities	(96,426)	(4,620)	-
Increase (decrease) in deferred revenues	-	(20,168)	-
Total adjustments	1,858,681	204,300	1,462,886
Net cash provided (used) by operating activities	\$ 1,061,016	\$ (11,677)	\$ (70,054)

City of Elk City, Oklahoma
Statement of Fiduciary Net Position
June 30, 2021

	District 2 Drug Task Force Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 274,012	\$ 40,368
Investments	2,500,000	196,000
Due from other governments	25,213	-
Property, plant and equipment, net	18,933	-
Total assets	<u>\$ 2,818,158</u>	<u>\$ 236,368</u>
LIABILITIES		
Accounts payable	\$ 5,160	\$ -
Accrued salaries	35,748	-
Bonds and deposits subject to refund	-	207,484
Due to other funds	34,182	28,884
Total liabilities	<u>75,090</u>	<u>236,368</u>
NET ASSETS HELD IN TRUST		
District 2 drug task force funds	2,743,068	-
Net assets held in trust	<u>\$ 2,743,068</u>	<u>\$ -</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fiduciary Net Position
Trust Fund
Year Ended June 30, 2021

	District 2 Drug Task Force Trust Funds
<u>ADDITIONS</u>	
Forfeitures	\$ 275,157
Other Income	4
Interest	11,192
Transfer in	275,000
Total additions	561,353
 <u>DEDUCTIONS</u>	
Personal services	242,536
Supplies and repairs	5,031
Other charges and services	201,807
Depreciation	36,806
Transfer out	275,000
Total deductions	761,180
Change in net assets	(199,827)
 <u>NET ASSETS HELD IN TRUST</u>	
Beginning of year	2,942,895
End of year	\$ 2,743,068

(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 sections 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, 2021. The City operates under a charter with a Council-Manager form of government.

A. Reporting Entity

Fund Types and Major Funds

Major Governmental Funds

General Fund

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

Capital Projects Fund

Accounts for the Commission restricted sales tax of 1% limited to capital expenditures.

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 government-wide statements report using the economic resources measurement 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. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgements are recorded only when paid.

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 consist of certificates of deposit ("CD's"). CD's 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, 2021, the City has estimated an allowance of \$123,007 and \$333,960 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 & structures | 40 years |
| • Machinery, furniture & equipment | 5-10 years |
| • Infrastructure and improvements | 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 and proprietary 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 report a separate section for deferred outflows of resources. This separate financial 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, difference in projected and actual experience, and contributions subsequent to measurement period.

Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s); therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred charge on net pension obligations for the retirement plans of the City. A deferred charge on pension obligations results from the net different between projected and actual earnings on pension plan investments.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

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 (2%) is recorded as sales tax revenue within the General Fund; 2% is restricted by the City Commission 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 City's capital improvement bonds. Refer to additional information on the City's bonded debt in footnote B.

(2) ASSETS AND LIABILITIES AND NET POSITION

A. Assets

Deposits and Investments

Deposits and Certificates of Deposit

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. As the City's deposits are held in certificates of deposit, they are not subject to interest rate risk.

The City had no investments as of June 30, 2021.

	Primary Government			
	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings (1)	Weighted Average Days to Maturity
Primary government				
Certificates of deposit (CDs)	\$ 26,435,595	\$ 26,435,595	N/A	95
Total certificates of deposit	26,435,595	26,435,595		
 Total primary government certificates of deposit	\$ 26,435,595	\$ 26,435,595		

RECONCILIATION TO STATEMENT OF NET POSITION

	Governmental Activities	Business-type Activities	Fiduciary	Total
Investments, unrestricted	\$ 11,696,102	\$ 2,250,591	\$ -	\$ 13,946,693
Investments, restricted	6,520,500	3,468,402	2,500,000	12,488,902
Total certificates of deposit	\$ 18,216,602	\$ 5,718,993	\$ 2,500,000	\$ 26,435,595

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

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 \$191,644, net of allowance of \$123,077.

Proprietary activities report accounts receivable of \$1,298,366 comprised of amounts due from rock yard vendors and citizens for utility services provided. The City has recorded an allowance of \$334,361 based upon historical management knowledge and experience.

Capital Assets

Changes in Capital Assets

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

	Primary Government			
	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
<i>Governmental Activities</i>				
Land and construction in process	\$ 5,325,163	\$ -	\$ -	\$ 5,325,163
Buildings & structures	16,273,403	221,191	-	16,494,594
Machinery, furniture, & equipment	24,359,778	951,721	-	25,311,499
Instructure & improvements	46,484,644	43,261	-	46,527,905
Total	\$ 92,442,988	\$ 1,216,173	\$ -	\$ 93,659,161
Less accumulated depreciation	53,991,548	2,625,477	-	56,617,025
Governmental fixed assets, net	<u>\$ 38,451,440</u>	<u>\$ (1,409,304)</u>	<u>\$ -</u>	<u>\$ 37,042,136</u>
<i>Business-type Activities</i>				
Land and construction in process	\$ 3,484,458	\$ -	\$ -	\$ 3,484,458
Buildings & structures	32,667,510	296,000	-	32,963,510
Machinery, furniture, & equipment	10,134,802	823,365	-	10,958,167
Instructure & improvements	46,312,334	6,018,716	-	52,331,050
Total	\$ 92,599,104	\$ 7,138,081	\$ -	\$ 99,737,185
Less accumulated depreciation	33,313,865	3,544,687	-	36,858,552
Business-type fixed assets, net	<u>\$ 59,285,239</u>	<u>\$ 3,593,394</u>	<u>\$ -</u>	<u>\$ 62,878,633</u>
Total primary government	<u>\$ 97,736,679</u>	<u>\$ 2,184,090</u>	<u>\$ -</u>	<u>\$ 99,920,769</u>
<i>Fiduciary Funds</i>				
Machinery, furniture, & equipment	\$ 523,315	\$ -	\$ -	\$ 523,315
Total	\$ 523,315	\$ -	\$ -	\$ 523,315
Less accumulated depreciation	467,576	36,806	-	504,382
Fiduciary fund fixed assets, net	<u>\$ 55,739</u>	<u>\$ (36,806)</u>	<u>\$ -</u>	<u>\$ 18,933</u>

Business-type Assets by Fund

Capital Assets by Fund

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Fixed Assets
Land and CIP	\$ 2,900,966	\$ 296,917	\$ 286,575	\$ 3,484,458
Buildings & structures	589,902	140,980	32,232,628	32,963,510
Machinery, furniture, & equipment	6,934,056	998,456	3,025,655	10,958,167
Infrastructure & improvements	34,362,577	3,428,722	14,539,751	52,331,050
Total	44,787,501	4,865,075	50,084,609	99,737,185
Less accumulated depreciation	<u>(18,583,339)</u>	<u>(1,550,735)</u>	<u>(16,724,478)</u>	<u>(36,858,552)</u>
Business-type fixed assets, net	<u>\$ 26,204,162</u>	<u>\$ 3,314,340</u>	<u>\$ 33,360,131</u>	<u>\$ 62,878,633</u>

Depreciation Expense

Primary Government			
<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 242,288	Water	\$1,118,336
Public safety & judiciary	673,494	Customer service	162,912
Transportation	285,799	Sewer	87,910
Culture, parks and recreation	526,973	Landfill	10,596
Public service	565,893	Street	410,738
Economic development	331,030	Trash	231,381
		Airport	212,263
		Industrial	1,310,551
Total depreciation expense	\$ 2,625,477	Total depreciation expense	\$3,544,687

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. \$ 116,277

Business-Type Activities

Notes Payable:

The Elk City Public Works Authority issued Utility System Revenue Note, Series 2013 on December 30, 2013 in the original amount of \$5,990,000 to construct upgrades and improvements to the water system. The note carries an interest rate of 2.38%, maturing December 1, 2023. Semi-annual payments are required ranging from \$230,000 to \$330,000 per period. The note is secured with water, sewer, and garbage system revenues. 1,645,000

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%. 4,350,000

The Elk City Industrial Authority issued Sales Tax Revenue Bonds, Series 2019 in June 2019 totaling \$23,530,000 for an Indoor activity center, baseball/softball fields, aquatic center, and ackley park improvements. The note carries an interest rate of 2.49%, maturing June 2043. The note is secured with pledged sales tax of 1.5%, whereas 1% from the CAPPs Sales Tax ordinance and 0.5% of general sales tax. 22,345,000

The Elk City Public Works Authority Utility System Revenue Note, Taxable Series 2019 was issued November 2019 in the amount of \$5,510,000 to refund the Authority's 2009 Drinking Water SRF Note for debt savings. The original 2009 Drinking Water SRF Note was issued in fiscal year 2010 by the Oklahoma Water Resource Board to finance construction of a water line maturing October 2037. The loan had a fixed interest rate of 3.09% plus an administrative fee of .50% secured with the Elk City Public Works Authority's assets and future revenues, including water, sewer, and garbage. 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. 5,180,000

\$33,636,277

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Changes in Long-Term Debt

Type of Debt	Balance at July 1, 2020	Amount Issued	Amount Retired	Balance at June 30, 2021	Due Within One Year
Governmental activities:					
TCF Capital Lease	\$ 249,830	\$ -	\$ 133,553	\$ 116,277	\$ 116,277
Pension obligation	4,146,907	992,045	-	5,138,952	-
Total governmental activities	<u>\$ 4,396,737</u>	<u>\$ 992,045</u>	<u>\$ 133,553</u>	<u>\$ 5,255,229</u>	<u>\$ 116,277</u>
Business-type activities:					
Public Works Authority					
Series 2013 Note	2,280,000	-	635,000	1,645,000	645,000
Total Public Works Authority	<u>2,280,000</u>	<u>-</u>	<u>635,000</u>	<u>1,645,000</u>	<u>645,000</u>
Industrial Authority					
Elementary School	8,217,103	-	3,867,103	4,350,000	1,040,000
Sales Tax Revenue Bonds 2019	23,005,000	-	660,000	22,345,000	680,000
Series 2019 Revenue Note	5,430,000	-	250,000	5,180,000	260,000
Total Industrial Authority	<u>36,652,103</u>	<u>-</u>	<u>4,777,103</u>	<u>31,875,000</u>	<u>1,980,000</u>
Total business-type debt	<u>\$ 38,932,103</u>	<u>\$ -</u>	<u>\$ 5,412,103</u>	<u>\$ 33,520,000</u>	<u>\$ 2,625,000</u>

Annual Debt Service Requirements

Year Ending June 30	Governmental Activities		Public Works Authority		Industrial Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	116,277	2,568	645,000	35,343	1,980,000	1,002,265
2023	-	-	665,000	19,873	2,035,000	950,360
2024	-	-	335,000	3,989	2,080,000	901,984
2025	-	-	-	-	2,155,000	853,502
2026	-	-	-	-	1,045,000	796,346
2027-2031	-	-	-	-	5,910,000	3,273,511
2032-2036	-	-	-	-	7,090,000	2,099,973
2037-2040	-	-	-	-	6,805,000	1,035,494
2041-2043	-	-	-	-	2,775,000	130,781
Totals	<u>\$ 116,277</u>	<u>\$ 2,568</u>	<u>\$ 1,645,000</u>	<u>\$ 59,205</u>	<u>\$ 31,875,000</u>	<u>\$ 11,044,216</u>

For governmental activities, liabilities incurred are generally liquidated by the General Fund.

C. Net Position

The City's net position was restricted for the following purposes as of the date of the report:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Enabling legislation from the state of Oklahoma	235,028	-
Economic development	2,513,396	-
Debt Service	-	482,017
Capital improvements	2,332,557	3,468,402
Total Restricted Net Position	\$ 5,080,981	\$ 3,950,419

(3) REVENUES AND EXPENSES

A. Interfund Balances

	<u>Due From</u>	<u>Due To</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ -	\$ 1,327,690
<i>ECONOMIC DEVELOPMENT</i>		
PUBLIC WORKS AUTHORITY	-	7,055
<i>NON-MAJOR FUNDS</i>		
PUBLIC WORKS AUTHORITY	-	3,504
<i>Total Governmental Activities</i>	<u>-</u>	<u>1,338,249</u>
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	1,327,690	-
ECONOMIC DEVELOPMENT	7,055	-
AIRPORT AUTHORITY	63,695	-
INDUSTRIAL AUTHORITY	319,589	1,127
FIDUCIARY ACTIVITIES	63,067	-
NON-MAJOR FUNDS	3,504	-
<i>AIRPORT AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	-	63,695
<i>INDUSTRIAL AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	1,127	319,589
<i>Total Business-Type Activities</i>	<u>1,785,727</u>	<u>384,411</u>
FIDUCIARY ACTIVITIES		
<i>METER FUND</i>		
PUBLIC WORKS AUTHORITY	-	28,884
<i>DRUG TASK FORCE</i>		
PUBLIC WORKS AUTHORITY	-	34,183
<i>Total Fiduciary Activities</i>	<u>-</u>	<u>63,067</u>
	<u>\$ 3,571,454</u>	<u>\$ 3,571,454</u>

	Transfer In	Transfer Out
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ 2,200,141	\$ 2,200,141
CAPITAL PROJECTS	418,185	-
NON-MAJOR FUNDS	-	287,521
AIRPORT AUTHORITY	70,079	65,801
INDUSTRIAL AUTHORITY	6,919	231,847
<i>CAPITAL PROJECTS</i>		
PUBLIC WORKS AUTHORITY	-	2,572,914
GENERAL FUND	-	418,185
NON-MAJOR FUNDS	-	409,891
ECONOMIC DEVELOPMENT	-	-
<i>ECONOMIC DEVELOPMENT</i>		
INDUSTRIAL AUTHORITY	-	2,909,636
<i>NON-MAJOR FUNDS</i>		
GENERAL FUND	287,521	-
CAPITAL PROJECTS	409,891	-
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
INDUSTRIAL AUTHORITY	-	382,173
CAPITAL PROJECTS	2,572,914	-
<i>AIRPORT AUTHORITY</i>		
CAPITAL PROJECTS	65,801	70,079
<i>INDUSTRIAL AUTHORITY</i>		
GENERAL FUND	231,847	6,919
ECONOMIC DEVELOPMENT	2,909,636	-
PUBLIC WORKS AUTHORITY	382,173	-
FIDUCIARY FUNDS		
<i>FIDUCIARY FUND</i>		
	275,000	275,000
	\$ 9,830,107	\$ 9,830,107

(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. Empower Retirement 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, 2021, the Plan covered 109 employees with a total payroll of \$7,448,352.

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 The Hartford Deferred Compensation Plan. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vested 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 \$255,314 for fiscal year 2021, while the employees contributed \$57,161. 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 determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$98,995.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$510,352 for its proportionate share of the net pension liability. The net pension asset was measured as of July 1, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2020. 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, 2020. Based upon this information, the City's proportion was 0.00444.

For the year ended June 30, 2021, the City recognized pension expense of \$599,911. At June 30, 2021, 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	\$ 13,203	\$ 138,598
Changes of assumptions	52,428	-
Net difference between projected and actual earnings on pension plan investments	720,778	118,642
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	98,995	-
Total	\$ 885,404	\$ 257,240

At June 30, 2021, the City reported \$98,995 as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the

year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling \$529,169 related to pensions will be recognized as an increase in pension expense as follows:

Year ended June 30:

2021	\$	172,942
2022		153,082
2023		197,080
2024		114,574
2025		(9,513)
Total	\$	628,164

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

Mortality rates: Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

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

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, 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)	1,802,869	510,352	(582,845)

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 \$101,482.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$1,681,325 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2020. Based upon this information the City's proportion was 0.00136485.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 214,285	\$ 22,559
Changes of assumptions	-	28,492
Net difference between projected and actual earnings on pension plan investments	118,930	94,216
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	101,482	-
Total	\$ 434,697	\$ 145,267

For the year ended June 30, 2021, the City recognized pension expense of \$893,675. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

At June 30, 2021, the City reported \$101,482 as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling \$187,948 related to pensions will be recognized as an increase in pension expense as follows:

Year ended June 30:	
2021	\$ 137,199
2022	69,384
2023	51,581
2024	31,266
2025	-
Total	\$ 289,430

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2020, 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, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the following table:

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

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

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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)	2,183,578	1,681,325	1,261,206

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

(5) COMMITMENTS AND CONTINGENCIES

A. Landfill Closure and Post-Closure Care

State and federal laws and regulations require the City of Elk City to place a final cover on landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure on the current landfill. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, closure costs represent a liability based on landfill capacity used as of April 26, 2021. The landfill is currently in use under permit number 3505009 with an estimated useful life of 0.85 years remaining. The financial statements reflect an accrual of \$1,756,205 as a liability in current debt to cover the estimated costs. The liability is shown as a long-term obligation based upon the estimated life of the landfill. This amount is only an estimate based on current circumstances and may change due to inflation, changes in technology, or changes in regulations.

During the fiscal year 2015, the City began operating a second cell of the landfill under permit number 3505012. This cell is currently being used by the City for sanitation disposal. The estimated life of the landfill is 19.69 years with an associated closing cost of \$1,670,168. The financial statements reflect an accrual of 1/19 of the estimated liability, totaling \$84,823.

B. Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

C. Grant Program Involvement

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

**City of Elk City Oklahoma
General Fund
Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2021**

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 4,333,485	\$ 1,155,596	\$ 5,489,081	\$ 5,436,270	\$ (52,811)
Use tax	1,361,185	175,000	1,536,185	1,578,154	41,969
Franchise tax	450,000	(50,000)	400,000	408,541	8,541
Other taxes	217,585	11,000	228,585	115,359	(113,226)
Licenses and permits	50,000	10,000	60,000	99,778	39,778
Rents & royalties	340,297	30,000	370,297	237,767	(132,530)
Fines and forfeitures	160,000	-	160,000	97,443	(62,557)
Charges for services	1,212,500	29,000	1,241,500	2,754,261	1,512,761
Intergovernmental revenues	350,000	(300,000)	50,000	475,145	425,145
Donations	10,000	6,000	16,000	11,405	(4,595)
Other revenues	175,000	892,358	1,067,358	172,618	(894,740)
Interest	175,000	-	175,000	77,677	(97,323)
Total revenues	<u>8,835,052</u>	<u>1,958,954</u>	<u>10,794,006</u>	<u>11,464,418</u>	<u>670,412</u>
EXPENDITURES					
<u>General government:</u>					
Managerial	443,659	79,800	523,459	507,948	15,511
General government	1,130,922	254,775	1,385,697	1,385,146	551
Treasurer	73,187	7,050	80,237	74,772	5,465
City Attorney	49,550	1,500	51,050	50,720	330
<u>Public safety and judiciary:</u>					
Police & DOC	3,385,646	(275,000)	3,110,646	2,963,266	147,380
Municipal Court	86,021	4,000	90,021	89,922	99
Animal Control	202,967	(3,350)	199,617	179,217	20,400
Fire	1,289,836	146,000	1,435,836	1,435,033	803
Ambulance	1,566,231	(66,000)	1,500,231	1,497,792	2,439
<u>Culture and recreation:</u>					
Museum	392,048	(45,000)	347,048	332,474	14,574
Library	253,814	9,500	263,314	262,960	354
Civic Center	63,500	100,000	163,500	57,508	105,992
Park	550,139	22,000	572,139	555,070	17,069
Swimming Pool	86,261	-	86,261	56,766	29,495
<u>Public services</u>					
Cemetery	123,357	27,100	150,457	129,517	20,940
Inspection	151,699	38,000	189,699	154,298	35,401
Total expenditures	<u>9,848,837</u>	<u>300,375</u>	<u>10,149,212</u>	<u>9,732,409</u>	<u>416,803</u>
Revenue over (under) expenditures	(1,013,785)	1,658,579	644,794	1,732,009	253,609
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	(89,986)	(89,986)
Net other financing sources (uses)	-	-	-	(89,986)	(89,986)
Revenues and other financing sources over (under) expenditures and other uses	(1,013,785)	1,658,579	644,794	1,642,023	163,623
Fund balance at beginning of year (Non-GAAP budgetary basis)	<u>6,909,972</u>		<u>6,909,972</u>	<u>12,136,855</u>	
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 5,896,187</u>		<u>\$ 7,554,766</u>	<u>\$ 13,778,878</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>396,401</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 14,175,279</u>	

City of Elk City Oklahoma
Capital Projects
Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 2,166,743	\$ 577,798	\$ 2,744,541	\$ 2,644,943	\$ (99,598)
Grant income	232,236	-	232,236	131,975	(100,261)
Other income	45,000	142,435	187,435	359,064	171,629
Total revenues	<u>2,443,979</u>	<u>720,233</u>	<u>3,164,212</u>	<u>3,135,982</u>	<u>(28,230)</u>
EXPENDITURES					
Capital Projects					
Airport	465,000	-	465,000	69,175	395,825
Ambulance	350,000	293,313	643,313	29,307	614,006
Animal Control	-	20,000	20,000	-	20,000
Cemetery	49,000	13,800	62,800	-	62,800
City Hall	20,000	-	20,000	-	20,000
Civic Center	180,000	51,350	231,350	12,628	218,722
Fire	151,000	123,472	274,472	29,973	271,499
Fleet	20,000	-	20,000	14,000	6,000
Information Technology	175,200	-	175,200	158,627	16,573
Inspection	50,000	-	50,000	40,225	9,775
Landfill	125,000	2,116,888	2,241,888	-	2,241,888
Library	30,500	17,499	47,999	16,336	31,663
Maintenance	-	-	-	-	-
Managerial	293,000	140,920	433,920	122,514	311,406
Museum	32,200	5,000	37,200	7,653	29,547
Park	97,000	49,600	146,600	41,724	104,876
Police	195,000	756	195,756	34,955	160,801
Right of way	43,000	12,250	55,250	-	55,250
Rock yard	300,000	-	300,000	-	300,000
Safety	2,000	-	2,000	-	2,000
Sanitation	222,000	(12,250)	209,750	9,047	200,703
Street	50,000	2,010,715	2,060,715	21,174	2,039,541
Swimming pool	-	-	-	-	-
Wastewater	28,000	239,906	267,906	203,078	64,828
Water	6,000	296,000	302,000	301,347	653
Water Distribution	550,000	240,558	790,558	512,511	278,047
Youth & Family	-	-	-	-	-
Total expenditures	<u>3,433,900</u>	<u>5,619,777</u>	<u>9,053,677</u>	<u>1,597,274</u>	<u>7,456,403</u>
Revenue over (under) expenditures	(989,921)	(4,899,544)	(5,889,465)	1,538,708	(7,484,633)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	(3,400,990)	(3,400,990)
Net other financing sources (uses)	-	-	-	(3,400,990)	(3,400,990)
Revenues and other financing sources over (under) expenditures and other uses	(989,921)	(4,899,544)	(5,889,465)	(1,862,282)	(10,885,623)
Fund balance at beginning of year (Non-GAAP bud	10,205,541	-	10,205,541	14,145,138	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 12,282,856</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(2,226,098)	
Fund balance at end of year (GAAP basis)				<u>\$ 10,056,758</u>	

City of Elk City Oklahoma
Economic Development
Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Rental Income	\$ 50,000	\$ -	\$ 50,000	\$ 51,200	\$ 1,200
Interest	40,000	-	40,000	5,045	(34,955)
Total revenues	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>56,245</u>	<u>(33,755)</u>
EXPENDITURES					
<u>Economic Development</u>					
Personal services	97,393	-	97,393	19,741	77,652
Materials & supplies	21,000	-	21,000	14,132	6,868
Other charges & services	288,900	-	288,900	129,791	159,109
Capital outlay	-	2,901,713	2,901,713	12,410	2,889,303
Total expenditures	<u>407,293</u>	<u>2,901,713</u>	<u>3,309,006</u>	<u>176,074</u>	<u>3,132,932</u>
Revenue over (under) expenditures	(317,293)	(2,901,713)	(3,219,006)	(119,829)	(3,166,687)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	(2,909,636)	(2,909,636)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,909,636)</u>	<u>(2,909,636)</u>
Revenues and other financing sources over (under) expenditures and other uses	(317,293)	(2,901,713)	(3,219,006)	(3,029,465)	
Fund balance at beginning of year (Non-GAAP budgetary basis)			<u>3,428,222</u>	<u>2,732,607</u>	
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 209,216	\$ (296,858)	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>690,204</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 393,346</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, 2021

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
City's portion of the net pension liability (asset)	0.3548%	0.3630%	0.3969%	0.4111%	0.4040%	0.1681%	0.4440%
City's proportionate share of the net pension liability (asset)	\$ (119,445)	\$ 14,802	\$ 607,830	\$ 31,622	\$ (192,442)	\$ (10,732)	\$ 510,352
City's covered-employee payroll	\$ 1,527,970	\$ 1,626,148	\$ 1,633,738	\$ 1,700,025	\$ 1,836,557	\$ 1,999,675	\$ 1,932,705
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-8%	1%	37%	2%	-10%	-1%	26%
Plan fiduciary net position as a percentage of the total pension liability	149.70%	99.99%	99.60%	100.00%	100.01%	100.00%	99.98%

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

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
Contractually required contribution	\$ 129,023	\$ 133,394	\$ 152,164	\$ 161,172	\$ 179,063	\$ 186,112	\$ 160,867
Contributions in relation to the contractually required contribution	(129,023)	(133,394)	(152,164)	(161,172)	(179,063)	(186,112)	(160,867)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,527,970	\$ 1,626,148	\$ 1,633,738	\$ 1,700,025	\$ 1,836,557	\$ 1,999,675	\$ 1,932,705
Contributions as a percentage of covered-employee payroll	8.44%	8.20%	9.31%	9.48%	9.75%	9.31%	8.32%

** 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, 2021

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
City's portion of the net pension liability (asset)	0.4238%	0.4524%	0.4263%	0.4447%	0.3925%	0.1647%	0.1365%
City's proportionate share of the net pension liability (asset)	\$ 5,013,129	\$ 4,801,838	\$ 5,207,678	\$ 5,592,844	\$ 4,417,805	\$ 1,739,921	\$ 1,681,325
City's covered-employee payroll	\$ 1,489,118	\$ 1,574,246	\$ 1,613,295	\$ 1,635,251	\$ 1,853,609	\$ 1,913,600	\$ 1,917,481
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	337%	305%	323%	342%	238%	91%	88%
Plan fiduciary net position as a percentage of the total pension liability	96.11%	100.00%	99.57%	99.85%	99.89%	99.95%	99.96%

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

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
Contractually required contribution	\$ 158,403	\$ 173,050	\$ 166,927	\$ 156,196	\$ 168,708	\$ 167,827	\$ 184,475
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>	<u>(167,827)</u>	<u>(184,475)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<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	\$ 1,913,600	\$ 1,917,481
Contributions as a percentage of covered-employee payroll	10.64%	10.99%	10.35%	9.55%	9.10%	8.77%	9.62%

** 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, 2021

	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	\$ -	\$ -	\$ -	\$ 72,576	\$ 61,370	\$ -	\$ 2,476	\$ 17,449	\$ -
Investments	100,000	15,000	2,000	50,000	57,000	60,000	-	-	60,000
Due from other funds	-	-	-	-	-	-	-	-	-
Prepaid asset	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 122,576</u>	<u>\$ 118,370</u>	<u>\$ 60,000</u>	<u>\$ 2,476</u>	<u>\$ 17,449</u>	<u>\$ 60,000</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 715	\$ -	\$ -	\$ 2,125	\$ -
Due to other funds	-	-	-	-	-	-	3,504	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>715</u>	<u>-</u>	<u>3,504</u>	<u>2,125</u>	<u>-</u>
FUND BALANCES									
Restricted	100,000	-	-	-	-	60,000	-	-	-
Committed	-	-	-	-	-	-	-	15,324	-
Assigned	-	15,000	2,000	122,576	117,655	-	(1,028)	-	60,000
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>100,000</u>	<u>15,000</u>	<u>2,000</u>	<u>122,576</u>	<u>117,655</u>	<u>60,000</u>	<u>(1,028)</u>	<u>15,324</u>	<u>60,000</u>
Total liabilities and fund balances	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 122,576</u>	<u>\$ 118,370</u>	<u>\$ 60,000</u>	<u>\$ 2,476</u>	<u>\$ 17,449</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2021

	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	\$ -	\$ -	\$ -	\$ 35,625	\$ 64,773	\$ -	\$ 242,888	\$ 1,913,396	\$ 2,410,553
Investments	5,000	100,000	25,000	450,000	-	41,000	655,500	600,000	2,220,500
Due from other funds	-	-	-	-	-	-	-	-	-
Prepaid asset	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 485,625</u>	<u>\$ 64,773</u>	<u>\$ 41,000</u>	<u>\$ 898,388</u>	<u>\$ 2,513,396</u>	<u>\$ 4,631,053</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,402	\$ -	\$ 9,242
Due to other funds	-	-	-	-	-	-	1,359	-	4,863
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,761</u>	<u>-</u>	<u>14,105</u>
FUND BALANCES									
Restricted	-	-	-	-	-	-	-	2,513,396	2,673,396
Committed	-	-	-	485,625	-	41,000	890,627	-	1,432,576
Assigned	5,000	100,000	25,000	-	-	-	-	-	446,203
Unassigned	-	-	-	-	64,773	-	-	-	64,773
Total fund balances	<u>5,000</u>	<u>100,000</u>	<u>25,000</u>	<u>485,625</u>	<u>64,773</u>	<u>41,000</u>	<u>890,627</u>	<u>2,513,396</u>	<u>4,616,948</u>
Total liabilities and fund balances	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 485,625</u>	<u>\$ 64,773</u>	<u>\$ 41,000</u>	<u>\$ 898,388</u>	<u>\$ 2,513,396</u>	<u>\$ 4,631,053</u>

City of Elk City, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds (continued)
June 30, 2021

	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	-	-	-	-	-	-	-	11,135	-
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	15,947	15,209	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	254	14	-	-	3	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,201</u>	<u>15,223</u>	<u>-</u>	<u>-</u>	<u>11,138</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	-	-	-	3,884	-	-	-	-	-
Municipal court	-	-	-	-	-	-	270	-	-
Fire	-	-	-	-	18,619	-	-	-	-
Animal control	-	-	-	-	-	-	-	11,850	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,884</u>	<u>18,619</u>	<u>-</u>	<u>270</u>	<u>11,850</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>3,884</u>	<u>18,619</u>	<u>-</u>	<u>270</u>	<u>11,850</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,317</u>	<u>(3,396)</u>	<u>-</u>	<u>(270)</u>	<u>(712)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	(980)	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(980)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	12,317	(4,376)	-	(270)	(712)	-
Fund balances - beginning	100,000	15,000	2,000	110,259	122,031	60,000	(758)	16,036	60,000
Fund balances - ending	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 122,576</u>	<u>\$ 117,655</u>	<u>\$ 60,000</u>	<u>\$ (1,028)</u>	<u>\$ 15,324</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, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 630,001	\$ 630,001
Charges for services	-	-	-	-	-	-	383,381	-	394,516
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	31,156
Donations	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	1,890	1,564	-	2,531	3,803	10,059
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890</u>	<u>1,564</u>	<u>-</u>	<u>385,912</u>	<u>633,804</u>	<u>1,065,732</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	-	-	-	-	-	-	-	-	3,884
Municipal court	-	-	-	-	-	-	-	-	270
Fire	-	-	-	-	-	-	-	-	18,619
Animal control	-	-	-	-	-	-	-	-	11,850
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,623</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	-	-	-	-	-	-	303,140	775,975	1,079,115
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,140</u>	<u>775,975</u>	<u>1,079,115</u>
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,140</u>	<u>775,975</u>	<u>1,113,738</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890</u>	<u>1,564</u>	<u>-</u>	<u>82,772</u>	<u>(142,171)</u>	<u>(48,006)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	(67,904)	766,296	697,412
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,904)</u>	<u>766,296</u>	<u>697,412</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890</u>	<u>1,564</u>	<u>-</u>	<u>14,868</u>	<u>624,125</u>	<u>649,406</u>
Fund balances - beginning	5,000	100,000	25,000	483,735	63,209	41,000	875,759	1,889,271	3,967,542
Fund balances - ending	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 485,625</u>	<u>\$ 64,773</u>	<u>\$ 41,000</u>	<u>\$ 890,627</u>	<u>\$ 2,513,396</u>	<u>\$ 4,616,948</u>

City of Elk City, Oklahoma
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2021

	Water Meter Deposit Fund	Municipal Court Bond Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 27,865	\$ 12,503	\$ 40,368
Investments	196,000	-	196,000
Total assets	<u>\$ 223,865</u>	<u>\$ 12,503</u>	<u>\$ 236,368</u>
LIABILITIES			
Due to other funds	\$ 28,884	-	\$ 28,884
Bonds and deposits subject to refund	194,981	12,503	207,484
Total liabilities	<u>\$ 223,865</u>	<u>\$ 12,503</u>	<u>\$ 236,368</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 Honorable Mayor and 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, 2021, 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 February 11, 2022.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC

Stillwater, Oklahoma

February 11, 2022

CITY OF ELK CITY, OK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Transportation:</u>				
Federal Aviation Administration - Airport Improvement Program				
Coronavirus State and Local Fiscal Recovery Funds	21.027	30,000	30,000	30,000
3-40-0027-019-2020	20.106	142,530	69,149	70,650
Sub-total U.S. Department of Transportation		172,530	99,149	100,650
<u>U.S. Department of Treasury</u>				
<u>Passed through the Oklahoma Department of Treasury:</u>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	892,358	892,358	892,358
Sub-total U.S. Department of Treasury		892,358	892,358	892,358
<u>U.S. Department of Justice:</u>				
Community Oriented Policing Services	16.710	169,641	51,664	51,664
Sub-total U.S. Department of Justice		169,641	51,664	51,664
Total of Expenditures of Federal Awards		\$ 1,234,529	\$ 1,043,171	\$ 1,044,672

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ending June 30, 2021

SECTION I --- SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 Audit findings paragraph (a)? No

Identification of major programs:

Federal Assistance Listing

21.027

Name of Federal Program or Cluster

Corona Virus Stat and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? No

SECTION II --- FINANCIAL STATEMENT FINDINGS

There were no current year financial statement findings.

SECTION III --- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year federal award findings or questioned costs.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior year federal award findings or questioned costs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and City Commission
City of Elk City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Elk City, Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Elk City, Oklahoma's major federal programs for the year ended June 30, 2021. City of Elk City, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Elk City, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Elk City, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Elk City, Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Elk City, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City of Elk City, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Elk City, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Elk City, Oklahoma's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Stillwater, Oklahoma

February 11, 2022