



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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**THE CITY OF OILTON
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CITY OF OILTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Elfrink and Associates, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Oilton, Oklahoma

Report on the financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Oilton, Oklahoma ("City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Oilton, Oklahoma, as of June 30, 2020, and the respective changes in the modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



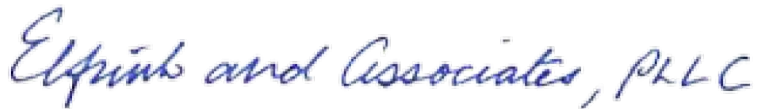
Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information, combining fund information, and State awards information on page 40 through 42, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Elfrink and Associates, PLLC". The signature is written in a cursive, flowing style.

Elfrink and Associates, PLLC

Tulsa, Oklahoma
April 27, 2021

CITY OF OILTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2020

The management of the City of Oilton is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2020. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitation of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position decreased by \$14,924 and the assets of the City exceed its liabilities at June 30, 2020, by \$2,831,093 (net position). Of this amount, \$203,555 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2020, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$167,955.
- At the end of fiscal year 2020, unassigned fund balance for the General Fund was \$27,569.

ABOUT THE CITY

The City of Oilton is a municipality with a population of approximately 1,012 located in Creek County in Northeast Oklahoma. The City is governed by a nine-member City Council headed by the Mayor and operates under Oklahoma state laws and City ordinances.

The City provides typical municipal services such as public safety, street and alley maintenance, and through its Public Works Authority and Industrial Authority, certain utility services including water, sewer, sanitation, and natural gas, along with industrial development.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Oilton City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Oilton** – a City incorporated on April 18, 1921 that operates the public safety, streets and public works, culture and recreation, cemetery, and administrative activities of the City – reported as part of the primary government as “governmental” activities
- **The Oilton Public Works Authority (OPWA)** – a public trust created pursuant to 60 O.S. § 176 to operate the water, sewer, sanitation, and natural gas services of the City, with the City Council members serving as the trustees - presented as a blended component unit, and considered part of the primary government; reported as “business-type” activities

- **The Oilton Industrial and Redevelopment Authority (OIRA)** – public trust created in 2008 pursuant to 60 O.S. § 176 to promote the development of industry and to provide additional employment - presented as a blended component unit, and considered part of the primary government; reported as “business-type” activities

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Oilton (the “City”), the Oilton Public Works Authority (the “OPWA”), and the Oilton Industrial and Redevelopment Authority (“OIRA”). Included in this report are government wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City using the modified cash basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City’s basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City’s water, sewer, sanitation, and natural gas utilities are reported as business-type activities, along with industrial development.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary*.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. These funds report the acquisition of capital assets and payments for debt principal and expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the City, through the Oilton Public Works Authority and the Oilton Industrial Redevelopment Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting, modified for capital assets and long-term debt. Proprietary fund capital assets that are purchased with cash are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 25-38 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, combining and individual fund financial statements and schedules, and a state awards schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2020, net position for the governmental and business-type activities decreased \$14,924.

Following is a summary of net position reported on a modified cash basis for the City of Oilton.

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The City of Oilton Net Position (Modified Cash Basis)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
Current and other assets	\$ 169,877	\$ 267,110	-36%	\$ 271,774	\$ 158,089	72%	\$ 441,651	\$ 425,199	4%
Capital assets, net	961,842	1,040,781	-8%	3,438,821	3,531,835	-3%	4,400,663	4,572,616	-4%
Total assets	<u>1,131,719</u>	<u>1,307,891</u>	-13%	<u>3,710,595</u>	<u>3,689,924</u>	1%	<u>4,842,314</u>	<u>4,997,815</u>	-3%
Current liabilities	1,922	-	100%	116,540	59,628	95%	118,462	59,628	99%
Non-current liabilities	-	-	0%	1,892,759	2,092,170	-10%	1,892,759	2,092,170	-10%
Total liabilities	<u>1,922</u>	<u>-</u>	0%	<u>2,009,299</u>	<u>2,151,798</u>	-7%	<u>2,011,221</u>	<u>2,151,798</u>	-7%
Net position									
Net investment in capital assets	961,842	1,040,781	-8%	1,482,973	1,439,665	3%	2,444,815	2,480,446	-1%
Restricted	140,386	126,102	11%	42,337	41,943	1%	182,723	168,045	9%
Unrestricted	27,569	141,008	-80%	175,986	56,518	211%	203,555	197,526	3%
Total net position	<u>\$ 1,129,797</u>	<u>\$ 1,307,891</u>	-14%	<u>\$ 1,701,296</u>	<u>\$ 1,538,126</u>	11%	<u>\$ 2,831,093</u>	<u>\$ 2,846,017</u>	-1%

The largest portion of the City's net position, \$2,444,815, reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

A portion of the City's net position, \$182,723, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$203,555, may be used to meet the government's ongoing needs.

The City of Oilton's Revenues, Expenses and Changes in Net Position (Modified Cash Basis)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
Revenues									
Charges for service	\$ 68,240	\$ 50,052	36%	\$ 707,272	\$ 749,038	-6%	\$ 775,512	\$ 799,090	-3%
Operating grants and contributions	13,566	4,000	239%	-	-	0%	13,566	4,000	239%
Taxes	404,579	445,063	-9%	-	-	0%	404,579	445,063	-9%
Investment income	835	-	100%	1,395	-	100%	2,230	-	100%
Miscellaneous	36,234	16,992	113%	55,970	10,852	416%	92,204	27,844	231%
Total revenues	<u>523,454</u>	<u>516,107</u>	1%	<u>764,637</u>	<u>759,890</u>	1%	<u>1,288,091</u>	<u>1,275,997</u>	1%
Expenses									
General government	108,470	111,398	-3%	-	-	-	108,470	111,398	-3%
Public safety	278,385	273,202	2%	-	-	-	278,385	273,202	2%
Highways and streets	49,404	50,062	-1%	-	-	-	49,404	50,062	-1%
Culture and recreation	5,665	5,807	-2%	-	-	-	5,665	5,807	-2%
Cemetery	641	4,813	-87%	-	-	-	641	4,813	-87%
Water	-	-	-	306,644	223,362	37%	306,644	223,362	37%
Sewer	-	-	-	114,164	176,970	-35%	114,164	176,970	-35%
Sanitation	-	-	-	130,339	122,406	6%	130,339	122,406	6%
Gas	-	-	-	299,765	434,703	-31%	299,765	434,703	-31%
Industrial	-	-	-	9,538	14,587	-35%	9,538	14,587	-35%
Total expenses	<u>442,565</u>	<u>445,282</u>	-1%	<u>860,450</u>	<u>972,028</u>	-11%	<u>1,303,015</u>	<u>1,417,310</u>	-8%
Excess (deficiency) before transfers	80,889	70,825	14%	(95,813)	(212,138)	-55%	(14,924)	(141,313)	-89%
Transfers	(258,983)	(121,740)	113%	258,983	121,740	113%	-	-	-
Change in net position	<u>(178,094)</u>	<u>(50,915)</u>	250%	<u>163,170</u>	<u>(90,398)</u>	-281%	<u>(14,924)</u>	<u>(141,313)</u>	-89%
Beginning net position	<u>1,307,891</u>	<u>1,358,806</u>	-4%	<u>1,538,126</u>	<u>1,628,524</u>	-6%	<u>2,846,017</u>	<u>2,987,330</u>	-5%
Ending net position	<u>\$ 1,129,797</u>	<u>\$ 1,307,891</u>	-14%	<u>\$ 1,701,296</u>	<u>\$ 1,538,126</u>	11%	<u>\$ 2,831,093</u>	<u>\$ 2,846,017</u>	-1%

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Governmental Activities

The City's governmental activities had a decrease in net position of \$178,094 due primarily to the increase in transfers to the OPWA.

Business-Type Activities

The business-type activities had an increase in net position of \$163,170 due primarily to the increase in transfers from the General Fund.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2020 fiscal year, the governmental funds reported a combined fund balance of \$167,955. For the year ended June 30, 2020, the General Fund's total fund balance decreased by \$99,155.

Budgetary Highlights

For the year ended June 30, 2020, the General Fund reported actual budgetary basis revenues under final estimates by \$115,329 or a 17.5% negative variance. General Fund actual expenditures were over final appropriations by \$40,426 a 6.7% negative variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the City had approximately \$4.4 million in capital assets (net of accumulated depreciation), including land, buildings, machinery and equipment, and infrastructure. Below are details regarding the City's capital assets for the year ended June 30, 2020.

	Capital Assets (In Thousands) (Net of accumulated depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 32	36	\$ 38	\$ 37	\$ 70	\$ 73
Buildings and improvements	157	166	53	59	210	225
Equipment and vehicles	466	510	25	31	491	541
Infrastructure	307	329	-	-	307	329
Utility systems	-	-	3,323	3,404	3,323	3,404
Totals	\$ 962	\$ 1,041	\$ 3,439	\$ 3,531	\$ 4,401	\$ 4,572

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This year's more significant capital asset additions include the following:

- Elm Street Water Well Pump
- VFD Drive Control

Debt Administration

At year-end, the City had \$2 million in long-term debt outstanding, a decrease from the prior year, due to payments on long term debt.

Long-Term Debt (In Thousands)							Total Percentage Change
Governmental Activities		Business-Type Activities		Total			
2020	2019	2020	2019	2020	2019		
						2019-2020	
Notes payable - direct borrowings	\$ -	\$ -	\$ 1,956	\$ 2,092	\$ 1,956	\$ 2,092	-6.5%
Meter deposit liability	-	-	53	53	53	53	0.0%
Totals	\$ -	\$ -	\$ 2,009	\$ 2,145	\$ 2,009	\$ 2,145	-6.3%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant factors that will affect subsequent year finances:

An economic slowdown began in early March 2020 related to the effects of the Coronavirus and will certainly have some kind of economic impact on the City's financial position and activities. However, in FY 20-21, the City received CARES Act monies that will help offset some of these shortfalls. The City plans to respond with appropriate actions once the depth and length of the slowdown and its impact on the City have been determined.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate 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 P.O. Box 400, Oilton, Oklahoma, 74052 or telephone at 918-862-3202.

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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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Statement of Net Position (Modified Cash Basis) – June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 155,890	\$ 187,522	\$ 343,412
Internal balances	13,987	(13,987)	-
Restricted cash and cash equivalents	-	82,636	82,636
Restricted investments	-	15,603	15,603
Capital assets:			
Land and construction in progress	32,003	37,748	69,751
Other capital assets, net of depreciation	929,839	3,401,073	4,330,912
Total assets	<u>1,131,719</u>	<u>3,710,595</u>	<u>4,842,314</u>
LIABILITIES			
Due to other governments	576	124	700
Due to bondholders	1,346	-	1,346
Long-term liabilities:			
Due within one year	-	116,416	116,416
Due in more than one year	-	1,892,759	1,892,759
Total liabilities	<u>1,922</u>	<u>2,009,299</u>	<u>2,011,221</u>
NET POSITION			
Net investment in capital assets	961,842	1,482,973	2,444,815
Restricted for:			
Streets and Alley	55,990	-	55,990
Cemetery	84,396	-	84,396
Debt Service	-	42,337	42,337
Unrestricted	27,569	175,986	203,555
Total net position	<u>\$ 1,129,797</u>	<u>\$ 1,701,296</u>	<u>\$ 2,831,093</u>

See accompanying notes to these financial statements.

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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2020

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 108,470	\$ 405	\$ -	\$ -	\$ (108,065)	\$ -	\$ (108,065)
Public Safety	278,385	57,835	4,642	-	(215,908)	-	(215,908)
Highways and Streets	49,404	-	8,924	-	(40,480)	-	(40,480)
Culture and Recreation	5,665	800	-	-	(4,865)	-	(4,865)
Cemetery	641	9,200	-	-	8,559	-	8,559
Total governmental activities	442,565	68,240	13,566	-	(360,759)	-	(360,759)
Business-type Activities:							
Water	306,644	223,625	-	-	-	(83,019)	(83,019)
Sewer	114,164	145,640	-	-	-	31,476	31,476
Sanitation	130,339	133,534	-	-	-	3,195	3,195
Gas	299,765	204,473	-	-	-	(95,292)	(95,292)
Industrial Development	9,538	-	-	-	-	(9,538)	(9,538)
Total business-type activities	860,450	707,272	-	-	-	(153,178)	(153,178)
Total primary government	\$ 1,303,015	\$ 775,512	\$ 13,566	\$ -	(360,759)	(153,178)	(513,937)
Taxes:							
Sales and use taxes					369,142	-	369,142
Franchise taxes and public service taxes					35,437	-	35,437
Unrestricted investment earnings					835	1,395	2,230
Miscellaneous					36,234	55,970	92,204
Transfers					(258,983)	258,983	-
Total general revenues and transfers					182,665	316,348	499,013
Change in net position					(178,094)	163,170	(14,924)
Net position - beginning					1,307,891	1,538,126	2,846,017
Net position - ending					\$ 1,129,797	\$ 1,701,296	\$ 2,831,093

See accompanying notes to these financial statements.

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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 155,890
Due from other funds	13,987
Total assets	<u>\$ 169,877</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Due to other governments	\$ 576
Due to bondholders	1,346
Total liabilities	<u>1,922</u>
 Fund balances:	
Restricted for:	
Street and Alley	55,990
Cemetery	84,396
Unassigned	27,569
Total fund balances	<u>167,955</u>
Total liabilities and fund balances	<u>\$ 169,877</u>

See accompanying notes to these financial statements.

CITY OF OILTON, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2020

	<u>General Fund</u>
REVENUES	
Taxes	\$ 392,022
Intergovernmental	26,123
Charges for services	13,929
Fines and forfeitures	53,106
Licenses and permits	405
Investment income	835
Miscellaneous	39,434
Total revenues	<u>525,854</u>
EXPENDITURES	
Current:	
General government	103,712
Public Safety	236,536
Highway and streets	25,042
Culture and recreation	95
Cemetery	641
Total Expenditures	<u>366,026</u>
Excess (deficiency) of revenues over expenditures	<u>159,828</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	17,467
Transfers out	(276,450)
Total other financing sources and uses	<u>(258,983)</u>
Net change in fund balances	(99,155)
Fund balances - beginning	<u>267,110</u>
Fund balances - ending	<u><u>\$ 167,955</u></u>

See accompanying notes to these financial statements.

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Reconciliation of Governmental Funds and Government-Wide Financial Statements (Modified Cash Basis):

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$ 167,955
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities of \$1,961,584 net of accumulated depreciation of \$999,742 are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	961,842
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 1,129,797</u>
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Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	(99,155)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays for capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: Depreciation expense	(69,589)
--	----------

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold: Net book value of capital assets disposed	(9,350)
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Change in net position of governmental activities	<u>\$ (178,094)</u>
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See accompanying notes to these financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2020

	<u>Oilton Public Works Authority</u>	<u>Oilton Industrial and Redevelopment Authority</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 126,007	\$ 61,515	\$ 187,522
Restricted:			
Cash and cash equivalents	82,636	-	82,636
Restricted investments	15,603	-	15,603
Total current assets	<u>224,246</u>	<u>61,515</u>	<u>285,761</u>
Non-current assets:			
Capital Assets:			
Land and construction in progress	35,750	1,998	37,748
Other capital assets, net of accumulated depreciation	3,352,889	48,184	3,401,073
Total non-current assets	<u>3,388,639</u>	<u>50,182</u>	<u>3,438,821</u>
Total assets	<u>3,612,885</u>	<u>111,697</u>	<u>3,724,582</u>
LIABILITIES			
Current Liabilities:			
Due to other governments	124	-	124
Due to other funds	13,987	-	13,987
Due to depositors	5,333	-	5,333
Notes payable	111,083	-	111,083
Total current liabilities	<u>130,527</u>	<u>-</u>	<u>130,527</u>
Non-current liabilities:			
Due to depositors	47,994	-	47,994
Notes payable	1,844,765	-	1,844,765
Total non-current liabilities	<u>1,892,759</u>	<u>-</u>	<u>1,892,759</u>
Total liabilities	<u>2,023,286</u>	<u>-</u>	<u>2,023,286</u>
NET POSITION			
Net investment in capital assets	1,432,791	50,182	1,482,973
Restricted for debt service	42,337	-	42,337
Unrestricted	114,471	61,515	175,986
Total net position	<u>\$ 1,589,599</u>	<u>\$ 111,697</u>	<u>\$ 1,701,296</u>

See accompanying notes to these financial statements.

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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2020

	Oilton Public Works Authority	Oilton Industrial and Redevelopment Authority	Total Proprietary Funds
OPERATING REVENUES			
Water	216,213	-	216,213
Sewer	140,680	-	140,680
Sanitation	128,986	-	128,986
Gas	197,509	-	197,509
Penalty charges	16,244	-	16,244
Miscellaneous	7,640	-	7,640
Total operating revenues	<u>707,272</u>	<u>-</u>	<u>707,272</u>
OPERATING EXPENSES			
Administration	129,601	-	129,601
Water	126,721	-	126,721
Sewer	40,901	-	40,901
Sanitation	105,661	-	105,661
Gas	256,853	-	256,853
Industrial	-	3,319	3,319
Depreciation expense	133,262	6,219	139,481
Total operating expenses	<u>792,999</u>	<u>9,538</u>	<u>802,537</u>
Operating income (loss)	<u>(85,727)</u>	<u>(9,538)</u>	<u>(95,265)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	796	599	1,395
Gain on sale of capital assets	32,393	-	32,393
Non-operating miscellaneous revenue	23,577	-	23,577
Interest expense and fiscal agent fees	(57,913)	-	(57,913)
Total non-operating revenue	<u>(1,147)</u>	<u>599</u>	<u>(548)</u>
Income (loss) before transfers	<u>(86,874)</u>	<u>(8,939)</u>	<u>(95,813)</u>
Transfers in	276,450	-	276,450
Transfers out	(17,467)	-	(17,467)
Change in net position	<u>172,109</u>	<u>(8,939)</u>	<u>163,170</u>
Total net position - beginning	<u>1,417,490</u>	<u>120,636</u>	<u>1,538,126</u>
Total net position - ending	<u>\$ 1,589,599</u>	<u>\$ 111,697</u>	<u>\$ 1,701,296</u>

See accompanying notes to these financial statements.

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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2020

	Oilton Public Works Authority	Oilton Industrial and Redevelopment Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 730,849	\$ -	\$ 730,849
Payments to suppliers	(459,464)	(3,319)	(462,783)
Payments to employees	(200,149)	-	(200,149)
Interfund receipts	13,987	-	13,987
Receipts of customer meter deposits	11,328	-	11,328
Refunds of customer meter deposits	(11,151)	-	(11,151)
Net cash provided by (used in) operating activities	85,400	(3,319)	82,081
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	276,450	-	276,450
Transfers to other funds	(17,467)	-	(17,467)
Net cash provided by noncapital financing activities	258,983	-	258,983
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(53,200)	-	(53,200)
Proceeds from sale of capital assets	39,126	-	39,126
Principal paid on debt	(136,322)	-	(136,322)
Interest and fiscal agent fees paid on debt	(57,913)	-	(57,913)
Net cash provided by (used in) capital and related financing activities	(208,309)	-	(208,309)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investments	(140)	-	(140)
Interest and dividends	796	599	1,395
Net cash provided by investing activities	656	599	1,255
Net increase (decrease) in cash and cash equivalents	136,730	(2,720)	134,010
Balances - beginning of year	71,913	64,235	136,148
Balances - end of year	\$ 208,643	\$ 61,515	\$ 270,158
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 126,007	61,515	\$ 187,522
Restricted cash and cash equivalents - current	82,636	-	82,636
Total cash and cash equivalents, end of year	\$ 208,643	61,515	\$ 270,158
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (85,727)	\$ (9,538)	\$ (95,265)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	133,262	6,219	139,481
Miscellaneous revenue	23,577	-	23,577
Change in assets and liabilities:			
Due to other funds	13,987	-	13,987
Due to other governments	124	-	124
Deposits subject to refund	177	-	177
Net cash provided by (used in) operating activities	\$ 85,400	\$ (3,319)	\$ 82,081

See accompanying notes to these financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity” as amended by Statement 61, and includes all component units for which the City is financially accountable.

The City’s financial reporting entity includes the primary government (City of Oilton) and two blended component units.

The City of Oilton— that operates the public safety, streets and highways, parks and recreation, cemetery, and administrative activities.

Blended Component Units [City Council serves as governing body (trustees)]:

The Oilton Public Works Authority – that operates the water, sewer, sanitation, and natural gas services of the City

The blended component unit (OPWA) has the City Council as their governing body (trustees) and the City is able to impose its will on the OPWA through required approval of all debt obligations issued by these entities.

Oilton Industrial and Redevelopment Authority (OIRA) – that promotes industrial development within the City of Oilton

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authorities. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted only for certain modifications stated below that have substantial support in generally accepted accounting principles (GAAP). These modifications include adjustments for the following balances arising from cash transactions:

- Cash-based interfund receivables and payables
- Other cash-based receivables and payables
- Capital asset acquisition and depreciation
- Debt obligations and utility deposit liabilities

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As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed for provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the Statement of Activities are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- General Government – license and permits
- Public Safety – fines and forfeitures, fire subscription revenue, police training revenue and operating grants
- Streets and Highways – commercial vehicle and gasoline excise tax shared by the State
- Culture and recreation – community center rental
- Cemetery – cemetery openings/closings and lot sales
- Utilities – charges services for water, sewer, sanitation, and natural gas

All other revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Fund:

- General Fund – accounts for all governmental activities of the City

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds. Enterprise funds are used to account for business-like activities provided to the general public. Proprietary funds are also reported on a modified cash basis, as defined above.

The City's proprietary funds are comprised of the following:

- Oilton Public Works Authority (OPWA) – a major enterprise fund that accounts for the operation of the water, sewer, sanitation, and natural gas activities
- Oilton Industrial and Redevelopment Authority (OIRA) – a major enterprise fund that accounts for rental payments for commercial real estate

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For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Governmental funds are legally required to adopt annual budgets or appropriations. Public trust are not required to adopt legal annual appropriations. While the trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

3. Cash, Cash Equivalents, Deposits and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices.

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months and mutual funds. These non-negotiable certificates of deposit are carried at cost.

For the year ended June 30, 2020, the City recognized \$2,230 of investment income. The City's deposits are in demand deposits and certificates of deposit.

At June 30, 2020, the primary government held the following deposits and investments:

PRIMARY GOVERNMENT:

Type	Maturities	Credit Rating	Fair Value Valuation Level	Carrying/Fair Value
Deposits:				
Petty cash				\$ 700
Demand deposits				425,348
Time deposits				15,603
Total deposits				<u><u>\$ 441,651</u></u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents				\$ 343,412
Restricted cash and cash equivalents				82,636
Restricted Investments				15,603
				<u><u>\$ 441,651</u></u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2020, none of the City's deposits were exposed to custodial credit risk as defined above.

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Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for debt service, or deposits held for others. The restricted assets as of June 30, 2020 are as follows:

<u>Type of Restricted Asset</u>	<u>Current Cash and cash equivalents</u>	<u>Noncurrent Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	\$ 40,299	\$ -	\$ 15,603	\$ 55,902
BOK Trustee Accounts	42,337	-	-	42,337
Total	<u>\$ 82,636</u>	<u>\$ -</u>	<u>\$ 15,603</u>	<u>\$ 98,239</u>

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and improvements, equipment and vehicles, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are reported at actual or estimated historical cost.

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

<u>Asset</u>	<u>Years</u>
Buildings and improvements	10-40 years
Machinery, furniture and equipment	7-20 years
Utility property and improvements	40 years
Infrastructure	40 years

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For the year ended June 30, 2020, capital assets balances changed as follows:

Primary Government:

	Balance at July 1, 2019	Additions	Disposals	Balance at June 30, 2020
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 36,003	\$ -	\$ 4,000	\$ 32,003
Total capital assets not being depreciated	36,003	-	4,000	32,003
Other capital assets:				
Buildings and improvements	365,135	-	-	365,135
Equipment and vehicles	1,131,261	-	14,000	1,117,261
Infrastructure	447,185	-	-	447,185
Total other capital assets at historical cost	1,943,581	-	14,000	1,929,581
Less accumulated depreciation for:				
Buildings and improvements	199,505	8,615	-	208,120
Equipment and vehicles	621,395	38,889	8,650	651,634
Infrastructure	117,903	22,085	-	139,988
Total accumulated depreciation	938,803	69,589	8,650	999,742
Other capital assets, net	1,004,778	(69,589)	5,350	929,839
Governmental activities capital assets, net	<u>\$ 1,040,781</u>	<u>\$ (69,589)</u>	<u>\$ 9,350</u>	<u>\$ 961,842</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 36,998	-	-	\$ 36,998
Construction in progress	-	750	-	750
Total capital assets not being depreciated	36,998	750	-	37,748
Other capital assets:				
Buildings and improvements	164,462	-	-	164,462
Equipment and vehicles	183,221	-	-	183,221
Gas system	181,372	-	-	181,372
Sewer system	1,830,529	-	-	1,830,529
Water system	2,940,691	52,450	7,483	2,985,658
Total other capital assets at historical cost	5,300,275	52,450	7,483	5,345,242
Less accumulated depreciation for:				
Buildings and improvements	105,101	6,574	-	111,675
Equipment and vehicles	151,810	5,961	-	157,771
Gas system	181,372	4,274	-	185,646
Sewer system	521,218	45,592	-	566,810
Water system	845,937	77,080	750	922,267
Total accumulated depreciation	1,805,438	139,481	750	1,944,169
Other capital assets, net	3,494,837	(87,031)	6,733	3,401,073
Business-type activities capital assets, net	<u>\$ 3,531,835</u>	<u>\$ (86,281)</u>	<u>\$ 6,733</u>	<u>\$ 3,438,821</u>

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 3,158	Water	\$ 81,791
Public safety	36,499	Sewer	46,347
Highways and streets	24,362	Natural Gas	5,124
Culture and recreation	5,570	Industrial	6,219
	<u>\$ 69,589</u>		<u>\$ 139,481</u>

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2020, the City's long-term debt changed as follows:

Business-Type Activities:

Notes payable - direct borrowing	\$ 2,092,170	\$ -	\$ 136,322	\$ 1,955,848	\$ 111,083
Meter deposit liability	<u>53,150</u>	<u>11,328</u>	<u>11,151</u>	<u>53,327</u>	<u>5,333</u>
Total Business-Type Activities	<u>\$ 2,145,320</u>	<u>\$ 11,328</u>	<u>\$ 147,473</u>	<u>\$ 2,009,175</u>	<u>\$ 116,416</u>

There was no governmental long-term debt outstanding as of June 30, 2020.

Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to City's business-type activities at June 30, 2020, includes the following:

Long-Term Note Payable Commitments (Direct Borrowing):

Oklahoma Water Resources Board note dated March 15, 2015, original amount \$2,551,028, due in semi-annual principal installments each March 15 and September 15, final installment due September 15, 2034, interest rate of 2.76%. The note is secured by a water and sewer revenues, system assets, and pledged sales tax receipts. In the event of default, the lender may: 1) file suit for specific performance of covenants, 2) acceleration of payment of principal and interest accrued on all bonds, 3) appoint temporary trustees to take over, operate, and maintain the System, 4) file suit to enforce or enjoin action or inaction of parties under provisions of the Indenture.

	\$ 1,955,848
Total Notes Payable (Direct Borrowings)	<u>\$ 1,955,848</u>

Current portion	111,083
Noncurrent portion	<u>1,844,765</u>
Total Notes Payable (Direct Borrowings)	<u>\$ 1,955,848</u>

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Meter Deposit Liability:

Current portion	\$	5,333
Noncurrent portion		47,994
Total Meter Deposit Liability	\$	<u>53,327</u>

Year Ended June 30,	Business-Type	
	<u>Note Payable (direct borrowing)</u>	
	<u>Principal</u>	<u>Interest</u>
2021	111,083	53,969
2022	114,214	50,839
2023	117,432	47,620
2024	120,622	44,430
2025	124,140	40,912
2026-2030	675,102	150,159
2031-2035	<u>693,255</u>	<u>49,480</u>
Total	<u>\$ 1,955,848</u>	<u>\$ 437,409</u>

6. Net Position and Fund Balances

Net Position:

Net position is reported in the government-wide and proprietary fund financial statements and is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets and related accounts, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned. These classifications are defined as:

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- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

7. Internal Balances and Transfers between Legal Entities

The City’s policy is to eliminate inter-fund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Inter-fund transfers and balances between funds are not eliminated in the fund financial statements.

Internal balances between fund and legal entities are comprised of the following:

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<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
OPWA	General Fund	\$ 13,987	credit cards payments to be transferred
Total		<u>\$ 13,987</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 13,987	\$ -	\$ 13,987
Proprietary Funds	-	(13,987)	(13,987)
Total	<u>\$ 13,987</u>	<u>\$ (13,987)</u>	<u>\$ -</u>

Transfers between funds and legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
OPWA	General Fund	765	deposit correction
General Fund	OPWA	29,000	deposit correction
OPWA	General Fund	16,702	deposit correction
General Fund	OPWA	101,933	CD cashed in
General Fund	OPWA	145,517	debt payments
Total		<u>\$ 293,917</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>GW Capital Asset Purchases</u>	<u>Net Transfers</u>
Governmental Funds	\$ 17,467	\$ (276,450)	\$ -	\$ (258,983)
Proprietary Funds	276,450	(17,467)	-	258,983
	<u>\$ 293,917</u>	<u>\$ (293,917)</u>	<u>\$ -</u>	<u>\$ -</u>

8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks except workers' compensation. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. The deductibles for each line of coverage is as follows:

- General liability, including property – \$0 - \$5,000 per occurrence
- Automobile liability - \$0

The City participated in the Oklahoma Municipal Assurance Group's (OMAG) Workers' Compensation Plan. The OMAG Worker's Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide worker's compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. A plan year normally begins at 12:01 a.m. on July 1, in any year and ends at midnight June 30, of the following year. The Plan, or its designated agent, has a right to

audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

The City has entered into an agreement with the Plan to participate in the coverage and services that the Plan offers. The City has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, the City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. The City has a right to the return of any Loss Funds set aside for claims which have not been paid out of benefits.

The Plan holds funds in reserve for the City of Oilton. Those funds represent both current and past plan year participation with Loss Fund balances in respect to the City's worker's compensation retention. CompSource Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of CompSource Oklahoma to honor its obligations could result in losses to the Plan. However, OMAG's evaluation of the financial condition of CompSource Oklahoma indicates CompSource Oklahoma is presently financially sound and will be able to meet its contractual obligations.

9. Retirement Plan Participation

The City participates in two employee retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (FPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement Fund Defined Benefit Plan – an agent multi-employer defined benefit plan

Due to a modified cash basis of accounting, the City does not report a net pension liability, deferred outflow, or deferred inflow related to its pension plan.

Oklahoma Firefighters' Pension and Retirement System:

Plan description - The City of Oilton, 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. As of June 30, 2020, the City of Oilton had only volunteer firefighters participating in the FPRS benefit plan.

Oklahoma Municipal Retirement Fund Defined Benefit Plan

Plan description - The City contributes to the OkMRF for all eligible full-time employees. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – Due to the modified cash basis of accounting, the City does not report a net pension liability, deferred outflows, or deferred inflows. Pension costs include only the amounts paid in cash for employee benefits during the fiscal year.

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Eligibility Factors and Benefit Provisions-

Provision	OkMRF Plan
Date of Last Actuarial Valuation	July 1, 2019
a. Eligible to Participate	All regular, full-time employees except police, firefighters, and other employees who are covered under an approved plan
b. Period Required to Vest	10 or more years of vesting service
c. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Marital death benefit with 10 years of service
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
-Normal Retirement	2.25% of final average salary multiplied by credited years of service
-Early Retirement	Accrued benefit reduced 5% per year for commencement before normal retirement age
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse re-marriage
-Prior to 10 Years Service	Return of employee contributions with accrued interest
f. Benefit Authorization	Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	5 years certain and life thereafter basis
h. COLA	No automatic post-retirement cost-of-living adjustments

Employees Covered by Benefit Terms –

Active Employees	8
Deferred Vested Former Employees	0
Disabled Participants	0
Retirees or Retiree Beneficiaries	<u>3</u>
Total	<u>11</u>

Contribution Requirements – The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 10.36% (includes employee contributions of 4.5%) of covered payroll as of 7-1-19. For the year ended June 30, 2020, the City recognized \$15,813 of employer contributions to the plan which is more than the actuarially determined amount based on covered payroll of

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\$216,320. Employees cannot make additional contributions to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions –

Date of Last Actuarial Valuation	July 1, 2019
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.50%
c. Projected Salary Increase	Varies between 7.5% and 4.5% based on age
d. Post Retirement Cost-Of-Living Increase	None
e. Inflation Rate	2.75%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of Married Employees	100%
h. Spouse Age Difference	3 years (female spouses younger)

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.5% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

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 (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2019 are summarized in the following table:

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	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	0.64%
Long/short equity MSCI ACWI	10%	5.00%	0.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF	5%	4.60%	0.23%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
	<u>100%</u>		
TOTAL			
Average Real Return			4.75%
Inflation			2.75%
Long-term expected return			<u>7.50%</u>

Changes in Net Pension Liability –

SCHEDULE OF CHANGES IN NET PENSION LIABILITY			
	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances Beginning of Year	\$ 441,967	\$ 419,840	\$ 22,127
Changes for the Year:			
Service cost	18,368	-	18,368
Interest expense	32,061	-	32,061
Difference between expected & actual experience	(5,892)		(5,892)
Changes of assumptions	36,190		36,190
Contributions--City	-	17,681	(17,681)
Contributions--members	-	10,884	(10,884)
Net investment income	-	29,259	(29,259)
Benefits paid	(29,501)	(29,501)	-
Plan administrative expenses	-	(867)	867
Net Changes	<u>51,226</u>	<u>27,456</u>	<u>23,770</u>
Balances End of Year	<u>\$ 493,193</u>	<u>\$ 447,296</u>	<u>\$ 45,897</u>

10. Commitments and Contingencies

Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation 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.

Federal and State Award Programs:

The City of Oilton participates in various federal or state grant/loan programs from year to year. In 2020, the City's involvement in federal and state award programs was not material. 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. The City has not been notified of any noncompliance with federal or state award requirements.

Compensated Absences:

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

COVID-19:

In December 2019, a novel strain of coronavirus was reported to have surfaced in China and subsequently spread throughout the United States, causing business disruption through temporary business closures throughout the country as well as significant mediation efforts. The impact and duration of this event cannot be reasonably estimated at this time.

DEQ Consent Orders:

The City of Oilton is currently under consent orders. Case 20-083 relates to the wastewater treatment facility with the Oklahoma Department of Environmental Quality. Case 20-115 related to the requirement of a secondary groundwater source. Timely compliance with the consent order is needed to avoid any fines.

Subsequent Events:

In November 2020, the City received \$78,159 from the Office of Management and Enterprise Services for reimbursement of public safety expenses related to the CARES Act grant.

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SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2020

Footnotes to Budgetary Comparison Schedules:

- | | |
|---------------|-----------|
| Transfers out | \$276,450 |
|---------------|-----------|

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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2020

	General Fund Account	Cemetery Perpetual Care Account	Court Fund Account	Juvenile Court Fund Account	Total General Fund Accounts
ASSETS					
Cash and cash equivalents	\$ 56,056	\$ 83,715	\$ 16,119	\$ -	\$ 155,890
Due from other funds	615	-	13,372	-	13,987
Due from other funds - interaccount	-	681	-	-	681
Total assets	<u>\$ 56,671</u>	<u>\$ 84,396</u>	<u>\$ 29,491</u>	<u>\$ -</u>	<u>\$ 170,558</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds - interaccount	\$ 681	\$ -	\$ -	\$ -	\$ 681
Payable to other governments	-	-	576	-	576
Due to bondholders	-	-	1,346	-	1,346
Total liabilities	<u>681</u>	<u>-</u>	<u>1,922</u>	<u>-</u>	<u>2,603</u>
Fund balances:					
Restricted for:					
Street and Alley	55,990	-	-	-	55,990
Cemetery	-	84,396	-	-	84,396
Unassigned	-	-	27,569	-	27,569
Total fund balances	<u>55,990</u>	<u>84,396</u>	<u>27,569</u>	<u>-</u>	<u>167,955</u>
Total liabilities and fund balances	<u>\$ 56,671</u>	<u>\$ 84,396</u>	<u>\$ 29,491</u>	<u>\$ -</u>	<u>\$ 170,558</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2020

	General Fund Account	Cemetery Perpetual Care Account	Court Fund Account	Juvenile Court Fund Account	Total General Fund Accounts
REVENUES					
Taxes	\$ 392,022	\$ -	\$ -	\$ -	\$ 392,022
Fines and forfeitures	-	-	52,645	461	53,106
Licenses and permits	405	-	-	-	405
Intergovernmental	26,123	-	-	-	26,123
Charges for services	12,779	1,150	-	-	13,929
Investment income	508	284	43	-	835
Miscellaneous	39,184	-	250	-	39,434
Total revenues	<u>471,021</u>	<u>1,434</u>	<u>52,938</u>	<u>461</u>	<u>525,854</u>
EXPENDITURES					
Current:					
General government	103,712	-	-	-	103,712
Public safety	227,946	-	8,590	-	236,536
Highways and streets	25,042	-	-	-	25,042
Culture and recreation	95	-	-	-	95
Cemetery	641	-	-	-	641
Total Expenditures	<u>357,436</u>	<u>-</u>	<u>8,590</u>	<u>-</u>	<u>366,026</u>
Excess (deficiency) of revenues over expenditures	<u>113,585</u>	<u>1,434</u>	<u>44,348</u>	<u>461</u>	<u>159,828</u>
OTHER FINANCING SOURCES (USES)					
Interaccount transfers in	33,283	10,699	-	-	43,982
Interaccount transfers out	(10,699)	(3,051)	(28,705)	(1,527)	(43,982)
Transfers in	765	-	16,702	-	17,467
Transfers out	(247,450)	-	(29,000)	-	(276,450)
Total other financing sources and uses	<u>(224,101)</u>	<u>7,648</u>	<u>(41,003)</u>	<u>(1,527)</u>	<u>(258,983)</u>
Net change in fund balances	(110,516)	9,082	3,345	(1,066)	(99,155)
Fund balances - beginning	166,506	75,314	24,224	1,066	267,110
Fund balances - ending	<u>\$ 55,990</u>	<u>\$ 84,396</u>	<u>\$ 27,569</u>	<u>\$ -</u>	<u>\$ 167,955</u>

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Schedule of Expenditures State Awards – Year Ended June 30, 2020

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Grant	N/A	\$ 4,642	\$ 4,642
Total State Awards		<u>\$ 4,642</u>	<u>\$ 4,642</u>

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INTERNAL CONTROL COMPLIANCE INFORMATION

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As of and for the Year Ended June 30, 2020

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Elfrink and Associates, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the City Council
City of Oilton, 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 modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Oilton, Oklahoma ("City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 27, 2021. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally in the United States of America.

Internal Control over Financial Reporting

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

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

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

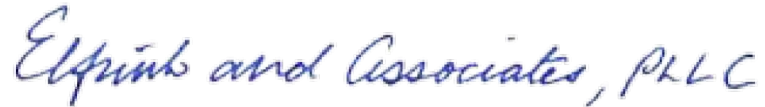
Compliance and Other Matters

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



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

A handwritten signature in blue ink that reads "Elfrink and Associates, PLLC". The script is cursive and fluid.

Elfrink and Associates, PLLC

Tulsa, Oklahoma

April 27, 2021