



# **CITY OF EUFAULA, OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

**THE CITY OF EUFAULA,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**CITY OF EUFAULA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2019**

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**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Eufaula, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eufaula, Oklahoma (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; 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 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 City'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 City'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, 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, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in 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 1.

### ***Basis of Accounting***

We draw attention to Note 1 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.

### ***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 accompanying supplemental combining and individual fund statements and schedules – modified cash basis and schedule of expenditures of federal and state awards and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules – modified cash basis, and schedules of expenditures of federal and state awards, as listed in the table of contents, 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, the combining and individual fund statements and schedules – modified cash basis and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 December 16, 2019 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 the 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.



December 16, 2019

**CITY OF EUFAULA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2019**

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The management of the City of Eufaula 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, 2019. 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 limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position decreased by \$362,172, and the assets of the City exceed its liabilities at June 30, 2019, by \$1,620,525 (net position). Of this amount, \$1,226,093 (unrestricted net position) may be used to meet any of the government's ongoing obligations to citizens and creditors.
- At June 30, 2019, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$919,132.
- At the end of fiscal year 2019, unassigned fund balance on a modified cash basis for the General Fund was \$588,517, or 22.9% of annual revenues.

### **ABOUT THE CITY**

The City of Eufaula is an incorporated municipality with a population of approximately 2,813 located in McIntosh County in eastern Oklahoma. The City is a Council-City Manager form of government and operates under State law and City ordinances that provide for three branches of government:

- Legislative – the City Council is a five-member governing body. One is elected by the citizens at large and other four members are elected by ward. The five vote to choose a Mayor after the new Council is seated.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its public trusts, certain utility services including water, wastewater, sanitation, economic development, and recreational activities.

### ***The City's Financial Reporting Entity***

This annual report includes all activities for which the City of Eufaula 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:



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- **The City of Eufaula** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Eufaula Public Works Authority (EPWA)** – public trust created August 4, 1976, pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *reported as part of the primary government*
- **The Eufaula Economic Development Authority (EEDA)** – public trust created July 11, 2005, pursuant to 60 O.S. § 176 that operates the economic development services of the City, governed by trustees comprised of the entire City Council – *reported as part of the primary government*
- **The Eufaula Recreation Authority (ERA)** – public trust created April 10, 1970, pursuant to 60 O.S. § 176 that operates the recreational services of the City, governed by trustees comprised of the entire City Council – *reported as part of the primary government*
- **The Eufaula Industrial Authority (EIA)** – public trust created April 2, 1980, pursuant to 60 O.S. § 176 that operates the industrial development services of the City, governed by trustees comprised of the entire City Council – *normally reported as part of the primary government*. The Authority is inactive.
- **The Eufaula Airport Authority (EAA)** – public trust created March 2, 1982, pursuant to 60 O.S. § 176 that operates the municipal airport services of the City, governed by seven trustees comprised of citizens appointed by the City Council – *normally reported as a discretely presented component unit for reporting purposes*. The Authority is inactive.

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

***Basis of Accounting and Presentation***

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 for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables/payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned.

**CITY OF EUFAULA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2019**

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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 for billed or 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.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Eufaula (the "City"), the Eufaula Public Works Authority (the "Public Works Authority"), the Eufaula Economic Development Authority (the "Economic Development Authority") and the Eufaula Recreation Authority (ERA). 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 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 the 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, recreation and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; *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, and sanitation utilities are reported as business-type activities.

### **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.

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*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.

For example, these funds report the acquisition of capital assets and payments for debt principal as 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.

*Proprietary funds* - The City operates two proprietary funds, the Eufaula Public Works Authority (major fund), and the Eufaula Economic Development Authority (major fund). When the City, through the Public Works Authority, receives payment from customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis. The City's proprietary funds are the Eufaula Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities, and the Eufaula Economic Development Authority that accounts for economic development activities.

### 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.

### THE CITY AS A WHOLE

For the year ended June 30, 2019, net position on a modified cash basis for the governmental and business-type activities decreased \$362,172.

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

#### Net Position (Modified Cash Basis)

**June 30, 2019**

TABLE 1

NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2019	2018		2019	2018		2019	2018	
Cash and cash equivalents	\$ 951	\$ 1,359	-30%	\$ 823	\$ 742	11%	\$ 1,774	\$ 2,101	-16%
<b>Total assets</b>	<u>951</u>	<u>1,359</u>	-30%	<u>823</u>	<u>742</u>	11%	<u>1,774</u>	<u>2,101</u>	-16%
Liabilities	32	3	967%	121	115	5%	153	118	30%
<b>Total liabilities</b>	<u>32</u>	<u>3</u>	967%	<u>121</u>	<u>115</u>	5%	<u>153</u>	<u>118</u>	30%
Net position									
Restricted	270	452	-40%	125	113	11%	395	565	-30%
Unrestricted	649	903	-28%	577	514	12%	1,226	1,417	-13%
<b>Total net position</b>	<u>\$ 919</u>	<u>\$ 1,355</u>	-32%	<u>\$ 702</u>	<u>\$ 627</u>	12%	<u>\$ 1,621</u>	<u>\$ 1,982</u>	-18%

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**Management's Discussion and Analysis**  
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**Revenues, Expenses and Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30, 2019**

**TABLE 2**  
**CHANGES IN NET POSITION (In Thousands)**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	
<b>Revenues</b>									
Charges for service	\$ 234	\$ 230	2%	\$ 1,542	\$ 1,327	16%	\$ 1,776	\$ 1,557	14%
Operating grants and contributions	42	30	40%	-	-	0%	42	30	40%
Capital grants, debt proceeds and contributions	61	313	-81%	812	157	417%	873	470	86%
Taxes	2,402	2,289	5%	-	-	-	2,402	2,289	5%
Intergovernmental revenue	58	68	-15%	-	-	-	58	68	-15%
Investment income	1	1	0%	4	1	300%	5	2	150%
Miscellaneous	103	65	58%	-	-	0%	103	65	58%
<b>Total revenues</b>	<u>2,901</u>	<u>2,996</u>	-3%	<u>2,358</u>	<u>1,485</u>	59%	<u>5,259</u>	<u>4,481</u>	17%
<b>Expenses</b>									
General government	859	801	7%	-	-	-	859	801	7%
Public safety	900	789	14%	-	-	-	900	789	14%
Streets	85	53	60%	-	-	-	85	53	60%
Culture, parks and recreation	121	92	32%	-	-	-	121	92	32%
Cemetery	58	69	-16%	-	-	-	58	69	-16%
Airport	54	295	-82%	-	-	-	54	295	-82%
Tourism	4	4	0%	-	-	-	4	4	0%
Principal on long-term debt	14	13	8%	-	-	-	14	13	8%
Interest on long-term debt	3	4	-25%	-	-	-	3	4	-25%
Water	-	-	-	2,222	1,277	74%	2,222	1,277	74%
Sewer	-	-	-	858	811	6%	858	811	6%
Sanitation	-	-	-	391	387	1%	391	387	1%
Economic development	-	-	-	51	10	410%	51	10	410%
<b>Total expenses</b>	<u>2,098</u>	<u>2,120</u>	-1%	<u>3,522</u>	<u>2,485</u>	42%	<u>5,620</u>	<u>4,605</u>	22%
Excess (deficiency) before transfers	803	876	-8%	(1,164)	(1,000)	-16%	(361)	(124)	191%
Transfers	<u>(1,239)</u>	<u>(912)</u>	36%	<u>1,239</u>	<u>912</u>	36%	<u>-</u>	<u>-</u>	
<b>Change in net position</b>	<u>(436)</u>	<u>(36)</u>	1111%	<u>75</u>	<u>(88)</u>	-185%	<u>(361)</u>	<u>(124)</u>	191%
<b>Beginning net position</b>	<u>1,355</u>	<u>1,391</u>	-3%	<u>627</u>	<u>715</u>	-12%	<u>1,982</u>	<u>2,106</u>	-6%
<b>Ending net position</b>	<u>\$ 919</u>	<u>\$ 1,355</u>	-32%	<u>\$ 702</u>	<u>\$ 627</u>	12%	<u>\$ 1,621</u>	<u>\$ 1,982</u>	-18%

### Governmental Activities

The City's governmental activities had a decrease in net position of \$436,129. Capital grants and airport expenses decreased from the prior year due to a Federal Aviation grant received in FY 17-18. Capital grants, debt proceeds and contributions decreased approximately \$252,203 due to an airport grant received in the prior year.

**CITY OF EUFAULA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2019**

**Business-type Activities**

The business-type activities had an increase in net position of \$73,957. Capital grants, debt proceeds and contributions increased approximately \$655,234 in the current year primarily due to the issuance of new water-related debt of \$812,139 which also explains the increase in water expenses from the prior year.

**TABLE 3**  
**Net Revenue (Expense) of Governmental Activities**  
**(In Thousands)**

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	
General government	\$ 859	\$ 801	7%	\$ (635)	\$ (632)	0%
Public safety	900	789	14%	(846)	(740)	14%
Highways and streets	85	53	60%	(59)	26	-327%
Culture and recreation	121	92	32%	(118)	(91)	30%
Cemetery	58	69	-16%	(46)	(55)	-16%
Airport	54	295	-82%	(37)	(34)	9%
Tourism	4	4	0%	(4)	(4)	0%
Principal on long-term debt	14	13	8%	(14)	(13)	8%
Interest on long-term debt	3	4	-25%	(3)	(4)	-25%
<b>Total</b>	<u>\$2,098</u>	<u>\$2,120</u>	-1%	<u>\$(1,762)</u>	<u>\$ (1,547)</u>	14%

**TABLE 4**  
**Net Revenue (Expense) of Business-Type Activities**  
**(In Thousands)**

	<b>Total Expense of Services</b>		<b>% Inc. Dec.</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. Dec.</b>
	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	
Water	\$ 2,223	\$ 1,277	74%	\$ (585)	\$ (529)	11%
Sewer	858	811	6%	(511)	(459)	11%
Sanitation	391	387	1%	(22)	(4)	450%
Economic Development	51	10	410%	(51)	(10)	410%
<b>Total</b>	<u>\$ 3,523</u>	<u>\$ 2,485</u>	42%	<u>\$(1,169)</u>	<u>\$ (1,002)</u>	17%

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2019 fiscal year, the governmental funds reported a combined fund balance of \$919,132. For the year ended June 30, 2019, the General Fund's total fund balance decreased by \$254,861. The proprietary funds reported combined net position of \$701,393. The EPWA's total net position increased by \$26,416, while EEDA's total net position increased by \$47,541.

**CITY OF EUFAULA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2019**

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**Budgetary Highlights**

For the year ended June 30, 2019, the General Fund reported actual budgetary basis revenues over final estimates by \$34,285 or a 0.1% positive variance. General Fund actual expenditures were under final appropriations by \$76,402 or a 1.9% positive variance.

**Debt Administration**

At year-end, the City had \$9,071,125 in long-term debt outstanding, reported on a modified cash basis, which represents an \$180,192 increase from the prior year. (See details on pages 35-37).

**TABLE 5**  
**Long-Term Debt**  
**(In Thousands)**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018-2019</u>
Notes payable	\$ -	\$ -	\$ 9,027	\$ 8,832	\$ 9,027	\$ 8,832	2.2%
Capital leases	44	59	-	-	44	59	-25.4%
<b>Totals</b>	<u>\$ 44</u>	<u>\$ 59</u>	<u>\$ 9,027</u>	<u>\$ 8,832</u>	<u>\$ 9,071</u>	<u>\$ 8,891</u>	2.0%

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

- The FY 2019-2020 budget is relatively consistent with that of the prior year.

**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 684, Eufaula, Oklahoma 74432 or telephone at 918-689-2534.

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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF EUFAULA, OKLAHOMA**  
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**Statement of Net Position (Modified Cash Basis) – June 30, 2019**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 952,265	\$ 821,362	\$ 1,773,627
Internal Balances	(1,470)	1,470	-
Total assets	<u>950,795</u>	<u>822,832</u>	<u>1,773,627</u>
<b>LIABILITIES</b>			
Due to other governments	1,115	-	1,115
Due to bondholders	548	-	548
Deposits subject to refund	30,000	121,439	151,439
Total liabilities	<u>31,663</u>	<u>121,439</u>	<u>153,102</u>
<b>NET POSITION</b>			
Restricted for:			
Cemetery	16,092	-	16,092
Streets	326	-	326
Grants	91,484	-	91,484
Public safety	2,035	-	2,035
Capital improvements	93,968	-	93,968
Debt service	-	124,666	124,666
Recreation	41,027	-	41,027
Airport	24,834	-	24,834
Unrestricted	649,366	576,727	1,226,093
Total net position	<u>\$ 919,132</u>	<u>\$ 701,393</u>	<u>\$ 1,620,525</u>

See accompanying notes to these financial statements.



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**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2019**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Debt Proceeds and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 858,843	\$ 165,929	\$ 14,325	\$ 43,816	\$ (634,773)	\$ -	\$ (634,773)
Public safety	900,157	53,886	-	-	(846,271)	-	(846,271)
Highways and streets	84,804	-	25,835	-	(58,969)	-	(58,969)
Culture and recreation	121,437	1,760	1,630	-	(118,047)	-	(118,047)
Cemetery	58,326	12,391	-	-	(45,935)	-	(45,935)
Airport	53,943	-	-	17,352	(36,591)	-	(36,591)
Tourism	3,833	-	-	-	(3,833)	-	(3,833)
Debt service:							
Principal on long-term debt	14,059	-	-	-	(14,059)	-	(14,059)
Interest on long-term debt	3,157	-	-	-	(3,157)	-	(3,157)
Total governmental activities	<u>2,098,559</u>	<u>233,966</u>	<u>41,790</u>	<u>61,168</u>	<u>(1,761,635)</u>	<u>-</u>	<u>(1,761,635)</u>
Business-type activities:							
Water	2,222,552	825,298	-	812,140	-	(585,114)	(585,114)
Sewer	857,727	346,920	-	-	-	(510,807)	(510,807)
Sanitation	391,154	368,953	-	-	-	(22,201)	(22,201)
Economic Development	50,633	-	-	-	-	(50,633)	(50,633)
Total business-type activities	<u>3,522,066</u>	<u>1,541,171</u>	<u>-</u>	<u>812,140</u>	<u>-</u>	<u>(1,168,755)</u>	<u>(1,168,755)</u>
Total primary government	<u>\$ 5,620,625</u>	<u>\$ 1,775,137</u>	<u>\$ 41,790</u>	<u>\$ 873,308</u>	<u>(1,761,635)</u>	<u>(1,168,755)</u>	<u>(2,930,390)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					2,199,976	-	2,199,976
Franchise taxes and public service taxes					124,271	-	124,271
Hotel/motel taxes					78,276	-	78,276
Intergovernmental revenue not restricted to specific programs					57,942	-	57,942
Unrestricted investment earnings					851	4,151	5,002
Miscellaneous					102,751	-	102,751
Transfers					(1,238,561)	1,238,561	-
Total general revenues and transfers					<u>1,325,506</u>	<u>1,242,712</u>	<u>2,568,218</u>
Change in net position					<u>(436,129)</u>	<u>73,957</u>	<u>(362,172)</u>
Net position - beginning					<u>1,355,261</u>	<u>627,436</u>	<u>1,982,697</u>
Net position - ending					<u>\$ 919,132</u>	<u>\$ 701,393</u>	<u>\$ 1,620,525</u>

See accompanying notes to these financial statements.

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF EUFAULA, OKLAHOMA**  
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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2019**

	<b>General Fund</b>	<b>Capital Improvements Fund</b>	<b>Airport Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 631,562	\$ 82,218	\$ 41,385	\$ 197,100	\$ 952,265
Due from other funds	-	1,896	-	8,016	9,912
Total assets	<u>\$ 631,562</u>	<u>\$ 84,114</u>	<u>\$ 41,385</u>	<u>\$ 205,116</u>	<u>\$ 962,177</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ 11,382	\$ -	\$ -	\$ -	\$ 11,382
Due to bondholders	548	-	-	-	548
Due to other governments	1,115	-	-	-	1,115
Other payables	30,000	-	-	-	30,000
Total liabilities	<u>43,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,045</u>
Fund balances:					
Restricted	-	82,451	24,834	162,481	269,766
Assigned	-	1,663	16,551	42,635	60,849
Unassigned	588,517	-	-	-	588,517
Total fund balances	<u>588,517</u>	<u>84,114</u>	<u>41,385</u>	<u>205,116</u>	<u>919,132</u>
Total liabilities and fund balances	<u>\$ 631,562</u>	<u>\$ 84,114</u>	<u>\$ 41,385</u>	<u>\$ 205,116</u>	<u>\$ 962,177</u>

See accompanying notes to these financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – Year Ended June 30, 2019**

	<b>General Fund</b>	<b>Capital Improvements Fund</b>	<b>Airport Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 2,324,247	\$ -	\$ -	\$ 78,276	\$ 2,402,523
Intergovernmental	87,777	43,816	17,352	10,325	159,270
Charges for services	12,391	152,228	-	2,044	166,663
Fines and forfeitures	53,886	-	-	-	53,886
Licenses and permits	13,701	-	-	-	13,701
Investment income	724	113	-	14	851
Miscellaneous	78,753	-	3,911	7,522	90,186
Total revenues	<u>2,571,479</u>	<u>196,157</u>	<u>21,263</u>	<u>98,181</u>	<u>2,887,080</u>
<b>EXPENDITURES</b>					
Current:					
General government	828,442	-	-	12,387	840,829
Public Safety	781,078	-	-	1,000	782,078
Highway and streets	76,985	-	-	-	76,985
Culture and recreation	46,608	-	-	43,221	89,829
Cemetery	55,026	-	-	-	55,026
Tourism	3,833	-	-	-	3,833
Airport	-	-	5,128	-	5,128
Capital Outlay	117,295	234,964	48,815	61,525	462,599
Debt Service:					
Principal	-	-	-	14,059	14,059
Interest and other charges	-	-	-	3,157	3,157
Total expenditures	<u>1,909,267</u>	<u>234,964</u>	<u>53,943</u>	<u>135,349</u>	<u>2,333,523</u>
Excess (deficiency) of revenues over expenditures	<u>662,212</u>	<u>(38,807)</u>	<u>(32,680)</u>	<u>(37,168)</u>	<u>553,557</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of land	13,911	-	-	-	13,911
Transfers in	1,112,600	-	44,500	8,608	1,165,708
Transfers out	(2,043,584)	(38,047)	-	(87,674)	(2,169,305)
Total other financing sources and uses	<u>(917,073)</u>	<u>(38,047)</u>	<u>44,500</u>	<u>(79,066)</u>	<u>(989,686)</u>
Net change in fund balances	(254,861)	(76,854)	11,820	(116,234)	(436,129)
Fund balances - beginning	843,378	160,968	29,565	321,350	1,355,261
Fund balances - ending	<u>\$ 588,517</u>	<u>\$ 84,114</u>	<u>\$ 41,385</u>	<u>\$ 205,116</u>	<u>\$ 919,132</u>

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, 2019**

	<b>Enterprise Funds</b>		
	<b>Eufaula Public Works Authority</b>	<b>Eufaula Economic Development Authority</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 526,711	\$ 48,546	\$ 575,257
Due from other funds	3,366	-	3,366
Restricted:			
Cash and cash equivalents	246,105	-	246,105
Total assets	<u>776,182</u>	<u>48,546</u>	<u>824,728</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Due to other funds	1,896	-	1,896
Deposits subject to refund	121,439	-	121,439
Total liabilities	<u>123,335</u>	<u>-</u>	<u>123,335</u>
<b>NET POSITION</b>			
Restricted for debt service	124,666	-	124,666
Unrestricted	528,181	48,546	576,727
Total net position	<u>\$ 652,847</u>	<u>\$ 48,546</u>	<u>\$ 701,393</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, 2019**

	<b>Eufaula Public Works Authority</b>	<b>Eufaula Economic Development Authority</b>	<b>Totals</b>
<b>REVENUES</b>			
Water	\$ 769,219	\$ -	\$ 769,219
Sewer	319,589	-	319,589
Sanitation	346,778	-	346,778
Water and sewer taps	13,800	-	13,800
Penalties	33,303	-	33,303
Miscellaneous	58,482	-	58,482
Total operating revenues	<u>1,541,171</u>	<u>-</u>	<u>1,541,171</u>
<b>OPERATING EXPENSES</b>			
Administration	103,671	-	103,671
Water	706,199	-	706,199
Sewer	275,164	-	275,164
Sanitation	366,107	-	366,107
Economic development	-	40,556	40,556
Total operating expenses	<u>1,451,141</u>	<u>40,556</u>	<u>1,491,697</u>
Operating income (loss)	<u>90,030</u>	<u>(40,556)</u>	<u>49,474</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	4,151	-	4,151
Debt proceeds	812,140	-	812,140
Debt issuance costs	(232,569)	-	(232,569)
Capital outlay	(690,293)	-	(690,293)
Debt service:			
Principal retirement	(608,474)	(9,414)	(617,888)
Interest expense and fees	(253,992)	(663)	(254,655)
Total non-operating revenue (expenses)	<u>(969,037)</u>	<u>(10,077)</u>	<u>(979,114)</u>
Income (loss) before transfers	<u>(879,007)</u>	<u>(50,633)</u>	<u>(929,640)</u>
Transfers in	2,018,023	98,174	2,116,197
Transfers out	<u>(1,112,600)</u>	<u>-</u>	<u>(1,112,600)</u>
Change in net position	26,416	47,541	73,957
Total net position - beginning	626,431	1,005	627,436
Total net position - ending	<u>\$ 652,847</u>	<u>\$ 48,546</u>	<u>\$ 701,393</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, 2019**

	<b>Eufaula Public Works Authority</b>	<b>Eufaula Economic Development Authority</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,541,171	-	\$ 1,541,171
Payments to suppliers	(995,423)	(40,556)	(1,035,979)
Payments to employees	(455,718)	-	(455,718)
Receipts of customer meter deposits	39,910	-	39,910
Refunds of customer meter deposits	(33,310)	-	(33,310)
Interfund receipts/payments	(279)	-	(279)
<b>Net cash provided by (used in) operating activities</b>	<b>96,351</b>	<b>(40,556)</b>	<b>55,795</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	2,018,023	98,174	2,116,197
Transfers to other funds	(1,112,600)	-	(1,112,600)
<b>Net cash provided by noncapital financing activities</b>	<b>905,423</b>	<b>98,174</b>	<b>1,003,597</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(690,293)	-	(690,293)
Proceeds from debt	812,140	-	812,140
Debt issuance costs paid	(232,569)	-	(232,569)
Principal paid on debt	(608,474)	(9,414)	(617,888)
Interest and fiscal agent fees paid on debt	(253,992)	(663)	(254,655)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(973,188)</b>	<b>(10,077)</b>	<b>(983,265)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	4,151	-	4,151
<b>Net cash provided by investing activities</b>	<b>4,151</b>	<b>-</b>	<b>4,151</b>
<b>Net increase in cash and cash equivalents</b>	<b>32,737</b>	<b>47,541</b>	<b>80,278</b>
<b>Balances - beginning of year</b>	<b>740,079</b>	<b>1,005</b>	<b>741,084</b>
<b>Balances - end of year</b>	<b>\$ 772,816</b>	<b>\$ 48,546</b>	<b>\$ 821,362</b>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 526,711	\$ 48,546	\$ 575,257
Restricted cash and cash equivalents - current	246,105	-	246,105
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 772,816</b>	<b>\$ 48,546</b>	<b>\$ 821,362</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 90,030	\$ (40,556)	\$ 49,474
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
Due from other funds	(279)	-	(279)
Deposits subject to refund	6,600	-	6,600
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 96,351</b>	<b>\$ (40,556)</b>	<b>\$ 55,795</b>

See accompanying notes to these financial statements.



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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Statement of Net Position and Activities:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

In determining the financial reporting entity, the City of Eufaula, Oklahoma (the “City”) fully complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 61, “The Financial Reporting Entity: Omnibus” that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report.

The City’s financial reporting entity includes six separate legal entities reported as the primary government and component units.

- **The City of Eufaula** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities – *reported as part of the primary government*
- **The Eufaula Public Works Authority** – that operates the water, wastewater and sanitation services of the City - *reported as part of the primary government (blended component unit)*
- **The Eufaula Economic Development Authority** – that operates the economic development services within the City - *reported as part of the primary government (blended component unit)*
- **The Eufaula Recreation Authority** – that operates the recreational services within the City - *reported as part of the primary government (blended component unit)*
- **The Eufaula Industrial Authority** – that operates the industrial development services within the City (*Authority currently inactive*)
- **The Eufaula Airport Authority** – that operates the municipal airport services of the City (*Authority currently inactive*)

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including water, wastewater, and sanitation, recreational, and economic development activities.

All of the component units (Authorities) except the Eufaula Airport Authority (currently inactive) have the City Council as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

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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.

In addition, the City has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement 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 for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables/payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned.

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 for billed or 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 the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits, operating and capital grants
- Public safety: Fine revenue, fire runs, operating and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Culture and recreation: Recreational fees and operating grants
- Cemetery: Cemetery fees

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*Governmental Funds:*

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

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Capital Improvements Fund – accounts for revenues received from the CIP fee and used for capital projects
- Airport Fund – accounts for revenue received and expenditures made for airport grant projects

**Non-Major Funds (Reported as Other Governmental Funds):**

**Special Revenue Funds:**

- Street Fund – accounts for revenues received from excess of one-half percent sales tax above debt service requirements on the allocated bonds related to the 2002 defeased bonds to be used for street improvements
- Police Drug Fund – accounts for monies received from donations and drug seizures and to be used for law enforcement purposes only
- Eufaula Recreation Authority – accounts for hotel/motel taxes and recreations fees used to operate recreation activities
- FEMA Fund – accounts for FEMA grant program activity. Used for expenditures and receipts associated with emergency situations

**Capital Project Funds:**

- Cemetery Perpetual Fund – accounts for 25 percent of cemetery revenues (12.5 percent required per State statute) restricted for cemetery capital improvements
- Grant Fund (CDBG) – capital project fund, which accounts for funds of the Community Development Block Grant used for the Pur Ice building project
- Southpoint Project Fund – accounts for loan proceeds and related expenditures used for improvements to Southpoint

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present 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:*

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

**Major Funds:**

- Eufaula Public Works Authority (EPWA) Enterprise Fund – accounts for the operation of the water, wastewater, and sanitation activities
- Eufaula Economic Development Authority (EEDA) Enterprise Fund – accounts for economic development activities

The proprietary funds are reported on a modified cash basis, as defined above.

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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.

**C. Cash, Cash Equivalents, and Investments**

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, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Assets Other Than Cash**

Assets other than cash are reported at the amount of cash and cash equivalents associated with the transaction or event that resulted in their acquisition.

**E. 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. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

**F. Fund Balances and Net Position**

*Fund Balances:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. More information is provided in Note 3. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or are 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) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance, while the Eufaula Recreation Authority's highest level of decision making Authority is by resolution. The City and Authority currently have no fund balances that meet the definition of 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 budgetary process.

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- 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 the unrestricted fund balance when an expense is incurred for the purposes for which both restricted and unrestricted fund balances 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.

*Net Position:*

Net position is displayed in two components:

- a. *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.
- b. *Unrestricted net position* - All other net position that does not meet the definition of "restricted".

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 are available.

**G. Internal and Interfund Balances and Transfers**

The City's policy is to eliminate interfund transfers and balances in the statement 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 then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**2. Deposits and Investments**

For the year ended June 30, 2019, the City recognized \$5,002 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2019, the primary government held the following deposits and investments:

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<b><u>Primary Government:</u></b>		
<b><u>Type</u></b>	<b><u>Credit Rating</u></b>	<b><u>Carrying Value</u></b>
Petty cash		\$ 370
<b>Deposits:</b>		
Demand deposits		1,648,591
		<u>1,648,961</u>
<b>Investments:</b>		
Money Market Fund-Cavanal Hill US Treasury	AAA	124,666
		<u>124,666</u>
<b>Total deposits and investments</b>		<u><u>\$ 1,773,627</u></u>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 1,773,627
		<u><u>\$ 1,773,627</u></u>

*Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of a bank failure, the government's 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 either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2019, the City was fully collateralized and therefore not exposed to custodial credit risk as defined above.

*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. Title 60 public trusts are not limited by the same investment limitations of their municipal beneficiary. The investments held by the Public Works Authority are part of the 2015 OWRB revenue bond trustee account, the 2014A and 2014B revenue bond trustee accounts, and the 2012 OWRB trustee account, which are covered and authorized under the said indenture.

*Investment Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2019, the investments were limited to shares of money market funds invested in U.S. Treasury securities which have an average maturity of less than one year.

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*Concentration of Investment Credit Risk* - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts held for meter deposits, and amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2019 are as follows:

	Cash and cash equivalents
2014A Bond Fund	\$ 23,693
2014B Bond Fund	30,329
2012 OWRB Bond Fund	62,194
2015 OWRB Debt Service Fund	8,450
Meter deposits	121,439
Total	<u>\$ 246,105</u>

### 3. Fund Balances and Net Position

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet, and the Proprietary Fund Statement of Net Position:

	General Fund	Capital Improvements Fund	Airport Fund	Other Governmental Funds	Total
Fund Balance:					
Restricted for:					
Grant purposes	\$ -	\$ -	\$ -	\$ 91,484	\$ 91,484
Street improvements	-	-	-	326	326
Law enforcement	-	-	-	2,035	2,035
Cemetery care	-	-	-	16,092	16,092
Capital improvements	-	82,451	-	11,517	93,968
Airport	-	-	24,834	-	24,834
Recreation	-	-	-	41,027	41,027
	<u>-</u>	<u>82,451</u>	<u>24,834</u>	<u>162,481</u>	<u>269,766</u>
Assigned for:					
Grant purposes	-	-	-	10,989	10,989
Capital improvements	-	1,663	-	30,000	31,663
Cemetery care	-	-	-	1,646	1,646
Airport	-	-	16,551	-	16,551
	<u>-</u>	<u>1,663</u>	<u>16,551</u>	<u>42,635</u>	<u>60,849</u>
Unassigned	<u>588,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>588,517</u>
Total Fund Balance	<u>\$ 588,517</u>	<u>\$ 84,114</u>	<u>\$ 41,385</u>	<u>\$ 205,116</u>	<u>\$ 919,132</u>
Proprietary Funds:					
Restricted for:					
Debt service	124,666				
Total restricted net position	<u>\$ 124,666</u>				



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**4. Sales Tax Revenue**

Sales tax revenue represents a 3 ½ cent tax on each dollar of taxable sales of which all 3 ½ cents are transferred to the Eufaula Public Works Authority to be used to secure debt payments. Any unused portion is transferred back to the General Fund.

**5. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**6. Internal Balances and Transfers Between Funds and Legal Entities**

Internal transfers between funds and legal entities are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Cemetery Perpetual	\$ 4,100	12.5% required transfer
General Fund	ERA fund	3,916	hotel motel tax revenue
General Fund	EPWA	3,366	Deposit error
EPWA	Capital Improvement	1,896	Deposit error
Total		<u>\$ 13,278</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 9,912	\$ (11,382)	\$ (1,470)
Proprietary Funds	3,366	(1,896)	1,470
Total	<u>\$ 13,278</u>	<u>\$ (13,278)</u>	<u>\$ -</u>

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Eufaula Public Works Authority	\$ 1,979,976	Sales and tobacco tax transfer
General Fund	Recreation Fund	8,608	Debt payments
General Fund	Airport Fund	44,500	Grant money match
General Fund	Eufaula Economic Development Authority	10,500	Operational subsidy
Recreation Fund	Eufaula Economic Development Authority	87,674	Operational subsidy
Capital Improvements Fund	Eufaula Public Works Authority	38,047	Reimbursement for expenses
Eufaula Public Works Authority	General Fund	1,112,600	Return of unused sales tax
Total		<u>\$ 3,281,905</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,165,708	\$ (2,169,305)	\$ (1,003,597)
Proprietary Funds	2,116,197	(1,112,600)	1,003,597
	<u>\$ 3,281,905</u>	<u>\$ (3,281,905)</u>	<u>\$ -</u>

**Reconciliation to Statement of Activities:**

Transfers net balance	(1,003,597)
Transfer of capital outlay from governmental to business-type	(234,964)
	<u>\$ (1,238,561)</u>

**7. Risk Management**

The primary government 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 for participation in the Oklahoma Municipal Assurance Group risk entity pool for worker's

compensation and property liability coverage. 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.

## **8. Retirement Plan Participation**

The City of Eufaula participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OkMRF-DBP) – an agent multi-employer defined benefit pension plan

### *Oklahoma State Firefighters Pension System*

Pursuant to the requirements of Title 11, section 22-102, the City of Eufaula participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan, while the City is required by state law to contribute 14% per year per firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's obligation to fund the plan extends only to making the statutorily required contributions. For 2019, the City's annual required contribution was \$1,200 for the OFPRS plan and was equal to the City's actual contribution.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

### *Oklahoma State Police Pension System*

The City of Eufaula, as the employer, participates in a statewide cost-sharing multiple-employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2019, the City's annual required contribution was \$30,397 for the OPPRS plan and was equal to the City's actual contribution.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS  
1001 N.W. 63<sup>rd</sup> St., Suite 305  
Oklahoma City, OK 73116-7335

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*OkMRF Defined Benefit Plan*

The City contributes to the City of Eufaula Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OkMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OkMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	5.00% of covered payroll (7.5% for City Manager)
-Employee Rate	3.75% of earnings
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 7 years of service -Early retirement at age 55 with 7 years of service -Disability retirement with 7 years of service -Marital death benefit with 7 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	1.875% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 7 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

OkMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

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*Summary of Contributions:*

Oklahoma Municipal Retirement Fund			Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2017	39,046	100%	2017	24,675	100%	2017	1,200	100%
2018	34,805	100%	2018	26,997	100%	2018	1,260	100%
2019	34,226	100%	2019	30,397	100%	2019	1,200	100%

**9. Commitments and Contingencies**

For the year ended June 30, 2019, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease payable	\$ 58,543	\$ -	\$ 14,059	\$ 44,484	\$ 14,955
Total Governmental Activities	58,543	-	14,059	44,484	14,955
<b>Business-Type Activities:</b>					
Notes Payable-direct borrowings	\$ 3,917,390	\$ 812,139	\$ 142,888	\$ 4,586,641	\$ 147,470
Revenue notes payable	4,915,000	-	475,000	4,440,000	490,000
Total Business-Type Activities	8,832,390	812,139	617,888	9,026,641	637,470
Total Long-Term Debt	\$ 8,890,933	\$ 812,139	\$ 631,947	\$ 9,071,125	\$ 652,425

*Governmental Activities:*

At June 30, 2019, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Lease Obligations Payable

\$74,199 lease obligation for purchase of John Deere utility tractor, payable in monthly installments of \$1,434.68, final payment due April 2022	44,484
Total Capital Leases Payable	<u>\$ 44,484</u>

*Business-Type Activities:*

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2019, includes the following:

*Eufaula Public Works Authority:*

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to EPWA, and their outstanding balances at June 30, 2019, includes the following:

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**Notes Payable – Direct Borrowings**

Note payable to Oklahoma Water Resources Board, original amount of \$4,035,000, payable in semi-annual installments each June and December 1 beginning December 2013, final installment due June 1, 2043 with a 2.06% interest rate and an administration fee of 0.5% payable semi-annually on the principal outstanding. The note is secured by and payable from utility revenues and pledged sales tax as well as a mortgage of certain utility assets. In the event of default on the OWRB loans, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the indenture; 5) foreclose the mortgage, lien and security interest; 6) increase the interest rate to 14% on the defaulted payments.

3,319,198

Note payable to Oklahoma Water Resources Board, original amount of \$675,000, payable in semi-annual installments each March and September 15 beginning September 2016, final installment due September 15, 2030 with a 1.64% interest rate and an administration fee of 0.5% payable semi-annually on the principal outstanding. Total drawdowns to date equal \$364,917. The note is secured by and payable from utility revenues and pledged sales tax as well as a mortgage of certain utility assets. In the event of default on the OWRB loans, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the indenture; 5) foreclose the mortgage, lien and security interest; 6) increase the interest rate to 14% on the defaulted payments.

339,449

Note payable from Bank of Eufaula, original amount of \$57,784, payable in monthly installments beginning January 2018, final installment due December 2020 with a 5.5% interest rate. The note is secured by a mortgage on the property. In the event of default, the lender may: 1) accelerate any part of the amount of the loan agreement immediately due; 2) use all remedies under state or federal law or in any loan document; 3) make a claim for any and all insurance benefits or refunds that may be available; 4) make immediately due any amounts advanced to borrowers and accrue interest at the highest post-maturity interest rate.

54,063

Note payable from Bank of Eufaula, original amount of \$53,290, payable in monthly installments beginning June 2018, final installment due May 2023 with a 6.0% interest rate. The note is secured by a 2018 Bobcat Excavator. In the event of default, the lender may: 1) accelerate any part of the amount of the loan agreement immediately due; 2) use all remedies under state or federal law or in any loan document; 3) make a claim for any and all insurance benefits or refunds that may be available; 4) make immediately due any amounts advanced to borrowers and accrue interest at the highest post-maturity interest rate.

42,991

Note payable to Oklahoma Water Resources Board, original amount of \$1,000,000, payable in semi-annual installments each March and September 15 beginning March 2019, final installment due September 15, 2051 with a 2.75% interest rate and an administration fee of 0.5% payable semi-annually on the principal outstanding. Total drawdowns to date equal \$628,821. The note is secured by and payable from utility revenues and pledged sales tax as well as a mortgage of certain utility assets. In the event of default on the OWRB loans, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the indenture; 5) foreclose the mortgage, lien and security interest; 6) increase the interest rate to 14% on the defaulted payments.

628,821

Note payable to Oklahoma Water Resources Board, original amount of \$6,185,000, payable in semi-annual installments each March and September 15 beginning September 2019, final installment due September 15, 2050 with a 2.04% interest rate and an administration fee of 0.5% payable semi-annually on the principal outstanding. Total drawdowns to date equal \$183,319. The note is secured by and payable from utility revenues and pledged sales tax as well as a mortgage of certain utility assets. In the event of default on the OWRB loans, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the indenture; 5) foreclose the mortgage, lien and security interest; 6) increase the interest rate to 14% on the defaulted payments.

183,319

Total Notes Payable

\$ 4,567,841

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**Revenue Notes Payable**

Series 2014A Revenue Notes, original issue amount of \$2,165,000, dated August 1, 2014, issued by Eufaula Public Works Authority, secured by utility revenues and pledged sales tax, interest rate of 3.65%, final payment due June 2024. \$ 1,160,000

Series 2014B Revenue Notes, original issue amount of \$4,410,000, dated August 1, 2014, issued by Eufaula Public Works Authority, secured by utility revenues and pledged sales tax, interest rate of 2.75%, final payment due December 2027. 3,280,000

\$ 4,440,000

*Eufaula Economic Development Authority:*

Long-term debt commitments payable from net revenues generated by the economic development resources of the EEDA, and their outstanding balances at June 30, 2019, includes the following:

**Long-Term Note Commitments**

Note payable to Bank of Eufaula dated May 15, 2017, original amount \$38,148, due in monthly installments of \$840, interest rate of 2.75%, with final payment of \$851 due May 2021.

Total Note Payable \$ 18,800  
\$ 18,800

**Annual Debt Service Requirements**

Long-term debt service requirements to maturity are as follows:

Year Ended June 30,	Governmental		Business-Type				
	Capital Lease Obligations		Notes Payable-direct borrowings		Revenue Notes Payable		
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 14,955	\$ 2,261	\$ 147,470	\$ 246,375	\$ 490,000	\$ 128,654	
2021	15,878	1,338	152,832	283,967	505,000	113,040	
2022	13,651	364	149,747	279,847	525,000	96,945	
2023	-	-	152,775	275,569	535,000	80,368	
2024	-	-	145,412	271,582	555,000	63,426	
2025-2029	-	-	1,184,892	1,291,514	575,000	46,406	
2030-2034	-	-	1,894,304	1,077,628	585,000	30,525	
2035-2039	-	-	2,135,554	817,313	605,000	14,300	
2040-2044	-	-	2,412,515	516,045	65,000	894	
2045-2049	-	-	1,935,000	230,862	-	-	
2050-2051	-	-	649,000	17,305	-	-	
Total	<u>\$ 44,484</u>	<u>\$ 3,963</u>	<u>\$ 10,959,501</u>	<u>\$ 5,308,007</u>	<u>\$ 4,440,000</u>	<u>\$ 574,558</u>	
Less: Amount not yet drawn			(6,372,860)				
Outstanding debt at June 30, 2019			<u>\$ 4,586,641</u>				

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**Pledge of Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has pledged all three and one-half cents (or 100%) of future sales tax revenues and net utility revenues to repay the \$2,165,000 Series 2014A Utility System and Sales Tax Revenue Notes and the \$4,410,000 Series 2014B Utility System and Sales Tax Revenue Notes. Proceeds from the notes provided financing to refund Series 2005 Utility Revenue Bonds. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2024 and 2028, respectively. The total principal and interest payable for the remainder of the life of these notes is \$5,014,558. Pledged sales taxes received in the current year were \$1,974,221 and net utility revenues were \$94,181. Debt service payments of \$618,856 for the current fiscal year were 30% of both pledged sales taxes and net utility revenues of \$2,068,402.

***Compensated Absences:***

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2019 is \$25,573 for governmental activities and \$13,304 for business-type activities.

***Other Post-Employment Benefits:***

For the year ended June 30, 2019, the City provided post-employment benefits (other than pension) to retired employees. The City accounts for these costs on a pay-as-you-go basis. These benefits are in the form of health insurance for retired employees. The retirees pay 100% of the City's established blended premium for active and retired employees.

***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 Eufaula participates in various federal or state grant/loan programs from year to year. In 2019, 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.

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**SUPPLEMENTAL AND OTHER INFORMATION**



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**Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2019**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ 270,000	\$ 373,900	\$ 843,378	\$ 469,478
<b>Resources (Inflows):</b>				
Taxes	2,182,855	2,297,855	2,324,247	26,392
Intergovernmental	70,000	82,450	87,777	5,327
Charges for services	13,500	13,500	12,391	(1,109)
Fines and forfeitures	82,000	86,000	53,886	(32,114)
Licenses and permits	10,100	10,100	13,701	3,601
Investment income	600	600	724	124
Miscellaneous	32,100	60,600	92,664	32,064
Transfers in	1,112,600	1,112,600	1,112,600	-
<b>Total Resources (Inflows)</b>	<u>3,503,755</u>	<u>3,663,705</u>	<u>3,697,990</u>	<u>34,285</u>
<b>Amounts available for appropriation</b>	<u>\$ 3,773,755</u>	<u>\$ 4,037,605</u>	<u>\$ 4,541,368</u>	<u>503,763</u>
<b>Charges to Appropriations (Outflows):</b>				
Administration	217,543	212,565	211,952	613
Tourism	4,500	3,907	3,833	74
Police	756,770	823,471	796,145	27,326
Fire	80,750	78,590	76,395	2,195
Animal Shelter	10,250	14,309	14,308	1
General government	608,050	642,318	620,196	22,122
Library	8,150	19,684	17,240	2,444
Cemetery	65,086	62,638	55,026	7,612
Summer recreation	5,000	-	-	-
Streets	48,300	65,750	64,804	946
Parks	-	29,400	29,368	32
Transportation	20,000	20,000	20,000	-
Transfers out	1,941,005	2,056,621	2,043,584	13,037
<b>Total Charges to Appropriations</b>	<u>3,765,404</u>	<u>4,029,253</u>	<u>3,952,851</u>	<u>76,402</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 8,351</u>	<u>\$ 8,352</u>	<u>\$588,517</u>	<u>\$ 580,165</u>

See notes to budgetary comparison schedule.

**CITY OF EUFAULA, OKLAHOMA**  
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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on a budgetary basis which differs from the modified cash basis within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City Council approval.
3. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	<u><b>General Fund</b></u>
Resources budgetary basis	\$3,697,990
Deduct Proceeds from sale of land	(13,911)
Deduct transfers in	<u>(1,112,600)</u>
Revenue - modified cash basis	<u><u>\$2,571,479</u></u>
Charges to appropriations budgetary basis	\$3,952,851
Deduct transfers out	<u>(2,043,584)</u>
Expenditures - modified cash basis	<u><u>\$1,909,267</u></u>

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**Combining Balance Sheet – Non-Major Governmental Funds (Modified Cash Basis) – June 30, 2019**

	Special Revenue Funds				Capital Project Funds			
	Street Fund	Police Drug Fund	Recreation Authority	FEMA Fund	Cemetery Perpetual Fund	Grant Fund	Southpoint Project Fund	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 326	\$ 2,035	\$ 37,111	\$ 60,411	\$ 13,638	\$ 42,062	\$ 41,517	\$ 197,100
Due from other funds	-	-	3,916	-	4,100	-	-	8,016
Total assets	<u>\$ 326</u>	<u>\$ 2,035</u>	<u>\$ 41,027</u>	<u>\$ 60,411</u>	<u>\$ 17,738</u>	<u>\$ 42,062</u>	<u>\$ 41,517</u>	<u>\$ 205,116</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:								
Restricted	326	2,035	41,027	60,411	16,092	31,073	11,517	162,481
Assigned	-	-	-	-	1,646	10,989	30,000	42,635
Total fund balances	<u>326</u>	<u>2,035</u>	<u>41,027</u>	<u>60,411</u>	<u>17,738</u>	<u>42,062</u>	<u>41,517</u>	<u>205,116</u>
Total liabilities and fund balances	<u>\$ 326</u>	<u>\$ 2,035</u>	<u>\$ 41,027</u>	<u>\$ 60,411</u>	<u>\$ 17,738</u>	<u>\$ 42,062</u>	<u>\$ 41,517</u>	<u>\$ 205,116</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2019**

	Special Revenue Funds				Capital Project Funds			
	Street Fund	Police Drug Fund	Recreation Authority	FEMA Fund	Cemetery Perpetual Fund	Grant Fund	Southpoint Project Fund	Total-Other Governmental Funds
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 78,276	\$ -	\$ -	\$ -	\$ -	\$ 78,276
Intergovernmental	-	-	-	10,325	-	-	-	10,325
Charges for services	-	-	1,760	-	284	-	-	2,044
Investment income	-	-	-	-	7	7	-	14
Miscellaneous	-	5,892	1,630	-	-	-	-	7,522
Total revenues	<u>-</u>	<u>5,892</u>	<u>81,666</u>	<u>10,325</u>	<u>291</u>	<u>7</u>	<u>-</u>	<u>98,181</u>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	12,387	-	-	-	12,387
Public Safety	-	1,000	-	-	-	-	-	1,000
Culture and recreation	-	-	43,221	-	-	-	-	43,221
Capital outlay	-	26,617	31,608	-	3,300	-	-	61,525
Debt Service								
Principal	-	-	14,059	-	-	-	-	14,059
Interest and other charges	-	-	3,157	-	-	-	-	3,157
Total expenditures	<u>-</u>	<u>27,617</u>	<u>92,045</u>	<u>12,387</u>	<u>3,300</u>	<u>-</u>	<u>-</u>	<u>135,349</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(21,725)</u>	<u>(10,379)</u>	<u>(2,062)</u>	<u>(3,009)</u>	<u>7</u>	<u>-</u>	<u>(37,168)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	8,608	-	-	-	-	8,608
Transfers out	-	-	(87,674)	-	-	-	-	(87,674)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(79,066)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,066)</u>
Net change in fund balances	-	(21,725)	(89,445)	(2,062)	(3,009)	7	-	(116,234)
Fund balances - beginning	326	23,760	130,472	62,473	20,747	42,055	41,517	321,350
Fund balances - ending	<u>\$ 326</u>	<u>\$ 2,035</u>	<u>\$ 41,027</u>	<u>\$ 60,411</u>	<u>\$ 17,738</u>	<u>\$ 42,062</u>	<u>\$ 41,517</u>	<u>\$ 205,116</u>

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**Proprietary Fund Combining Schedule of Net Position (Modified Cash Basis) – Eufaula Public Works Authority Enterprise Fund Accounts – June 30, 2019**

	<b><u>EPWA</u></b>	<b><u>EPWA-CWSRF</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 482,918	\$ 43,793	\$ 526,711
Due from other funds	3,366	-	3,366
Restricted:			
Cash and cash equivalents	246,105	-	246,105
Total assets	<u>732,389</u>	<u>43,793</u>	<u>776,182</u>
<b>LIABILITIES</b>			
Due to other funds	1,896	-	1,896
Deposits subject to refund	121,439	-	121,439
Total liabilities	<u>123,335</u>	<u>-</u>	<u>123,335</u>
<b>NET POSITION</b>			
Restricted for debt service	124,666	-	124,666
Unrestricted	484,388	43,793	528,181
Total net position	<u>\$ 609,054</u>	<u>\$ 43,793</u>	<u>\$ 652,847</u>

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**Proprietary Fund Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**(Modified Cash Basis) – Eufaula Public Works Authority Enterprise Fund Accounts – Year Ended**  
**June 30, 2019**

	<u>EPWA</u>	<u>EPWA-CWSRF</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for services:			
Water	\$ 769,219	\$ -	\$ 769,219
Sewer	319,589	-	319,589
Sanitation	346,778	-	346,778
Water and sewer taps	13,800	-	13,800
Penalties	33,303	-	33,303
Miscellaneous	58,482	-	58,482
Total operating revenues	<u>1,541,171</u>	<u>-</u>	<u>1,541,171</u>
<b>OPERATING EXPENSES</b>			
Administration	103,671	-	103,671
Water	706,200	(1)	706,199
Sewer	275,164	-	275,164
Sanitation	366,107	-	366,107
Total operating expenses	<u>1,451,142</u>	<u>(1)</u>	<u>1,451,141</u>
Operating income	<u>90,029</u>	<u>1</u>	<u>90,030</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	4,115	36	4,151
Debt proceeds	812,140	-	812,140
Debt issuance costs	-	(232,569)	(232,569)
Capital outlay	(110,722)	(579,571)	(690,293)
Debt service:			
Principal retirement	(608,474)	-	(608,474)
Interest expense and fees	(253,992)	-	(253,992)
Total non-operating revenue (expenses)	<u>(156,933)</u>	<u>(812,104)</u>	<u>(969,037)</u>
Income (loss) before transfers	<u>(66,904)</u>	<u>(812,103)</u>	<u>(879,007)</u>
Interaccount transfers in	41,965	812,140	854,105
Interaccount transfers out	(812,140)	(41,965)	(854,105)
Transfers in	1,979,976	38,047	2,018,023
Transfers out	(1,112,600)	-	(1,112,600)
Change in net position	<u>30,297</u>	<u>(3,881)</u>	<u>26,416</u>
Total net position - beginning	<u>578,757</u>	<u>47,674</u>	<u>626,431</u>
Total net position - ending	<u>\$ 609,054</u>	<u>\$ 43,793</u>	<u>\$ 652,847</u>

**CITY OF EUFAULA, OKLAHOMA**  
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**Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2019**

<b>Federal Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant #</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Federal Aviation Administration	20.106	AIP 3-40-0029-011-2019	330,007	8,300
Federal Aviation Administration	20.106	AIP 3-40-0029-010-2017	<u>290,088</u>	<u>17,352</u>
Total Federal Awards			<u>\$ 620,095</u>	<u>\$ 25,652</u>

<b>State Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Grant #</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>STATE AWARDS:</b>			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Forestry Grant - 2017	N/A	<u>\$ 4,000</u>	<u>\$ 4,000</u>
		<u>4,000</u>	<u>4,000</u>
<u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT:</u>			
2018 REAP	REAP FY 2018	20,000	19,994
2019 REAP	REAP FY 2019	<u>35,000</u>	<u>23,822</u>
		<u>55,000</u>	<u>43,816</u>
Total State Awards		<u>\$ 59,000</u>	<u>\$ 47,816</u>

**CITY OF EUFAULA, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2019**

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**INTERNAL CONTROL AND COMPLIANCE**



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 Council  
City of Eufaula, 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 Eufaula, Oklahoma (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2019. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2019-01 that we consider to be a material weakness.

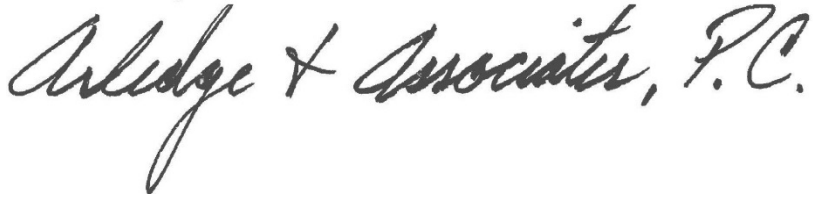
**Compliance and Other Matters**

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Arledge & Associates, P.C.".

December 16, 2019

## **CITY OF EUFAULA, OKLAHOMA**

### **SCHEDULE OF FINDINGS AND RESPONSES**

As of and for the Year Ended June 30, 2019

#### **Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

##### **Finding: 2019-01 – Segregation of Duties**

**Criteria:** A good system of internal control provides for proper segregation of the accounting functions.

**Condition:** The City has a limited number of employees that perform the duties that would normally be divided among multiple employees. Due to a limited number of employees, incompatible duties may at times be required to be performed by certain individual employees.

**Cause and Effect:** Lack of internal control surrounding the accounting functions due to small number of office employees. As a result, there is more than a remote likelihood that a misstatement more than inconsequential will not be prevented or detected by the City's internal control.

**Recommendation:** If hiring additional staff is not possible, we recommend segregating the various accounting functions with the available staff to the extent possible. In addition, the City Council should take an active role in the review of financial data.

**Management Response:** The City of Eufaula improved internal controls compared to prior periods of audits performed by Arledge and Associates by implementing additional points for accounting review and by providing the City Council with additional monthly financial reports.

Various accounting functions are segregated to the furthest extent possible. If the Auditor wishes to identify a specific area of improvement, other than hiring additional staff which would be financially irresponsible, the City of Eufaula will immediately implement it.

The Council has a very active role in the review of the financial data as they approve the detailed claims list monthly, receive a monthly financial update that was modeled after the City of Oklahoma City, and receive the monthly Treasurer's Report to reflect cash balances.