CITY OF EUFAULA, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

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

THE CITY OF EUFAULA, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

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

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 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, 2020, 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

Aledge + Associates, P.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 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.

November 30, 2020

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, 2020. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$438,296, and the assets of the City exceed its liabilities at June 30, 2020, by \$2,058,821 (net position). Of this amount, \$1,498,871 (unrestricted net position) may be used to meet any of the government's ongoing obligations to citizens and creditors.
- At June 30, 2020, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,406,766.
- At the end of fiscal year 2020, unassigned fund balance on a modified cash basis for the General Fund was \$905,879, or 32.9% 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:

- 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 twothirds 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.

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.

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, 2020, net position on a modified cash basis for the governmental and business-type activities increased \$438,296.

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, 2020 TABLE 1 NET POSITION (In Thousands)

		imental vities	% Inc. (Dec.)		ss-Type vities	% Inc. (Dec.)	То	% Inc. (Dec.)	
	2020	<u>2019</u>		2020	2019		2020	2019	
Cash and cash equivalents Total assets	\$1,410 1,410	\$ 951 951	48% 48%	\$ 785 785	\$ 823 823	-5% -5%	\$ 2,195 2,195	\$1,774 1,774	24% 24%
Liabilities Total liabilities	3	32	-91% -91%	133	122	9% 9%	136	154 154	-12% -12%
Net position Restricted Unrestricted Total net position	447 960 \$1,407	270 649 \$ 919	66% 48% 53%	113 539 \$ 652	124 577 \$ 701	-9% -7% -7%	560 1,499 \$2,059	394 1,226 \$ 1,620	42% 22% 27%

Revenues, Expenses and Changes in Net Position (Modified Cash Basis) Year Ended June 30, 2020

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Busine: Activ	ss-Type vities	% Inc. (Dec.)	To	% Inc. (Dec.)	
	2020	2019		<u>2020</u>	2019		2020	2019	
Revenues									
Charges for service	\$ 265	\$ 234	13%	\$1,765	\$ 1,541	15%	\$ 2,030	\$1,775	14%
Operating grants and contributions	69	42	64%	-	-	-	69	42	64%
Capital grants, debt proceeds and contributions	200	61	228%	2,180	812	168%	2,380	873	173%
Taxes	2,488	2,402	4%	-	-	-	2,488	2,402	4%
Intergovernmental revenue	71	58	22%	-	-	-	71	58	22%
Investment income	1	1	0%	3	4	-25%	4	5	-20%
M iscellaneous	374	103	263%			-	374	103	263%
Total revenues	3,468	2,901	20%	3,948	2,357	68%	7,416	5,258	41%
Expenses									
General government	871	859	1%	-	-	-	871	859	1%
Public safety	839	900	-7%	-	-	-	839	900	-7%
Streets	96	85	13%	-	-	-	96	85	13%
Culture, parks and recreation	51	121	-58%	_	-	-	51	121	-58%
Cemetery	80	58	38%	_	-	-	80	58	38%
Airport	131	54	143%	_	-	-	131	54	143%
Tourism	4	4	0%	_	-	-	4	4	0%
Principal on long-term debt	46	14	229%	-	-	-	46	14	229%
Interest on long-term debt	2	3	-33%	_	-	-	2	3	-33%
Water	-	-	-	3,472	2,222	56%	3,472	2,222	56%
Sewer	-	-	-	967	858	13%	967	858	13%
Sanitation	-	-	-	378	391	-3%	378	391	-3%
Economic development			-	40	51	-22%	40	51	-22%
Total expenses	2,120	2,098	1%	4,857	3,522	38%	6,977	5,620	24%
Excess (deficiency) before									
transfers	1,348	803	68%	(909)	(1,165)	22%	439	(362)	221%
Transfers	(860)	(1,239)	31%	860	1,239	-31%			-
Change in net position	488	(436)	212%	(49)	74	-166%	439	(362)	221%
Beginning net postion	919	1,355	-32%	701	627	12%	1,620	1,982	-18%
Ending net postion	\$1,407	\$ 919	53%	\$ 652	\$ 701	-7%	\$ 2,059	\$1,620	27%

Governmental Activities

The City's governmental activities had an increase in net position of \$487,634. Capital grants and airport expenses increased from the prior year due to a Federal Aviation grant received in the current year. Capital grants, debt proceeds and contributions increased approximately \$138,658 mainly due to an airport grant received in the current year. Miscellaneous revenue increased 263% due mainly to the sale of a piece of property in the amount of \$269,550.

Business-type Activities

The business-type activities had a decrease in net position of \$49,338. Capital grants, debt proceeds and contributions increased approximately \$1,368,216 in the current year primarily due to the issuance of new water-related debt of \$2,146,383 which also explains the increase in water expenses from the prior year.

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

		Total E		2	% Inc. (Dec.)	Net (Ex of S	% Inc. (Dec.)	
	2	020	2	019		<u>2020</u>	<u>2019</u>	
General government	\$	871	\$	859	1%	\$ (642)	\$ (635)	1%
Public safety		839		900	-7%	(753)	(846)	-11%
Highways and streets		96		85	13%	(71)	(59)	20%
Culture and recreation		51		121	-58%	18	(118)	-115%
Cemetery		80		58	38%	(66)	(46)	43%
Airport		131		54	143%	(20)	(37)	-46%
Tourism		4		4	0%	(4)	(4)	0%
Principal on long-term debt		46		14	229%	(46)	(14)	229%
Interest on long-term debt		2		3	-33%	(2)	(3)	-33%
Total		\$2,120	\$	2,098	1%	\$(1,586)	\$ (1,762)	-10%

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

		Expense rvices	% Inc.	Net Re (Expe	% Inc. Dec.	
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
Water	\$ 3,472	\$ 2,223	56%	\$ (302)	\$ (585)	-48%
Sewer	967	858	13%	(567)	(511)	11%
Sanitation	378	391	-3%	(3)	(22)	-86%
Economic Development	40	51	-22%	(39)	(51)	-24%
Total	\$ 4,857	\$ 3,523	38%	\$ (911)	\$(1,169)	-22%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2020 fiscal year, the governmental funds reported a combined fund balance of \$1,406,766. For the year ended June 30, 2020, the General Fund's total fund balance increased by \$317,362. The proprietary funds reported combined net position of \$652,055. The EPWA's total net position decreased by \$15,733, while EEDA's total net position decreased by \$33,605.

Budgetary Highlights

For the year ended June 30, 2020, the General Fund reported actual budgetary basis revenues over final estimates by \$354,619 or a 9.3% positive variance. General Fund actual expenditures were under final appropriations by \$97,672 or a 2.5% positive variance.

Debt Administration

At year-end, the City had \$10,556,410 in long-term debt outstanding, reported on a modified cash basis, which represents a \$1,485,285 increase from the prior year. (See details on pages 35-37).

TABLE 5

				DELU										
			Long-Te	rm Debt										
	(In Thousands)													
							Total							
	Gove	rnmental	Busine	ess-Type			Percentage							
	<u>Ac</u>	<u>ctivities</u>	<u>Acti</u>	vities	<u>To</u>	<u>Total</u>								
	2020	<u>2019</u>	<u>2020</u>	2019	<u>2020</u>	2019	2019-2020							
Notes payable	\$ -	\$ -	\$10,527	\$ 9,027	\$ 10,527	\$ 9,027	16.6%							
Capital leases	30	0 44			30	44	-31.8%							
Totals	\$ 30	0 \$ 44	\$10,527	\$ 9,027	\$ 10,557	\$ 9,071	16.4%							

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2020-2021 budget is relatively consistent with that of the prior year.
- The current economic slowdown that began in early March 2020 related to the effects of the Coronavirus will certainly have some kind of financial impact on the City's financial position and activities. However, the City plans to respond with appropriate actions once the depth and length of the slowdown and its impact on the City have been determined.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at P.O. Box 684, Eufaula, Oklahoma 74432 or telephone at 918-689-2534.

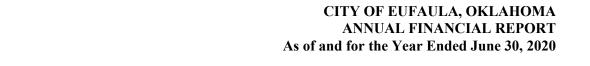
	ANNUAL FINANCIAL REPORT As of and for the Year Ended June 30, 2020
BASIC FINANCIAL STATEMENTS -	- STATEMENTS OF NET POSITION AND ACTIVITIES

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

	GovernmentalActivities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,409,252	\$ 785,876	\$ 2,195,128
Internal Balances	534	(534)	-
Total assets	1,409,786	785,342	2,195,128
LIABILITIES			
Due to other governments	1,115	-	1,115
Due to bondholders	1,905	-	1,905
Deposits subject to refund	-	133,287	133,287
Total liabilities	3,020	133,287	136,307
NET POSITION			
Restricted for:			
Cemetery	11,471	-	11,471
Streets	326	-	326
Grants	60,411	-	60,411
Public safety	2,035	-	2,035
Capital improvements	260,385	-	260,385
Debt service	· -	112,818	112,818
Recreation	79,981	, -	79,981
Airport	32,523	_	32,523
Unrestricted	959,634	539,237	1,498,871
Total net position	\$ 1,406,766	\$ 652,055	\$ 2,058,821

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

		Program Revenue				Net (Expense) Revenue and Changes in Net Position							
Functions/Programs Primary Government	Expenses	Charges for Services	Operating Grants and Contributions			Capital ants, Debt ceeds and atributions		vernmental Activities	Business-type Activities		Total		
Governmental activities:													
General government Public safety	\$ 870,884 838,526	\$ 179,361 71,989	\$ 4,6	42 -	\$	44,978 13,406	\$	(641,903) (753,131)	\$ -	\$	(641,903) (753,131)		
Highways and streets	96,222	-	25,3	39		-		(70,883)	_		(70,883)		
Culture and recreation	51,463	_	38,5			31,008		18,085	_		18,085		
Cemetery	80,218	14,031	,-	-		-		(66,187)	-		(66, 187)		
Airport	130,849			-		110,434		(20,415)	-		(20,415)		
Tourism	3,604	-		-		-		(3,604)	-		(3,604)		
Debt service:													
Principal on long-term debt	45,791	-		-		-		(45,791)	-		(45,791)		
Interest on long-term debt	2,379			-		-		(2,379)			(2,379)		
Total governmental activities	2,119,936	265,381	68,5	21		199,826		(1,586,208)			(1,586,208)		
Business-type activities:									/ />				
Water	3,472,172	1,023,621		-		2,146,383		-	(302,168)		(302, 168)		
Sewer Sanitation	966,787	366,214		-		33,973		-	(566,600)		(566,600)		
	378,248	374,904		-		-		-	(3,344)		(3,344)		
Economic Development	39,302	4 764 700				2 100 256			(39,302)		(39,302)		
Total business-type activities	4,856,509	1,764,739				2,180,356			(911,414)	_	(911,414)		
Total primary government	\$ 6,976,445	\$ 2,030,120	\$ 68,5	21	\$	2,380,182		(1,586,208)	(911,414)		(2,497,622)		
	General revenues	s:											
	Taxes:							0.000.004			0.000.004		
	Sales and use							2,306,281	-		2,306,281		
	Hotel/motel taxe	s and public servi	ice taxes					119,642 62,246	-		119,642 62,246		
	Intergovernmenta		ricted to speci	ific pro	naram	e		70,380	-		70,380		
	Unrestricted inves		noted to speci	illo pic	ogram	3		1,026	2.564		3,590		
	Miscellaneous	zon ounnigs						373,779	2,504		373,779		
	Transfers							(859,512)	859,512		-		
		revenues and tra	nsfers					2,073,842	862,076	_	2,935,918		
	Change in	net position						487,634	(49,338)	_	438,296		
	Net position - begin							919,132	701,393		1,620,525		
	Net position - endin	g					\$	1,406,766	\$ 652,055	\$	2,058,821		



												3 — 3										

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

	Gon	eral Fund		Capital rovements Fund		Other ernmental Funds	Gov	Total vernmental Funds
ASSETS	Ger	erai i uliu		T unu		i ulius		i ulius
Cash and cash equivalents	\$	919,912	\$	247,224	\$	242,116	\$	1,409,252
Due from other funds	·	109	·	3,503	·	8,153	·	11,765
Total assets	\$	920,021	\$	250,727	\$	250,269	\$	1,421,017
LIABILITIES AND FUND BALANCES Liabilities:								
Due to other funds	\$	11,122	\$	-	\$	109	\$	11,231
Due to bondholders		1,905		-		=		1,905
Due to other governments		1,115		-		-		1,115
Total liabilities		14,142				109		14,251
Fund balances:								
Restricted		-		248,868		198,264		447,132
Assigned		-		1,859		51,896		53,755
Unassigned		905,879		-		-		905,879
Total fund balances		905,879		250,727		250,160		1,406,766
Total liabilities and fund balances	\$	920,021	\$	250,727	\$	250,269	\$	1,421,017

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

		Capital	Other	Total				
	0	Improvements	Governmental	Governmental				
REVENUES	General Fund	Fund	Funds	Funds				
Taxes	\$ 2,425,923	\$ -	\$ 62,246	\$ 2,488,169				
Intergovernmental	148,767	9,978	110,434	269,179				
Charges for services	14,031	154,236	2,004	170,271				
Fines and forfeitures	71,989	134,230	2,004	71,989				
Licenses and permits	25,125	-	-	25,125				
Investment income	820	196	10	1,026				
Miscellaneous	64,376	190	42,838	107,214				
	2,751,031	164,410	217,532	3,132,973				
Total revenues	2,751,031	104,410	217,532	3,132,973				
EXPENDITURES								
Current:								
General government	836,403	-	-	836,403				
Public Safety	692,234	-	-	692,234				
Highway and streets	83,721	-	-	83,721				
Culture and recreation	6,990	-	36,896	43,886				
Cemetery	72,186	-	-	72,186				
Tourism	3,604	-	=	3,604				
Airport	-	-	16,195	16,195				
Capital Outlay	192,674	58,137	128,863	379,674				
Debt Service:								
Principal	-	-	45,791	45,791				
Interest and other charges	-	-	2,379	2,379				
Total expenditures	1,887,812	58,137	230,124	2,176,073				
Excess (deficiency) of revenues over								
expenditures	863,219	106,273	(12,592)	956,900				
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt	_	_	31,008	31,008				
Proceeds from sale of land	303,101	_	-	303,101				
Transfers in	1,099,042	92,079	48,333	1,239,454				
Transfers out	(1,948,000)	(31,739)	(63,090)	(2,042,829)				
Total other financing sources and uses	(545,857)	60,340	16,251	(469,266)				
The second secon	(5.5,551)	25,310	. 5,201	(100,200)				
Net change in fund balances	317,362	166,613	3,659	487,634				
Fund balances - beginning	588,517	84,114	246,501	919,132				
Fund balances - ending	\$ 905,879	\$ 250,727	\$ 250,160	\$ 1,406,766				
. aa balanooo onanig	Ψ 303,013	ψ 250,121	ψ 250,100	Ψ 1,400,700				



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

	Enterprise Funds								
	Eufaula Public Works Authority	Eufaula Economic Development Authority	Totals						
ASSETS									
Cash and cash equivalents	\$ 510,347	\$ 14,941	\$ 525,288						
Due from other funds	4,902	-	4,902						
Restricted:									
Cash and cash equivalents	260,588		260,588						
Total assets	775,837	14,941	790,778						
LIABILITIES									
Current Liabilities:									
Due to other funds	5,436	-	5,436						
Deposits subject to refund	133,287	-	133,287						
Total liabilities	138,723	-	138,723						
NET POSITION									
Restricted for debt service	112,818	-	112,818						
Unrestricted	524,296	14,941	539,237						
Total net position	\$ 637,114	\$ 14,941	\$ 652,055						

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

		ula Public	Ec Deve	ufaula onomic elopment uthority	Totals		
REVENUES	VVOIR	S Authority	A	unionty		Iotais	
Water	\$	970,674	\$	_	\$	970,674	
Sewer	*	340,013	*	_	*	340,013	
Sanitation		359,649		_		359,649	
Water and sewer taps		23,550		_		23,550	
Penalties		26,368		_		26,368	
Miscellaneous		44,485		_		44,485	
Total operating revenues		1,764,739		-		1,764,739	
OPERATING EXPENSES							
Administration		116,223		-		116,223	
Water		794,895		_		794,895	
Sewer		301,208		_		301,208	
Sanitation		353,225		_		353,225	
Economic development		, -		20,457		20,457	
Total operating expenses		1,565,551		20,457		1,586,008	
Operating income (loss)		199,188		(20,457)		178,731	
NON-OPERATING REVENUES (EXPENSES)							
Investment income		2,564		-		2,564	
Debt proceeds		2,180,356		-		2,180,356	
Capital outlay		(2,269,151)		-		(2,269,151)	
Debt service:							
Principal retirement		(661,487)		(18,800)		(680,287)	
Interest expense and fees		(264,881)		(45)		(264,926)	
Total non-operating revenue (expenses)		(1,012,599)		(18,845)		(1,031,444)	
Income (loss) before transfers		(813,411)		(39,302)		(852,713)	
Transfers in		1,946,739		27,697		1,974,436	
Transfers out		(1,149,061)		(22,000)		(1,171,061)	
Change in net position		(15,733)	_	(33,605)		(49,338)	
Total net position - beginning		652,847		48,546		701,393	
Total net position - ending	\$	637,114	\$	14,941	\$	652,055	

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

		aula Public	Ec Dev	Eufaula conomic elopment uthority	 Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$	1,764,739		-	\$ 1,764,739
Payments to suppliers		(1,012,293)		(20,457)	(1,032,750)
Payments to employees		(553,258)		-	(553,258)
Receipts of customer meter deposits		40,175		-	40,175
Refunds of customer meter deposits		(28,327)		-	(28,327)
Interfund receipts/payments		2,004		-	2,004
Net cash provided by (used in) operating activities		213,040		(20,457)	192,583
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds		1,946,739		27,697	1,974,436
Transfers to other funds		(1,149,061)		(22,000)	(1,171,061)
Net cash provided by noncapital financing activities		797,678		5,697	803,375
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets		(2,269,151)		-	(2,269,151)
Proceeds from debt		2,180,356		-	2,180,356
Principal paid on debt		(661,487)		(18,800)	(680,287)
Interest and fiscal agent fees paid on debt		(264,881)		(45)	(264,926)
Net cash provided by (used in) capital and related financing activities		(1,015,163)		(18,845)	(1,034,008)
CASH FLOWS FROM INVESTING ACTIVITIES Interest and dividends		2,564		-	2,564
Net cash provided by investing activities		2,564			2,564
Net increase (decrease) in cash and cash equivalents		(1,881)		(33,605)	(35,486)
Balances - beginning of year		772,816		48,546	 821,362
Balances - end of year	\$	770,935	\$	14,941	\$ 785,876
Reconciliation to Statement of Net Position:					
Cash and cash equivalents	\$	510,347	\$	14,941	\$ 525,288
Restricted cash and cash equivalents - current		260,588		-	260,588
Total cash and cash equivalents, end of year	\$	770,935	\$	14,941	\$ 785,876
Reconciliation of operating income (loss) to net cash provided by (used i operating activities:	n)				
Operating income (loss)	\$	199,188	\$	(20,457)	\$ 178,731
Adjustments to reconcile operating income (loss) to net cash provided				, ,	
by (used in) operating activities:					
Change in assets and liabilities:					
Due from other funds		2,004		-	2,004
Deposits subject to refund		11,848		-	11,848
Net cash provided by (used in) operating activities	\$	213,040	\$	(20,457)	\$ 192,583



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.

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

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

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
- Airport Fund accounts for revenue received and expenditures made for airport grant projects

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.

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.

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, 2020, the City recognized \$3,590 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, 2020, the primary government held the following deposits and investments:

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

Primary Government:			
T	Credit	(Carrying
Туре	Rating		Value
Petty cash		\$	370
Deposits:			
Demand deposits			2,067,457
			2,067,827
Investments:			
Money Market Fund-Cavanal Hill US Treasury	AAA		127,301
			127,301
Total deposits and investments		\$	2,195,128
Reconciliation to Statement of Net Position:			
Cash and cash equivalents		\$	2,195,128
•		\$	2,195,128

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, 2020, 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, 2020, 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.

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, 2020 are as follows:

	Cash and cash equivalents		
2014A Bond Fund	\$	24,314	
2014B Bond Fund		31,129	
2012 OWRB Bond Fund		63,324	
2015 OWRB Debt Service Fund		8,534	
Meter deposits		133,287	
Total	\$	260,588	

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:

		Capital	Improvements			Other (Governmental	
	General Fund	<u> </u>	Fund	Airpor	t Fund	:	Funds	 Total
Fund Balance:					<u></u>			
Restricted for:								
Grant purposes	\$ -	\$	-	\$	-	\$	60,411	\$ 60,411
Street improvements	-		-		-		326	326
Law enforcement	-		-		-		2,035	2,035
Cemetery care	-		-		-		11,471	11,471
Capital improvements	-		248,868				11,517	260,385
Airport	-		-		-		32,523	32,523
Recreation			-				79,981	79,981
			248,868		-		198,264	447,132
Assigned for:								
Grant purposes	-		-		-		5	5
Capital improvements	-		1,859		-		30,000	31,859
Cemetery care	-		-		-		1,646	1,646
Airport					_		20,245	 20,245
			1,859		-		51,896	 53,755
Unassigned	905,879	_						 905,879
Total Fund Balance	\$ 905,879	\$	250,727	\$	_	\$	250,160	\$ 1,406,766

Restricted for:	
Debt service	 112,818
Total restricted net position	\$ 112,818

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:

Due From	Due From Due To		Amount	Nature of Balance			
General Fund	Cemetery Perpetual	\$	2,304	12.5%	required transfer		
General Fund	ERA fund		3,916	hotel m	otel tax revenue		
General Fund	EPW A		4,902	Deposit error			
Airport Fund	General Fund		109	Deposit error			
EPWA	ERA fund		1,933 Depos		sit error		
EPWA	Capital Improvement		3,503	Deposi	t error		
Total		\$	16,667	•			
Reconciliation to Fund F	inancial Statements:						
	Due From]	Due To	Net Inter	nal Balances		
Governmental Funds	\$ 11,765	\$	(11,231)	\$	534		
Proprietary Funds	4,902		(5,436)		(534)		
Total	\$ 16,667	\$	(16,667)	\$	-		

Transfer From	Transfer From Transfer To			Purpose of Transfer			
General Fund	Eufaula Public Works Authority	\$	1,915,000	Sales and tobaco	co tax transfer		
General Fund	Recreation Fund		27,500	Debt payments			
General Fund	Airport Fund		5,500	Operational sub	sidy		
Eufaula Economic Development Authority	Airport Fund		22,000	Matching funds	for FFA grant		
Recreation Fund	Eufaula Economic Development Authority	,	27,697	Operational sub	sidy		
Capital Improvements Fund	Eufaula Public Works Authority		31,739	Reimbursement	for expenses		
Eufaula Public Works Authority	Capital Improvements Fund		36,019	Operational sub-	sidy		
Eufaula Public Works Authority	Capital Improvements Fund		14,000	sidy			
Grant Fund	Capital Improvements Fund		35,393	Operational subsidy			
Eufaula Public Works Authority	General Fund		1,099,042	Return of unused sales tax			
Total		\$	3,213,890				
Reconciliation to Fund Financial Statemen	its:						
	Transfers In	Transfers Out		Net '	Transfers		
Governmental Funds	\$ 1,239,454	\$	(2,042,829)	\$	(803,375)		
Proprietary Funds	1,974,436		(1,171,061)		803,375		
	\$ 3,213,890	\$	(3,213,890)	\$	-		
Reconciliation to Statement of Activities:			-				
Transfers net balance					(803,375)		
	I to huginoss tuno						
Transfer of capital outlay from governmenta	ii to ousiiiess-type			S	(56,137)		
				φ	(839,312)		

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 2020, the City's annual required contribution was \$1,064 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 2020, the City's annual required contribution was \$34,300 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. 63rd St., Suite 305 Oklahoma City, OK 73116-7335

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

OkMRF Plan Provision

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 Actuarially reduced benefit based upon age and years of service at -Early Retirement

termination

-Disability Retirement Same as normal retirement

-Death Benefit 50% of employee's accrued benefit, but terminates upon spouse

-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.

Summary of Contributions:

	Oklahoma Municij	pal	Ok	lahoma Police Per	nsion	Oklahoma Firefighter's Pension				
	Retirement Fund	<u> </u>	and Retirement System and Retiremen							
Fiscal	Required	Percentage	Fiscal	Required	Percentage	Fiscal	Required	Percentage		
Year	Contribution	Contributed	Year	Contribution	Contributed	Year	Contribution	Contributed		
2018	34,805	100%	2018	26,997	100%	2018	1,260	100%		
2019	34,226	100%	2019	30.397	100%	2019	1,200			
	- , -						,	100%		
2020	33,276	100%	2020	34,300	100%	2020	1,140	100%		

9. Commitments and Contingencies

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

Type of Debt	Balance <u>July 01, 2019</u>			Additions Deductions			<u>Ju</u>	Balance ine 30, 2020	Due Within One Year	
Governmental Activities: Capital lease payable	\$	44,484	\$	31,008	\$	45,791	\$	29,701	\$	15,947
Total Governmental Activities		44,484		31.008		45,791		29.701		15,947
Business-Type Activities:			_							
Notes Payable-direct borrowings Revenue notes payable	\$	4,586,641 4,440,000	\$	2,180,355	\$	190,287 490,000	\$	6,576,709 3,950,000	\$	143,981 505,000
Total Business-Type Activities		9,026,641	_	2,180,355		680,287		10,526,709	_	648,981
Total Long-Term Debt	\$	9,071,125	\$	2,211,363	\$	726,078	\$	10,556,410	\$	664,928

Governmental Activities:

At June 30, 2020, 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 util	lity tractor, payable in	
monthly installments of \$1,403, final payment due April 2022		29,701
Tot	ral Capital Leases Pavable \$	29.701

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, 2020, 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, 2020, includes the following:

CITY OF EUFAULA, OKLAHOMA ANNUAL FINANCIAL REPORT

As of and for the Year Ended June 30, 2020

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.

3,220,740

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.

313 176

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.

51,192

Note payable from Bank of Eufaula, original amount of \$33,973, payable in monthly installments beginning June 2020, final installment due May 2023 with a 4.0% 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.

33,079

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 \$782,101. 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.

782,101

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 \$2,176,421. 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.

2,176,421 6,576,709

Total Notes Payable

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.

\$ 930,000

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.

3,020,000

3,950,000

Annual Debt Service Requirements

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

	Govern	nmental	Business-Type								
Year Ended	d <u>Capital Lease Obligations</u>		Notes Payable-d	irect borrowings	Revenue Notes Payable						
June 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>					
2021	15,947	883	143,981	283,346	505,000	113,040					
2022	13,754	253	149,741	279,501	525,000	96,945					
2023	-	-	152,663	275,460	535,000	80,368					
2024	-	-	145,412	271,582	555,000	63,426					
2025	-	-	149,076	267,801	575,000	46,406					
2026-2030	-	_	1,416,678	1,259,203	1,255,000	45,719					
2031-2035	-	_	1,914,160	1,027,546	-	-					
2036-2040	-	-	2,204,306	760,826	-	-					
2041-2045	-	_	2,304,170	453,356	-	-					
2046-2050	-	_	2,003,000	179,078	-	-					
2051		<u> </u>	220,000	2,917							
Total	\$ 29,701	\$ 1,136	\$ 10,803,187	\$ 5,060,616	\$ 3,950,000	\$ 445,904					
Less: Amount no	ot yet drawn		(4,226,478)								
	t at June 30, 2020		\$ 6,576,709								

Pledge of Future Revenues

<u>Sales Tax and Utility Net Revenues Pledge</u> - 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 \$4,395,904. Pledged sales taxes received in the current year were \$2,040,206 and net utility revenues were \$201,752. Debt service payments of \$618,654 for the current fiscal year were 28% of both pledged sales taxes and net utility revenues of \$2,241,958.

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, 2020 is \$42,391 for governmental activities and \$24,750 for business-type activities.

Other Post-Employment Benefits:

For the year ended June 30, 2020, 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 2020, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.



SUPPLEMENTAL AND OTHER INFORMATION

Budgetary Comparison Schedule (Budgetary Basis) - General Fund - Year Ended June 30, 2020

	General Fund								
						Variance with			
		Budgeted	l Amoun	ts		Actual	Final Budget		
		Original		Final		Amounts	Posit	ve (Negative)	
Beginning Budgetary Fund Balance	\$	35,000	\$	135,000	\$	588,517	\$	453,517	
Resources (Inflows):									
Taxes		2,209,250		2,354,750		2,425,923		71,173	
Intergovernmental		72,500		117,500		148,767		31,267	
Charges for services		13,500		13,500		14,031		531	
Fines and forfeitures		86,500		84,500		71,989		(12,511)	
Licenses and permits		100		10,100		25,125		15,025	
Investment income		600		600		820		220	
Miscellaneous		62,605		64,105		367,477		303,372	
Transfers in		1,253,500		1,153,500		1,099,042		(54,458)	
Total Resources (Inflows)		3,698,555		3,798,555		4,153,174		354,619	
Amounts available for appropriation	\$	3,733,555	\$	3,933,555	\$	4,741,691	\$	808,136	
Charges to Appropriations (Outflows):									
Administration		208,786		196,886		194,605		2,281	
Tourism		4,500		4,500		3,604		896	
Police		709,140		784,140		738,857		45,283	
Fire		83,050		110,550		99,669		10,881	
Animal Shelter		10,250		5,600		5,488		112	
General government		594,622		673,144		668,791		4,353	
Library		8,150		8,150		6,990		1,160	
Cemetery		65,086		78,986		73,586		5,400	
Streets		62,000		84,000		76,222		7,778	
Transportation		20,000		20,000		20,000		_	
Transfers out		1,934,400		1,967,528		1,948,000		19,528	
Total Charges to Appropriations		3,699,984		3,933,484		3,835,812		97,672	
Ending Budgetary Fund Balance	\$	33,571	\$	71	\$	905,879	\$	905,808	

See notes to budgetary comparison schedule.

- **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:

	General Fund
Resources budgetary basis	\$4,153,174
Deduct Proceeds from sale of land	(303,101)
Deduct transfers in	(1,099,042)
Revenue - modified cash basis	\$2,751,031
Charges to appropriations budgetary basis	\$3,835,812
Deduct transfers out	(1,948,000)
Expenditures - modified cash basis	\$1,887,812

<u>Combining Balance Sheet - Non-Major Governmental Funds (Modified Cash Basis) - June 30, 2020</u>

	Special Revenue Funds						Capital Project Funds											
	Stree	et Fund		olice g Fund		creation uthority	FE	MA Fund	Pe	emetery erpetual Fund	Gran	Fund	F	uthpoint Project Fund	Airp	oort Fund	Gov	Total ernmental Funds
ASSETS Cash and cash equivalents Due from other funds	\$	326	\$	2,035	\$	74,132 5,849	\$	60,411	\$	10,813 2,304	\$	5	\$	41,517	\$	52,877	\$	242,116 8,153
Total assets	\$	326	\$	2,035	\$	79,981	\$	60,411	\$	13,117	\$	5	\$	41,517		52,877	\$	250,269
LIABILITIES AND FUND BALANCES Liabilities: Due to other funds Total liabilities	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	109 109	\$	109 109
Fund balances: Restricted Assigned		326		2,035		79,981		60,411		11,471 1,646		- 5		11,517 30,000		32,523 20,245		198,264 51,896
Total fund balances Total liabilities and fund balances	\$	326 326	\$	2,035 2,035	\$	79,981 79,981	\$	60,411 60,411	\$	13,117 13,117	\$	5 5	\$	41,517 41,517	\$	52,768 52,877	\$	250,160 250,269

<u>Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2020</u>

			Specia	Reve	enue Funds							
			Police Drug Fund			FEMA Fund	Cemetery Perpetual Fund	Grant Fund	Southpoint Project Fund	Airport Fund	Govern	-Other nmental nds
REVENUES	_		_				_	_	_	_	_	
Taxes	\$	-	\$ -	9	\$ 62,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$	62,246
Intergovernmental		-	-		-	-	-	-	-	110,434		110,434
Charges for services		-	-		-	-	2,004	-	-	-		2,004
Investment income		-	-			-	7	3	-			10
Miscellaneous					38,540					4,298		42,838
Total revenues					100,786		2,011	3		114,732		217,532
EXPENDITURES												
Current:												
General government		-	-		-	-	-	-	-	-		-
Public Safety		-	-		-	-	-	-	-	-		-
Highways and streets		-	-		-	-	-	-	-	-		-
Culture and recreation		-	-		36,896	-	-	-	-	-		36,896
Airport		-	-		· -	-	-	-	-	16,195		16,195
Capital outlay		-	-		7,577	-	6,632	-	-	114,654		128,863
Debt Service												
Principal		-	-		45,791	-	-	-	-	-		45,791
Interest and other charges		-	-		2,379	-	-	-	-	-		2,379
Total expenditures		-			92,643		6,632			130,849		230,124
Excess (deficiency) of revenues over			_								-	
expenditures		-	-		8,143	-	(4,621)	3	-	(16,117)		(12,592)
OTHER FINANCING SOURCES (USES)												
Proceeds from capital leases		_	_		31,008	-	-	-	_	_		31,008
Transfers in		_	_		27,500	-	-	(6,667)	_	27,500		48,333
Transfers out		_	_		(27,697)	_	-	(35,393)	_	,		(63,090)
Total other financing sources and uses					30,811		-	(42,060)	-	27,500		16,251
Net change in fund balances		_	-		38,954	-	(4,621)	(42,057)	_	11,383		3,659
Fund balances - beginning		326	2,035		41,027	60,411	17,738	42,062	41,517	41,385	:	246,501
Fund balances - ending	\$	326	\$ 2,035			\$ 60,411	\$ 13,117	\$ 5	\$ 41,517	\$ 52,768		250,160

<u>Proprietary Fund Combining Schedule of Net Position (Modified Cash Basis) – Eufaula Public Works Authority Enterprise Fund Accounts – June 30, 2020</u>

	EPWA		A-CWSRF	<u>Total</u>		
ASSETS						
Cash and cash equivalents	\$ 504,352	\$	5,995	\$	510,347	
Due from other funds	4,902		-		4,902	
Restricted:						
Cash and cash equivalents	260,588		-		260,588	
Total assets	769,842		5,995		775,837	
LIABILITIES						
Due to other funds	5,436		-		5,436	
Deposits subject to refund	133,287		-		133,287	
Total liabilities	138,723		-		138,723	
NET POSITION						
Restricted for debt service	112,818		-		112,818	
Unrestricted	518,301		5,995		524,296	
Total net position	\$ 631,119	\$	5,995	\$	637,114	

<u>Proprietary Fund Combining Schedule of Revenues, Expenses, and Changes in Net Position</u> (<u>Modified Cash Basis</u>) – <u>Eufaula Public Works Authority Enterprise Fund Accounts – Year Ended</u> <u>June 30, 2020</u>

	EPWA	EPV	VA-CWSRF		<u>Total</u>
REVENUES					
Charges for services:					
Water	\$ 970,674	\$	-	\$	970,674
Sewer	340,013		-		340,013
Sanitation	359,649		-		359,649
Water and sewer taps	23,550		-		23,550
Penalties	26,368		-		26,368
Miscellaneous	44,485		-		44,485
Total operating revenues	 1,764,739		-		1,764,739
OPERATING EXPENSES					
Administration	116,223		-		116,223
Water	794,895		-		794,895
Sewer	301,208		-		301,208
Sanitation	353,225		-		353,225
Total operating expenses	 1,565,551				1,565,551
Operating income	199,188		-		199,188
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	2,564				2,564
Debt proceeds	2,304		-		2,304
Capital outlay	(122,767)		(2,146,384)		(2,269,151)
Debt service:	(122,707)		(2, 140, 304)		(2,209,131)
Principal retirement	(661,487)				(661,487)
Interest expense and fees	(264,881)				(264,881)
Total non-operating revenue (expenses)	 1,133,785		(2,146,384)	-	(1,012,599)
Income (loss) before transfers	 1,332,973	-	(2,146,384)		(813,411)
income (ioss) before transfers	1,332,373	-	(2, 140, 304)		(013,411)
Interaccount transfers in	33,517		2,146,383		2,179,900
Interaccount transfers out	(2,146,383)		(33,517)		(2,179,900)
Transfers in	1,915,000		31,739		1,946,739
Transfers out	(1,113,042)		(36,019)		(1,149,061)
Change in net position	22,065		(37,798)		(15,733)
Total net position - beginning	609,054		43,793		652,847
Total net position - ending	\$ 631,119	\$	5,995	\$	637,114

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

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant#	Award Amount	Awards Expended	
FEDERAL AWARDS: U.S. DEPARTMENT OF TRANSPORTATION:					
Federal Aviation Administration	20.106	AIP 3-40-0029-011-2019	\$ 330,007	\$ 102,134	
OFFICE OF JUSTICE PROGRAMS:					
Bulletproof Vests 2019	16.607	N/A	3,406	3,406	
U.S. DEPARTMENT OF JUSTICE:					
Passed through the Oklahoma District Attorney's Council					
Justice Assistance Grant	16.738	JAG-LLE-2017	10,000	10,000	
Total Federal Awards			\$ 343,413	\$ 115,540	
State Grantor/Pass Through Agency			Award	Awards	
Grantor/Program Title		Grant #	Amount	Expended	
STATE AWARDS:					
OKLAHOMA DEPARTMENT OF AGRICULTURE:					
Forestry Grant - 2019		N/A	\$ 4,642	\$ 4,642	
		_	4,642	4,642	
EASTERN OKLAHOMA DEVELOPMENT DISTRICT:					
2019 REAP		REAP FY 2019	35,000	11,178	
2020 REAP		REAP FY 2020	35,000	35,000	
			70,000	46,178	
Total State Awards		<u>_:</u>	\$ 74,642	\$ 50,820	



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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2020. 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 2020-01 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.

November 30, 2020

Aledge + Associates, P.C.

CITY OF EUFAULA, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

As of and for the Year Ended June 30, 2020

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

Finding: 2020-01 – 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 the continued segregation of the various accounting functions with the available staff to the extent possible. In addition, the City Council should continue to take an active role in the review of financial data. The purpose of this finding is to communicate to the City about the inherent situation of a small office environment.

Management Response: The City of Eufaula concurs with this recommendation and will continue to embrace financial safeguards to protect taxpayer and ratepayer funds.