

THE CITY OF PAULS VALLEY, OKLAHOMA



ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

**THE CITY OF PAULS VALLEY,
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

This page intentionally left blank

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

TABLE OF CONTENTS

Independent Auditor’s Report on Financial Statements 5-7

Management’s Discussion and Analysis 8-15

The Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position 17

Statement of Activities 18

Governmental Funds Financial Statements:

Balance Sheet 20

Statement of Revenues, Expenditures and Changes in Fund Balances..... 21

Reconciliation of Governmental Fund and Government-Wide Financial Statements 22

Proprietary Funds Financial Statements:

Statement of Net Position 24

Statement of Revenues, Expenses and Changes in Net Position 25

Statement of Cash Flows 26

Fiduciary Fund Financial Statement:

Statement of Net Position 28

Footnotes to the Basic Financial Statements 30-62

Required Supplementary Information:

Budgetary Comparison Information

Budgetary Comparison Schedule (Budgetary Basis) – General Fund 64

Budgetary Comparison Schedules (Budgetary Basis) – One Cent Sales Tax Special
Revenue Fund 64

Footnotes to Budgetary Comparison Schedules 65

Pension and OPEB Plans Information:

Schedules of Required Supplementary Information – Oklahoma Firefighter’s Pension &
Retirement System 66

Schedules of Required Supplementary Information – Oklahoma Police Pension &
Retirement System..... 67

Schedule of Required Supplementary Information – Other Postemployment Benefits..... 68

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

TABLE OF CONTENTS

Supplementary Information:

Combining Non-Major Governmental Fund Statements

Combining Balance Sheet.....	70
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	71

Combining General Fund Account Schedules

Combining Balance Sheet.....	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	73

Agency Fund

Schedule of Changes in Assets and Liabilities.....	74
--	----

Federal and State Awards Information

Schedule of Expenditures of Federal and State Awards	75
Notes to Schedule of Expenditures of Federal Awards	76

Internal Control and Compliance over Financial Reporting

Independent Auditor’s Report on Internal Control and Compliance Over Financial Reporting in Accordance with Government Auditing Standards.....	78-79
Schedule of Findings & Recommendations.....	80
Disposition of Prior Year Findings.....	81

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR’S REPORT

Members of the City Council
 City of Pauls Valley, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pauls Valley, Oklahoma, as of and for the year ended June 30, 2018, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business Type Activities	Qualified
Discretely Presented Component Unit	Unmodified
Governmental Fund – General Fund	Unmodified
Governmental Fund – One Cent Fund	Unmodified
Governmental Fund – Capital Improvement	Unmodified
Aggregate Remaining Fund Information	Unmodified
Enterprise Fund – Pauls Valley Municipal Authority	Qualified
Enterprise Fund – Pauls Valley Hospital Authority	Adverse

Basis for Adverse Opinion on the Pauls Valley Hospital Authority (a major enterprise fund) and Qualified Opinion on the Business-Type Activities

Management has not included the Pauls Valley Hospital Authority in the City's financial statements referred to above. Accounting principles generally accepted in the United States of America require the Pauls Valley Hospital Authority to be presented as a major enterprise fund and financial information as a part of the business-type activities, thus increasing the activity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses and changing its net position. Also this financial information it is anticipated would decrease the business-type net position by an undetermined amount. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the business-type activities and the omitted major enterprise fund entitled Pauls Valley Hospital Authority has not been determined.

Basis for Qualified Opinion on Business-Type Activities and Enterprise Fund-Pauls Valley Municipal Authority

Management has not obtained the information necessary to quantify the debt owed to the Garvin County Rural Water District #4 for the purchase of industrial/commercial customers. See note 15 Contingencies for more information. Accounting principles generally accepted in the United States of America require that all assets and liabilities be valued and recorded. This amount would increase contract payable and capital assets for water infrastructure the net amount would effect net position.

Adverse Opinion

In our opinion because of the significance of the matter described in the "Basis for Adverse Opinion on the Pauls Valley Hospital (a major enterprise fund) and Qualified Opinion on the Business-Type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Pauls Valley Hospital Authority of the City of Pauls Valley as of June 30, 2018, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the possible effects of the matters discussed in the "Basis for Adverse Opinion on the Pauls Valley Hospital Authority (a major enterprise fund) and Qualified Opinion on the Business-type Activity" paragraph and the "Basis for Qualified Opinion on Business-Type Activities and Enterprise Fund-Pauls Valley Municipal Authority" the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the enterprise fund-Pauls Valley Municipal Authority of the City of Pauls Valley, Oklahoma, as of June 30, 2018, and the changes in financial position, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund other than the Pauls Valley Hospital Authority and the Pauls Valley Municipal Authority, and the aggregate remaining fund information of the City of Pauls Valley, Oklahoma, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension and OPEB information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pauls Valley's basic financial statements. The combining and individual nonmajor fund financial statements, the combining general fund statements, the schedule of federal and state awards, and the Agency Fund information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

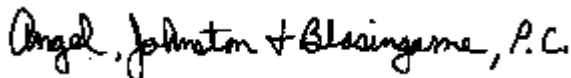
The combining and individual nonmajor fund financial statements, the combining general fund statements, the schedule of federal and state awards, and the Agency Fund information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied by us 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 nonmajor fund financial statements, the combining general fund statements, and schedule of federal and state awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Pauls Valley Hospital Authority Going Concern

As noted in the paragraph "Basis for Adverse Opinion on the Pauls Valley Hospital Authority and Qualified Opinion on the Business-Type Activities" the Pauls Valley Hospital Authority financial information is not included in the City's financial statements. In addition, as described in note 16 subsequent to year end the Pauls Valley Hospital closed on October 12, 2018.

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pauls Valley's internal control over financial reporting and compliance.



Chickasha, Oklahoma
May 30, 2019

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

The management of the City of Pauls Valley 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, 2018. 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.

FINANCIAL HIGHLIGHTS

- The City's total net position decreased by \$638,190 and the assets and deferred outflows of the City exceed its liabilities and deferred inflows at June 30, 2018, by \$32,165,518 (net position). Of this amount, unrestricted net position is negative \$387,148.
- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$6,888,214 compared to \$6,926,523 in FY 2017, a 0.6% decrease.
- At the end of fiscal year 2018, unassigned fund balance for the General Fund was \$425,351 or 5.7% of General Fund revenues.

ABOUT THE CITY

The City of Pauls Valley is an incorporated municipality with a population of approximately 6,169 located in Garvin County in central Oklahoma. The City is a Council/Manager form of government and operates under home-rule charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is an attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, and parks and recreation and through its Municipal Authority, Hospital Authority and Airport Authority, certain utility services including water, wastewater, sanitation, and lake along with health care and airport facilities.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Pauls Valley 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 Pauls Valley** – an incorporated City that operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*
- **The Pauls Valley Municipal Authority (PVMA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, sanitation, and lake services of the City, with

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

the City Council members serving as the trustees (presented as a blended component unit, and considered part of the primary government)

- **The Pauls Valley Hospital Authority (PVHA)** – public trust created pursuant to 60 O.S. § 176 to provide health care services to the residents of the City of Pauls Valley and Garvin County (omitted blended component unit)
- **The Pauls Valley 522 District** – public trust created pursuant to 60 O.S. § 176 to provide ambulance service to the City of Pauls Valley. The District contracts with the Pauls Valley Hospital Authority to provide this service. The Special Ambulance Fund reports the District’s activities. (presented as a blended component unit)
- **The Pauls Valley Airport Authority (PVAA)** – public trust created pursuant to 60 O.S. § 176 to provide airport services to the residents of the City of Pauls Valley and Garvin County (presented as a discretely-presented component unit)
- **The Pauls Valley Urban Renewal Authority** – public trust created pursuant to 60 O.S. § 176 to identify dilapidated and/or abandoned structures and encourage the owners to rehabilitate the structures or purchase the structures using eminent domain. (inactive component unit)

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 trust within the City’s financial reporting entity. The Pauls Valley Municipal Authority, the Pauls Valley 522 District, and the Pauls Valley Airport Authority do not issue separate annual financial statements. Separate audited component unit financial statements are issued by the Pauls Valley Hospital Authority. The PVHA audited financial statements were not available and therefore not included in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Pauls Valley (the “City”), the Pauls Valley Municipal Authority (the “Municipal Authority”), the Pauls Valley Airport Authority (“PVAA”) and the Pauls Valley 522 District. Included in this report are government wide statements for each of the two categories of activities - governmental and business-type, and a separate column for the discretely-presented component unit.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. These statements include all assets of the City (including infrastructure) and deferred outflows as well as all liabilities (including long-term debt) and deferred inflows.

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. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities. *Discretely-presented component units* - These account for activities of the City's reporting entity that do not meet the criteria for blending, and includes the Airport Authority.

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

Fund Financial Statements

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

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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - The City operates one proprietary fund, the Pauls Valley Municipal Authority (a major enterprise fund). When the City, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements. For

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary fund, the Pauls Valley Municipal Authority, accounts for the operation of the water, sewer and sanitation 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 30-62 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the One Cent Sales Tax Fund, combining and individual fund financial statements and schedules and a federal and state award schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2018, net position for the governmental and business-type activities decreased \$638,190.

Following is a summary of net position reported for the City of Pauls Valley.

The City of Pauls Valley Net Position (in thousands)

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	restated 2017		2018	restated 2017		2018	restated 2017	
Current and other assets	\$ 7,558	\$ 7,385	2%	\$ 1,202	\$ 1,575	-24%	\$ 8,760	\$ 8,960	-2%
Capital assets, net	20,044	20,807	-4%	21,575	22,225	-3%	41,619	43,032	-3%
Total assets	<u>27,602</u>	<u>28,192</u>	-2%	<u>22,777</u>	<u>23,800</u>	-4%	<u>50,379</u>	<u>51,992</u>	-3%
Deferred outflows of resources	737	816	-10%	-	-	-	737	816	-10%
Current liabilities	1,243	1,303	-5%	1,022	1,570	-35%	2,265	2,873	-21%
Non-current liabilities	9,534	9,831	-3%	7,052	7,262	-3%	16,586	17,093	-3%
Total liabilities	<u>10,777</u>	<u>11,134</u>	-3%	<u>8,074</u>	<u>8,832</u>	-9%	<u>18,851</u>	<u>19,966</u>	-6%
Deferred inflows of resources	100	38	163%	-	-	-	100	38	163%
Net position									
Net investment in capital assets	12,199	12,640	-3%	14,335	14,511	-1%	26,534	27,151	-2%
Restricted	6,018	5,977	1%	-	-	-	6,018	5,977	1%
Unrestricted (deficit)	(755)	(781)	-3%	368	457	-19%	(387)	(324)	19%
Total net position	<u>\$ 17,462</u>	<u>\$ 17,836</u>	-2%	<u>\$ 14,703</u>	<u>\$ 14,968</u>	-2%	<u>\$ 32,165</u>	<u>\$ 32,804</u>	-2%

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Deferred inflows of resources increased 163% in governmental activities or \$62,077 due to changes in the pension actuary and the deferral of amortized costs.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

The City of Pauls Valley's Revenues, Expenses and Changes in Net Position (in thousands)

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	restated			restated			restated		
	2018	2017		2018	2017		2018	2017	
Revenues									
Charges for service	\$ 1,522	\$ 1,311	16%	\$ 3,392	\$ 3,465	-2%	\$ 4,914	\$ 4,776	-
Operating grants and contributions	387	529	-27%	-	-	-	387	529	-27%
Capital grants and contributions	66	99	-33%	29	325	-91%	95	424	-78%
Taxes	7,935	7,103	12%	-	-	-	7,935	7,103	12%
Investment income	24	16	50%	3	4	-25%	27	20	35%
Miscellaneous	38	58	-34%	53	25	112%	91	83	10%
Total revenues	9,972	9,116	9%	3,477	3,819	-9%	13,449	12,935	4%
Expenses									
General government	952	887	7%	-	-	-	952	887	7%
Public safety	2,869	2,697	6%	-	-	-	2,869	2,697	6%
Streets	1,033	782	32%	-	-	-	1,033	782	32%
Culture, parks and recreation	2,830	2,696	5%	-	-	-	2,830	2,696	5%
Economic Development	505	518	-3%	-	-	-	505	518	-3%
Cemetery	196	205	-4%	-	-	-	196	205	-4%
Airport	104	97	7%	-	-	-	104	97	7%
Hospital	791	705	12%	215	256	-16%	1,006	961	5%
Interest on long-term debt	256	269	-5%	-	-	-	256	269	-5%
Water	-	-	-	1,923	1,503	28%	1,923	1,503	28%
Sewer	-	-	-	726	525	38%	726	525	38%
Sanitation	-	-	-	1,533	1,107	38%	1,533	1,107	38%
Administration	-	-	-	-	785	-100%	-	785	-100%
Lake	-	-	-	155	107	45%	155	107	45%
Total expenses	9,536	8,856	8%	4,552	4,283	6%	14,088	13,139	7%
Excess before transfers	436	260	68%	(1,075)	(464)	132%	(639)	(204)	213%
Transfers	(810)	(384)	111%	810	384	-111%	-	-	-
Change in net position	(374)	(124)	202%	(265)	(80)	-231%	(639)	(204)	213%
Beginning net position, restated	17,836	17,960	-1%	14,968	15,048	-1%	32,804	33,008	-
Ending net position	\$17,462	\$17,836	-2%	\$14,703	\$14,968	-2%	\$32,165	\$32,804	-2%

Governmental Activities

The City's governmental activities had a decrease in net position of \$373,678. The more significant changes are as follows:

- \$494,802 or an 8.5% increase in sales tax.
- \$80,553 or a 25% increase in use tax.
- \$156,603 or a 56% increase in motel tax.
- An approximate \$251,000 or 32% increase in street expenditures.
- Transfers to other funds increased approximately \$426,000 or 111%.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Business-Type Activities

The business-type activities had a decrease in net position of \$264,512. Explanations for the more significant changes are as follows:

- Increase in transfers in of approximately \$426,000 or 111%.
- Increase in total expenses of approximately \$269,000 or 6%.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	Restated			Restated		
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
General Government	\$ 952	\$ 887	7%	\$ (924)	\$ (840)	-10%
Public Safety	2,869	2,697	6%	(2,307)	(2,522)	9%
Highways and Streets	1,033	782	32%	(978)	(782)	-25%
Culture and Recreation	2,830	2,696	5%	(1,764)	(1,560)	-13%
Economic Development	505	518	-3%	(336)	(392)	14%
Cemetery	196	205	-4%	(152)	(150)	-1%
Airport	104	97	7%	(52)	(161)	68%
Hospital	791	705	12%	(791)	(705)	-12%
Interest on long-term debt	256	269	-5%	(256)	(269)	5%
Total	<u>\$ 9,536</u>	<u>\$ 8,856</u>	8%	<u>\$ (7,560)</u>	<u>\$ (7,381)</u>	-2%

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	Restated			Restated		
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
Water	\$ 1,923	\$ 1,503	28%	\$ (556)	\$ (18)	2,989%
Sewer	726	525	38%	(226)	125	-281%
Sanitation	1,533	1,107	38%	(40)	318	-113%
Administration	-	785	-100%	-	(785)	100%
Hospital	215	256	-16%	(215)	(256)	16%
Lake	155	107	45%	(94)	(55)	-71%
Total	<u>\$ 4,552</u>	<u>\$ 4,283</u>	6%	<u>\$ (1,131)</u>	<u>\$ (671)</u>	-69%

Water, Sewer, and Sanitation Net Revenue decreased approximately \$462,000 or 128%.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2018 fiscal year, the governmental funds reported a combined fund balance of \$6,888,214. For the year ended June 30, 2018, the General Fund's total fund balance decreased by \$38,309. The One Cent Sales Tax Fund reported a decrease in fund balance of \$62,248 and the proprietary funds reported a combined net position balance of \$14,703,458. During, FY18, the PVMA's total net position decreased by \$264,512.

Budgetary Highlights

For the year ended June 30, 2018, the General Fund reported actual budgetary basis revenues under final estimates by \$189,066 or a 2.3% negative variance. General Fund actual expenditures were under final appropriations by \$59,150 or a 0.7% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the City had approximately \$42 million in capital assets (net of accumulated depreciation), including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets for the year ended June 30, 2018.¹

TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 722	\$ 722	\$ 1,167	1,167	\$ 1,889	\$ 1,889
Intangibles	50	50	-	-	50	50
Buildings	11,443	12,154	111	121	11,554	12,275
Improvements	3,256	2,213	10,707	10,969	13,963	13,182
Machinery, furniture and equipment	1,128	1,256	929	855	2,057	2,111
Infrastructure	2,518	2,716	8,308	8,788	10,826	11,504
Construction in progress	927	1,696	353	325	1,280	2,021
Totals	<u>\$ 20,044</u>	<u>\$ 20,807</u>	<u>\$ 21,575</u>	<u>\$ 22,225</u>	<u>\$ 41,619</u>	<u>\$ 43,032</u>

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

- Street improvements-Chickasaw & Willow.
- Street improvements-North & Elm St.
- Library shelving & furniture.
- Airport terminal remodel.
- Pavilion at Wacker Park.
- 2017 Caterpillar Excavator.

¹ For more detailed information on capital asset activity please refer to Note 5. Capital Assets and Depreciation.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

- 3 2018 Chevrolet Tahoe's
- 2018 International 7600 Sanitation Truck.

Debt Administration

- At year-end, the City had \$18.1 million in long-term debt outstanding which represents a \$946,919 decrease from the prior year, due to normal debt retirement payments.

**TABLE 6
Long-Term Debt
(In Thousands)**

	Governmental		Business-Type		Total		Total
	Activities		Activities		Total		Percentage
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2017-2018</u>
Notes payable	\$ 7,076	\$ 7,521	\$ 6,588	\$ 7,062	\$ 13,664	\$ 14,583	-6.3%
Capital leases payable	769	646	652	653	1,421	1,299	9.4%
Contract payable	-	-	181	274	181	274	-33.9%
Deposits subject to refund	-	-	147	141	147	141	4.3%
Landfill closure liability	-	-	210	175	210	175	20.0%
Accrued compensated absences	256	243	103	95	359	338	6.2%
Totals	\$ 8,101	\$ 8,410	\$ 7,881	\$ 8,400	\$ 15,982	\$ 16,810	-4.9%

Subsequent Event

The Pauls Valley Hospital closed on October 12, 2018. The PVMA refinanced a portion of current hospital debt by issuing the Pauls Valley Municipal Authority Series 2018 Sales Tax Revenue Note for \$4,800,000. Proceeds from this refinancing were used to pay Pauls Valley General Hospital payroll and unpaid taxes and deductions.

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 100 West Paul Avenue, Pauls Valley, Oklahoma 73075 or telephone at 405-238-3308.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Net Position – June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Pauls Valley Airport Authority</u>
ASSETS				
Cash and cash equivalents	\$ 3,225,976	\$ 209,818	3,435,794	\$ 164,557
Investments	629,909	-	629,909	-
Accounts receivable, net of allowance	-	484,940	484,940	19,266
Court fines receivable, net of allowance	122,341	-	122,341	-
Other receivable	49,851	578	50,429	-
Advance from component unit	24,100	100,000	124,100	(24,100)
Due from other governments	856,241	-	856,241	-
Inventories	36,106	-	36,106	20,828
Restricted cash and cash equivalents	2,613,008	271,938	2,884,946	-
Restricted investments	-	134,899	134,899	-
Capital assets:				
Land, intangibles and construction in progress	1,698,807	1,520,332	3,219,139	205,253
Other capital assets, net of depreciation	18,345,199	20,054,907	38,400,106	5,271,238
Total assets	<u>27,601,538</u>	<u>22,777,412</u>	<u>50,378,950</u>	<u>5,657,042</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	737,441	-	737,441	-
LIABILITIES				
Accounts payable and accrued expenses	396,865	115,343	512,208	5,147
Due to other governments	6,830	-	6,830	-
Unearned revenue	112,365	-	112,365	-
Accrued interest payable	49,913	57,731	107,644	-
Long-term liabilities:				
Due within one year	677,330	848,539	1,525,869	-
Due in more than one year	9,534,022	7,052,341	16,586,363	-
Total liabilities	<u>10,777,325</u>	<u>8,073,954</u>	<u>18,851,279</u>	<u>5,147</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	99,594	-	99,594	-
NET POSITION				
Net investment in capital assets	12,198,942	14,335,603	26,534,545	5,476,491
Restricted via:				
Permanent endowment	50,000	-	50,000	-
Statutory requirements	2,591,853	-	2,591,853	-
Enabling legislation	3,376,268	-	3,376,268	-
Unrestricted (deficit)	(755,003)	367,855	(387,148)	175,404
Total net position	<u>\$ 17,462,060</u>	<u>\$ 14,703,458</u>	<u>\$ 32,165,518</u>	<u>\$ 5,651,895</u>

See accompanying notes to these financial statements.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Activities – Year Ended June 30, 2018

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Pauls Valley Airport Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 951,507	\$ 27,268	\$ -	\$ -	\$ (924,239)	\$ -	\$ (924,239)	\$ -
Public Safety	2,869,202	335,021	227,102	-	(2,307,079)	-	(2,307,079)	-
Highways and Streets	1,033,284	-	54,626	-	(978,658)	-	(978,658)	-
Culture and Recreation	2,830,154	946,546	105,215	14,500	(1,763,893)	-	(1,763,893)	-
Economic Development	505,272	169,547	-	-	(335,725)	-	(335,725)	-
Cemetery	196,307	44,031	180	-	(152,096)	-	(152,096)	-
Airport	43,968	-	-	51,795	7,827	-	7,827	-
Airport (transfer to component unit)	59,884	-	-	-	(59,884)	-	(59,884)	-
Hospital	790,852	-	-	-	(790,852)	-	(790,852)	-
Interest on Long-term debt and fiscal agent fees	255,585	-	-	-	(255,585)	-	(255,585)	-
Total governmental activities	<u>9,536,015</u>	<u>1,522,413</u>	<u>387,123</u>	<u>66,295</u>	<u>(7,560,184)</u>	<u>-</u>	<u>(7,560,184)</u>	<u>-</u>
Business-type Activities:								
Water	1,922,544	1,353,812	-	12,570	-	(556,162)	(556,162)	-
Sewer	725,602	483,835	-	15,938	-	(225,829)	(225,829)	-
Sanitation	1,533,189	1,493,449	-	-	-	(39,740)	(39,740)	-
Lake	155,131	61,119	-	-	-	(94,012)	(94,012)	-
Hospital	215,000	-	-	-	-	(215,000)	(215,000)	-
Total business-type activities	<u>4,551,466</u>	<u>3,392,215</u>	<u>-</u>	<u>28,508</u>	<u>-</u>	<u>(1,130,743)</u>	<u>(1,130,743)</u>	<u>-</u>
Total primary government	<u>14,087,481</u>	<u>4,914,628</u>	<u>387,123</u>	<u>94,803</u>	<u>(7,560,184)</u>	<u>(1,130,743)</u>	<u>(8,690,927)</u>	<u>-</u>
Component unit:								
Pauls Valley Airport Authority	729,132	333,568	59,884	-	-	-	-	(335,680)
Total component unit	<u>\$ 729,132</u>	<u>\$ 333,568</u>	<u>\$ 59,884</u>	<u>\$ -</u>				<u>(335,680)</u>
General revenues:								
Taxes:								
Sales and use taxes					\$ 6,873,794	\$ -	\$ 6,873,794	\$ -
Franchise taxes and other taxes					1,060,589	-	1,060,589	-
Unrestricted investment earnings					23,765	3,344	27,109	450
Miscellaneous					38,196	53,049	91,245	-
Transfers					(809,838)	809,838	-	-
Total general revenues and transfers					<u>7,186,506</u>	<u>866,231</u>	<u>8,052,737</u>	<u>450</u>
Change in net position					(373,678)	(264,512)	(638,190)	(335,230)
Net position - beginning, restated					17,835,738	14,967,970	32,803,708	5,987,125
Net position - ending					<u>\$ 17,462,060</u>	<u>\$ 14,703,458</u>	<u>\$ 32,165,518</u>	<u>\$ 5,651,895</u>

See accompanying notes to these financial statements.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Governmental Funds Balance Sheet – June 30, 2018

	<u>General Fund</u>	<u>One Cent Sales Tax Fund</u>	<u>Capital Project Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,009,870	\$ 1,356,120	\$ 2,382,043	\$ 1,090,951	\$ 5,838,984
Investments	-	629,909	-	-	629,909
Interest receivable	-	83	-	-	83
Receivable from other governments	-	-	-	51,795	51,795
Advance from component unit	24,100	-	-	-	24,100
Taxes receivable, net	624,620	178,802	-	37,605	841,027
Court fines receivable, net	122,341	-	-	-	122,341
Other receivables	12,857	-	-	330	13,187
Inventories	14,584	-	-	21,522	36,106
Total assets	<u>\$ 1,808,372</u>	<u>\$ 2,164,914</u>	<u>\$ 2,382,043</u>	<u>\$ 1,202,203</u>	<u>\$ 7,557,532</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 233,649	\$ -	\$ -	\$ 11,174	\$ 244,823
Accrued payroll payable	149,964	-	-	-	149,964
Due to other governments	5,017	-	-	1,813	6,830
Other payables	-	-	-	2,078	2,078
Total liabilities	<u>388,630</u>	<u>-</u>	<u>-</u>	<u>15,065</u>	<u>403,695</u>
Deferred Inflows:					
Deferred revenue	<u>101,463</u>	<u>-</u>	<u>-</u>	<u>164,160</u>	<u>265,623</u>
Fund balances:					
Nonspendable	38,684	-	-	86,022	124,706
Restricted for:					
Debt service	192,036	-	-	-	192,036
Capital improvements	599,964	2,009,456	2,382,043	412,644	5,404,107
Tourism	-	-	-	357,538	357,538
Senior citizens	-	-	-	176	176
Airport	-	-	-	2,458	2,458
Cemetery	-	-	-	11,018	11,018
Emergency medical services	-	-	-	788	788
Assigned to:					
Subsequent year budget	20,000	-	-	-	20,000
Capital improvements	42,244	155,458	-	38,369	236,071
Public safety	-	-	-	63,278	63,278
Library	-	-	-	49,668	49,668
Cemetery	-	-	-	1,019	1,019
Unassigned	<u>425,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,351</u>
Total fund balances	<u>1,318,279</u>	<u>2,164,914</u>	<u>2,382,043</u>	<u>1,022,978</u>	<u>6,888,214</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,808,372</u>	<u>\$ 2,164,914</u>	<u>\$ 2,382,043</u>	<u>\$ 1,202,203</u>	<u>\$ 7,557,532</u>

See accompanying notes to these financial statements.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2018

	<u>General Fund</u>	<u>One Cent Sales Tax Fund</u>	<u>Capital Project Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 5,790,790	\$ 1,401,704	\$ -	\$ 741,889	\$ 7,934,383
Intergovernmental	303,707	-	-	7,897	311,604
Charges for services	1,021,423	-	-	153,779	1,175,202
Fines and forfeitures	217,062	-	-	-	217,062
Licenses and permits	27,268	-	-	-	27,268
Investment income	3,333	8,146	10,038	2,248	23,765
Miscellaneous	53,691	-	-	119,750	173,441
Total revenues	<u>7,417,274</u>	<u>1,409,850</u>	<u>10,038</u>	<u>1,025,563</u>	<u>9,862,725</u>
EXPENDITURES					
Current:					
General government	819,004	-	-	-	819,004
Public safety	2,464,180	-	-	167,669	2,631,849
Highway and streets	527,503	-	-	-	527,503
Culture and recreation	1,881,772	-	-	74,338	1,956,110
Airport	43,577	-	-	200	43,777
Cemetery	180,089	-	-	-	180,089
Economic development	-	-	-	497,258	497,258
Capital Outlay	605,977	362,610	9,900	244,527	1,223,014
Debt Service:					
Principal	579,221	-	-	-	579,221
Interest and other charges	257,129	-	-	-	257,129
Total Expenditures	<u>7,358,452</u>	<u>362,610</u>	<u>9,900</u>	<u>983,992</u>	<u>8,714,954</u>
Excess (deficiency) of revenues over expenditures	<u>58,822</u>	<u>1,047,240</u>	<u>138</u>	<u>41,571</u>	<u>1,147,771</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	257,812	-	-	-	257,812
Transfers in	1,939,016	-	-	97,347	2,036,363
Transfers out	(1,579,789)	(1,109,488)	-	(126)	(2,689,403)
Transfers out-Hospital component unit	(790,852)	-	-	-	(790,852)
Total other financing sources and uses	<u>(173,813)</u>	<u>(1,109,488)</u>	<u>-</u>	<u>97,221</u>	<u>(1,186,080)</u>
Net change in fund balances	(114,991)	(62,248)	138	138,792	(38,309)
Fund balances - beginning, restated	<u>1,433,270</u>	<u>2,227,162</u>	<u>2,381,905</u>	<u>884,186</u>	<u>6,926,523</u>
Fund balances - ending	<u>\$ 1,318,279</u>	<u>\$ 2,164,914</u>	<u>\$ 2,382,043</u>	<u>\$ 1,022,978</u>	<u>\$ 6,888,214</u>

See accompanying notes to these financial statements.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	6,888,214
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		20,044,006
Deferred outflows are not available to pay current fund liabilities and therefore are deferred and not presented in the funds:		
Pension related deferred outflows		737,441
Some liabilities are not due and payable in the current period and are not included in the fund financial statement, and along with certain deferred inflows, are included in the governmental activities of the Statement of Net Position		
Accrued compensated absences liability		(256,433)
Notes payable		(7,076,396)
Capital leases		(768,668)
Interest payable		(49,913)
Deferred revenue		153,258
Pension related deferred inflows		(99,594)
Net pension liability		(2,062,602)
Total OPEB liability		(47,253)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>17,462,060</u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	(38,309)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays for capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		936,345
Depreciation expense		(1,699,012)
In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.		(8,490)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenue		134,910
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Capital lease obligation principal payments		134,885
Note payable principal payments		444,336
Debt proceeds		(257,812)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Change in accrued interest payable		1,544
Change in accrued compensated absences		(13,324)
Change in total OPEB liability		(8,751)
Change in net position of governmental activities	<u>\$</u>	<u>(373,678)</u>

See accompanying notes to these financial statements.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Net Position – June 30, 2018

	PVMA	Sanitation Capital Improvement	Total Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 208,316	\$ 1,502	\$ 209,818
Restricted:			
Cash and cash equivalents	271,938	-	271,938
Accrued interest receivable	578	-	578
Advance from component unit-PVHA	100,000	-	100,000
Accounts receivable, net	484,940	-	484,940
Total current assets	1,065,772	1,502	1,067,274
Non-current assets:			
Restricted:			
Investments	134,899	-	134,899
Capital Assets:			
Land and construction in progress	1,520,332	-	1,520,332
Other capital assets, net of accumulated depreciation	20,054,907	-	20,054,907
Total non-current assets	21,710,138	-	21,710,138
Total assets	22,775,910	1,502	22,777,412
LIABILITIES			
Current Liabilities:			
Accounts payable	64,537	-	64,537
Accrued payroll payable	50,806	-	50,806
Accrued interest payable	57,731	-	57,731
Compensated absences	10,332	-	10,332
Capital lease payable	221,605	-	221,605
Contracts payable	96,260	-	96,260
Due to depositors	29,340	-	29,340
Landfill closure liability	3,002	-	3,002
Notes payable	488,000	-	488,000
Total current liabilities	1,021,613	-	1,021,613
Non-current liabilities:			
Due to depositors	117,357	-	117,357
Compensated absences	92,985	-	92,985
Capital lease payable	430,366	-	430,366
Contracts payable	84,863	-	84,863
Landfill closure liability	207,169	-	207,169
Notes payable	6,099,665	-	6,099,665
Total OPEB liability	19,936	-	19,936
Total non-current liabilities	7,052,341	-	7,052,341
Total liabilities	8,073,954	-	8,073,954
NET POSITION			
Net investment in capital assets	14,335,603	-	14,335,603
Unrestricted	366,353	1,502	367,855
Total net position	\$ 14,701,956	\$ 1,502	\$ 14,703,458

See accompanying notes to these financial statements.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2018

	<u>PVMA</u>	<u>Sanitation Capital Improvement</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Water	\$ 1,346,443	\$ -	\$ 1,346,443
Sewer	481,198	-	481,198
Sanitation	1,477,632	7,678	1,485,310
Lake	61,119	-	61,119
Miscellaneous	18,145	-	18,145
Total operating revenues	<u>3,384,537</u>	<u>7,678</u>	<u>3,392,215</u>
OPERATING EXPENSES			
Water	781,442	-	781,442
Sewer	420,298	-	420,298
Sanitation	958,462	28,226	986,688
Lake	107,595	-	107,595
General government	762,567	-	762,567
Depreciation expense	1,061,240	-	1,061,240
Total operating expenses	<u>4,091,604</u>	<u>28,226</u>	<u>4,119,830</u>
Operating income (loss)	<u>(707,067)</u>	<u>(20,548)</u>	<u>(727,615)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	3,324	20	3,344
Miscellaneous revenue	53,049	-	53,049
Interest expense and fiscal agent fees	<u>(216,636)</u>	<u>-</u>	<u>(216,636)</u>
Total non-operating revenue	<u>(160,263)</u>	<u>20</u>	<u>(160,243)</u>
Income (loss) before contributions and transfers	<u>(867,330)</u>	<u>(20,528)</u>	<u>(887,858)</u>
Contributed capital	28,508	-	28,508
Transfers in	1,648,686	-	1,648,686
Transfers out	(838,848)	-	(838,848)
Transfers out-Hospital component unit	<u>(215,000)</u>	<u>-</u>	<u>(215,000)</u>
Change in net position	<u>(243,984)</u>	<u>(20,528)</u>	<u>(264,512)</u>
Total net position - beginning, restated	14,945,940	22,030	14,967,970
Total net position - ending	<u>\$ 14,701,956</u>	<u>\$ 1,502</u>	<u>\$ 14,703,458</u>

See accompanying notes to these financial statements.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2018

	<u>PVMA</u>	<u>Sanitation Capital Improvement</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,696,067	\$ 7,678	\$ 3,703,745
Payments to suppliers	(1,891,669)	(28,226)	(1,919,895)
Payments to employees	(1,323,663)	-	(1,323,663)
Receipts of customer meter deposits	30,526	-	30,526
Refunds of customer meter deposits	(25,162)	-	(25,162)
Net cash provided by (used in) operating activities	<u>486,099</u>	<u>(20,548)</u>	<u>465,551</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	1,648,686	-	1,648,686
Transfers to other funds	(838,848)	-	(838,848)
Transfers to hospital	(215,000)	-	(215,000)
Net cash provided by noncapital financing activities	<u>594,838</u>	<u>-</u>	<u>594,838</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(411,478)	-	(411,478)
Principal paid on debt	(716,749)	-	(716,749)
Capital contributions	28,508	-	28,508
Proceeds from issuance of capital debt	149,674	-	149,674
Interest and fiscal agent fees paid on debt	(220,222)	-	(220,222)
Net cash provided by (used in) capital and related financing activities	<u>(1,170,267)</u>	<u>-</u>	<u>(1,170,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	218,127	-	218,127
Interest and dividends	3,009	20	3,029
Net cash provided by investing activities	<u>221,136</u>	<u>20</u>	<u>221,156</u>
Net increase (decrease) in cash and cash equivalents	131,806	(20,528)	111,278
Balances - beginning of year	<u>348,448</u>	<u>22,030</u>	<u>370,478</u>
Balances - end of year	<u>\$ 480,254</u>	<u>\$ 1,502</u>	<u>\$ 481,756</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 208,316	\$ 1,502	\$ 209,818
Restricted cash and cash equivalents - current	271,938	-	271,938
Total cash and cash equivalents, end of year	<u>\$ 480,254</u>	<u>\$ 1,502</u>	<u>\$ 481,756</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (707,067)	\$ (20,548)	\$ (727,615)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	1,061,240	-	1,061,240
Miscellaneous revenue	53,049	-	53,049
Change in assets and liabilities:			
Due from other governments	256,275	-	256,275
Prepaid expenses	9,109	-	9,109
Accounts receivable	2,206	-	2,206
Total OPEB liability	3,691	-	3,691
Accounts payable	(291,251)	-	(291,251)
Accrued payroll payable	50,806	-	50,806
Other payable	34,792	-	34,792
Deposits subject to refund	5,364	-	5,364
Accrued compensated absences	7,885	-	7,885
Net cash provided by (used in) operating activities	<u>\$ 486,099</u>	<u>\$ (20,548)</u>	<u>\$ 465,551</u>

See accompanying notes to these financial statements.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS – FIDUCIARY FUND

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Fiduciary Fund Statement of Net Position – June 30, 2018

	Agency Fund- UPL Accounts
ASSETS	
Cash and cash equivalents	\$ 264,880
Total assets	<u>\$ 264,880</u>
LIABILITIES	
Due to others	\$ 264,880
Total liabilities	<u>\$ 264,880</u>

See accompanying notes to these financial statements.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

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

The City's financial reporting entity includes the primary government (City of Pauls Valley), three blended component units and one discretely presented component unit.

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

The City of Pauls Valley is a Council/Manager form of government with a population of approximately 6,169 located in Garvin County in south-central Oklahoma. The City is governed by a five-member council and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- 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 Council

The City provides typical municipal services such as public safety, culture and recreation, cemetery, streets and public works.

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

The City of Pauls Valley Municipal Authority – that operates the water, wastewater, sanitation, and lake activities of the City.

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

Pauls Valley 522 District – that is authorized to assess three mills of ad valorem tax to be used to provide ambulance service to the City of Pauls Valley. The District contracts with the Pauls Valley Hospital Authority to provide this service. The Special Ambulance Fund reports the District's activities.

Pauls Valley Municipal Hospital Authority – that provides health care services to the residents of Pauls Valley and Garvin County. The Pauls Valley Municipal Hospital's audited financial statements were not available and are not included in the FY18 audited financial statement of the City of Pauls Valley.

Discretely Presented Component Unit [Separate governing body (trustees) from the City Council]:

Pauls Valley Airport Authority – that provides airport facilities to the residents of Pauls Valley and Garvin County.

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

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- General Government – license and permits, and capital grants
- Public Safety – fines and forfeitures, fire run charges, ambulance runs, restricted operating grants and restricted capital grants
- Highways and Streets – commercial vehicle and gasoline excise tax shared by the State
- Culture and recreation – operating grants and donations, and recreation center, pool, and golf fees
- Cemetery – cemetery openings/closings and lot sales
- Economic Development – hotel/motel tax levy
- Airport – hangar rentals, land leases and capital grants
- Utilities – charges services for water, sewer and sanitation
- Lake – donations and fees

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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. The General Fund includes the Rose Garden Account, Wacker Park Account and Beautification Account.
- One Cent Sales Tax Fund – a special revenue fund that accounts for a one cent dedicated sales tax to be used 50% for street replacement, 25% for parks and 25% for general government.

Capital Projects Fund:

- Capital Improvement Fund – accounts for capital projects, revenues, financing and capital expenditures.

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

Special Revenue Funds:

- Police Special Fund – accounts for a portion of court fine revenue and miscellaneous donations to be expended for police related expenditures.
- Cemetery Beautification Fund – accounts for miscellaneous donations and monument setting fees to be expended for the beautification of cemeteries.
- Senior Citizen Fund – accounts for revenues, grants and expenditures of the senior citizens' programs.
- 911 Account Fund – accounts for E-911 revenues legally restricted for E-911 services.
- Marianne Ewert Bequest Fund – accounts for permanently restricted endowment fund and the investment income restricted for park improvements.
- Nora Sparks Warren Library Trust Fund – accounts for investment income and donations for library expenditures.
- Tourism/Motel Tax Fund – accounts for revenues of a hotel/motel tax levy to be expended for the promotion of tourism.
- Special Ambulance Fund – accounts for 522 District's property taxes collected for the purpose of operating an ambulance service. The service is contracted through the hospital.

Capital Project Funds:

- Pauls Valley Airport Projects Fund – accounts for grant revenues and expenditures related to airport improvement projects.
- TIF Fund – accounts for revenues of ad valorem tax increments generated in the increment district boundaries to be expended for expenses of the Pauls Valley Economic Development Project Plan. The TIF district will expire on December 31, 2022.
- Cemetery Care Fund – accounts for 25% of all cemetery revenues of which 12.5% is legally restricted for cemetery capital improvements.

The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting revenues are recorded when

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

The General Fund, One Cent Sales Tax Fund, and the Capital Improvement Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds. Enterprise funds are used to account for business-like activities provided to the general public. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's enterprise funds are the Pauls Valley Municipal Authority and the Sanitation Capital Improvement Fund.

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

- Pauls Valley Municipal Authority (PVMA) – a major enterprise fund that accounts for the operation of the water, sewer, sanitation, and lake activities.
- Pauls Valley Sanitation Capital Improvement Fund –accounts for a \$.25 fee assessed and collected from sanitation customers to be expended on capital improvements of the City's sanitation service.

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.

Fiduciary Fund:

Fiduciary funds are used to report net position and changes therein of assets held by the City in a fiduciary capacity. The net position is not available for operations of the City and is not included in the government-wide financial statements.

- Agency Fund-UPL Accounts – accounts for the transfer in and transfer out of the Upper Payment Limit (UPL) monies. Medicare, Medicaid, and all co-insurance payments are deposited in the City-owned accounts for services rendered by the Manager. LTC Group, LLC facilitates the transfer of these payments, twice weekly, to their respective nursing homes.

Agency Funds are custodial in nature (i.e. assets equal liabilities) and do not involve the measurement of changes in net position.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

3. Cash, Cash Equivalents, Deposits and Investments

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

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

For the year ended June 30, 2018, the City recognized \$27,109 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, 2018, the primary government held the following deposits and investments:

PRIMARY GOVERNMENT:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value Valuation Level</u>	<u>Carrying/Fair Value</u>
Deposits:				
Demand deposits	On demand	N/A	N/A	2,111,046
First United Money Market	On demand	N/A	N/A	1,374,006
Time deposits	Oct 2018, June 2019	N/A	N/A	764,808
				<u>4,249,860</u>
Investments:				
Caval Hill U.S. Treasury-Admin #0002	On demand	Aaa	N/A	212,066
Blackrock Liq Fedfd-Csh Res #00U3	On demand	AAAm	N/A	10,614
First United Money Market Funds	On demand	not rated	N/A	2,613,008
				<u>2,835,688</u>
Total deposits and investments				<u>\$ 7,085,548</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents				\$ 3,435,794
Restricted cash and cash equivalents				2,884,946
Investments				629,909
Restricted investments				134,899
				<u>\$ 7,085,548</u>

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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

As of June 30, 2018, the City, the PVMA, the 522 District and the Pauls Valley Airport Authority were not exposed to custodial credit risk as defined above.

As of June 30, 2018, the deposits and investments for the Pauls Valley Airport Authority were \$164,557. Of this amount, \$164,557 was not exposed to custodial credit risk and \$164,557 was collateralized.

Investment Interest Rate Risk - the City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. All certificates of deposit have maturities of one year or less.

Investment Credit Risk - The City does have a written investment policy that limits its investment choices according to the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2018, the City's investments consisted of \$212,066 and \$10,614 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of Aaa and AAAM, respectively, as rated by Standard and Poor's. Also the City's investments consisted of \$2,613,008 of First United Money Market Funds that were not rated.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. There were no investments within the hierarchy at June 30, 2018.

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

Restricted Cash and Investments - The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for debt service, or deposits held for others. The restricted assets as of June 30, 2018 are as follows:

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

	Cash and Cash Equivalents		Investments
	Governmental	Business-type	Business-type
Utility Deposits	\$ -	\$ 49,258	\$ 134,899
2012 Principal	20,852	-	-
2012 Interest	18,077	-	-
2015 Principal	124,953	-	-
2015 Interest	67,083	-	-
2015 Construction	2,382,043	-	-
2016A Principal	-	132,887	-
2016A Interest	-	40,460	-
2016B Principal	-	24,708	-
2016B Interest	-	14,011	-
2016C CWRSF	-	10,614	-
Total	<u>\$ 2,613,008</u>	<u>\$ 271,938</u>	<u>\$ 134,899</u>

4. Accounts Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts and interest receivable. The governmental activities receivable includes court fines receivable, recreation center and aquatic receivable, motel tax receivable and interest receivable.

	Accounts	Less: Allowance	Net
	Receivable	for Uncollectible Accounts	Accounts Receivable
Governmental Activities:			
Court fines	\$ 455,386	\$ 333,045	\$ 122,341
Other receivables	49,851	-	49,851
Total Governmental Activities	<u>\$ 505,237</u>	<u>\$ 333,045</u>	<u>\$ 172,192</u>
Business-Type Activities:			
Utilities	\$ 501,974	\$ 17,034	\$ 484,940
Other receivables	578	-	578
Total Business-Type Activities	<u>\$ 502,552</u>	<u>\$ 17,034</u>	<u>\$ 485,518</u>
Pauls Valley Airport Authority:			
Fuel	\$ 19,946	\$ 680	\$ 19,266
Total Pauls Valley Airport Authority	<u>\$ 19,946</u>	<u>\$ 680</u>	<u>\$ 19,266</u>

5. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$3,500 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. Prior to July 1, 2001, governmental funds' infrastructure assets, such as streets, bridges, drainage systems and traffic signal systems were not capitalized. These assets have not been valued or recorded as capital assets. Infrastructure assets acquired since that date are recorded at cost. Donated capital assets are recorded at their fair value at the date of donation.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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

<u>Asset</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	15-50
Machinery, furniture and equipment	5-24
Utility property and improvements	15-50
General Infrastructure	15-50

For the year ended June 30, 2018, capital assets balances changed as follows:

Primary Government:

	Balance at June 30, 2017	Additions	Disposals	Balance at June 30, 2018
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Intangibles	\$ 50,000	\$ -	\$ -	\$ 50,000
Land	721,981	-	-	721,981
Construction in progress	1,695,615	587,708	1,356,497	926,826
Total capital assets not being depreciated	2,467,596	587,708	1,356,497	1,698,807
Other capital assets:				
Buildings	17,060,823	5,975	-	17,066,798
Improvements	5,036,957	1,393,378	-	6,430,335
Machinery, Furniture & Equipment	6,145,849	305,781	-	6,451,630
Infrastructure	2,861,790	-	-	2,861,790
Total other capital assets	31,105,419	1,705,134	-	32,810,553
Less accumulated depreciation for:				
Buildings	4,907,187	716,249	-	5,623,436
Improvements	2,824,411	350,015	-	3,174,426
Machinery, Furniture & Equipment	4,888,901	434,327	-	5,323,228
Infrastructure	145,843	198,421	-	344,264
Total accumulated depreciation	12,766,342	1,699,012	-	14,465,354
Other capital assets, net	18,339,077	6,122	-	18,345,199
Governmental activities capital assets, net	\$ 20,806,673	\$ 593,830	\$ 1,356,497	\$ 20,044,006
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,166,941	\$ -	\$ -	\$ 1,166,941
Construction in progress	324,883	28,508	-	353,391
Total capital assets not being depreciated	1,491,824	28,508	-	1,520,332
Other capital assets:				
Buildings	285,516	-	-	285,516
Improvements	14,261,976	30,447	-	14,292,423
Machinery, furniture & equipment	3,458,887	336,100	-	3,794,987
Infrastructure	34,327,077	16,423	-	34,343,500
Total other capital assets	52,333,456	382,970	-	52,716,426
Less accumulated depreciation for:				
Buildings	164,051	10,557	-	174,608
Improvements	3,293,228	292,935	-	3,586,163
Machinery and equipment	2,604,178	261,470	-	2,865,648
Infrastructure	25,538,823	496,277	-	26,035,100
Total accumulated depreciation	31,600,280	1,061,239	-	32,661,519
Other capital assets, net	20,733,176	(678,269)	-	20,054,907
Business-type activities capital assets, net	\$ 22,225,000	\$ (649,761)	-	\$ 21,575,239

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

	Balance at June 30, 2017	Additions	Disposals	Balance at June 30, 2018
<i>Pauls Valley Airport Authority:</i>				
Capital assets not being depreciated:				
Land	\$ 94,942	\$ -	\$ -	\$ 94,942
Construction in progress	-	110,311	-	110,311
Total capital assets not being depreciated	<u>94,942</u>	<u>110,311</u>	<u>-</u>	<u>205,253</u>
Other capital assets:				
Buildings	745,785	-	-	745,785
Improvements	5,377,009	27,313	-	5,404,322
Machinery, Furniture & equipment	362,458	-	-	362,458
Infrastructure	3,213,021	-	-	3,213,021
Total other capital assets	<u>9,698,273</u>	<u>27,313</u>	<u>-</u>	<u>9,725,586</u>
Less accumulated depreciation for:				
Buildings	525,999	50,211	-	576,210
Improvements	2,969,895	201,979	-	3,171,874
Machinery, Furniture and equipment	296,207	20,796	-	317,003
Infrastructure	223,862	165,399	-	389,261
Total accumulated depreciation	<u>4,015,963</u>	<u>438,385</u>	<u>-</u>	<u>4,454,348</u>
Other capital assets, net	<u>5,682,310</u>	<u>(411,072)</u>	<u>-</u>	<u>5,271,238</u>
Airport Authority activities capital assets, net	<u>\$ 5,777,252</u>	<u>\$ (300,761)</u>	<u>\$ -</u>	<u>\$ 5,476,491</u>

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 130,473	Water	\$ 660,258
Public safety	220,556	Sewer	164,832
Highways and streets	491,111	Sanitation	188,613
Culture and recreation	836,788	Lake	47,536
Cemetery	16,043		
Economic Development	4,041		
	<u>\$ 1,699,012</u>		<u>\$1,061,239</u>

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

6. Long-Term Debt and Debt Service Requirements

<u>Type of Debt</u>	Restated Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
Governmental Activities:					
Notes payable	\$ 7,520,731	\$ -	\$ 444,336	\$ 7,076,395	\$ 459,476
Capital leases payable	645,741	257,813	134,885	768,669	192,211
Accrued compensated absences	243,109	13,324	-	256,433	25,643
Total Governmental Activities	<u>\$ 8,409,581</u>	<u>\$ 271,137</u>	<u>\$ 579,221</u>	<u>\$ 8,101,497</u>	<u>\$ 677,330</u>
Reconciliation to Statement of Net Position:					
Governmental Activities:					
Due within one year				\$ 677,330	
Due in more than one year				7,424,167	
Total OPEB liability				47,253	
Net pension liability				2,062,602	
Total Governmental Activities Long-term liabilities				<u>\$ 10,211,352</u>	
Business-Type Activities:					
Notes payable	\$ 7,061,665	\$ -	\$ 474,000	\$ 6,587,665	\$ 488,000
Capital leases payable	652,721	149,674	150,424	651,971	221,605
Contract payable	273,448	-	92,325	181,123	96,260
Deposits subject to refund	141,333	30,526	25,162	146,697	29,340
Landfill closure liability	175,379	34,792		210,171	3,002
Accrued compensated absences	95,432	7,885	-	103,317	10,332
Total Business-Type Activities	<u>8,399,978</u>	<u>222,877</u>	<u>741,911</u>	<u>7,880,944</u>	<u>848,539</u>
Total Long-Term Debt	<u>\$ 16,809,559</u>	<u>\$ 494,014</u>	<u>\$ 1,321,132</u>	<u>\$ 15,982,441</u>	<u>\$ 1,525,869</u>
Business-Type Activities:					
Due within one year				\$ 848,539	
Due in more than one year				7,032,405	
Total OPEB liability				19,936	
Total Business-Type Activities Long-term liabilities				<u>\$ 7,880,944</u>	

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Governmental Activities:

At June 30, 2018, the governmental activities long-term payable from taxes and other general revenues include the following:

Notes Payable:

Note Payable to First United Bank for pool construction, dated September 27, 2012, original amount \$3,200,000 with annual interest rate of 3.85%, due in monthly installments of principal and interest, final installment due October 1, 2032. \$ 2,531,395

Note Payable to Branch Banking & Trust Co. for street improvements, dated March 13, 2015, original amount \$5,470,000 with annual interest rate of 2.67%, due in semi-annual installments of principal and interest, on March 1st and September 1st, final installment due March 1, 2030, secured by the pledge of one-half of one percent (0.50%) of the sales tax revenue. 4,545,000

Total Notes Payable	\$ 7,076,395
Current portion	459,476
Noncurrent portion	6,616,919
Total Notes Payable	\$ 7,076,395

Capital Lease Obligations:

\$365,155 lease obligation with PNC Equipment Finance for purchase of a 2016 Pierce Pumper Truck, payable in annual installments of \$58,986, with an annual interest rate of 3.11%, matures December 2022. \$ 268,831

\$113,600 lease obligation with NEC for purchase of phone equipment, payable in monthly installments of \$2,228, with an annual interest rate of 6.6%, final payment due February 2021. The use and lease is shared with PVMA. 65,208

\$285,353 lease obligation with First United Bank for purchase of fleet of vehicles, payable in monthly installments of \$5,195, with an annual interest rate of 3.50%, final payment due August 2021. The use and lease is shared with PVMA. 186,653

\$91,568 lease obligation with First United Bank for the purchase of a two 2018 Chevy Tahoes for police department, payable in 2 annual installments of \$48,578 with an annual interest rate of 3.99%, final payment due March 2020. 91,568

\$166,244 lease obligation with Arvest Bank for the purchase of a 2017 Caterpillar 313 FL TC Excavator, payable in 60 monthly installments of \$1,783, with an annual interest rate of 2.80%, final payment due November 2022. 156,409

Total Capital Leases Payable	\$ 768,669
Current portion	\$ 192,211
Noncurrent portion	576,458
Total Capital Leases Payable	\$ 768,669

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Accrued Compensated Absences:

	Current portion	\$	25,643
	Noncurrent portion		230,790
Total Accrued Compensated Absences		\$	<u>256,433</u>

Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to City's business-type activities at June 30, 2018, includes the following:

Notes Payable:

\$5,420,000 Pauls Valley Municipal Authority Utility System and Sales Tax Revenue Note, Series 2016A dated June 3, 2016, payable in semi-annual installments each March 1 and September 1, final installment due September 2028, with an annual interest rate of 2.50%. Note is secured by a utility revenue and pledged sales tax.	\$	4,750,000
\$1,110,000 Sales Tax Revenue Note, Series 2016B dated June 3, 2016, payable in semi-annual installments each March 1 and September 1, final installment due September 2028, with an annual interest rate of 4.20%. The note is secured by utility revenues and pledged sales tax.		981,000
\$875,000 Sales Tax Revenue Note dated October 26, 2016, payable in semi-annual installments each March 15 and September 15, with an annual 1.99% interest rate, final payment due March 2029. The note is secured by utility revenue and pledged sales tax.		856,665
Total Notes Payable	\$	<u>6,587,665</u>
	Current portion	\$ 488,000
	Noncurrent portion	<u>6,099,665</u>
Total Notes Payable	\$	<u>6,587,665</u>

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Capital Lease Obligations:

\$193,494 lease obligation with Caterpillar Finance for purchase of Caterpillar 930K, payable in monthly installments of \$2,745 with a 2.65% interest rate, final payment due May 2020.	101,877
\$87,357 lease obligation with Caterpillar Finance for purchase of 2016 Track Type Tractor, payable in monthly installments of \$1,341, with a 2.95% interest rate, final payment due March 2019.	56,007
\$28,400 lease obligation with NEC for purchase of NEC Phone System, payable in monthly installments of \$557, with a 6.60% interest rate, final payment due February 2021.	16,302
\$347,339 lease obligation with First United Bank for purchase of GM Fleet vehicles, payable in monthly installments of \$6,324 with a 3.50% interest rate, final payment due August 2021.	226,783
\$162,699 Lease obligation with First United Bank for purchase of trash truck, payable in annual installments of \$36,444, with an interest rate of 3.90%, final payment due September 2020.	101,327
\$149,675 Lease obligation with First United Bank for purchase of 2018 International trash truck, payable in four annual installments of \$33,667, beginning April 19, 2019, with an interest rate of 3.99%, final payment due April 19, 2023.	149,675
Total Capital Leases Payable	\$ 651,971
Current portion	\$ 221,605
Noncurrent portion	430,366
Total Capital Leases Payable	\$ 651,971

Contract Payable:

\$1,491,248 face amount, non-interest bearing contract payable to the Garvin County RWD #4, for certain water infrastructure, payable monthly as a reduction of the sellers account receivable utility account, final payment due March 2021 with imputed interest at 4.18%, (less unamortized discount based on imputed interest rate - \$30,547). See contingent liability note.	\$ 181,123
Total Contracts Payable	181,123
Current portion	96,260
Noncurrent portion	84,863
Total Contracts Payable	\$ 181,123

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Deposits Subject to Refund:

Current portion	\$	29,340
Noncurrent portion		117,357
Total Deposits Subject to Refund	\$	<u>146,697</u>

Landfill Closure Liability:

Current portion	3,002
Noncurrent portion	207,169
Total Landfill Closure Liability	<u>\$ 210,171</u>

Accrued Compensated Absences:

Current portion	\$	10,332
Noncurrent portion		92,985
Total Accrued Compensated Absences	\$	<u>103,317</u>

The capital assets acquired through capital leases are as follows:

Date	Capital Asset	Amount	Accumulated Depreciation
<i>Machinery and Equipment:</i>			
11/15/2015	Phone System	\$ 111,115	\$ 26,862
10/25/2016	2016 Pierce Pumper	371,225	123,742
8/19/2016	2016 Chevy 1500	29,870	10,952
8/19/2016	2016 Chevy 1500	19,970	7,322
8/19/2016	2016 Chevy 1500	19,970	7,322
8/19/2016	2016 Chevy 3500	34,161	12,526
8/19/2016	2016 Chevy 1500	27,388	10,042
8/19/2016	2016 Chevy 2500	27,132	9,948
8/19/2016	2016 Chevy 3500	44,724	16,399
8/19/2016	2016 Chevy 2500	29,839	10,941
8/19/2016	2016 Chevy 2500	27,132	9,948
8/19/2016	2016 Chevy 2500	27,132	9,948
10/14/2014	Mini Excavator	33,509	24,573
5/12/2015	Wheel Loader	141,020	86,962
11/15/2015	Phone System	30,885	9,822
2/29/2016	Track/Loader Tractor	117,653	54,905
8/19/2016	2016 Chevy 2500	29,710	10,894
8/19/2016	2016 Chevy 3500	42,147	15,454
8/19/2016	2016 Chevy 3500	44,724	16,399
8/19/2016	2016 Chevy 3500	43,556	15,970
8/19/2016	2016 Chevy 3500	38,928	14,274
8/19/2016	2016 Chevy 1500	21,940	8,045
8/19/2016	2016 Chevy 3500	43,556	15,970
8/19/2016	2016 Chevy 2500	29,609	10,857
8/19/2016	2016 Chevy 2500	27,132	9,948
8/19/2016	2016 Chevy 2500	30,603	11,221
9/22/2016	International Garbage Truck	162,699	56,945
4/19/2018	International Garbage Truck	149,465	4,152
3/18/2018	2018 Chevy Tahoe	45,644	1,141
3/18/2018	2018 Chevy Tahoe	45,644	1,141
11/15/2017	2017 Caterpillar Excavator	166,244	19,395
		<u>\$ 2,014,326</u>	<u>\$ 644,020</u>

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Payment Requirements to Maturity:

Year Ended June 30,	Governmental Activities				Business-Type Activities					
	Notes Payable		Capital Lease Obligations		Notes Payable		Capital Lease Obligations		Contracts Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 459,476	\$ 96,415	\$ 192,211	\$ 25,618	\$ 488,000	\$ 178,151	\$ 221,605	\$ 21,361	\$ 96,260	\$ 5,741
2020	474,571	210,535	199,600	18,148	500,000	164,567	211,529	13,951	84,863	1,663
2021	490,367	195,995	149,931	10,411	515,000	150,618	143,509	7,156	-	-
2022	506,144	181,207	85,287	6,265	527,000	136,249	42,900	2,637	-	-
2023	517,150	73,741	65,141	2,761	543,000	121,495	32,428	1,318	-	-
2024-2028	2,849,223	270,230	76,499	-	2,948,000	370,260	-	-	-	-
2029-2033	1,779,464	81,458	-	-	1,066,665	32,822	-	-	-	-
Total	<u>\$ 7,076,395</u>	<u>\$ 1,109,581</u>	<u>\$ 768,669</u>	<u>\$ 63,203</u>	<u>\$ 6,587,665</u>	<u>\$ 1,154,162</u>	<u>\$ 651,971</u>	<u>\$ 46,423</u>	<u>\$ 181,123</u>	<u>\$ 7,404</u>

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave, as well as sick and comp time benefits. Employees who have been with the City at least six (6) months will be paid for accumulated vacation. Employees who have completed at least ten (10) years of service, have the minimum amount of sick leave of at least four hundred (400) hours to a maximum of six hundred eighty (680) hours, and terminates in good standing, will be entitled to twenty-five percent (25%) of up to the maximum amount allowed. For every year after 10 years of completed service, leave will be computed at three and a half percent (3.5%) until a maximum of seventy-five percent (75%) is attained. All vacation and comp pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental and proprietary funds.

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge

Governmental-Type-

The City pledged one half of one cent of future sales tax revenues to repay a \$5,470,000, Series 2015 Promissory Note. Proceeds from the note provided financing for street improvements. The note is payable through 2030. The total principal and interest payable for the remainder of the life of this note is \$5,342,129. Pledged sales taxes received in the current year were \$700,852. Debt service payments of \$442,693 for the current fiscal year were 63.2% of pledged sales taxes.

The City pledged one quarter of one cent of future sales tax revenues to repay a \$3,200,000, Series 2012 Promissory Note. Proceeds from the note provided financing for pool construction. The note is payable through 2032. The total principal and interest payable for the remainder of the life of this note is \$3,309,829. Pledged sales taxes received in the current year were \$350,426. Debt service payments of \$230,891 for the current fiscal year were 65.9% of pledged sales taxes.

Business-Type-

The City pledged one half of one cent of future sales tax revenues and net utility revenues to repay \$5,420,000, \$1,110,000, and \$875,000, Series 2016A, 2016B, and Series 2016C Promissory Notes, respectively. Proceeds from the notes refinanced the promissory note to OWRB-Series 2008 and financed the acquisition of land. The notes are payable through 2028, 2028, and 2029, respectively. The total principal and interest payable for the remainder of the life of these notes is \$7,741,825. Pledged sales taxes received in the current year were \$700,440 and net utility revenues were \$465,530. Debt service payments of \$665,454 for the current fiscal year were 57.1% of both pledged sales taxes and net utility revenues of \$1,165,970.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Hospital Debt

The hospital debt is issued in the name of the PVMA and is secured by sales tax of the City. All of these funds were used for capital improvements and support for the hospital. Since the Hospital Authority's financial statements are excluded from the City's reporting entity financial statements, these debts are not shown in either the City of the PVMA's financial statements. The hospital closed subsequent to year end on October 12, 2018, however; the PVMA is responsible for this debt.

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
Pauls Valley Hospital Authority:					
Notes payable	\$ 8,866,899	\$ -	\$ 394,426	\$ 8,472,473	\$ 397,014
Total Pauls Valley Hospital Authority	<u>\$ 8,866,899</u>	<u>\$ -</u>	<u>\$ 394,426</u>	<u>\$ 8,472,473</u>	<u>\$ 397,014</u>

\$3,150,000 Pauls Valley Municipal Authority Sales Tax Revenue Note, Series 2013 dated June 28, 2013, payable in monthly installments due the 1st of every month to First United Bank, final installment due June 2033, with an annual interest rate of 4.25%. \$ 2,660,068

\$1,025,000 Pauls Valley Municipal Authority Sales Tax Revenue Note, Series 2014, dated March 1, 2014, payable in monthly installments due the first of every month to Pauls Valley National Bank, final installment due June, 2033, with an annual interest rate of 4.25%. 858,446

\$5,155,000 Pauls Valley Municipal Authority Sales Tax Revenue Note, Series 2014A, dated June 30, 2014, payable in monthly installments due the first of every month to First United Bank, final installment due June, 2034, with a variable interest rate equal to 65.01% of the one-month British Bankers Association London Interbank Offered Rate (LIBOR), plus 198 basis points, initial rate of 2.078%, FY18 rate, 2.619%. 4,953,959

Total hospital notes payable	<u>\$ 8,472,473</u>
Current portion	\$ 397,014
Noncurrent portion	8,075,459
Total hospital notes payable	<u>\$ 8,472,473</u>

Year Ended June 30,	Hospital	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 397,014	\$ 354,150
2020	413,126	337,170
2021	431,237	318,898
2022	449,412	300,137
2023	468,345	280,577
2024-2028	2,652,961	1,080,031
2029-2033	3,251,519	451,792
2034	408,859	9,508
Total	<u>\$ 8,472,473</u>	<u>\$ 3,132,263</u>

7. Landfill Closure and Post Closure Requirements

A \$210,171 accrued liability has been recognized in the Pauls Valley Municipal Authority to represent the total estimated amount owed by the Authority for closure and post closure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations and represented the cumulative amount of such costs reported to date based on the use of approximately 32.63% of the estimated capacity of the landfill. It is estimated that an additional \$644,134 will be recognized as closure and post closure expense between the current balance sheet date and the date the landfill is expected to be filled to capacity. However, the actual cost of closure and post closure may be higher due to inflation, changes in technology, or changes in landfill laws and regulation. The estimated remaining landfill life is 70 years.

8. Net Position and Fund Balances

Net Position:

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

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

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

Fund Balances

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

- a. **Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. **Restricted** – consists of fund balance with constraints placed on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet:

	<u>General Fund</u>	<u>One Cent Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance:					
Nonspendable:					
Perm. Endow-Parks	-	-	-	50,000	50,000
Inventory	14,584	-	-	36,022	50,606
Long-term receivable	24,100	-	-	-	24,100
Subtotal committed	<u>38,684</u>	<u>-</u>	<u>-</u>	<u>86,022</u>	<u>124,706</u>
Restricted for:					
Debt service	\$ 192,036	\$ -	\$ -	\$ -	\$ 192,036
Streets					-
Capital improvements	599,964	2,009,456	2,382,043	412,644	5,404,107
Tourism	-	-	-	357,538	357,538
Senior citizens	-	-	-	176	176
Cemetery	-	-	-	11,018	11,018
Emergency medical services	-	-	-	788	788
Subtotal restricted	<u>792,000</u>	<u>2,009,456</u>	<u>2,382,043</u>	<u>784,622</u>	<u>5,968,121</u>
Assigned to:					
Capital improvements	42,244	155,458	-	38,369	236,071
Public safety	-	-	-	63,278	63,278
Library	-	-	-	49,668	49,668
Cemetery	-	-	-	1,019	1,019
Budget balancing purposes	20,000	-	-	-	20,000
Subtotal assigned	<u>62,244</u>	<u>155,458</u>	<u>-</u>	<u>152,334</u>	<u>370,036</u>
Unrestricted	425,351	-	-	-	425,351
Total Fund Balance	<u>\$ 1,318,279</u>	<u>\$ 2,164,914</u>	<u>\$ 2,382,043</u>	<u>\$ 1,022,978</u>	<u>\$ 6,888,214</u>

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Restricted Net Position –Governmental Activities:

The following table shows the net position restricted for other purposes as shown in the Statement of Net Position:

Fund	Restricted By	Amount
General Fund	Debt indentures	\$ 192,036
Capital Improvement Fund	Debt indentures	2,382,043
Cemetery Care Fund	Statutory requirements	17,774
		<u>2,591,853</u>
General Fund	Enabling legislation	599,964
One Cent Sales Tax Fund	Enabling legislation	2,009,456
TIF Fund	Enabling legislation	394,870
Tourism Fund	Enabling legislation	357,538
Senior Citizen Fund	Enabling legislation	176
PV Airport Project Fund	Enabling legislation	2,458
Cemetery Beautification Fund	Enabling legislation	11,018
PV Special Ambulance Fund	Enabling legislation	788
		<u>3,376,268</u>
Total Restricted		<u>\$ 5,968,121</u>

For the year ended June 30, 2018 the City restated beginning net position as follows:

	Government-Wide	
	Governmental Activities	Enterprise Fund/ Business-type Activities
Beginning net position, as previously reported	\$17,865,770	\$ 14,798,834
Implementation of GASB Statement 75, requiring balances to be restated for liabilities related to other post-employment benefits (OPEB)	(38,502)	(16,245)
Golf inventory restatement	8,470	
Unbilled utility receivable restatement		161,241
Landfill liability restatement		24,140
Beginning net position, restated	<u>\$17,835,738</u>	<u>\$ 14,967,970</u>

For the year ended June 30, 2018 the City restated beginning fund balance as follows:

Beginning fund balance, as previously reported	\$ 6,918,053
Golf inventory restatement	8,470
Beginning fund balance, restated	<u>\$ 6,926,523</u>

9. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

10. Sales Tax Revenue

Sales tax revenue represents a four and ½ cents tax on each dollar of taxable sales of which is recorded as follows:

- 3 ¼ cents is available for general government per Ordinance No. 940. 3 cents is recorded in the general fund and ¼ cent is recorded in the One Cent Sales Tax Fund. 1 cent is subsequently transferred to the PVMA for debt retirement of the 2016 OWRB note and a lease-purchase agreement with Pauls Valley National Bank.
- ½ cent is restricted for street replacement and maintenance per Ordinance No. 940. ½ cent is recorded in the One Cent Sales Tax Fund.
- ¼ cent is restricted for park and recreation facilities and programs per Ordinance No. 940. ¼ cent is recorded in the One Cent Sales Tax Fund.
- ½ cent is restricted for hospital. ½ cent is recorded in the General Fund and subsequently transferred to the PVHA for debt service.

11. Internal Balances and Transfers between Legal Entities

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

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
PV Municipal Authority	PV Hospital Authority	\$ 100,000	debt payment
Total		<u>\$ 100,000</u>	

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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

Transfer From	Transfer To	Amount	Purpose of Transfer
One Cent Sales Tax Fund	General Fund	\$ 348,106	operating subsidy
One Cent Sales Tax Fund	General Fund	230,891	debt activity
One Cent Sales Tax Fund	General Fund	80,004	per grant agreement-DWR savings
PVMA	General Fund	58,986	to fund capital purchases
PVMA	General Fund	490,000	operating subsidy
One Cent Sales Tax Fund	General Fund	7,132	street debt payments
One Cent Sales Tax Fund	General Fund	443,355	street project - 2015 bond trustee series
PVMA	General Fund	62,067	debt activity
PVMA	General Fund	213,000	operating subsidy
PVMA	General Fund	5,349	purchase of capital assets
Marianne Ewert Bequest Fund	General Fund	126	interest income
General Fund	Police Special Fund	7,072	court fees
General Fund	911 Account Fund	30,000	operating subsidy
General Fund	PV Airport Project Fund	60,275	operating subsidy
General Fund	PVMA	166,244	purchase of capital assets
General Fund	PVMA	1,392,442	sales tax transfer
General Fund	PVMA	90,000	to fund capital purchases
Total		<u>\$ 3,685,049</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 2,036,363	\$ (2,689,403)	\$ (653,040)
Proprietary Funds	1,648,686	(838,848)	809,838
	<u>\$ 3,685,049</u>	<u>\$ (3,528,251)</u>	<u>\$ 156,798</u>

Reconciliation to Statement of Activities:

Net Transfers	(653,040)
Governmental-type activity transfer assets from PVMA	9,446
Governmental-type activity transfer assets to PVMA	(166,244)
Transfers - internal activity	<u>\$ (809,838)</u>

12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Airport General Liability – Covered through purchase of commercial insurance.
- Workers' Compensation – Workers' compensation is covered through purchase of commercial insurance – Oklahoma Municipal Assurance Group.
- Employee's Group Health and Life – Covered through purchase of commercial insurance – Blue Cross Blue Shield.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

13. Retirement Plan Participation

The City participates in four employee 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 Fund Defined Contribution Plan (OkMRF) – an agent multiple-employer defined contribution plan
- Oklahoma Municipal Retirement Fund Master Defined Contribution Plan available only for City Managers (OkMRF) – an agent multiple-employer defined contribution plan

The aggregate net pension liability, deferred inflows, deferred outflows and pension expense for the plans at June 30, 2018:

	Deferred Outflow	Deferred Inflow	Net Pension Liability	Pension Expense
Fire Pension	\$ 525,531	\$ 3,021	\$ 2,046,655	\$ 280,549
Police Pension	211,910	96,573	15,947	98,666
Totals	\$ 737,441	\$ 99,594	\$ 2,062,602	\$ 379,215

Oklahoma Firefighters’ Pension and Retirement System:

Plan description - The City, as the employer, participates in the Firefighters Pension & Retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (OFPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OFPRS. OFPRS issues a publicly available financial report that can be obtained at www.ok.gov/FPRS.

Benefits provided - OFPRS provides retirement, disability, and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee’s final average compensation times the employee’s years of service and have reached the age of 50 or have complete 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee’s final average compensation times the employee’s years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters,

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$68,472. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$153,571 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$143,417. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a net pension liability of \$2,046,655 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was 0.1627265%.

For the year ended June 30, 2018, the City recognized pension expense of \$280,549. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 273,398	\$ -
Net difference between projected and actual earnings on pension plan investments	-	57,033
Changes in proportion and differences between City contributions and proportionate share of contributions	240,694	-
City contributions during the measurement date	-	3,021
City contributions subsequent to the measurement date	68,472	-
Total	\$ 582,564	\$ 60,054

The \$68,472 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Year ended June 30:		
2019	\$	70,296
2020		133,623
2021		113,638
2022		53,260
2023		69,286
2024		13,935
Total	\$	454,038

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%

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

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability	\$ 2,684,904	\$ 2,046,655	\$ 1,505,743

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

Oklahoma Police Pension and Retirement System:

Plan description - The City, as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided - OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$87,765. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$86,379 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$71,073. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a liability of \$15,947 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was .2073132%.

For the year ended June 30, 2018, the City recognized pension expense of \$98,666. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 801	\$ 96,408
Net difference between projected and actual earnings on pension plan investments	118,774	-
Changes in proportion and differences between City contributions and proportionate share of contributions	4,570	110
City contributions during the measurement date	-	55
City contributions subsequent to the measurement date	87,765	-
Total	\$ 211,910	\$ 96,573

The \$87,765 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (2,542)
2020	59,895
2021	28,404
2022	(47,205)
2023	(10,980)
Total	\$ 27,572

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.
Mortality rates:	<p>Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.</p> <p>Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.</p> <p>Disabled pensioners RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.</p>

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.51%
Domestic equity	6.62%
International equity	9.70%
Real estate	6.96%
Private equity	9.86%
Commodities	5.18%

The current allocation policy is approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 538,950	\$ 15,947	\$ (425,809)

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

Oklahoma Municipal Retirement Fund Defined Contribution Plans:

Municipal Retirement Plan – The City has provided a defined contribution plan and trust known as the City of Pauls Valley Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OkMRF). OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OkMRF and plan assets are supervised by OkMRF. The defined contribution plan is available to all full-time employees not participating in another plan. Employees are eligible to participate three months from the date of employment. Employees are required to contribute at least 1% but no more than 5% of compensation. Employer contributions shall equal 100% of the total mandatory contributions by employees. City contributions for each employee begin vesting after two years of service and are fully vested after six years. If an employee terminates before becoming fully vested, the employer’s contributions are forfeited and may be used to reduce the City’s current period contribution requirements. FY18 forfeitures were \$3,210. The authority to amend the provisions of the plan rests with the City Council.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Summary of Contributions:

Oklahoma Municipal Retirement Fund		
Fiscal Year	Employee Contribution	Employer Contribution
2016	71,176	78,233
2017	55,766	84,478
2018	81,945	81,861

City Manager Retirement Plan – The City has provided a defined contribution plan and trust known as the City of Pauls Valley Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OkMRF) available only to the city manager. OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OkMRF and plan assets are supervised by OkMRF. The city manager is required to contribute to the Plan 3.5% of compensation. The City Council determines the City’s contribution rate each year. However, the maximum contribution amount from employee and employer is limited to \$46,000. City contributions for the city manager begin vesting immediately. The authority to amend the provisions of the plan rests with the City Council.

Oklahoma Municipal Retirement Fund		
Fiscal Year	Employee Contribution	Employer Contribution
2016	9,171	3,812
2017	10,114	3,994
2018	12,564	3,851

14. Postemployment Health Insurance Implicit Rate Subsidy Plan

Plan description - The City offers post-employment benefit (OPEB) options for health benefits for retired employees under the age of 65 and their dependents that elect to make required benefit payments on a monthly basis. The plan is a single-employer defined benefit OPEB plan. The benefits are provided through a substantive plan in which retired employees and dependents may continue on their medical plan through the State of Oklahoma and the Employees Group Insurance Division (EGID). A substantive plan is one in which the plan terms are understood by the employer and the plan members. This understanding is based on communications between the employer and plan member and the historical pattern of practice with regard to the sharing of benefit costs. All of the City’s employees may become eligible for those post-retirement benefits if they are retired members under the age of 65. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided - The Plan covers all current retirees of the City under the age of 65 who elected postretirement medical coverage through OMES and future retired employees under the age of 65 of the State of Oklahoma fully insured health plan. In accordance with Title 74 § 1316.3 the benefit levels are the same as those afforded to active employees; this creates an implicit rate subsidy. The benefits offered by the City to retirees include health benefits. The retiree retains coverage with OMES, by making an election within 30 days of termination of service and have 8 years of creditable service in OPERS.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

The amount of benefit payments during fiscal year June 30, 2018 were \$0.

Employees Covered by Benefit Terms

Active Employees	100
Inactive not yet receiving benefits	-
Inactive or beneficiaries receiving benefits	-
Total	100

Total OPEB Liability – The total OPEB liability was determined based on an alternative measurement method valuation performed as of June 30, 2018 which is also the measurement date.

Assumptions- The total OPEB liability in the June 30, 2018 valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Discount Rate - 3.87%; based on Bond Buyer Index
- Retirement Age – Average retirement age of 62
- Medical Trend Rates

Year	Rate
2018	7.10%
2019	6.80%
2020	6.50%
2021	6.40%
2022	6.10%
2023	5.90%
2024 and later	5.60%

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Changes in Total OPEB Liability –

	Total OPEB Liability
Balances Beginning of Year	\$ 54,749
Changes for the year:	
Service cost	11,978
Interest expense	464
Benefits paid	-
Net Changes	12,442
Balances End of Year	\$ 67,191

OPEB Expense - For the year ended June 30, 2018, the City recognized OPEB expense of \$12,442.

Sensitivity of the City's proportionate share of the total OPEB liability to changes in the discount rate- The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
74,695	67,191	60,632

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.1 percent decreasing to 5.6 percent) or 1-percentage-point higher (8.1 percent decreasing to 6.6 percent) than the current healthcare cost trend rates:

1% Decrease (6.1% decreasing to 5.6%)	Current Discount Rates (7.1% decreasing to 5.6%)	1% Increase (8.1% decreasing to 6.6%)
57,039	67,191	79,581

15. Commitments and Contingencies

Litigation:

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

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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 Pauls Valley participates in various federal or state grant/loan programs from year to year. In 2018, 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.

Garvin County Rural Water District No. 4:

The City of Pauls Valley has a contract with Garvin County Rural Water District No. 4 for the purchase of certain water infrastructure. Additional consideration for industrial/commercial customers has not been determined as of June 30, 2018. This amount when determined shall be added to the contract payable and capital assets for water infrastructure.

Upper Payment Limit Program:

The City of Pauls Valley will participate in an Upper Payment Limit (UPL) program if the Center for Medicare & Medicaid Services (CMS) approves Oklahoma Health Care Authority's UPL application. The UPL program allows the payment of claims to be at a higher percentage when the nursing homes meet increased standards of care. The UPL would allow the City, as holder of the licenses, to receive a portion of the nursing home's federal payment as an administrator's fee. The City has contracted with LTC Group, LLC (LTCG) to manage the City's UPL program. LTCG monitors the financial position of the nursing homes and is entrusted with bringing financially sound nursing homes into the City's portfolio.

The City plans to use all proceeds from the UPL program to pay down hospital debt. As of June 30, 2018, the Oklahoma UPL program had not been approved.

The City is currently the conduit for the flow of money from the CMS to the nursing homes for which it holds the licenses. As of June 30, 2018, there was no gain or loss associated with the UPL program.

Construction Commitments:

At June 30, 2018, the City had entered into the following construction commitments:

- North Street and Elm Street \$58,903
- Joy Street and Ash Street \$13,478

16. Subsequent Events

The Pauls Valley Hospital closed on October 12, 2018. The PVMA refinanced a portion of current hospital debt by issuing the Pauls Valley Municipal Authority Series 2018 Sales Tax Revenue Note for \$4,800,000. Proceeds from this refinancing were used to pay Pauls Valley General Hospital payroll and unpaid taxes and deductions.

On December 11, 2018, the PVMA approved a proposal for engineering services for the Pauls Valley C&D landfill site calculations to comply with DEQ regulations.

On April 9, 2019, the PVMA approved a lease agreement with Caterpillar Financial for a new sanitation department dozer.

On October 23, 2018, the Pauls Valley Ambulance Authority approved an agreement with Mercy Hospital Ada, Inc. to provide ambulance service to the Pauls Valley Ambulance Authority's service area for \$28,334 per month.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 20,000	\$ 74,000	\$ 1,433,270	\$ 1,359,270
Resources (Inflows)				
Taxes	4,723,209	5,017,350	4,935,256	(82,094)
Intergovernmental	191,500	216,500	200,831	(15,669)
Charges for services	1,775,500	1,067,500	1,022,883	(44,617)
Fines and forfeitures	175,000	210,000	208,719	(1,281)
Licenses and permits	37,000	37,000	26,353	(10,647)
Investment income	2,500	2,700	13,371	10,671
Miscellaneous	66,000	77,500	32,228	(45,272)
Transfers in	1,580,958	1,933,824	1,933,667	(157)
Sub-total Resources (Inflows)	<u>8,551,667</u>	<u>8,562,374</u>	<u>8,373,308</u>	<u>(189,066)</u>
Amounts Available for Appropriation	<u>8,571,667</u>	<u>8,636,374</u>	<u>9,806,578</u>	<u>1,170,204</u>
Charges to Appropriations (Outflows)				
Public safety	2,209,730	2,350,130	2,341,190	8,940
Streets	1,082,882	1,014,382	1,011,093	3,289
Culture & recreation	1,948,701	2,265,176	2,242,522	22,654
General government	804,635	838,635	820,823	17,812
Cemetery	216,405	195,905	192,091	3,814
Airport	46,220	46,220	43,579	2,641
Transfers out	1,417,908	1,669,790	1,669,790	-
Total Charges to Appropriations	<u>7,726,481</u>	<u>8,380,238</u>	<u>8,321,088</u>	<u>59,150</u>
Fund balances - ending	<u>\$ 845,186</u>	<u>\$ 256,136</u>	<u>\$ 1,485,490</u>	<u>\$ 1,229,354</u>

Reconciliation of Budget to GAAP:

Accruals	(167,211)
Fund Balance-GAAP	<u>1,318,279.00</u>

	ONE CENT SALES TAX FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 75,000	\$ 2,227,162	\$ 2,152,162
Resources (Inflows)				
Taxes	1,389,224	1,392,443	1,392,442	(1)
Investment income	6,000	7,000	8,280	1,280
Amounts Available for Appropriation	<u>1,395,224</u>	<u>1,474,443</u>	<u>3,627,884</u>	<u>2,153,441</u>
Charges to Appropriations (Outflows)				
Capital Outlay	286,023	362,715	362,610	105
Transfers out	1,103,201	1,109,495	1,109,488	7
Total Charges to Appropriations	<u>1,389,224</u>	<u>1,472,210</u>	<u>1,472,098</u>	<u>112</u>
Fund balances - ending	<u>\$ 6,000</u>	<u>\$ 2,233</u>	<u>\$ 2,155,786</u>	<u>\$ 2,153,553</u>

Reconciliation of Budget to GAAP:

Accruals	9,128
Fund Balance-GAAP	<u>\$ 2,164,914</u>

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Budgetary Comparison Schedules – Year Ended June 30, 2018

Footnotes to Budgetary Comparison Schedules:

1. The City prepares its budgets for all funds on the cash basis of accounting. For budgetary purposes expenditures are recorded in the period the invoice is received and paid. All unexpended encumbrances lapse at year-end and therefore are not recorded as expenditures for budgetary purposes. The Capital Improvement Fund, even though it is considered a major fund, is a capital project fund and is not required to have a budget vs. actual presented.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	<u>General Fund</u>	<u>One Cent Sales Tax Fund</u>
Total revenue-budgetary basis	\$ 8,373,308	\$ 1,400,722
Total expense-budgetary basis	<u>(8,321,088)</u>	<u>(1,472,098)</u>
Change in fund balance-budgetary basis	52,220	(71,376)
Revenue Accruals	1,246,910	9,128
Expenditure Accruals	<u>(1,414,121)</u>	-
Change in fund balance-GAAP basis	<u><u>(114,991)</u></u>	<u><u>(62,248)</u></u>

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Schedules of Required Supplementary Information
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2018	2017	2016	2015
City's proportion of the net pension liability	0.162727%	0.153592%	0.137590%	0.132100%
City's proportionate share of the net pension liability	\$ 2,046,655	\$ 1,876,459	\$ 1,460,388	\$ 1,358,550
City's covered-employee payroll	\$ 489,086	\$ 421,485	\$ 367,786	\$ 343,153
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	418%	445%	367%	396%
Plan fiduciary net position as a percentage of the total pension liability	66.61%	64.87%	68.27%	68.12%

*The amounts presented for each fiscal year were determined as of 6/30

Notes to Schedule:

Only four years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years

	2018	2017	2016	2015
Statutorially required contribution	\$ 68,472	\$ 59,008	\$ 51,490	\$ 46,801
Contributions in relation to the statutorially required contribution	68,472	59,008	51,490	46,801
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 489,086	\$ 421,485	\$ 367,786	\$ 343,153
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.64%

Notes to Schedule:

Only four years are presented because 10-year data is not yet available.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Schedules of Required Supplementary Information
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years*

	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.2073%	0.2079%	0.1941%	0.1957%
City's proportionate share of the net pension liability (asset)	\$ 15,947	\$ 318,386	\$ 7,913	\$ (65,886)
City's covered-employee payroll	\$ 677,413	\$ 609,785	\$ 548,547	\$ 535,736
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.35%	52.21%	1.44%	12.30%
Plan fiduciary net position as a percentage of the total pension liability	99.68%	93.50%	99.82%	101.53%

*The amounts presented for each fiscal year were determined as of 6/30

Notes to Schedule:

Only four years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS
 OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years

	2018	2017	2016	2015
Statutorily required contribution	\$ 87,765	\$ 79,705	\$ 71,311	\$ 68,883
Contributions in relation to the statutorily required contribution	87,765	79,705	71,311	68,883
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 677,413	\$ 609,785	\$ 548,547	\$ 535,736
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	12.86%

Notes to Schedule:

Only four years are presented because 10-year data is not yet available.

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Postemployment Health Insurance Implicit Rate Subsidy Plan

	2018
Total OPEB Liability	
Service Cost	\$ 11,978
Interest	464
Changes of assumptions	-
Experience gain/(loss)	-
Net change in total pension liability	12,442
Total OPEB liability-beginning	54,749
Total OPEB liability-ending	\$ 67,191
Covered employee payroll	\$ 3,939,830
Total pension liability as a percentage of covered employee payroll	1.7%

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.
The amounts presented were determined as of 6/30/2018.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

SUPPLEMENTAL INFORMATION

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018

	Special Revenue Funds										Capital Project Funds				Total Governmental Funds
	Police Special Fund	Cemetery Beautification	Senior Citizen Fund	911 Account Fund	Marianne Evert Bequest	Tourism Motel Tax	NSW Library Trust	PV Special Ambulance	PV Airport Project	TIF	Cemetery Care				
ASSETS															
Cash and cash equivalents	\$ 54,257	\$ 12,037	\$ 176	\$ 8,785	\$ 50,119	\$ 350,192	\$ 162,033	\$ -	\$ 2,458	\$ 394,870	\$ 56,024	\$ -	\$ 1,090,951		
Receivable from other governments	-	-	-	-	-	-	-	-	51,795	-	-	-	51,795		
Taxes receivable, net	-	-	-	236	-	36,581	-	788	-	-	-	-	37,605		
Grant, fines receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other receivables	-	-	-	-	-	330	-	-	-	-	-	-	330		
Inventories	-	-	-	-	-	21,522	-	-	-	-	-	-	21,522		
Total assets	\$ 54,257	\$ 12,037	\$ 176	\$ 9,021	\$ 50,119	\$ 408,625	\$ 162,033	\$ 788	\$ 54,253	\$ 394,870	\$ 56,024	\$ -	\$ 1,202,203		
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES															
Liabilities:															
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,174		
Payable to other governments	-	-	-	-	-	1,813	-	-	-	-	-	-	1,813		
Other payables	-	-	-	-	-	2,078	-	-	-	-	-	-	2,078		
Total liabilities	-	-	-	-	-	15,065	-	-	-	-	-	-	15,065		
Deferred inflows of resources:															
Deferred revenue	-	-	-	-	-	-	112,365	-	51,795	-	-	-	164,160		
Fund balances:															
Nonspendable	-	-	-	-	50,000	36,022	-	-	-	-	-	-	86,022		
Restricted for:															
Capital Improvements	-	-	-	-	-	-	-	-	-	394,870	17,774	-	412,644		
Tourism	-	-	-	-	-	357,538	-	-	-	-	-	-	357,538		
Senior Citizens	-	-	176	-	-	-	-	-	-	-	-	-	176		
Airport	-	-	-	-	-	-	-	2,458	-	-	-	-	2,458		
Cemetery	-	11,018	-	-	-	-	-	-	-	-	-	-	11,018		
Emergency Medical Services	-	-	-	-	-	-	-	788	-	-	-	-	788		
Assigned for:															
Capital Improvements	54,257	-	-	9,021	-	-	-	-	-	-	38,250	-	38,250		
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	63,278		
Library	-	-	-	-	-	-	49,668	-	-	-	-	-	49,668		
Cemetery	-	1,019	-	-	-	-	-	-	-	-	-	-	1,019		
Total fund balances	\$ 54,257	\$ 12,037	\$ 176	\$ 9,021	\$ 50,119	\$ 393,560	\$ 162,033	\$ 788	\$ 54,253	\$ 394,870	\$ 56,024	\$ -	\$ 1,022,975		
Total liabilities and fund balances	\$ 54,257	\$ 12,037	\$ 176	\$ 9,021	\$ 50,119	\$ 408,625	\$ 162,033	\$ 788	\$ 54,253	\$ 394,870	\$ 56,024	\$ -	\$ 1,202,203		

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2018

	Special Revenue										Capital Project Funds				Total-Other Governmental Funds
	Police Special Fund	Cemetery Beautification	Senior Citizens Fund	911 Account Fund	Marianne Evert Request	Tourism Motel Tax	NSW Library Trust	PV Special Ambulance	PV Airport Project	TIF	Cemetery Care				
REVENUES															
Taxes	\$ -	\$ -	\$ -	\$ 24,908	\$ -	\$ 435,196	\$ -	\$ 110,802	\$ -	\$ 170,983	\$ -	\$ -	\$ -	\$ 741,889	
Intergovernmental	-	-	-	-	-	-	7,897	-	-	-	-	-	-	7,897	
Charges for services	-	-	-	-	-	148,182	-	-	-	-	-	-	-	148,182	
Investment income	138	13	-	1	126	1,624	209	-	-	4	-	-	-	5,597	
Miscellaneous	22,248	180	-	-	-	4	97,318	-	-	-	-	-	-	2,248	
Total revenues	<u>22,386</u>	<u>193</u>	<u>-</u>	<u>24,909</u>	<u>126</u>	<u>585,006</u>	<u>105,424</u>	<u>110,802</u>	<u>-</u>	<u>170,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,750</u>	
EXPENDITURES															
Current:															
Public Safety	8,778	-	-	48,506	-	-	-	110,385	-	-	-	-	-	167,669	
Culture and recreation	-	-	-	-	-	-	74,338	-	-	-	-	-	-	74,338	
Airport	-	-	-	-	-	-	-	-	200	-	-	-	-	200	
Economic development	-	-	-	-	-	497,258	-	-	-	-	-	-	-	497,258	
Capital Outlay	14,202	-	-	-	-	29,576	86,306	-	-	-	-	-	-	120,084	
Total Expenditures	<u>22,980</u>	<u>-</u>	<u>-</u>	<u>48,506</u>	<u>-</u>	<u>576,634</u>	<u>160,734</u>	<u>110,385</u>	<u>60,075</u>	<u>4,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,522</u>	
Excess (deficiency) of revenues over expenditures	<u>(594)</u>	<u>193</u>	<u>-</u>	<u>(23,597)</u>	<u>126</u>	<u>8,372</u>	<u>(55,310)</u>	<u>417</u>	<u>(60,275)</u>	<u>166,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,571</u>	
OTHER FINANCING SOURCES (USES)															
Transfers in	7,072	-	-	30,000	-	-	-	-	60,275	-	-	-	-	97,347	
Transfers out	-	-	-	-	(126)	-	-	-	-	-	-	-	-	(126)	
Total other financing sources and uses	<u>7,072</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>(126)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,221</u>	
Net change in fund balances	6,478	193	-	6,403	-	8,372	(55,310)	417	2	166,509	-	-	-	138,792	
Fund balances - beginning	47,779	11,844	176	2,618	50,119	385,188	104,978	371	2,456	228,361	-	-	-	884,186	
Fund balances - ending	<u>\$ 54,257</u>	<u>\$ 12,037</u>	<u>\$ 176</u>	<u>\$ 9,021</u>	<u>\$ 50,119</u>	<u>\$ 393,560</u>	<u>\$ 49,668</u>	<u>\$ 788</u>	<u>\$ 2,458</u>	<u>\$ 394,870</u>	<u>\$ 5,728</u>	<u>\$ 56,024</u>	<u>\$ -</u>	<u>\$ 1,022,978</u>	

**CITY OF PAULS VALLEY OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Combining Balance Sheet – General Fund Accounts – Year Ended June 30, 2018

	General Fund	Rose Garden Account	Wacker Park Account	Beautification Account	Total General Fund
ASSETS					
Cash and cash equivalents	\$ 948,630	\$ 4,996	\$ 53,932	\$ 2,312	\$ 1,009,870
Advance from component unit	24,100	-	-	-	24,100
Taxes receivable, net	624,620	-	-	-	624,620
Court fines receivable, net	122,341	-	-	-	122,341
Other receivables	12,857	-	-	-	12,857
Inventories	14,584	-	-	-	14,584
Total assets	<u>\$ 1,747,132</u>	<u>\$ 4,996</u>	<u>\$ 53,932</u>	<u>\$ 2,312</u>	<u>\$ 1,808,372</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 233,649	\$ -	\$ -	\$ -	\$ 233,649
Accrued payroll payable	149,964	-	-	-	149,964
Payable to other governments	5,017	-	-	-	5,017
Total liabilities	<u>388,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,630</u>
Deferred inflows of resources:					
Deferred revenue	<u>101,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,463</u>
Fund balances:					
Nonspendable	38,684	-	-	-	38,684
Restricted for:					
Debt Service	192,036	-	-	-	192,036
Capital Improvements	580,968	-	18,996	-	599,964
Assigned for:					
Subsequent Year Budget	20,000	-	-	-	20,000
Capital Improvements	-	4,996	34,936	2,312	42,244
Unassigned	425,351	-	-	-	425,351
Total fund balances	<u>1,257,039</u>	<u>4,996</u>	<u>53,932</u>	<u>2,312</u>	<u>1,318,279</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,747,132</u>	<u>\$ 4,996</u>	<u>\$ 53,932</u>	<u>\$ 2,312</u>	<u>\$ 1,808,372</u>

CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund
Accounts – Year Ended June 30, 2018

	<u>General Fund</u>	<u>Rose Garden Account</u>	<u>Wacker Park Account</u>	<u>Beautification Account</u>	<u>Total General Fund</u>
REVENUES					
Taxes	\$ 5,790,790	\$ -	\$ -	\$ -	\$ 5,790,790
Intergovernmental	303,707	-	-	-	303,707
Charges for services	1,021,423	-	-	-	1,021,423
Fines and forfeitures	217,062	-	-	-	217,062
Licenses and permits	26,353	-	-	915	27,268
Investment income	3,268	5	57	3	3,333
Miscellaneous	51,009	-	2,682	-	53,691
Total revenues	<u>7,413,612</u>	<u>5</u>	<u>2,739</u>	<u>918</u>	<u>7,417,274</u>
EXPENDITURES					
Current:					
General government	819,004	-	-	-	819,004
Public Safety	2,464,180	-	-	-	2,464,180
Highways and streets	527,503	-	-	-	527,503
Culture and recreation	1,881,772	-	-	-	1,881,772
Airport	43,577	-	-	-	43,577
Cemetery	180,089	-	-	-	180,089
Capital Outlay	549,974	-	56,003	-	605,977
Principal	579,221	-	-	-	579,221
Interest and other charges	257,129	-	-	-	257,129
Total Expenditures	<u>7,302,449</u>	<u>-</u>	<u>56,003</u>	<u>-</u>	<u>7,358,452</u>
Excess (deficiency) of revenues over expenditures	<u>111,163</u>	<u>5</u>	<u>(53,264)</u>	<u>918</u>	<u>58,822</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	257,812	-	-	-	257,812
Transfers in	1,938,890	63	63	-	1,939,016
Transfers out	(1,579,789)	-	-	-	(1,579,789)
Transfers out-Hospital component unit	(790,852)	-	-	-	(790,852)
Total other financing sources and uses	<u>(173,939)</u>	<u>63</u>	<u>63</u>	<u>-</u>	<u>(173,813)</u>
Net change in fund balances	(62,776)	68	(53,201)	918	(114,991)
Fund balances - beginning, restated	1,319,815	4,928	107,133	1,394	1,433,270
Fund balances - ending	<u>\$ 1,257,039</u>	<u>\$ 4,996</u>	<u>\$ 53,932</u>	<u>\$ 2,312</u>	<u>\$ 1,318,279</u>

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Statement of Changes in Assets and Liabilities – Agency Fund – Year Ended June 30, 2018

	BALANCE JUNE 30, 2017	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2018
UPL ESCROW				
Assets:				
Cash	\$ -	\$ 101,296,054	\$ 101,031,174	\$ 264,880
Total Assets	-	101,296,054	101,031,174	264,880
Liabilities:				
Due to others	-	101,296,054	101,031,174	264,880
Total Liabilities	\$ -	\$ 101,296,054	\$ 101,031,174	\$ 264,880

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2018

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through OK Department of Transportation:				
Highway research and development program	20.200	D9-2756606-149219/149220	\$ 284,783	\$ 22,807
<u>U.S. DEPARTMENT OF LIBRARY SERVICES AND TECHNOLOGY:</u>				
Passed through OK Department of Libraries:				
Grants to states	45.310	171401-A	\$ 874	\$ 874
<u>U.S. DEPARTMENT OF LIBRARY SERVICES AND TECHNOLOGY:</u>				
Passed through OK Humanities				
Native American Writers of the Plains	45.164	Y18.016	\$ 1,000	\$ 1,000
<u>U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION:</u>				
Airport improvement program	20.106	AIP 3-40-0076-015-2018	\$ 334,131	\$ 51,795
			<u>\$ 620,788</u>	<u>\$ 76,476</u>

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Grant	N/A	\$ 3,744	\$ 3,744
<u>OKLAHOMA DEPARTMENT OF TRANSPORTATION:</u>			
US-77 Utility Relocation	N/A	5,702	5,702
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
FY 17 State Aid	N/A	6,023	6,023
Total State Awards		<u>\$ 15,469</u>	<u>\$ 15,469</u>

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Pauls Valley under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Pauls Valley, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Pauls Valley.

Note B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C. Indirect Cost Rate

The City of Pauls Valley has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF PAULS VALLEY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

INTERNAL CONTROL COMPLIANCE INFORMATION

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

Members of the City Council
City of Pauls Valley, Oklahoma

We have audited 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, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pauls Valley, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 30, 2019. We issued an adverse opinion on the major enterprise fund, the Pauls Valley Hospital Authority, and qualified our opinions on the Business-type activity, due to the omission of the Pauls Valley Hospital Authority and the major enterprise fund, the Pauls Valley Municipal Authority due to omission of debt and related assets on an asset purchase that the valuation has not been established.

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 auditing 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 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 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.

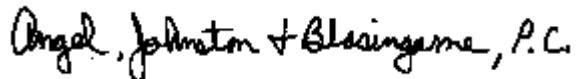
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Chickasha, Oklahoma
May 30, 2019

**CITY OF PAULS VALLEY, OKLAHOMA
Schedule of Findings and Recommendations
Year Ended June 30, 2018**

Deficiencies of Internal Control, Compliance and Other Matters:

No findings were noted for the 2018 fiscal year.

CITY OF PAULS VALLEY, OKLAHOMA
Disposition of Prior Year Findings
Year Ended June 30, 2018

Deficiencies of Internal Control, Compliance and Other Matters

17-001. Criteria – Meter deposit cash and cash equivalents and investments are restricted and should be sufficient to cover meter deposits held for customers.

Condition – There is insufficient cash and investments to cover meter deposits. Meter deposits liability is \$141,241 and cash held in checking and certificates of deposit are \$83,233 leaving insufficient cash balance of \$58,008.

Disposition – This was not a finding during 2017-18 fiscal year.

17-002. Criteria – Utility rate increases should agree with rates input into the computer system.

Condition – In checking water and sewer rates effective June 1, 2017 we noted that several bills were not calculated correctly.

Disposition – This was not a finding during 2017-18 fiscal year.