



**THE CITY OF  
PAULS VALLEY, OKLAHOMA**

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

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

**THE CITY OF PAULS VALLEY,  
OKLAHOMA**

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

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

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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, 2020, 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 – Government-Wide	Unmodified
Business Type Activities – Government-Wide	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	Unmodified
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.

### **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, 2020, 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 the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Pauls Valley, Oklahoma, as of June 30, 2020, 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 aggregate remaining fund information of the City of Pauls Valley, Oklahoma, as of June 30, 2020, 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.

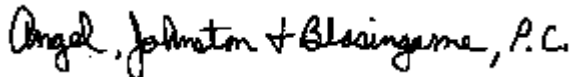
*Other Information*

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.

**Other Reporting Required by *Government Audit Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
April 8, 2021



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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, 2020. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts.

### **FINANCIAL HIGHLIGHTS**

- The City's total net position decreased by \$888,768 and the assets and deferred outflows of the City exceed its liabilities and deferred inflows at June 30, 2020, by \$30,582,049 (net position). Of this amount, unrestricted net position is negative \$393,228.
- At June 30, 2020, the City's governmental funds reported combined ending fund balances of \$5,622,759 compared to \$5,887,748 in FY 2019, a 4.5% decrease.
- At the end of fiscal year 2020, unassigned fund balance for the General Fund was \$898,653 or 12.4% of General Fund revenues.

### **ABOUT THE CITY**

The City of Pauls Valley is an incorporated municipality with a population of approximately 6,139 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

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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 three kinds of funds - *governmental, proprietary and fiduciary* - 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

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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.

*Fiduciary funds* - The funds account for resources held on behalf of others. The City's only fiduciary fund is the UPL Agency Fund.

**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 30-64 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, pension and OPEB supplemental schedules, 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, 2020, net position for the governmental and business-type activities decreased \$949,950.

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.)
	2020	2019		2020	2019		2020	2019	
Current and other assets	\$ 5,937	\$ 6,424	-8%	\$ 1,190	\$ 1,297	-8%	\$ 7,127	\$ 7,721	-8%
Capital assets, net	18,974	19,832	-4%	19,887	20,603	-3%	38,861	40,435	-4%
<b>Total assets</b>	<u>24,911</u>	<u>26,256</u>	-5%	<u>21,077</u>	<u>21,900</u>	-4%	<u>45,988</u>	<u>48,156</u>	-5%
Deferred outflows of resources	853	893	-4%	5,572	1	557,100%	6,425	894	619%
Current liabilities	959	1,079	-11%	935	1,034	-10%	1,894	2,113	-10%
Non-current liabilities	8,039	8,718	-8%	11,610	6,421	81%	19,649	15,139	30%
<b>Total liabilities</b>	<u>8,998</u>	<u>9,797</u>	-8%	<u>12,545</u>	<u>7,455</u>	68%	<u>21,543</u>	<u>17,252</u>	25%
Deferred inflows of resources	285	263	8%	3	3	-	288	266	8%
Net position									
Net investment in capital assets	12,912	13,725	-6%	13,821	13,980	-1%	26,733	27,705	-4%
Restricted	4,242	4,526	-6%	-	-	-	4,242	4,526	-6%
Unrestricted (deficit)	(673)	(1,162)	-42%	280	463	-40%	(393)	(699)	-44%
<b>Total net position</b>	<u>\$ 16,481</u>	<u>\$ 17,089</u>	-4%	<u>\$ 14,101</u>	<u>\$ 14,443</u>	-2%	<u>\$ 30,582</u>	<u>\$ 31,532</u>	-3%

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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 outflows of resources increased \$5,568,449 in business-type activities due to the implementation of GASB Statement No. 83-Asset Retirement Obligation related to the City's wastewater treatment plant.

**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.)
	2020	2019		2020	2019		2020	2019	
<b>Revenues</b>									
Charges for service	\$ 1,149	\$ 1,367	-16%	\$ 3,530	\$ 3,492	1%	\$ 4,679	\$ 4,859	-4%
Operating grants and contributions	420	369	14%	-	-	-	420	369	14%
Capital grants and contributions	-	259	-100%	-	-	-	-	259	-100%
Taxes	7,762	7,914	-2%	-	-	-	7,762	7,914	-2%
Investment income	40	53	-25%	3	5	-40%	43	58	-26%
Miscellaneous	132	96	38%	107	86	24%	239	182	31%
<b>Total revenues</b>	<b>9,503</b>	<b>10,058</b>	<b>-6%</b>	<b>3,640</b>	<b>3,583</b>	<b>2%</b>	<b>13,143</b>	<b>13,641</b>	<b>-4%</b>
<b>Expenses</b>									
General government	920	907	1%	-	-	-	920	907	1%
Public safety	3,195	2,768	15%	-	-	-	3,195	2,768	15%
Streets	1,006	1,028	-2%	-	-	-	1,006	1,028	-2%
Culture, parks and recreation	2,507	2,677	-6%	-	-	-	2,507	2,677	-6%
Economic Development	357	555	-36%	-	-	-	357	555	-36%
Cemetery	201	196	3%	-	-	-	201	196	3%
Airport	39	309	-87%	-	-	-	39	309	-87%
Hospital	683	690	-1%	713	478	49%	1,396	1,168	20%
Interest on long-term debt	209	240	-13%	-	-	-	209	240	-13%
Water	-	-	-	1,717	1,798	-5%	1,717	1,798	-5%
Sewer	-	-	-	636	661	-4%	636	661	-4%
Sanitation	-	-	-	1,783	1,841	-3%	1,783	1,841	-3%
Lake	-	-	-	127	126	1%	127	126	1%
<b>Total expenses</b>	<b>9,117</b>	<b>9,370</b>	<b>-3%</b>	<b>4,976</b>	<b>4,904</b>	<b>1%</b>	<b>14,093</b>	<b>14,274</b>	<b>-1%</b>
Excess (deficiency) before transfers	386	688	-44%	(1,336)	(1,321)	1%	(950)	(633)	50%
Transfers	(994)	(1,061)	-6%	994	1,061	-6%	-	-	-
<b>Change in net position</b>	<b>(608)</b>	<b>(373)</b>	<b>63%</b>	<b>(342)</b>	<b>(260)</b>	<b>32%</b>	<b>(950)</b>	<b>(633)</b>	<b>50%</b>
<b>Beginning net position</b>	<b>17,089</b>	<b>17,462</b>	<b>-2%</b>	<b>14,443</b>	<b>14,703</b>	<b>-2%</b>	<b>31,532</b>	<b>32,165</b>	<b>-2%</b>
<b>Ending net position</b>	<b>\$16,481</b>	<b>\$17,089</b>	<b>-4%</b>	<b>\$14,101</b>	<b>\$14,443</b>	<b>-2%</b>	<b>\$30,582</b>	<b>\$31,532</b>	<b>-3%</b>

**Governmental Activities**

The City's governmental activities had a decrease in net position of \$608,087. The more significant changes are as follows:

- \$258,736 or a 100% decrease in capital grants due to an airport grant received in FY19.
- \$269,983 or an 87% decrease in airport expenses due to the expenditures related to the receipt of an airport grant in FY19.

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**Business-Type Activities**

The business-type activities had a decrease in net position of \$341,863. Explanations for the more significant changes are as follows:

- Increase in hospital expenses of approximately \$235,000 or 49%.

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

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>	
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>
General Government	\$ 920	\$ 907	1%	\$ (886)	\$ (881)
Public Safety	3,195	2,768	15%	(2,704)	(2,287)
Highways and Streets	1,006	1,028	-2%	(952)	(974)
Culture and Recreation	2,507	2,677	-6%	(1,650)	(1,750)
Economic Development	357	555	-36%	(273)	(340)
Cemetery	201	196	3%	(152)	(163)
Airport	39	309	-87%	(39)	(51)
Hospital	683	690	-1%	(684)	(690)
Interest on long-term debt	209	240	-13%	(209)	(239)
<b>Total</b>	<u>\$ 9,117</u>	<u>\$ 9,370</u>	-3%	<u>\$ (7,549)</u>	<u>\$ (7,375)</u>

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

	<u>Total Expense of Services</u>		<u>% Inc. Dec.</u>	<u>Net Revenue (Expense) of Services</u>	
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>
Water	\$ 1,717	\$ 1,798	-5%	\$ (432)	\$ (448)
Sewer	636	661	-4%	(391)	(176)
Sanitation	1,783	1,841	-3%	186	(240)
Hospital	713	478	49%	(712)	(478)
Lake	127	126	1%	(65)	(70)
<b>Total</b>	<u>\$ 4,976</u>	<u>\$ 4,904</u>	1%	<u>\$ (1,414)</u>	<u>\$ (1,412)</u>

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2020 fiscal year, the governmental funds reported a combined fund balance of \$5,622,759. For the year ended June 30, 2020, the General Fund's total fund balance increased by \$12,161. The One Cent Sales Tax Fund reported an increase in fund balance of \$185,562 while the Capital Improvement Fund reported a decrease in fund balance of \$637,276. The proprietary funds reported a combined total net position balance of \$14,101,285. During FY20, the PVMA's total net position decreased by \$341,863.

**Budgetary Highlights**

For the year ended June 30, 2020, the General Fund reported actual budgetary basis revenues under final estimates by \$357,506 or a 4.4% negative variance. General Fund actual expenditures were under final appropriations by \$239,321 or a 3.0% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2020, the City had approximately \$38.9 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, 2020.<sup>1</sup>

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 722	\$ 722	\$ 1,167	\$ 1,167	\$ 1,889	\$ 1,889
Intangibles	50	50	-	-	50	50
Buildings	10,081	10,794	92	102	10,173	10,896
Improvements	3,067	3,476	10,097	10,385	13,164	13,861
Machinery, furniture and equipment	634	826	729	742	1,363	1,568
Infrastructure	4,409	2,319	7,802	8,207	12,211	10,526
Construction in progress	11	1,645	-	-	11	1,645
<b>Totals</b>	<b>\$ 18,974</b>	<b>\$ 19,832</b>	<b>\$ 19,887</b>	<b>\$ 20,603</b>	<b>\$ 38,861</b>	<b>\$ 40,435</b>

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

- 2018 Street Improvement Paving Project.
- 2019 CAT TC Excavator.

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

**CITY OF PAULS VALLEY, OKLAHOMA  
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**Debt Administration**

At year-end, the City had \$13.3 million in long-term debt outstanding which represents an approximate \$1.3 million decrease from the prior year, due to normal debt retirement payments.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Notes payable	\$ 6,134	\$ 6,617	\$ 5,600	\$ 6,100	\$ 11,734	\$ 12,717	-7.7%
Capital leases payable	377	576	466	523	843	1,099	-23.3%
Contract payable	-	-	-	69	-	69	-100.0%
Deposits subject to refund	-	-	151	147	151	147	2.7%
Landfill closure liability	-	-	346	306	346	306	13.1%
Accrued compensated absences	291	283	134	116	425	399	6.5%
<b>Totals</b>	<b>\$ 6,802</b>	<b>\$ 7,476</b>	<b>\$ 6,697</b>	<b>\$ 7,261</b>	<b>\$ 13,499</b>	<b>\$ 14,737</b>	<b>-8.4%</b>

**Economic Factors and Next Year's Budget**

On February 25, 2021, the City of Pauls Valley and the Pauls Valley Hospital Authority sold the real estate and business assets of the Pauls Valley General Hospital for \$5,000,000 to Southern Plains Medical Center.

The City received a CARES Act Grant in November, 2020 for \$470,960. This grant reimbursed certain public safety and public health costs related to Covid.

On October 13, 2020, the City of Pauls Valley terminated its participation in the UPL program by filing the final operations transfer agreements.

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

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**Statement of Net Position – June 30, 2020**

	Governmental Activities	Business-type Activities	Total	Pauls Valley Airport Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,211,795	\$ 25,830	\$ 3,237,625	\$ 112,453
Investments	652,087	-	652,087	101,090
Accounts receivable, net of allowance	-	648,190	648,190	18,904
Court fines receivable, net of allowance	67,249	-	67,249	-
Other receivable	3,765	265	4,030	-
Advance due from (to) component unit	388,732	100,000	488,732	(13,900)
Due from other governments	878,407	-	878,407	-
Inventories	32,030	-	32,030	24,848
Prepaid expenses	2,604	3,047	5,651	-
Restricted cash and cash equivalents	687,174	275,832	963,006	-
Restricted investments	-	137,278	137,278	-
Net pension asset	13,045	-	13,045	-
Capital assets:				
Land, intangibles and construction in progress	783,096	1,166,941	1,950,037	109,854
Other capital assets, net of depreciation	18,190,972	18,719,639	36,910,611	4,928,992
Total assets	<u>24,910,956</u>	<u>21,077,022</u>	<u>45,987,978</u>	<u>5,282,241</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	840,885	0	840,885	-
Deferred amounts related to asset retirement obligation	-	5,568,449	5,568,449	-
Deferred amounts related to post employment benefits	12,256	3,547	15,803	-
Total deferred outflows of resources	<u>853,141</u>	<u>5,571,996</u>	<u>6,425,137</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	213,642	120,804	334,446	2,605
Due to other governments	5,095	-	5,095	-
Unearned revenue	30,000	-	30,000	-
Accrued interest payable	40,674	47,180	87,854	-
Long-term liabilities:				
Due within one year	669,380	767,025	1,436,405	-
Due in more than one year	8,039,472	11,609,974	19,649,446	-
Total liabilities	<u>8,998,263</u>	<u>12,544,983</u>	<u>21,543,246</u>	<u>2,605</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	282,972	-	282,972	-
Deferred amounts related to OPEB	2,098	2,750	4,848	-
Total deferred inflows of resources	<u>285,070</u>	<u>2,750</u>	<u>287,820</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,912,254	13,821,202	26,733,456	5,038,846
Restricted via:				
Permanent endowment	50,000	-	50,000	-
Statutory requirements	674,963	-	674,963	-
Enabling legislation	3,516,858	-	3,516,858	-
Unrestricted (deficit)	(673,311)	280,083	(393,228)	240,790
Total net position	<u>\$ 16,480,764</u>	<u>\$ 14,101,285</u>	<u>\$ 30,582,049</u>	<u>\$ 5,279,636</u>

See accompanying notes to these financial statements.

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**Statement of Activities – Year Ended June 30, 2020**

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	
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 919,847	\$ 33,278	\$ 1,000	\$ -	\$ (885,569)	\$ -	\$ (885,569)	\$ -
Public Safety	3,195,395	225,703	265,309	-	(2,704,383)	-	(2,704,383)	-
Highways and Streets	1,006,073	-	53,609	-	(952,464)	-	(952,464)	-
Culture and Recreation	2,506,722	757,645	99,062	-	(1,650,015)	-	(1,650,015)	-
Economic Development	356,637	83,875	-	-	(272,762)	-	(272,762)	-
Cemetery	200,929	48,355	676	-	(151,898)	-	(151,898)	-
Airport	17,649	-	-	-	(17,649)	-	(17,649)	-
Airport (transfer to component unit)	21,600	-	-	-	(21,600)	-	(21,600)	-
Hospital	683,507	-	-	-	(683,507)	-	(683,507)	-
Interest on Long-term debt and fiscal agent fees	209,319	-	-	-	(209,319)	-	(209,319)	-
Total governmental activities	<u>9,117,678</u>	<u>1,148,856</u>	<u>419,656</u>	<u>-</u>	<u>(7,549,166)</u>	<u>-</u>	<u>(7,549,166)</u>	<u>-</u>
Business-type Activities:								
Water	1,716,680	1,284,543	-	-	-	(432,137)	(432,137)	-
Sewer	636,225	488,128	-	-	-	(148,097)	(148,097)	-
Sanitation	1,783,316	1,695,386	-	-	-	(87,930)	(87,930)	-
Lake	127,341	62,380	-	-	-	(64,961)	(64,961)	-
Hospital	712,415	-	-	-	-	(712,415)	(712,415)	-
Total business-type activities	<u>4,975,977</u>	<u>3,530,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,445,540)</u>	<u>(1,445,540)</u>	<u>-</u>
Total primary government	<u>14,093,655</u>	<u>4,679,293</u>	<u>419,656</u>	<u>-</u>	<u>(7,549,166)</u>	<u>(1,445,540)</u>	<u>(8,994,706)</u>	<u>-</u>
<b>Component unit:</b>								
Pauls Valley Airport Authority	690,079	360,861	21,600	-	-	-	-	(307,618)
Total component unit	<u>\$ 690,079</u>	<u>\$ 360,861</u>	<u>\$ 21,600</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (307,618)</u>
<b>General revenues:</b>								
Taxes:								
Sales and use taxes					\$ 6,969,398	\$ -	\$ 6,969,398	\$ -
Franchise taxes and other taxes					793,060	-	793,060	-
Unrestricted investment earnings					39,682	3,309	42,991	588
Miscellaneous					132,461	106,846	239,307	-
Transfers					(993,522)	993,522	-	-
Total general revenues and transfers					<u>6,941,079</u>	<u>1,103,677</u>	<u>8,044,756</u>	<u>588</u>
Change in net position					(608,087)	(341,863)	(949,950)	(307,030)
Net position - beginning					17,088,851	14,443,148	31,531,999	5,586,666
Net position - ending					<u>\$ 16,480,764</u>	<u>\$ 14,101,285</u>	<u>\$ 30,582,049</u>	<u>\$ 5,279,636</u>

See accompanying notes to these financial statements.

**CITY OF PAULS VALLEY, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**Governmental Funds Balance Sheet – June 30, 2020**

	<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>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 546,706	\$ 1,571,981	\$ 449,013	\$ 1,331,269	\$ 3,898,969
Investments	-	652,087	-	-	652,087
Interest receivable	-	82	-	-	82
Advance due from component unit	388,732	-	-	-	388,732
Due from other funds	-	-	-	4,963	4,963
Taxes receivable, net	669,866	180,366	-	28,175	878,407
Court fines receivable, net	67,249	-	-	-	67,249
Other receivables	3,683	-	-	-	3,683
Inventories	6,614	-	-	25,416	32,030
Prepaid expenses	2,604	-	-	-	2,604
Total assets	<u>\$ 1,685,454</u>	<u>\$ 2,404,516</u>	<u>\$ 449,013</u>	<u>\$ 1,389,823</u>	<u>\$ 5,928,806</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 57,070	\$ -	\$ -	\$ 588	\$ 57,658
Accrued payroll payable	154,682	-	-	1,302	155,984
Due to other funds	4,963	-	-	-	4,963
Due to other governments	5,093	-	-	-	5,093
Unearned revenue	-	-	-	30,000	30,000
Other payables	-	-	-	2	2
Total liabilities	<u>221,808</u>	<u>-</u>	<u>-</u>	<u>31,892</u>	<u>253,700</u>
Deferred Inflows:					
Deferred revenue	<u>52,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,347</u>
Fund balances:					
Nonspendable	35,140	-	-	75,416	110,556
Restricted for:					
Debt service	198,212	-	-	-	198,212
Capital improvements	212,743	2,214,536	449,013	808,682	3,684,974
Tourism	-	-	-	220,407	220,407
Senior citizens	-	-	-	1	1
Airport	-	-	-	48,275	48,275
Cemetery	-	-	-	38,756	38,756
Emergency medical services	-	-	-	1,196	1,196
Assigned for:					
Subsequent year budget	20,000	-	-	-	20,000
Capital improvements	46,551	189,980	-	371	236,902
Public safety	-	-	-	66,125	66,125
Library	-	-	-	58,020	58,020
Cemetery	-	-	-	40,682	40,682
Unassigned	898,653	-	-	-	898,653
Total fund balances	<u>1,411,299</u>	<u>2,404,516</u>	<u>449,013</u>	<u>1,357,931</u>	<u>5,622,759</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,685,454</u>	<u>\$ 2,404,516</u>	<u>\$ 449,013</u>	<u>\$ 1,389,823</u>	<u>\$ 5,928,806</u>

See accompanying notes to these financial statements.

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2020**

	<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>
<b>REVENUES</b>					
Taxes	\$ 5,803,827	\$ 1,367,014	\$ -	\$ 591,617	\$ 7,762,458
Intergovernmental	332,754	-	-	12,186	344,940
Charges for services	830,018	-	-	187,774	1,017,792
Fines and forfeitures	125,455	-	-	-	125,455
Licenses and permits	33,278	-	-	-	33,278
Investment income	4,001	21,287	10,919	3,475	39,682
Miscellaneous	136,550	-	-	105,594	242,144
Total revenues	<u>7,265,883</u>	<u>1,388,301</u>	<u>10,919</u>	<u>900,646</u>	<u>9,565,749</u>
<b>EXPENDITURES</b>					
General government	809,162	-	-	-	809,162
Public safety	2,516,052	-	-	348,518	2,864,570
Highway and streets	475,533	-	-	-	475,533
Culture and recreation	1,575,864	-	-	93,341	1,669,205
Airport	39,249	-	-	-	39,249
Cemetery	182,975	-	-	-	182,975
Economic development	-	-	-	313,191	313,191
Capital Outlay	27,462	107,222	648,195	120,839	903,718
Debt Service:					
Principal	682,114	-	-	-	682,114
Interest and other charges	213,992	-	-	-	213,992
Total Expenditures	<u>6,522,403</u>	<u>107,222</u>	<u>648,195</u>	<u>875,889</u>	<u>8,153,709</u>
Excess (deficiency) of revenues over expenditures	<u>743,480</u>	<u>1,281,079</u>	<u>(637,276)</u>	<u>24,757</u>	<u>1,412,040</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,407,967	-	-	149,807	1,557,774
Transfers out	(1,455,779)	(1,095,517)	-	-	(2,551,296)
Transfers in/out-Hospital component unit	(683,507)	-	-	-	(683,507)
Total other financing sources and uses	<u>(731,319)</u>	<u>(1,095,517)</u>	<u>-</u>	<u>149,807</u>	<u>(1,677,029)</u>
Net change in fund balances	12,161	185,562	(637,276)	174,564	(264,989)
Fund balances - beginning	1,399,138	2,218,954	1,086,289	1,183,367	5,887,748
Fund balances - ending	<u>\$ 1,411,299</u>	<u>\$ 2,404,516</u>	<u>\$ 449,013</u>	<u>\$ 1,357,931</u>	<u>\$ 5,622,759</u>

See accompanying notes to these financial statements.

**CITY OF PAULS VALLEY, OKLAHOMA  
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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Position Reconciliation:**

Total fund balance, governmental funds	\$	5,622,759
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, net of accumulated depreciation of \$17,681,466		
		18,974,068
Deferred outflows are not available to pay current fund liabilities and therefore are either deferred or not presented in the funds:		
Net pension asset		13,045
Pension related deferred outflows		840,885
OPEB related deferred outflows		12,256
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		(290,833)
Notes payable		(6,134,024)
Capital leases		(376,803)
Interest payable		(40,674)
Deferred revenue related to receivables availability		52,347
Pension related deferred inflows		(282,972)
OPEB related deferred inflows		(2,098)
Net pension liability		(1,830,428)
Total OPEB liability		(76,764)
Net Position of Governmental Activities in the Statement of Net Position	\$	16,480,764

See accompanying notes to these financial statements.

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net change in fund balances - total governmental funds:	\$	(264,989)
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 (net of disposals)		749,215
Depreciation expense		(1,607,102)
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.		
		(107,574)
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		(46,296)
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		199,650
Note payable principal payments		482,464
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		4,673
Change in accrued compensated absences		(8,071)
Change in total OPEB liability		(10,057)
Change in net position of governmental activities	<u>\$</u>	<u>(608,087)</u>

See accompanying notes to these financial statements.



**CITY OF PAULS VALLEY, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**Proprietary Funds Statement of Net Position – June 30, 2020**

	<u>PVMA</u>	<u>Sanitation Capital Improvement</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 21,930	\$ 3,900	\$ 25,830
Restricted:			
Cash and cash equivalents	275,832	-	275,832
Accrued interest receivable	265	-	265
Advance due from component unit-PVHA	100,000	-	100,000
Accounts receivable, net	648,190	-	648,190
Prepaid Expenses	3,047	-	3,047
Total current assets	<u>1,049,264</u>	<u>3,900</u>	<u>1,053,164</u>
Non-current assets:			
Restricted:			
Investments	137,278	-	137,278
Capital Assets:			
Land and construction in progress	1,166,941	-	1,166,941
Other capital assets, net of accumulated depreciation	18,719,639	-	18,719,639
Total non-current assets	<u>20,023,858</u>	<u>-</u>	<u>20,023,858</u>
Total assets	<u>21,073,122</u>	<u>3,900</u>	<u>21,077,022</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to other post employment benefits	3,547	-	3,547
Deferred amounts related to asset retirement obligations	5,568,449	-	5,568,449
Total deferred outflows of resources	<u>5,571,996</u>	<u>-</u>	<u>5,571,996</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	75,889	-	75,889
Accrued payroll payable	44,915	-	44,915
Accrued interest payable	47,180	-	47,180
Compensated absences	13,402	-	13,402
Capital lease payable	181,370	-	181,370
Due to depositors	30,317	-	30,317
Landfill closure liability	26,936	-	26,936
Notes payable	515,000	-	515,000
Total current liabilities	<u>935,009</u>	<u>-</u>	<u>935,009</u>
Non-current liabilities:			
Due to depositors	121,269	-	121,269
Compensated absences	120,617	-	120,617
Capital lease payable	284,343	-	284,343
Landfill closure liability	319,221	-	319,221
Notes payable	5,084,665	-	5,084,665
Asset retirement obligation	5,653,248	-	5,653,248
Total OPEB liability	<u>26,611</u>	<u>-</u>	<u>26,611</u>
Total non-current liabilities	<u>11,609,974</u>	<u>-</u>	<u>11,609,974</u>
Total liabilities	<u>12,544,983</u>	<u>-</u>	<u>12,544,983</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to OPEB	2,750	-	2,750
<b>NET POSITION</b>			
Net investment in capital assets	13,821,202	-	13,821,202
Unrestricted	276,183	3,900	280,083
Total net position	<u>\$ 14,097,385</u>	<u>\$ 3,900</u>	<u>\$ 14,101,285</u>

See accompanying notes to these financial statements.

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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2020**

	PVMA	Sanitation Capital Improvement	Total Proprietary Funds
<b>OPERATING REVENUES</b>			
Water	\$ 1,276,685	\$ -	\$ 1,276,685
Sewer	485,142	-	485,142
Sanitation	1,677,429	7,585	1,685,014
Lake	62,380	-	62,380
Miscellaneous	21,216	-	21,216
Total operating revenues	<u>3,522,852</u>	<u>7,585</u>	<u>3,530,437</u>
<b>OPERATING EXPENSES</b>			
Water	705,867	-	705,867
Sewer	335,892	-	335,892
Sanitation	1,067,110	1,871	1,068,981
Lake	82,223	-	82,223
General government	787,623	-	787,623
Depreciation expense	1,009,939	-	1,009,939
Amortization expense	84,799	-	84,799
Total operating expenses	<u>4,073,453</u>	<u>1,871</u>	<u>4,075,324</u>
Operating income (loss)	<u>(550,601)</u>	<u>5,714</u>	<u>(544,887)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	3,299	10	3,309
Gain on sale of capital assets	55,900	-	55,900
Miscellaneous revenue	50,946	-	50,946
Interest expense and fiscal agent fees	(188,238)	-	(188,238)
Total non-operating revenue	<u>(78,093)</u>	<u>10</u>	<u>(78,083)</u>
Income (loss) before transfers	(628,694)	5,724	(622,970)
Transfers in	1,462,451	-	1,462,451
Transfers out	(457,929)	(11,000)	(468,929)
Transfers out-Hospital component unit	(712,415)	-	(712,415)
Change in net position	(336,587)	(5,276)	(341,863)
Total net position - beginning	14,433,972	9,176	14,443,148
Total net position - ending	<u>\$ 14,097,385</u>	<u>\$ 3,900</u>	<u>\$ 14,101,285</u>

See accompanying notes to these financial statements.

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**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2020**

	PVMA	Sanitation Capital Improvement	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 3,458,178	\$ 7,585	\$ 3,465,763
Payments to suppliers	(1,539,473)	(1,871)	(1,541,344)
Payments to employees	(1,381,532)	-	(1,381,532)
Interfund receipts	15,996	(15,996)	-
Receipts of customer meter deposits	24,738	-	24,738
Refunds of customer meter deposits	(19,666)	-	(19,666)
<b>Net cash provided by (used in) operating activities</b>	<b>558,241</b>	<b>(10,282)</b>	<b>547,959</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	1,462,451	-	1,462,451
Transfers to other funds	(457,929)	(11,000)	(468,929)
Transfers to hospital	(712,415)	-	(712,415)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>292,107</b>	<b>(11,000)</b>	<b>281,107</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(296,025)	-	(296,025)
Proceeds from sale of capital assets	58,250	-	58,250
Principal paid on debt	(800,275)	-	(800,275)
Proceeds from issuance of capital debt	173,570	-	173,570
Interest and fiscal agent fees paid on debt	(193,590)	-	(193,590)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(1,058,070)</b>	<b>-</b>	<b>(1,058,070)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale (purchase) of investments	(1,027)	-	(1,027)
Interest and dividends	3,415	10	3,425
<b>Net cash provided by investing activities</b>	<b>2,388</b>	<b>10</b>	<b>2,398</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(205,334)</b>	<b>(21,272)</b>	<b>(226,606)</b>
<b>Balances - beginning of year</b>	<b>503,096</b>	<b>25,172</b>	<b>528,268</b>
<b>Balances - end of year</b>	<b>\$ 297,762</b>	<b>\$ 3,900</b>	<b>\$ 301,662</b>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 21,930	\$ 3,900	\$ 25,830
Restricted cash and cash equivalents - current	275,832	-	275,832
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 297,762</b>	<b>\$ 3,900</b>	<b>\$ 301,662</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (550,601)	\$ 5,714	\$ (544,887)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	1,009,939	-	1,009,939
Amortization expense	84,799	-	84,799
Miscellaneous revenue	50,946	-	50,946
Change in assets and liabilities:			
Due from other funds	15,996	(15,996)	-
Accounts receivable	(115,620)	-	(115,620)
Total OPEB liability	6,106	-	6,106
Accounts payable	40,713	-	40,713
Accrued payroll payable	(3,553)	-	(3,553)
Other payable	(3,068)	-	(3,068)
Deposits subject to refund	5,072	-	5,072
Accrued compensated absences	17,512	-	17,512
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 558,241</b>	<b>\$ (10,282)</b>	<b>\$ 547,959</b>

See accompanying notes to these financial statements.

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**BASIC FINANCIAL STATEMENTS – FIDUCIARY FUND**

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**Fiduciary Fund Statement of Net Position – June 30, 2020**

	<u>Agency Fund-UPL Accounts</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 303,522</u>
Total assets	<u><u>\$ 303,522</u></u>
<b>LIABILITIES</b>	
Due to others	<u>\$ 303,522</u>
Total liabilities	<u><u>\$ 303,522</u></u>

See accompanying notes to these financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

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

The City's financial reporting entity includes the primary government (City of 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 6,150 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 FY20 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

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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.

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**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, 2020, the City recognized \$42,991 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

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

**PRIMARY GOVERNMENT:**

Type	Maturities	Credit Rating	Fair Value Valuation Level	Carrying/Fair Value
<b>Deposits:</b>				
Demand deposits	On demand	N/A	N/A	\$ 1,688,748
First United Money Market	On demand	N/A	N/A	1,603,031
Time deposits	Oct 2019, June 2020	N/A	N/A	789,365
				<u>4,081,144</u>
<b>Investments:</b>				
Caval Hill U.S. Treasury-Admin #0002	On demand	Aaa	N/A	210,965
Blackrock Liq Fedfd-Csh Res #00U3	On demand	AAAm	N/A	10,713
First United Money Market Funds	On demand	not rated	N/A	687,174
				<u>908,852</u>
<b>Total deposits and investments</b>				<u><u>\$ 4,989,996</u></u>
<b>Reconciliation to Statement of Net Position:</b>				
Cash and cash equivalents				\$ 3,237,625
Restricted cash and cash equivalents				963,006
Investments				652,087
Restricted investments				137,278
				<u><u>\$ 4,989,996</u></u>

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*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, 2020, 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, 2020, the deposits and investments for the Pauls Valley Airport Authority were \$213,543. The entire \$213,543 was not exposed to custodial credit risk and was fully insured.

*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, 2020, the City's investments consisted of \$210,965 and \$10,713 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 \$687,174 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, 2020.

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

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

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	<u>Cash and Cash Equivalents</u>		<u>Investments</u>	<u>Total</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Business-type</u>	
Utility Deposits	\$ -	\$ 54,154	\$ 137,278	\$ 191,432
2012 Principal	22,270	-	-	22,270
2012 Interest	17,679	-	-	17,679
2015 Principal	136,669	-	-	136,669
2015 Interest	61,543	-	-	61,543
2015 Construction	449,013	-	-	449,013
2016A Principal	-	138,790	-	138,790
2016A Interest	-	33,270	-	33,270
2016B Principal	-	27,191	-	27,191
2016B Interest	-	11,714	-	11,714
2016C CWRSF	-	10,713	-	10,713
Total	<u>\$ 687,174</u>	<u>\$ 275,832</u>	<u>\$ 137,278</u>	<u>\$ 1,100,284</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.

	<u>Accounts Receivable</u>	<u>Less:</u>	
		<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
<b>Governmental Activities:</b>			
Court fines	\$ 480,527	\$ 413,278	\$ 67,249
Other receivables	3,765	-	3,765
Total Governmental Activities	<u>\$ 484,292</u>	<u>\$ 413,278</u>	<u>\$ 71,014</u>
<b>Business-Type Activities:</b>			
Utilities	\$ 676,742	\$ 28,552	\$ 648,190
Other receivables	265	-	265
Total Business-Type Activities	<u>\$ 677,007</u>	<u>\$ 28,552</u>	<u>\$ 648,455</u>
<b>Pauls Valley Airport Authority:</b>			
Fuel	\$ 19,453	\$ 680	\$ 18,773
Other receivables	131	-	131
Total Pauls Valley Airport Authority	<u>\$ 19,584</u>	<u>\$ 680</u>	<u>\$ 18,904</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.

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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, 2020, capital assets balances changed as follows:

***Primary Government:***

	Balance at June 30, 2019	Additions	Disposals	Balance at June 30, 2020
<b><i>Governmental activities:</i></b>				
Capital assets not being depreciated:				
Intangibles	\$ 50,000	\$ -	\$ -	\$ 50,000
Land	721,981	-	-	721,981
Construction in progress	1,644,658	661,393	2,294,936	11,115
Total capital assets not being depreciated	2,416,639	661,393	2,294,936	783,096
Other capital assets:				
Buildings	17,132,137	-	-	17,132,137
Improvements	7,104,417	28,250	-	7,132,667
Machinery, Furniture & Equipment	6,443,112	70,425	62,629	6,450,908
Infrastructure	2,861,790	2,294,936	-	5,156,726
Total other capital assets	33,541,456	2,393,611	62,629	35,872,438
Less accumulated depreciation for:				
Buildings	6,338,376	713,118	-	7,051,494
Improvements	3,628,138	437,434	-	4,065,572
Machinery, Furniture & Equipment	5,616,941	251,672	51,776	5,816,837
Infrastructure	542,685	204,878	-	747,563
Total accumulated depreciation	16,126,140	1,607,102	51,776	17,681,466
Other capital assets, net	17,415,316	786,509	10,853	18,190,972
Governmental activities capital assets, net	\$ 19,831,955	\$ 1,447,902	\$ 2,305,789	\$ 18,974,068
<b><i>Business-type activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 1,166,941	\$ -	\$ -	\$ 1,166,941
Total capital assets not being depreciated	1,166,941	-	-	1,166,941
Other capital assets:				
Buildings	285,516	-	-	285,516
Improvements	14,292,423	37,028	-	14,329,451
Machinery, furniture & equipment	3,812,183	258,045	141,020	3,929,208
Infrastructure	34,679,517	952	-	34,680,469
Total other capital assets	53,069,639	296,025	141,020	53,224,644
Less accumulated depreciation for:				
Buildings	184,076	9,468	-	193,544
Improvements	3,907,369	324,560	-	4,231,929
Machinery and equipment	3,069,669	269,457	138,670	3,200,456
Infrastructure	26,472,622	406,454	-	26,879,076
Total accumulated depreciation	33,633,736	1,009,939	138,670	34,505,005
Other capital assets, net	19,435,903	(713,914)	2,350	18,719,639
Business-type activities capital assets, net	\$ 20,602,844	\$ (713,914)	\$ 2,350	\$ 19,886,580

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	Balance at June 30, 2019	Additions	Disposals	Balance at June 30, 2020
<b><i>Pauls Valley Airport Authority:</i></b>				
Capital assets not being depreciated:				
Land	\$ 94,942	\$ -	\$ -	\$ 94,942
Construction in progress	-	14,912	-	14,912
Total capital assets not being depreciated	<u>94,942</u>	<u>14,912</u>	<u>-</u>	<u>109,854</u>
Other capital assets:				
Buildings	745,785	-	-	745,785
Improvements	5,799,586	4,975	-	5,804,561
Machinery, Furniture & equipment	362,458	6,737	-	369,195
Infrastructure	3,213,021	-	-	3,213,021
Total other capital assets	<u>10,120,850</u>	<u>11,712</u>	<u>-</u>	<u>10,132,562</u>
Less accumulated depreciation for:				
Buildings	594,642	18,432	-	613,074
Improvements	3,333,371	181,883	-	3,515,254
Machinery, Furniture and equipment	337,527	17,657	-	355,184
Infrastructure	554,660	165,398	-	720,058
Total accumulated depreciation	<u>4,820,200</u>	<u>383,370</u>	<u>-</u>	<u>5,203,570</u>
Other capital assets, net	5,300,650	(371,658)	-	4,928,992
Airport Authority activities capital assets, net	<u>\$ 5,395,592</u>	<u>\$ (356,746)</u>	<u>\$ -</u>	<u>\$ 5,038,846</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:

General government	\$ 113,694
Public safety	211,276
Highways and streets	480,721
Culture and recreation	785,857
Cemetery	15,083
Economic Development	471
	<u>\$ 1,607,102</u>

Business-Type Activities:

Water	\$ 574,499
Sewer	165,879
Sanitation	224,443
Lake	45,118
	<u>\$ 1,009,939</u>



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**6. Long-Term Debt and Debt Service Requirements**

<u>Type of Debt</u>	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2020</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Notes payable-direct borrowings/placements	\$ 6,616,489	\$ -	\$ 482,465	\$ 6,134,024	\$ 490,367
Capital leases payable	576,455	-	199,652	376,803	149,930
Accrued compensated absences	282,758	8,075	-	290,833	29,083
Total Governmental Activities	<u>\$ 7,475,702</u>	<u>\$ 8,075</u>	<u>\$ 682,117</u>	<u>\$ 6,801,660</u>	<u>\$ 669,380</u>
<b>Reconciliation to Statement of Net Position:</b>					
<b>Governmental Activities:</b>					
Due within one year				\$ 669,380	
Due in more than one year				6,132,280	
Total OPEB liability				76,764	
Net pension liability				1,830,428	
Total Governmental Activities Long-term liabilities				<u>\$ 8,708,852</u>	
<b>Business-Type Activities:</b>					
Notes payable-direct borrowings/placements	\$ 6,099,665	\$ -	\$ 500,000	\$ 5,599,665	\$ 515,000
Capital leases payable	523,400	173,570	231,257	465,713	181,370
Contract payable	69,018	-	69,018	-	-
Deposits subject to refund	146,514	24,738	19,666	151,586	30,317
Landfill closure liability	305,827	40,330		346,157	26,936
Accrued compensated absences	116,507	17,512	-	134,019	13,402
Total Business-Type Activities	<u>7,260,931</u>	<u>256,150</u>	<u>819,941</u>	<u>6,697,140</u>	<u>767,025</u>
Total Long-Term Debt	<u>\$ 14,736,633</u>	<u>\$ 264,225</u>	<u>\$ 1,502,058</u>	<u>\$ 13,498,800</u>	<u>\$ 1,436,405</u>
<b>Business-Type Activities:</b>					
Due within one year				\$ 767,025	
Due in more than one year				5,930,115	
Total Asset retirement obligation liability				5,653,248	
Total OPEB liability				26,611	
Total Business-Type Activities Long-term liabilities				<u>\$ 12,376,999</u>	

*Governmental Activities:*

At June 30, 2020, the governmental activities long-term payable from taxes and other general revenues include the following:

*Notes Payable-Direct Borrowings/Placements:*

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. The collateral for this note is a pledge of one quarter of one cent of future sales tax revenues dedicated for improvements, repairs, maintenance and/or the advancement of Pauls Valley municipal parks and recreation facilities and programs. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the BANK; 2) accelerate the payment of principal of and interest accrued on all notes; 3) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of this Note Indenture or the Sales Tax Agreement.

\$ 2,249,024

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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. The collateral for this note is a pledge of one-half of one percent sales tax dedicated for the replacement, repair and/or maintenance of public streets and alleys of the City of Pauls Valley. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the BANK; 2) accelerate the payment of principal of and interest accrued on all notes; 3) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of this Note Indenture or the Sales Tax Agreement.

3,885,000

		<u>\$</u>	<u>6,134,024</u>
Total Notes Payable			
Current portion			490,367
Noncurrent portion			<u>5,643,657</u>
Total Notes Payable		<u>\$</u>	<u>6,134,024</u>

*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.

\$ 166,304

\$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.

17,389

\$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.

71,667

\$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.

121,443

		<u>\$</u>	<u>376,803</u>
Total Capital Leases Payable			
Current portion		\$	149,930
Noncurrent portion			<u>226,873</u>
Total Capital Leases Payable		<u>\$</u>	<u>376,803</u>

*Accrued Compensated Absences:*

		\$	29,083
Current portion			261,750
Noncurrent portion			<u>290,833</u>
Total Accrued Compensated Absences		<u>\$</u>	<u>290,833</u>

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*Business-Type Activities:*

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

*Notes Payable-Direct Borrowings/Placements*

\$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%. The collateral for this note is a pledge of the gross revenues from the operation of water, sanitary sewer, and sanitation systems and one half of one cent of future sales tax revenues. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in the Indenture or in the bonds; 2) accelerate the payment of principal of and interest accrued on all bonds; 3) appoint temporary trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest on the bonds and any additional parity bonds; 4) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Indenture.

\$ 3,937,000

\$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 collateral for this note is a pledge of the gross revenues from the operation of water, sanitary sewer, and sanitation systems and one half of one cent of future sales tax revenues. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in the Indenture or in the bonds; 2) accelerate the payment of principal of and interest accrued on all bonds; 3) appoint temporary trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest on the bonds and any additional parity bonds; 4) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Indenture.

826,000

\$875,000 Sales Tax Revenue Note Series 2016C 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 2030. The collateral for this note is a pledge of net proceeds from the operation of water, sanitary sewer, and sanitation systems and one half of one cent of future sales tax revenues. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Borrower contained in this Loan Agreement or in the Note; 2) accelerate the payment of principal of and interest accrued on the Note; 3) appoint temporary trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest and administrative fees on the Note and any other Borrower indebtedness; 4) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of this Loan Agreement.

836,665

	\$ 5,599,665
Total Notes Payable	\$ 5,599,665
Current portion	\$ 515,000
Noncurrent portion	5,084,665
Total Notes Payable	\$ 5,599,665

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*Capital Lease Obligations:*

\$93,090 lease obligation with Caterpillar Finance for purchase of 2019 D4K2XL Caterpillar Track Type Tractor, payable in monthly installments of \$1,308, with a 4.55% interest rate, final payment due April, 2022.	\$ 81,592
\$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.	4,347
\$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.	85,949
\$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.	35,076
\$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.	93,698
\$173,570 lease obligation with Caterpillar Finance for purchase of 2019 Caterpillar C100256 Model 313FL TC Excavator, payable in monthly installments of 2,745, beginning April 15, 2020, with an interest rate of 4.99%, final payment of \$60,718 due on April 15, 2025.	165,051
Total Capital Leases Payable	\$ 465,713
Current portion	\$ 181,370
Noncurrent portion	284,343
Total Capital Leases Payable	\$ 465,713

*Deposits Subject to Refund:*

Current portion	\$ 30,317
Noncurrent portion	121,269
Total Deposits Subject to Refund	\$ 151,586

*Landfill Closure Liability:*

Current portion	\$ 26,936
Noncurrent portion	319,221
Total Landfill Closure Liability	\$ 346,157

*Accrued Compensated Absences:*

Current portion	\$ 13,402
Noncurrent portion	120,617
Total Accrued Compensated Absences	\$ 134,019

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The capital assets acquired through capital leases are as follows:

Date	Capital Asset	Amount	Accumulated Depreciation
Machinery and Equipment:			
11/15/2015	Phone System	\$ 111,115	\$ 49,582
10/25/2016	2016 Pierce Pumper	371,225	272,232
8/19/2016	2016 Chevy 1500	29,870	22,900
8/19/2016	2016 Chevy 1500	19,970	15,310
8/19/2016	2016 Chevy 1500	19,970	15,310
8/19/2016	2016 Chevy 3500	34,161	26,190
8/19/2016	2016 Chevy 1500	27,388	20,997
8/19/2016	2016 Chevy 2500	27,132	20,801
8/19/2016	2016 Chevy 3500	44,724	34,288
8/19/2016	2016 Chevy 2500	29,839	22,877
8/19/2016	2016 Chevy 2500	27,132	20,801
11/15/2015	Phone System	30,885	15,502
8/19/2016	2016 Chevy 2500	29,710	22,778
8/19/2016	2016 Chevy 3500	42,147	32,313
8/19/2016	2016 Chevy 3500	44,724	34,288
8/19/2016	2016 Chevy 3500	43,556	33,393
8/19/2016	2016 Chevy 3500	38,928	29,845
8/19/2016	2016 Chevy 1500	21,940	16,821
8/19/2016	2016 Chevy 3500	43,556	33,393
8/19/2016	2016 Chevy 2500	29,609	22,700
8/19/2016	2016 Chevy 2500	27,132	20,801
8/19/2016	2016 Chevy 2500	30,603	23,462
9/22/2016	International Garbage Truck	162,699	122,024
4/19/2018	International Garbage Truck	149,465	53,973
11/15/2017	2017 Caterpillar Excavator	166,244	85,893
4/15/2019	2018 Caterpillar D4K2 XL Tractor	124,848	29,131
4/15/2020	2019 Caterpillar C100256 TC Excavator	173,270	5,776
		<u>\$ 1,901,842</u>	<u>\$ 1,103,381</u>

*Payment Requirements to Maturity:*

Year Ended June 30,	Governmental Activities				Business-Type Activities			
	Notes Payable-Private Placement		Capital Lease Obligations		Notes Payable-Private Placement		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 490,367	\$ 186,984	\$ 149,930	\$ 10,411	\$ 515,000	\$ 150,618	\$ 181,370	\$ 17,927
2022	506,144	171,929	85,233	6,265	527,000	136,249	82,172	11,919
2023	517,150	156,377	65,141	2,761	543,000	121,495	117,299	6,532
2024	533,212	140,636	76,499	-	558,000	106,284	26,862	3,328
2025	549,881	124,021	-	-	573,000	90,619	58,010	2,709
2026-2030	3,031,090	353,558	-	-	2,883,665	206,178	-	-
2031-2033	506,180	24,636	-	-	-	-	-	-
Total	<u>\$ 6,134,024</u>	<u>\$ 1,158,141</u>	<u>\$ 376,803</u>	<u>\$ 19,437</u>	<u>\$ 5,599,665</u>	<u>\$ 811,443</u>	<u>\$ 465,713</u>	<u>\$ 42,415</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.

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**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 \$4,452,442. Pledged sales taxes received in the current year were \$680,725. Debt service payments of \$445,471 for the current fiscal year were 65.4% 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 \$2,839,723. Pledged sales taxes received in the current year were \$340,363. Debt service payments of \$230,891 for the current fiscal year were 67.8% of pledged sales taxes.

*Business-Type-*

The City pledged one half of one cent of future sales tax revenues and gross utility revenues to repay \$5,420,000 and \$1,110,000 Series 2016A and 2016B Promissory Notes, respectively. Proceeds from the notes financed the acquisition of land. The notes are payable through 2028 and 2028, respectively. The total principal and interest payable for the remainder of the life of these notes is \$5,385,282. Pledged sales taxes received in the current year were \$680,725 and gross utility revenues were \$3,519,003. Debt service payments of \$633,354 for the current fiscal year were 15.1% of both pledged sales taxes and gross utility revenues.

The City pledged one half of one cent of future sales tax revenues and net utility revenues to repay \$875,000, Series 2016C Promissory Note. Proceeds from the notes financed the acquisition of land. The notes are payable through 2030. The total principal and interest payable for the remainder of the life of these notes is \$1,025,826. Pledged sales taxes received in the current year were \$680,725 and net utility revenues were \$1,408,263. Debt service payments of \$31,370 for the current fiscal year were 1.5% of both pledged sales taxes and net utility revenues

**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 reported as liabilities in either the City or the PVMA's financial statements. The hospital closed on October 12, 2018, however; the PVMA is responsible for this debt via the aforementioned restricted sales tax.

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
<b>Pauls Valley Hospital Authority:</b>					
Notes payable-direct borrowings/placements	\$ 12,801,163	\$ -	\$ 542,618	\$ 12,258,545	\$ 582,096
Total Pauls Valley Hospital Authority	<u>\$ 12,801,163</u>	<u>\$ -</u>	<u>\$ 542,618</u>	<u>\$ 12,258,545</u>	<u>\$ 582,096</u>

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\$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%. The collateral for this note is a pledge of one half of one percent sales tax of the three and one-quarter percent sales tax designated to provide revenues for the support of the functions of the government of the City. In the event of default, a Pauls Valley Municipal Authority Revenue Fund shall be established with the BANK and maintained so long as the Event of Default continues. The Revenue Fund shall be used to receive the Sales Tax Revenue and thereafter to transfer monthly an amount equal to one-sixth of the principal and interest due on the notes on the next semi-annual principal and interest payment date to the Principal/Interest Account of the Note Fund (or such amount as is necessary to pay monthly principal & interest due on the notes to the extent principal and interest is due on the notes monthly). Any monies remaining in the Revenue Fund after the required transfers have been made shall be returned to the AUTHORITY. \$ 2,396,601

\$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 a variable interest rate of 1 point over Wall Street Prime with a floor of 4.25% and a ceiling of 6.5%, FY19 rate 6.5%. The collateral for this note is a pledge of one half of one percent sales tax. In the event of default, the lender may: 1) at its option, without notice or demand, declare this Note in default and all indebtedness due and owing hereunder immediately due and payable, together with interest from the date of default on such principal balance and on any past due interest hereunder at the rate of five percent per annum in excess of the stated rate; 2) set off against this Note all money owed by Bank in any capacity to Issuer, whether or not due; 3) collect reasonable costs of collection, including attorney's fee. 779,044

\$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%, FY20 rate, 2.0007%. The collateral for this note is a pledge of one-half of one cent of future sales tax revenues designated for hospital facilities and one-half of one percent sales tax of the three and one-quarter percent sales tax designated for the support of the functions of the government of the City. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the AUTHORITY contained in this Indenture, the Sales Tax Agreement or the Bonds; 2) appoint a temporary trustee to take over, operate and maintain the Facilities; 3) accelerate the payment of principal of and interest accrued on the Bonds; 3) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Indenture and the Sales Tax Agreement. 4,491,459

\$4,800,000 Pauls Valley Municipal Authority Sales Tax Revenue Note, Series 2018, dated December 20, 2018, payable in monthly installments due the 20th day of every month to Pauls Valley National Bank, final installment due December, 2038, with a variable interest rate equal to the Wall Street Prime rate on each June 1 with a floor of 3.75% per annum and a ceiling of 9.75% per annum, initial rate of 5.25%, FY20 rate, 3.75%. The collateral for this note is a pledge of one-half of one cent of future sales tax revenues designated for hospital facilities and one-half of one percent sales tax of the three and one-quarter percent sales tax designated for the support of the functions of the government of the City. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the AUTHORITY contained in this Indenture, the Sales Tax Agreement or the Bonds; 2) appoint a temporary trustee to take over, operate and maintain the Facilities; 3) accelerate the payment of principal of and interest accrued on the Bonds; 3) file suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the Indenture and the Sales Tax Agreement. 4,591,441

	Total hospital notes payable	\$ 12,258,545
	Current portion	\$ 582,096
	Noncurrent portion	11,676,449
	Total hospital notes payable	\$ 12,258,545

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Year Ended June 30,	Hospital	
	Notes Payable-Private Placement	
	Principal	Interest
2021	\$ 582,096	\$ 556,173
2022	608,384	529,299
2023	635,867	501,190
2024	664,036	472,029
2025	694,464	441,105
2026-2030	3,972,685	1,693,321
2031-2035	3,859,095	720,316
2036-2039	1,241,918	119,969
Total	\$ 12,258,545	\$ 5,033,402

### 7. Landfill Closure and Post Closure Requirements

A \$346,157 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 50.61% of the estimated capacity of the landfill. It is estimated that an additional \$337,783 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 12.54 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.



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*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.
- 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.

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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:					
Restricted for:					
Debt service	\$ 198,212	\$ -	\$ -	\$ -	\$ 198,212
Capital improvements	212,743	2,214,536	449,013	808,682	3,684,974
Tourism	-	-	-	220,407	220,407
Senior citizens	-	-	-	1	1
Airport	-	-	-	48,275	48,275
Cemetery	-	-	-	38,756	38,756
Emergency medical services	-	-	-	1,196	1,196
Subtotal restricted	<u>410,955</u>	<u>2,214,536</u>	<u>449,013</u>	<u>1,117,317</u>	<u>4,191,821</u>
Nonspendable:					
Perm. Endow-Parks	-	-	-	50,000	50,000
Inventory	6,614	-	-	25,416	32,030
Long-term receivable	28,526	-	-	-	28,526
Subtotal committed	<u>35,140</u>	<u>-</u>	<u>-</u>	<u>75,416</u>	<u>110,556</u>
Assigned to:					
Capital improvements	46,551	189,980	-	371	236,902
Public safety	-	-	-	66,125	66,125
Library	-	-	-	58,020	58,020
Cemetery	-	-	-	40,682	40,682
Budget balancing purposes	20,000	-	-	-	20,000
Subtotal assigned	<u>66,551</u>	<u>189,980</u>	<u>-</u>	<u>165,198</u>	<u>421,729</u>
Unassigned	898,653	-	-	-	898,653
Total Fund Balance	<u>\$ 1,411,299</u>	<u>\$ 2,404,516</u>	<u>\$ 449,013</u>	<u>\$ 1,357,931</u>	<u>\$ 5,622,759</u>

**Restricted Net Position –Governmental Activities:**

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
General Fund	Debt indentures	\$ 198,212
Capital Improvement Fund	Debt indentures	449,013
Cemetery Care Fund	Statutory requirements	27,738
		<u>674,963</u>
General Fund	Enabling legislation	212,743
1 Cent Fund	Enabling legislation	2,214,536
TIF Fund	Enabling legislation	808,682
Tourism Fund	Enabling legislation	220,407
Senior Citizen Fund	Enabling legislation	1
PV Airport Project Fund	Enabling legislation	48,275
Cemetery Beautification Fund	Enabling legislation	11,018
PV Special Ambulance Fund	Enabling legislation	1,196
		<u>3,516,858</u>
Total Restricted		<u>\$ 4,191,821</u>

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**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>Advance From</u>	<u>Advance To</u>	<u>Amount</u>	<u>Nature of Balance</u>
PVMunicipal Authority General Fund	PV Hospital Authority PV Hospital Authority	\$ 100,000 375,000	Debt payment Debt payment
PV Hospital Authority General Fund	General Fund PV Airport Authority	(168) 19,300	Trustee statement activity Fuel Tanks
PV Airport Authority	General Fund	(5,400)	Management Fee
		<u>\$ 488,732</u>	

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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	\$ 345,000	operating subsidy
One Cent Sales Tax Fund	General Fund	230,891	fund capital purchases
One Cent Sales Tax Fund	General Fund	73,337	per grant agreement-DWR savings
PVMA	General Fund	58,986	fund capital purchases
PVMA	General Fund	100,000	operating subsidy
PVMA	General Fund	10,000	fund capital purchases
One Cent Sales Tax Fund	General Fund	446,289	street debt payments
PVMA	General Fund	62,067	fund capital purchases
PVMA	General Fund	21,397	fund capital purchases
PVMA	General Fund	60,000	operations - hospital
General Fund	PVMA	1,361,451	sales tax transfer
General Fund	Police Special Fund	4,328	court fees
General Fund	PVMA	90,000	fund capital purchases
PVMA	PV Special Ambulance Fund	143,652	operating subsidy
PVMA	Senior Citizens Fund	1,827	operating subsidy
PVMA	Sanitation Capital Improvement	11,000	fund capital purchases
Total		<u>\$ 3,020,225</u>	

**Reconciliation to Fund Financial Statements:**

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 1,557,774	\$ (2,551,296)	\$ (993,522)
Proprietary Funds	1,462,451	(468,929)	993,522
	<u>\$ 3,020,225</u>	<u>\$ (3,020,225)</u>	<u>\$ -</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

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (OFPRS), Oklahoma Police Pension & Retirement System (OPPRS) and Oklahoma Municipal Retirement Fund (OkMRF) and additions to/deductions from OFPRS, OPPRS and OkMRF’s fiduciary net position have been determined on the same basis as they are reported by OFPRS, OPPRS and OkMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by these funds are reported at fair value.

For purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows and OPEB expense for the single employer other postemployment benefit plan the measurement has been prepared in accordance with GASB Statement No. 75.

The aggregate net pension liability (asset), deferred inflows, deferred outflows and pension expense for the plans at June 30, 2019:

	Deferred Outflow	Deferred Inflow	Net Pension Liability (Asset)	Pension Expense
Fire Pension	\$ 584,533	\$ 220,285	\$ 1,830,428	\$ 361,605
Police Pension	256,352	62,687	(13,045)	157,542
Totals	\$ 840,885	\$ 282,972	\$ 1,817,383	\$ 519,147

#### ***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 (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

***Benefits provided*** - FPRS provides defined retirement benefits based on members’ final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan’s benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

Normal Retirement:

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- Hired Prior to November 1, 2013  
Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.
  
- Hired After November 1, 2013  
Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

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-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

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

**Contributions** - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% 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 \$67,597. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$182,003 during the calendar year and this is reported as both expense and revenue 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 \$176,171. 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, 2020, the City reported a liability of \$1,830,428 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2019. Based upon this information, the City's proportion was .173226%.

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For the year ended June 30, 2020, the City recognized pension expense of \$361,605. At June 30, 2020, 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	\$ 306,505	\$ 37,232
Changes of assumptions	-	47,023
Net difference between projected and actual earnings on pension plan investments	-	132,501
Changes in proportion and differences between City contributions and proportionate share of contributions	210,431	-
City contributions during the measurement date	-	3,529
City contributions subsequent to the measurement date	67,597	-
Total	\$ 584,533	\$ 220,285

In the year ending June 30, 2020, \$67,597 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 subsequent year. 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:

2021	\$	125,358
2022		61,524
2023		80,140
2024		32,674
2025		(3,045)
Total	\$	296,651

**Actuarial Assumptions-** The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.5% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the Pub-2010 Public Safety Table, with adjustments for generational mortality improvement using scale MP-2018 for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2018.

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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, 2019, 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%	4.90%
Domestic equity	47%	7.09%
International equity	15%	9.19%
Real estate	10%	7.99%
Other assets	8%	5.57%

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

**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:

	<u>1% Decrease 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
Employers' net pension liability	\$ 2,363,584	\$ 1,830,428	\$ 1,244,949

**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](http://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](http://www.ok.gov/opprs).

**Benefits provided** - OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later. Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

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

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

**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$86,970. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$80,489 during the calendar year and this is reported as both expense and revenue 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 \$80,835. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Net Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2020, the City reported an asset of \$13,045 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension asset was based on the City's

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contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was .204341%.

For the year ended June 30, 2020, the City recognized pension expense of \$157,542. At June 30, 2020, 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	\$ 7,829	\$ 61,592
Changes of assumptions	33,310	-
Net difference between projected and actual earnings on pension plan investments	119,208	-
Changes in proportion and differences between City contributions and proportionate share of contributions	8,831	378
City contributions during the measurement date	204	717
City contributions subsequent to the measurement date	86,970	-
<b>Total</b>	<b>\$ 256,352</b>	<b>\$ 62,687</b>

In the year ending June 30, 2020, \$86,970 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 or an addition to the net pension liability (asset) in the subsequent year. 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:	
2021	\$ 59,003
2022	(15,530)
2023	20,165
2024	40,530
2025	2,527
<b>Total</b>	<b>\$ 106,695</b>

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation: 2.75%

Salary increases: 3.5% to 12% 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

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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 of 3.5% (wage inflation).

**Mortality rates:**

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

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

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.79%
Domestic equity	5.74%
International equity	9.19%
Real estate	7.99%
Private equity	10.20%
Commodities	3.50%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

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

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

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***-The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability (asset) 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)	\$ 555,718	\$ (13,045)	\$ (493,942)

***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](http://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. FY20 forfeitures were \$6,743. The authority to amend the provisions of the plan rests with the City Council.

*Summary of Contributions:*

Oklahoma Municipal Retirement Fund		
Fiscal Year	Employee Contribution	Employer Contribution
2018	\$ 81,945	\$ 81,861
2019	\$ 83,216	\$ 83,216
2020	\$ 81,763	\$ 81,763

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***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.

<u>Oklahoma Municipal Retirement Fund</u>		
<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
2018	\$ 12,564	\$ 3,851
2019	\$ 13,732	\$ 4,209
2020	\$ 12,520	\$ 3,837

**14. Other Post-employment Benefits 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 post-retirement 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. The amount of benefit payments during fiscal year June 30, 2020 were \$0.

***Employees Covered by Benefit Terms***

Active Employees under the age of 65	<u>101</u>
Total	<u><u>101</u></u>

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**Total OPEB Liability** – The City’s total OPEB liability of \$103,375 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2020 using the following actuarial methods and assumptions:

- Actuarial Method - Entry Age.
- Service Cost-Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan’s benefit formula. This allocation is based on each participant’s service between date of hire and date of expected termination.
- Total OPEB Liability-The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.
- Discount Rate - 2.21%.
- Retirement Rates – based on OKMRF 2018 actuarial report with roll-forward procedures performed.
- Average Per Capita Claim Cost-

Age	Medical
55	10,391
56	10,703
57	11,024
58	11,355
59	11,696
60	12,047
61	12,408
62	12,780
63	13,164
64	13,558

- Health Care Cost Trend-Level 5.00%
- Effect of ACA-The excel coverage excise tax penalty of the Affordable Care Act has been postponed until the plan year beginning in 2022 and is not included in the projection of benefits in this valuation.
- Mortality-RPH-2014 Total Table with Projection MP-2018
- Turnover-Developed from the Oklahoma Municipal Retirement Fund, the Oklahoma Police Pension & Retirement System, and the Oklahoma Fire Pension & Retirement System.
- Disability-None assumed.
- Retirement Rates-Developed from the assumption used in the Oklahoma Municipal Retirement Fund 2018 actuarial
- Retiree Contributions-Full contribution paid by the retiree with no direct subsidy by the City.
- Salary Scale-3.5%.

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**Changes in Total OPEB Liability –**

	Total OPEB Liability
Balances Beginning of Year	\$ 78,984
Changes for the year:	
Service cost	9,583
Interest expense	1,957
Difference between expected and actual experience	-
Changes of assumptions	12,851
Benefits paid	-
Net Changes	24,391
Balances End of Year	\$ 103,375

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended June 30, 2020, the City recognized OPEB expense of \$13,095. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,825
Changes of assumptions	13,780	-
Changes in proportion	2,023	2,023
Total	\$ 15,803	\$ 4,848

Amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2021	\$ 1,555
2022	1,555
2023	1,555
2024	1,555
2025	1,555
Thereafter	3,180
	\$ 10,955

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**Sensitivity of the City’s total OPEB liability to changes in the discount rate-** The following presents the City’s total OPEB liability, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
\$ 116,413	\$ 103,375	\$ 91,907

**Sensitivity of the City’s total OPEB liability to changes in the healthcare cost trend rates** - The following presents the City’s total OPEB liability, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current healthcare cost trend rates:

1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
\$ 88,605	\$ 103,375	\$ 121,141

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

*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 a range between \$27,470 and \$422,151. The City has not made an accrual for this payable as of June 30, 2020. This amount, when determined, shall be added to the contract payable and capital assets for water infrastructure. Garvin County Rural Water District No. 4 owes the City \$48,248 for water usage through June 30, 2020.



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*Upper Payment Limit Program:*

The City of Pauls Valley was to participate in an Upper Payment Limit (UPL) program if the Center for Medicare & Medicaid Services (CMS) approved 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 had 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 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, 2020, there was no gain or loss associated with the UPL program.

The City began the termination of its participation in the UPL program effective February 1, 2020. Termination of the program was still in progress as of June 30, 2020.

*Asset Retirement Obligation:*

The City has incurred certain asset retirement obligations related to the operation of its wastewater utility system. The U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulates wastewater utility system closure and post closure requirements. Environmental engineers calculated the asset retirement obligation based on the estimated current cost of remediation and removal of the contamination times the estimated cubic footage of contaminated sludge and dirt in the wastewater treatment facilities. The estimated liability of the legally required closure costs for the wastewater utility system was estimated as of June 30, 2020 to be \$5,653,248. The estimated remaining wastewater utility system life is 50 years. The actual cost of closure and post closure may be higher due to inflation, changes in technology, or changes in wastewater utility system laws and regulations. At June 30, 2020, there were no assets restricted to pay this liability.

**16. Subsequent Event**

On February 25, 2021, the City of Pauls Valley and the Pauls Valley Hospital Authority sold the real estate and business assets of the Pauls Valley General Hospital for \$5,000,000 to Southern Plains Medical Center.

The City received a CARES Act Grant in November, 2020 for \$470,960. This grant reimbursed certain public safety and public health costs related to Covid.

On October 13, 2020, the City of Pauls Valley terminated its participation in the UPL program by filing the final operations transfer agreements.

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**REQUIRED SUPPLEMENTAL INFORMATION**

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

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ 50,000	\$ 60,500	\$ 1,399,138	\$ 1,338,638
<b>Resources (Inflows)</b>				
Taxes	5,027,672	5,117,672	5,012,954	(104,718)
Intergovernmental	221,500	247,100	207,378	(39,722)
Charges for services	1,090,000	1,010,000	838,584	(171,416)
Fines and forfeitures	180,000	120,000	119,565	(435)
Licenses and permits	40,000	40,000	32,778	(7,222)
Investment income	1,500	1,500	1,573	73
Miscellaneous	68,000	162,500	137,621	(24,879)
Transfers in	1,224,468	1,395,757	1,386,570	(9,187)
Sub-total Resources (Inflows)	<u>7,853,140</u>	<u>8,094,529</u>	<u>7,737,023</u>	<u>(357,506)</u>
<b>Amounts Available for Appropriation</b>	<u>7,903,140</u>	<u>8,155,029</u>	<u>9,136,161</u>	<u>981,132</u>
<b>Charges to Appropriations (Outflows)</b>				
Public safety	2,340,810	2,387,490	2,371,699	15,791
Streets	967,105	961,005	950,917	10,088
Culture & recreation	2,014,934	1,947,432	1,852,911	94,521
General government	754,395	807,445	798,466	8,979
Cemetery	194,873	197,648	193,051	4,597
Airport	46,050	46,050	36,452	9,598
Transfers out	1,579,224	1,551,526	1,455,779	95,747
<b>Total Charges to Appropriations</b>	<u>7,897,391</u>	<u>7,898,596</u>	<u>7,659,275</u>	<u>239,321</u>
<b>Fund balances - ending</b>	<u>\$ 5,749</u>	<u>\$ 256,433</u>	<u>\$ 1,476,886</u>	<u>\$ 1,220,453</u>

	ONE CENT SALES TAX FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ -	\$ -	\$ 2,218,954	\$ 2,218,954
<b>Resources (Inflows)</b>				
Taxes	1,389,224	1,361,451	1,361,451	-
Investment income	6,000	21,000	20,916	(84)
<b>Amounts Available for Appropriation</b>	<u>1,395,224</u>	<u>1,382,451</u>	<u>3,601,321</u>	<u>2,218,870</u>
<b>Charges to Appropriations (Outflows)</b>				
Capital Outlay	286,023	286,258	107,221	179,037
Transfers out	1,103,201	1,096,109	1,095,517	592
<b>Total Charges to Appropriations</b>	<u>1,389,224</u>	<u>1,382,367</u>	<u>1,202,738</u>	<u>179,629</u>
<b>Fund balances - ending</b>	<u>\$ 6,000</u>	<u>\$ 84</u>	<u>\$ 2,398,583</u>	<u>\$ 2,398,499</u>

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**Budgetary Comparison Schedules – Year Ended June 30, 2020**

**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:

	General Fund	One Cent Sales Tax Fund
Total revenue-budgetary basis	\$ 7,737,023	\$ 1,382,367
Total expense-budgetary basis	(7,659,275)	(1,202,738)
Change in fund balance-budgetary basis	77,748	179,629
Revenue Accruals	253,323	5,933
Expenditure Accruals	(318,910)	-
Change in fund balance-GAAP basis	\$ 12,161	\$ 185,562

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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\*

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.173226%	0.167556%	0.162727%	0.153590%	0.137590%	0.132100%
City's proportionate share of the net pension liability	\$ 1,830,428	\$ 1,886,085	\$ 2,046,655	\$ 1,876,459	\$ 1,460,388	\$ 1,358,550
City's covered-employee payroll	\$ 482,832	\$ 527,114	\$ 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	379%	358%	418%	445%	397%	396%
Plan fiduciary net position as a percentage of the total pension liability	72.85%	70.73%	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 six years are presented because 10-year data is not yet available.

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 67,597	\$ 73,796	\$ 68,472	\$ 59,008	\$ 51,490	\$ 46,801
Contributions in relation to the statutorily required contribution	67,597	73,796	68,472	59,008	51,490	46,801
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 482,832	\$ 527,114	\$ 489,086	\$ 421,485	\$ 367,786	\$ 343,153
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

**Notes to Schedule:**

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

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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\*

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.2043%	0.2213%	0.2073%	0.2079%	0.1941%	0.1957%
City's proportionate share of the net pension liability (asset)	\$ (13,045)	\$ (105,429)	\$ 15,947	\$ 318,386	\$ 7,913	\$ (65,886)
City's covered-employee payroll	\$ 677,966	\$ 668,414	\$ 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	1.92%	15.77%	2.35%	52.21%	1.44%	12.30%
Plan fiduciary net position as a percentage of the total pension liability	100.24%	101.89%	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 six years are presented because 10-year data is not yet available.

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 86,970	\$ 86,384	\$ 87,765	\$ 79,705	\$ 71,311	\$ 68,883
Contributions in relation to the statutorily required contribution	86,970	86,384	87,765	79,705	71,311	68,883
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 677,966	\$ 668,414	\$ 677,413	\$ 609,785	\$ 548,547	\$ 535,736
Contributions as a percentage of covered-employee payroll	12.83%	12.96%	13.00%	13.00%	13.00%	12.86%

**Notes to Schedule:**

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

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SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Postemployment Health Insurance Implicit Rate Subsidy Plan

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 9,583	\$ 9,583	\$ 11,978
Interest	1,957	2,600	464
Changes of assumptions	-	3,375	-
Experience gain/(loss)	12,851	(3,765)	-
Net change in total pension liability	24,391	11,793	12,442
Total OPEB liability-beginning	78,984	67,191	54,749
Total OPEB liability-ending	\$ 103,375	\$ 78,984	\$ 67,191
Covered employee payroll	\$ 3,121,055	\$ 3,442,394	\$ 3,939,830
Total OPEB liability as a percentage of covered employee payroll	3.3%	2.3%	1.7%

**Notes to Schedule:**

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

The amounts presented were determined as of 6/30/2020.

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**SUPPLEMENTAL INFORMATION**



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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2020**

	<u>Special Revenue Funds</u>							<u>Capital Project Funds</u>			<u>Total Governmental Funds</u>	
	<u>Police Special Fund</u>	<u>Cemetery Beautification</u>	<u>Senior Citizen Fund</u>	<u>911 Account Fund</u>	<u>Marianne Ewert Bequest</u>	<u>Tourism Motel Tax</u>	<u>NSW Library Trust</u>	<u>PV Special Ambulance</u>	<u>PV Airport Project</u>	<u>TIF</u>		<u>Cemetery Care</u>
<b>ASSETS</b>												
Cash and cash equivalents	\$ 62,100	\$ 13,147	\$ 1	\$ 4,025	\$ 50,371	\$ 225,318	\$ 53,140	\$ -	\$ 48,275	\$ 808,682	\$ 66,210	\$ 1,331,269
Due from other funds	-	-	-	-	-	-	4,882	-	-	-	81	4,963
Taxes receivable, net	-	-	-	-	-	26,979	-	1,196	-	-	-	28,175
Inventories	-	-	-	-	-	25,416	-	-	-	-	-	25,416
Total assets	<u>\$ 62,100</u>	<u>\$ 13,147</u>	<u>\$ 1</u>	<u>\$ 4,025</u>	<u>\$ 50,371</u>	<u>\$ 277,713</u>	<u>\$ 58,022</u>	<u>\$ 1,196</u>	<u>\$ 48,275</u>	<u>\$ 808,682</u>	<u>\$ 66,291</u>	<u>\$ 1,389,823</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>												
<b>Liabilities:</b>												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 588
Accrued payroll payable	-	-	-	-	-	1,302	-	-	-	-	-	1,302
Unearned revenue	-	-	-	-	-	30,000	-	-	-	-	-	30,000
Other payables	-	-	-	-	-	-	2	-	-	-	-	2
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,890</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,892</u>
<b>Deferred inflows of resources:</b>												
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-
<b>Fund balances:</b>												
Nonspendable	-	-	-	-	50,000	25,416	-	-	-	-	-	75,416
Restricted for:												
Capital Improvements	-	-	-	-	-	-	-	-	-	808,682	-	808,682
Tourism	-	-	-	-	-	220,407	-	-	-	-	-	220,407
Senior Citizens	-	-	1	-	-	-	-	-	-	-	-	1
Airport	-	-	-	-	-	-	-	48,275	-	-	-	48,275
Cemetery	-	11,018	-	-	-	-	-	-	-	-	27,738	38,756
Emergency Medical Services	-	-	-	-	-	-	1,196	-	-	-	-	1,196
Assigned for:												
Capital Improvements	-	-	-	-	371	-	-	-	-	-	-	371
Public Safety	62,100	-	-	4,025	-	-	-	-	-	-	-	66,125
Library	-	-	-	-	-	-	58,020	-	-	-	-	58,020
Cemetery	-	2,129	-	-	-	-	-	-	-	-	38,553	40,682
Total fund balances	<u>62,100</u>	<u>13,147</u>	<u>1</u>	<u>4,025</u>	<u>50,371</u>	<u>245,823</u>	<u>58,020</u>	<u>1,196</u>	<u>48,275</u>	<u>808,682</u>	<u>66,291</u>	<u>1,357,931</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 62,100</u>	<u>\$ 13,147</u>	<u>\$ 1</u>	<u>\$ 4,025</u>	<u>\$ 50,371</u>	<u>\$ 277,713</u>	<u>\$ 58,022</u>	<u>\$ 1,196</u>	<u>\$ 48,275</u>	<u>\$ 808,682</u>	<u>\$ 66,291</u>	<u>\$ 1,389,823</u>

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2020**

	Special Revenue							Capital Project Funds			Total-Other Governmental Funds	
	Police Special Fund	Cemetery Beautification	Senior Citizens Fund	911 Account Fund	Marianne Ewert Bequest	Tourism Motel Tax	NSW Library Trust	PV Special Ambulance	PV Airport Project	TIF		Cemetery Care
<b>REVENUES</b>												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,900	\$ -	\$ 118,324	\$ -	\$ 247,393	\$ -	\$ 591,617
Intergovernmental	-	-	-	-	-	-	12,186	-	-	-	-	12,186
Charges for services	-	-	-	-	-	72,529	-	109,200	-	-	6,045	187,774
Investment income	156	44	-	14	127	2,687	126	-	162	-	159	3,475
Miscellaneous	18,018	500	-	-	-	24	86,876	-	-	-	176	105,594
Total revenues	<u>18,174</u>	<u>544</u>	<u>-</u>	<u>14</u>	<u>127</u>	<u>301,140</u>	<u>99,188</u>	<u>227,524</u>	<u>162</u>	<u>247,393</u>	<u>6,380</u>	<u>900,646</u>
<b>EXPENDITURES</b>												
Public Safety	3,780	-	-	-	-	-	-	344,738	-	-	-	348,518
Culture and recreation	-	-	2,002	-	-	-	91,339	-	-	-	-	93,341
Cemetery	-	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	313,191	-	-	-	-	-	313,191
Capital Outlay	10,039	-	-	-	-	67,854	-	-	-	42,130	816	120,839
Total Expenditures	<u>13,819</u>	<u>-</u>	<u>2,002</u>	<u>-</u>	<u>-</u>	<u>381,045</u>	<u>91,339</u>	<u>344,738</u>	<u>-</u>	<u>42,130</u>	<u>816</u>	<u>875,889</u>
Excess (deficiency) of revenues over expenditures	<u>4,355</u>	<u>544</u>	<u>(2,002)</u>	<u>14</u>	<u>127</u>	<u>(79,905)</u>	<u>7,849</u>	<u>(117,214)</u>	<u>162</u>	<u>205,263</u>	<u>5,564</u>	<u>24,757</u>
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	4,328	-	1,827	-	-	-	-	143,652	-	-	-	149,807
Total other financing sources and uses	<u>4,328</u>	<u>-</u>	<u>1,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,807</u>
Net change in fund balances	8,683	544	(175)	14	127	(79,905)	7,849	26,438	162	205,263	5,564	174,564
Fund balances - beginning	53,417	12,603	176	4,011	50,244	325,728	50,171	(25,242)	48,113	603,419	60,727	1,183,367
Fund balances - ending	<u>\$ 62,100</u>	<u>\$ 13,147</u>	<u>\$ 1</u>	<u>\$ 4,025</u>	<u>\$ 50,371</u>	<u>\$ 245,823</u>	<u>\$ 58,020</u>	<u>\$ 1,196</u>	<u>\$ 48,275</u>	<u>\$ 808,682</u>	<u>\$ 66,291</u>	<u>\$ 1,357,931</u>

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

**Combining Balance Sheet – General Fund Accounts – Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Rose Garden Account</u>	<u>Wacker Park Account</u>	<u>Beautification Account</u>	<u>Total General Fund</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 490,495	\$ 5,021	\$ 46,578	\$ 4,612	\$ 546,706
Advance due from component unit	388,732	-	-	-	388,732
Taxes receivable, net	669,866	-	-	-	669,866
Court fines receivable, net	67,249	-	-	-	67,249
Other receivables	3,683	-	-	-	3,683
Inventories	6,614	-	-	-	6,614
Prepaid expenses	2,604	-	-	-	2,604
Total assets	<u>\$ 1,629,243</u>	<u>\$ 5,021</u>	<u>\$ 46,578</u>	<u>\$ 4,612</u>	<u>\$ 1,685,454</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 57,070	\$ -	\$ -	\$ -	\$ 57,070
Accrued payroll payable	154,682	-	-	-	154,682
Due to other funds	4,963	-	-	-	4,963
Payable to other governments	5,093	-	-	-	5,093
Total liabilities	<u>221,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,808</u>
Deferred inflows of resources:					
Deferred revenue	52,347	-	-	-	52,347
Fund balances:					
Nonspendable	35,140	-	-	-	35,140
Restricted for:					
Debt Service	198,212	-	-	-	198,212
Capital Improvements	203,083	-	9,660	-	212,743
Assigned for:					
Subsequent Year Budget	20,000	-	-	-	20,000
Capital Improvements	-	5,021	36,918	4,612	46,551
Unassigned	898,653	-	-	-	898,653
Total fund balances	<u>1,355,088</u>	<u>5,021</u>	<u>46,578</u>	<u>4,612</u>	<u>1,411,299</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,629,243</u>	<u>\$ 5,021</u>	<u>\$ 46,578</u>	<u>\$ 4,612</u>	<u>\$ 1,685,454</u>

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

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund**  
**Accounts – Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Rose Garden Account</u>	<u>Wacker Park Account</u>	<u>Beautification Account</u>	<u>Total General Fund</u>
<b>REVENUES</b>					
Taxes	\$ 5,803,827	\$ -	\$ -	\$ -	\$ 5,803,827
Intergovernmental	332,754	-	-	-	332,754
Charges for services	830,018	-	-	-	830,018
Fines and forfeitures	125,455	-	-	-	125,455
Licenses and permits	32,778	-	-	500	33,278
Investment income	3,812	17	157	15	4,001
Miscellaneous	135,384	-	166	1,000	136,550
Total revenues	<u>7,264,028</u>	<u>17</u>	<u>323</u>	<u>1,515</u>	<u>7,265,883</u>
<b>EXPENDITURES</b>					
General government	809,162	-	-	-	809,162
Public Safety	2,516,052	-	-	-	2,516,052
Highways and streets	475,533	-	-	-	475,533
Culture and recreation	1,575,864	-	-	-	1,575,864
Airport	39,249	-	-	-	39,249
Cemetery	182,975	-	-	-	182,975
Capital Outlay	27,462	-	-	-	27,462
Debt Service:					
Principal	682,114	-	-	-	682,114
Interest and other charges	213,992	-	-	-	213,992
Total Expenditures	<u>6,522,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,522,403</u>
Excess (deficiency) of revenues over expenditures	<u>741,625</u>	<u>17</u>	<u>323</u>	<u>1,515</u>	<u>743,480</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,407,967	-	-	-	1,407,967
Transfers out	(1,455,779)	-	-	-	(1,455,779)
Transfers out-Hospital component unit	(683,507)	-	-	-	(683,507)
Total other financing sources and uses	<u>(731,319)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731,319)</u>
Net change in fund balances	10,306	17	323	1,515	12,161
Fund balances - beginning	1,344,782	5,004	46,255	3,097	1,399,138
Fund balances - ending	<u>\$ 1,355,088</u>	<u>\$ 5,021</u>	<u>\$ 46,578</u>	<u>\$ 4,612</u>	<u>\$ 1,411,299</u>

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

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**Statement of Changes in Assets and Liabilities – Agency Fund – Year Ended June 30, 2020**

	<u>BALANCE JUNE 30, 2019</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2020</u>
UPL ESCROW				
Assets:				
Cash	\$ 862,549	\$ 141,281,393	\$ 141,840,420	\$ 303,522
Total Assets	<u>862,549</u>	<u>141,281,393</u>	<u>141,840,420</u>	<u>303,522</u>
Liabilities:				
Due to others	862,549	141,281,393	141,840,420	303,522
Total Liabilities	<u>\$ 862,549</u>	<u>\$ 141,281,393</u>	<u>\$ 141,840,420</u>	<u>\$ 303,522</u>

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

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

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
<u>U.S. DEPARTMENT OF LIBRARY SERVICES AND TECHNOLOGY:</u>				
Passed through OK Department of Libraries:				
Health Literacy Grant	45.310	2020	\$ 4,000	\$ 4,000
Passed through OK Humanities				
Let's Talk About It, OK	45.164		1,000	1,000
Let's Talk About It, OK	45.164	Y19.069	1,000	1,000
Let's Talk About It, OK	45.164	Y20.001	1,000	756
SUBTOTAL			<u>3,000</u>	<u>2,756</u>
TOTAL U.S. DEPARTMENT OF LIBRARY SERVICES AND TECHNOLOGY			<u>7,000</u>	<u>6,756</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION:</u>				
CARES Act Airport Grant	20.106	3-40-0076-016-2020	30,000	20,000
<b>Total Federal Awards</b>			<b><u>\$ 37,000</u></b>	<b><u>\$ 26,756</u></b>
State Grantor/Pass Through Agency Grantor/Program Title		Grant #	Award Amount	Awards Expended
<u>STATE AWARDS:</u>				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant		N/A	\$ 4,642	\$ 4,642
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
FY 19 State Aid		N/A	5,481	548
FY 20 State Aid		N/A	4,882	4,882
TOTAL OKLAHOMA DEPARTMENT OF LIBRARIES			<u>10,363</u>	<u>5,430</u>
<b>Total State Awards</b>			<b><u>\$ 15,005</u></b>	<b><u>\$ 10,072</u></b>

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

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**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020**

**Note A. Basis of Presentation**

The accompanying schedule of expenditures of federal and state 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, 2020. 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 position, 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 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, 2020**

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**INTERNAL CONTROL COMPLIANCE INFORMATION**



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

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CERTIFIED PUBLIC ACCOUNTANTS

**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 8, 2021. We issued an adverse opinion on the major enterprise fund Pauls Valley Hospital Authority, due to the omission of the Pauls Valley Hospital Authority. We also qualified our opinion the on the Business-type activity, due to the omission of the Pauls Valley Hospital Authority.

**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.

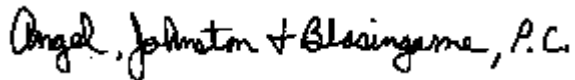
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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  
April 8, 2021

**CITY OF PAULS VALLEY, OKLAHOMA  
Schedule of Findings and Recommendations  
Year Ended June 30, 2020**

**Deficiencies of Internal Control, Compliance and Other Matters:**

**No findings were noted for the 2020 fiscal year.**

**CITY OF PAULS VALLEY, OKLAHOMA  
Disposition of Prior Year Findings  
Year Ended June 30, 2020**

**Deficiencies of Internal Control, Compliance and Other Matters:**

**No findings were noted for the 2019 fiscal year.**