



CITY OF HARRAH, OKLAHOMA

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

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

CITY OF HARRAH, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

City Council

Larry Fryar
Kim Bishop
Duane Patterson
Tom Barron
Cass Smith

Mayor
Vice-Mayor
Councilman
Councilman
Councilman

Clayton Lucas

City Manager

Michele Cogdill

Finance Director

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Harrah, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the City, 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 and budgetary comparison information and pension plan 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, 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 to forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City's internal control over financial reporting and compliance.

Dillon & Associates, PC

Midwest City, Oklahoma
August 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

As management of the City of Harrah, we offer readers this narrative overview and analysis of the financial activities of the City of Harrah for the fiscal year ended June 30, 2020. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position increased by \$689,330 and the assets of the City exceeded its liabilities \$12,297,484 (net position). Of this amount, \$3,131,325 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- On June 30, 2020, the City's governmental funds reported combined ending fund balances of \$2,690,179. Of this total amount, \$2,003,310 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2020, unassigned fund balance for the General Fund was \$2,003,310, or approximately 92.4% of total General Fund expenditures and transfers.
- Sales and use taxes totaled \$2,999,761, an increase of \$454,673 or 15.2% over the prior fiscal year.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City of Harrah (the "City") and the Harrah Public Works Authority (HPWA). Included in this report are government-wide statements for each of two categories of activities - governmental and business-type.

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 of 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 of the assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt), along with any inflows and outflows that are deferred.

CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. 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 determining whether the City's overall financial condition improved, declined, or remained steady over the past year. 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.

These two statements report the City's Net Position and Changes in Net Position from the prior year. You can think of the City's Net Position - the difference between assets and deferred outflows and liabilities and deferred inflows - as one way to measure the City's financial condition, or position. Over time, increases or decreases in Net Position are one indicator of whether the financial position of the City is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two types of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities - The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer utilities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many 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. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Governmental funds. Most 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. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds. When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. The City uses enterprise funds to account for its water and sewer operations services.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2020, net position for governmental activities and business-type activities increased to \$12,297,484. The results indicate the City, as a whole, incurred an increase in its financial condition from the prior year of \$689,330.

CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

The following is a summary comparison of changes in net position from last year for the City:

Table 1 Net Position (In Thousands)									
	Governmental			Business-type			Total		
	<u>Activities</u>		% Inc.	<u>Activities</u>		% Inc.	<u>Primary Government</u>		% Inc.
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
Current and									
other assets	\$ 2,710	2,493	9%	3,105	2,533	23%	5,815	5,026	16%
Capital assets	<u>3,551</u>	<u>3,320</u>	7%	<u>8,356</u>	<u>8,881</u>	-6%	<u>11,907</u>	<u>12,201</u>	-2%
Total assets	<u>6,261</u>	<u>5,813</u>	8%	<u>11,461</u>	<u>11,414</u>	0%	<u>17,722</u>	<u>17,227</u>	3%
Deferred outflow of resources	<u>450</u>	<u>363</u>		<u>277</u>	<u>112</u>		<u>727</u>	<u>475</u>	
Long-term debt									
outstanding	2,184	2,042	7%	3,641	3,677	-1%	5,825	5,719	2%
Other liabilities	<u>27</u>	<u>9</u>	200%	<u>47</u>	<u>45</u>	4%	<u>74</u>	<u>54</u>	37%
Total liabilities	<u>2,211</u>	<u>2,051</u>		<u>3,688</u>	<u>3,722</u>	-1%	<u>5,899</u>	<u>5,773</u>	2%
Deferred inflow of resources	<u>186</u>	<u>220</u>		<u>67</u>	<u>101</u>		<u>253</u>	<u>321</u>	
Net assets:									
Invested in capital									
assets, net of debt	2,604	2,227	17%	5,774	5,870	-2%	8,378	8,097	3%
Restricted	<u>687</u>	<u>766</u>	-10%	<u>101</u>	<u>104</u>	-3%	<u>788</u>	<u>870</u>	-9%
Unrestricted (deficit)	<u>1,023</u>	<u>912</u>	12%	<u>2,108</u>	<u>1,729</u>	22%	<u>3,131</u>	<u>2,641</u>	19%
Total net assets	\$ <u>4,314</u>	<u>3,905</u>	10%	<u>7,983</u>	<u>7,703</u>	4%	<u>12,297</u>	<u>11,608</u>	6%

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$788,148 represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted net position of \$3,131,325.

CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Change in Net Position

For the year ended June 30, 2020 net position of the primary government changed as follows:

Table 2
Changes in Net Position (In Thousands)

	Governmental			Business-type			Total		
	<u>Activities</u>		<u>% Inc.</u>	<u>Activities</u>		<u>% Inc.</u>	<u>Primary Government</u>		<u>% Inc.</u>
	<u>2020</u>	<u>2019</u>	<u>(Dec.)</u>	<u>2020</u>	<u>2019</u>	<u>(Dec.)</u>	<u>2020</u>	<u>2019</u>	<u>(Dec.)</u>
Revenues									
Charges for services \$	298	319	-7%	2,207	2,121	4%	2,505	2,440	3%
Operating grants	141	124	14%	-	-	-	141	124	14%
Capital grants	195	-	-	-	-	-	195	-	0%
Sales and use taxes	3,000	2,545	18%	-	-	-	3,000	2,545	18%
Franchise tax (fees)	250	226	11%	-	-	-	250	226	11%
Other taxes	92	93	-1%	-	-	-	92	93	-1%
Investment income	30	46	-35%	24	36	-	54	82	-34%
Other	50	19	163%	10	4	150%	60	23	161%
Total revenues	<u>4,056</u>	<u>3,372</u>	20%	<u>2,241</u>	<u>2,161</u>	4%	<u>6,297</u>	<u>5,533</u>	14%
Expenses									
General government	1,027	963	7%	-	-	-	1,027	963	7%
Public safety	1,612	1,438	12%	-	-	-	1,612	1,438	12%
Public works	223	234	-5%	-	-	-	223	234	-5%
Cultural & recreation	224	219	2%	-	-	-	224	219	2%
Water/sewer	-	-	-	2,522	2,393	5%	2,522	2,393	5%
Total expenses	<u>3,086</u>	<u>2,854</u>	8%	<u>2,522</u>	<u>2,393</u>	5%	<u>5,608</u>	<u>5,247</u>	7%
Increase in net position									
before transfers	970	518	87%	(281)	(232)	21%	689	286	141%
Transfers	(523)	(463)	13%	523	463	13%	-	-	-
Change in net position	447	55	713%	242	231	5%	689	286	141%
Beginning net position	3,905	3,918	0%	7,703	7,404	4%	11,608	11,322	3%
Contributed capital	(38)	(68)	-	38	68	-	-	-	-
Ending net position \$	<u>4,314</u>	<u>3,905</u>	10%	<u>7,983</u>	<u>7,703</u>	4%	<u>12,297</u>	<u>11,608</u>	6%

CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

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

	Total Expenses of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2020	2019		2020	2019	
General government	\$ 1,028	963	7%	(864)	(851)	2%
Public safety	1,612	1,438	12%	(1,217)	(1,106)	10%
Public works	223	234	-5%	(168)	(234)	-28%
Cultural & recreation	224	219	2%	(204)	(220)	-7%
Total	\$ 3,087	2,854	8%	(2,453)	(2,411)	2%

For the year ended June 30, 2020, total expenses for governmental activities amounted to \$3,086,570 which is a 8.1% increase from the prior year.

Business-type Activities

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

	Total Expenses of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2020	2019		2020	2019	
Water and sewer	\$ 2,522	2,393	5%	(315)	(272)	16%
Other	-	-	0%	-	-	0%
Total	\$ 2,522	2,393	5%	(315)	(272)	16%

The City's business-type activities include utility services for water and sewer operations.

**CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

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 \$2,690,179, or 9.6% increase from the prior year. The enterprise funds reported combined net position of \$7,982,876, or 3.0% increase from 2019.

Other Fund Highlights Include:

- For the year ended June 30, 2020, the General Fund's total fund balance increased by \$338,461, or 16.9%, due to an increase in revenues.
- The HPWA Enterprise Fund reported a net position increase before capital contributions of \$241,436.

General Fund Budgetary Highlights

For the year ended June 30, 2020, the General Fund reported actual budgetary basis revenues over final estimates by \$322,853 or an 9.0% positive variance. General Fund actual expenditures were under final appropriations by \$302,699 or an 14.0% positive variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the City had \$11,907,118 invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, water, wastewater systems. This represents a net decrease of \$294,443 over last year.

**CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Table 5
Capital Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Construction in progress	\$ -	32	14	112	14	144
Land	1,002	1,002	-	-	1,002	1,002
Buildings	1,549	1,361	534	534	2,083	1,895
Machinery and equipment	1,679	1,421	1,495	1,476	3,174	2,897
Vehicles	2,501	2,360	-	-	2,501	2,360
Infrastructure	1,855	1,855	17,788	17,670	19,643	19,525
Less: Accum. depreciation	(5,035)	(4,711)	(11,475)	(10,911)	(16,510)	(15,622)
Total capital assets, net	\$ 3,551	3,320	8,356	8,881	11,907	12,201

Major capital asset events during the current fiscal year included the following:

- Purchase and construction of minor equipment, vehicles, and utility projects.

Long-term Debt

At year-end, the City had \$3,746,649 in long-term debt outstanding, excluding accrued compensated absences, due to depositors and net pension liability, which represents a \$462,961 decrease from the prior year.

Table 6
Outstanding Debt

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Notes payable	\$ 947	984	2,800	3,226	3,747	4,210
Other	-	-	-	-	-	-
Total long-term debt	\$ 947	984	2,800	3,226	3,747	4,210

CITY OF HARRAH, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

ECONOMIC OUTLOOK

- The unemployment rate for the Oklahoma City metropolitan area which includes Harrah is currently 6.7 percent, which is a increase of 4.1 percent from a year ago. This compares favorably to the state's average unemployment rate of 6.6 percent and favorably to the national average rate of 10.2 percent.
- Inflationary trends in the region compare favorably to national indices.
- The City's major source of revenue is sales and use tax revenue. Sales and use tax revenue increased 15.2% over the prior year total.

All of these factors were considered in preparing the City's budget for the 2020-2021 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, bond rating agencies and creditors with a general overview of the City's finances reflecting the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office at P.O. Box 636, Harrah, Oklahoma 73045.

BASIC FINANCIAL STATEMENTS

City of Harrah, Oklahoma
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 2,109,949	2,366,144	4,476,093
Restricted cash and investments	-	443,806	443,806
Receivables (net of allowance for uncollectibles)	94,980	200,579	295,559
Internal balances	(94,511)	94,511	-
Due from other governments	592,306	-	592,306
Capital assets:			
Land, improvements, and construction in progress	1,001,528	13,929	1,015,457
Other capital assets, net of depreciation	2,549,609	8,342,052	10,891,661
Long-term assets:			
Net pension asset	7,145	-	7,145
Total assets	6,261,006	11,461,021	17,722,027
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	449,997	276,772	726,769
LIABILITIES			
Accounts payable and accrued expenses	-	-	-
Accrued interest payable	14,495	26,924	41,419
Deferred revenues	-	20,384	20,384
Due to bondholders	4,275	-	4,275
Deposits subject to refund	8,270	-	8,270
Long-term liabilities			
Net pension liability	1,142,545	670,888	1,813,433
Deposits subject to refund	-	129,435	129,435
Due within one year	97,410	447,803	545,213
Due in more than one year	943,845	2,392,358	3,336,203
Total liabilities	2,210,840	3,687,792	5,898,632
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	185,555	67,125	252,680
NET POSITION			
Net investment in capital assets	2,604,271	5,773,740	8,378,011
Restricted for:			
Debt service	-	101,279	101,279
Capital improvements	671,771	-	671,771
Other purposes	15,098	-	15,098
Unrestricted (deficit)	1,023,468	2,107,857	3,131,325
Total net position	\$ 4,314,608	7,982,876	12,297,484

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 1,027,359	163,745	-	-	(863,614)
Public safety	1,612,085	134,410	140,667	119,719	(1,217,289)
Public works	222,870	-	-	55,000	(167,870)
Culture and recreation	224,256	-	-	20,000	(204,256)
Total government activities	<u>3,086,570</u>	<u>298,155</u>	<u>140,667</u>	<u>194,719</u>	<u>(2,453,029)</u>
Business-type activities:					
Water , wastewater and sanitation	2,521,592	2,206,673	-	-	(314,919)
Total business-type activities	<u>2,521,592</u>	<u>2,206,673</u>	<u>-</u>	<u>-</u>	<u>(314,919)</u>
Total primary government	<u>5,608,162</u>	<u>2,504,828</u>	<u>140,667</u>	<u>194,719</u>	<u>(2,767,948)</u>

City of Harrah, Oklahoma
Statement of Activities
For the Year Ended June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Net Position:			
Net (expense) revenue	\$ (2,453,029)	(314,919)	(2,767,948)
General revenues:			
Taxes:			
Sales taxes	2,600,491	-	2,600,491
Use taxes	399,270	-	399,270
Franchise taxes (fees)	249,830	-	249,830
Other taxes	92,463	-	92,463
Unrestricted investment income	29,943	23,917	53,860
Miscellaneous	52,074	9,290	61,364
Transfers	(523,148)	523,148	-
Total general revenues and transfers	2,900,923	556,355	3,457,278
Change in net position	447,894	241,436	689,330
Net Position - beginning	3,904,816	7,703,338	11,608,154
Contributed capital - fixed assets	(38,102)	38,102	-
Net Position - ending	\$ 4,314,608	7,982,876	12,297,484

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,547,061	498,190	59,422	2,104,673
Cash - Police bond account	5,276	-	-	5,276
Receivables:				
Due from other governments	581,798	-	10,508	592,306
Due from other funds	30,356	175,180	-	205,536
Other receivables	94,980	-	-	94,980
	<u>2,259,471</u>	<u>673,370</u>	<u>69,930</u>	<u>3,002,771</u>
Total assets				
	<u>2,259,471</u>	<u>673,370</u>	<u>69,930</u>	<u>3,002,771</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Police bonds outstanding	4,275	-	-	4,275
Deposits subject to refund	5,350	-	2,920	8,270
Due to other funds	246,536	1,599	51,912	300,047
	<u>256,161</u>	<u>1,599</u>	<u>54,832</u>	<u>312,592</u>
Total liabilities				
	<u>256,161</u>	<u>1,599</u>	<u>54,832</u>	<u>312,592</u>
Fund balances:				
Nonspendable	-	671,771	15,098	686,869
Unassigned	2,003,310	-	-	2,003,310
	<u>2,003,310</u>	<u>671,771</u>	<u>15,098</u>	<u>2,690,179</u>
Total fund balances				
	<u>2,003,310</u>	<u>671,771</u>	<u>15,098</u>	<u>2,690,179</u>
Total liabilities and fund balances	\$ <u>2,259,471</u>	<u>673,370</u>	<u>69,930</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not required in the funds, net of accumulated depreciation of \$5,034,825	3,551,137
Certain deferred outflows are not available to pay current period expenditures and certain long-term liabilities and deferred outflows are not due and payable from current financial resources, and therefore, are not reported in these fund financial statements, but are reported in the governmental activities of the Statement of Net Position:	
Net pension asset	7,145
Pension related deferred outflows	449,997
Net pension liability	(1,142,545)
Pension related deferred inflows	(185,555)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, along with deferred inflows, are not reported in the funds:	
Notes payable	(946,866)
Accrued interest payable	(14,495)
Accrued compensated absences	(94,389)
Net position of governmental activities	\$ <u>4,314,608</u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 3,286,191	-	55,863	3,342,054
Intergovernmental	32,832	204,177	-	237,009
Licenses and permits	125,710	-	-	125,710
Charge for services	7,954	-	1,890	9,844
Fines and forfeitures	134,410	-	-	134,410
Interest	14,252	15,669	22	29,943
Miscellaneous	48,030	4,044	-	52,074
Total revenues	<u>3,649,379</u>	<u>223,890</u>	<u>57,775</u>	<u>3,931,044</u>
EXPENDITURES				
Current:				
General government	325,076	266,154	1	591,231
Administration	354,102	-	-	354,102
Building inspection	92,411	4,600	-	97,011
Legal	22,377	-	-	22,377
Police	875,541	123,025	-	998,566
Fire	425,814	228,108	-	653,922
Senior citizens center	72,437	10,190	-	82,627
Parks	-	37,609	50,912	88,521
Streets	-	-	57,638	57,638
Public works	-	203,334	-	203,334
Total expenditures	<u>2,167,758</u>	<u>873,020</u>	<u>108,551</u>	<u>3,149,329</u>
Excess (deficiency) of revenues over expenditures	<u>1,481,621</u>	<u>(649,130)</u>	<u>(50,776)</u>	<u>781,715</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	192,437	643,149	49,300	884,886
Transfers out	(1,335,597)	(72,437)	-	(1,408,034)
Total other financing sources and uses	<u>(1,143,160)</u>	<u>570,712</u>	<u>49,300</u>	<u>(523,148)</u>
Net change in fund balances	338,461	(78,418)	(1,476)	258,567
Fund balances-beginning	1,664,849	750,189	16,574	2,431,612
Fund balances-ending	<u>\$ 2,003,310</u>	<u>671,771</u>	<u>15,098</u>	<u>2,690,179</u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$	258,567
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	555,023
Business-type capital assets purchased with governmental funds	38,102
Depreciation expense	(324,229)

In the Statement of Activities, the 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.	(83,763)
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Repayment of debt principal and note issue costs is an expenditure in the governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position:	
Long-term debt principal payments	36,888

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued compensated absences	(32,694)

Change in net position of governmental activities.	\$	447,894
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City of Harrah, Oklahoma
Statement of Net Position - Proprietary Fund
June 30, 2020

	Harrah Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,366,144
Restricted:	
Cash and investments	443,806
Receivables	
Accounts, net of allowance of \$236,242	200,579
Due from other funds	123,268
Total current assets	<u>3,133,797</u>
Capital assets:	
Land, improvements, and construction in progress	13,929
Other capital assets, net of accumulated depreciation	8,342,052
Total non-current assets	<u>8,355,981</u>
Total assets	<u><u>11,489,778</u></u>
DEFERRED OUTFLOW OF RESOURCES:	
Deferred amounts related to pensions	<u>276,772</u>
LIABILITIES	
Current liabilities:	
Accrued interest payable	26,924
Deferred revenues	20,384
Due to other funds	28,757
Current portion of long-term obligations	447,803
Total current liabilities	<u>523,868</u>
Non-current liabilities:	
Notes payable	2,362,075
Net pension liability	670,888
Deposits subject to refund	129,435
Accrued compensated absences	30,283
Total non-current liabilities	<u>3,192,681</u>
Total liabilities	<u><u>3,716,549</u></u>
DEFERRED INFLOW OF RESOURCES:	
Deferred amounts related to pensions	<u>67,125</u>
NET POSITION	
Net investment in capital assets	5,773,740
Restricted:	
Debt service	101,279
Unrestricted	<u>2,107,857</u>
Total net position	<u><u>\$ 7,982,876</u></u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
For the Year Ended June 30, 2020

	Harrah Public Works <u>Authority</u>
REVENUES	
Water	\$ 868,547
Wastewater	656,457
Sanitation	587,396
Other	94,273
Total operating revenues	<u>2,206,673</u>
OPERATING EXPENSES	
Personal services	916,280
Maintenance and operations	931,341
Bad debt expense	2,642
Depreciation and amortization	563,340
Total operating expenses	<u>2,413,603</u>
Operating income (loss)	<u>(206,930)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous revenues (expense)	9,290
Interest income	23,917
Interest expense and fiscal charges	(107,989)
Total nonoperating revenues (expenses)	<u>(74,782)</u>
OPERATING TRANSFERS	
Transfers in	643,148
Transfers out	(120,000)
Total operating transfers	<u>523,148</u>
Change in net position	241,436
Net position - beginning	7,703,338
Contributed capital - Fixed assets	38,102
Net position-ending	<u><u>\$ 7,982,876</u></u>

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Statement of Cash Flows - Proprietary Fund
Harrah Public Works Authority
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,182,953
Payments to suppliers and employees	(1,672,966)
Net receipts (refunds) of customer meter deposits	5,810
Net cash provided (used) by operating activities	<u>515,797</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers in (out)	523,148
Net cash provided (used) by noncapital financing activities	<u>523,148</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(37,256)
Principal paid on debt	(426,073)
Capital contributions	38,102
Interest expense and fiscal charges	(107,989)
Net cash provided (used) by capital and related financing activities	<u>(533,216)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	23,917
Net cash provided (used) by investing activities	<u>23,917</u>

Net increase (decrease) in cash and cash equivalents	529,646
Cash and cash equivalents, beginning of the year	2,280,303
Cash and cash equivalents, end of the year	<u>\$ 2,809,949</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	2,366,144
Restricted cash and cash equivalents	443,806
Total cash and cash equivalents, end of year	<u>\$ 2,809,950</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	(206,930)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	563,340
Miscellaneous revenue	9,290
Change in assets and liabilities:	
(Increase) decrease in receivables	(21,078)
(Increase) decrease in due from other funds	(21,957)
Increase (decrease) in accounts payable and accrued expenses	(3,149)
Increase (decrease) in deposits subject to refund	5,810
Increase (decrease) in deferred revenues	5,299
Increase (decrease) in net pension liability and related deferrals	185,173
Total adjustments	<u>722,728</u>
Net cash provided by (used in) operating activities	<u>\$ 515,798</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Harrah, Oklahoma (the “City”) conform to accounting principles generally accepted in the United States of America for state and local governments. Generally accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). The following represent the more significant accounting and reporting policies and practices of the City.

Financial Reporting Entity - The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and therefore data from these units are combined with the data of the City. Each blended component unit has a June 30 year end.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and includes all component units for which the City is financially accountable.

Blended Component Units. The Harrah Public Works Authority (HPWA) was created February 27, 1991 pursuant to a Trust Indenture to finance, develop, and operate the water, wastewater, and solid waste activities of the City. Council members serve as Trustees and the City Manager is the General Manager. The rates for user charges and debt authorization are approved by the city council. The HPWA is reported as an enterprise fund type.

Separate financial statements have not been prepared for the blended component units.

Each component unit is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through the 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 Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of presentation:

The City follows Governmental Accounting Standards Board (“GASB”) statements in the preparation of its financial statements. Additional information regarding the basis of accounting and the differences in presentation are contained in the Management’s Discussion and Analysis, which proceed the financial statements.

Government-wide and fund financial statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and nonexchange transactions are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

Measurement focus, basis of accounting, and financial statement presentation - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due.

Sales taxes, excise taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures driven grants are recognized as revenues when qualifying expenditures have been incurred and all eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The following are the City's major governmental funds:

General Fund - is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Capital Projects Fund - accounts for designated revenues and the purchase and construction of capital projects.

The following are the City's non-major governmental funds:

Special Revenue Funds - accounts for the proceeds of government grants or specific revenue sources (other than grants applicable to enterprise fund activities, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

- Street & Alley Fund
- Harrah Tax Increment Financing Authority
- Park Funds

The following are the City's major proprietary funds:

Harrah Public Works Authority (HPWA) - accounts for the revenues from operations of water, sanitary sewer, and solid waste systems.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Policies -

Assets, Liabilities, and Fund Equity

- a. *Cash and Cash Equivalents* - The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.
- b. *Investments* - Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market price on June 30, 2020, to be the fair value of its investments.

Oklahoma Statutes authorize the City to invest in obligations of the United States government, its agencies and instrumentalities; collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings bank, savings and loan associations and credit unions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank; prime banker's acceptances which are eligible for purchases by the Federal Reserve System and which do not exceed 270 days' maturity; prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than 10% of the outstanding paper of an issuing corporation; repurchase agreements that have underlying collateral consisting of those items specified above; and money market funds regulated by the Securities and Exchange Commission and which investments consist of those items noted above.

- c. *Receivables and payables* - In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

- d. *Interfund Receivable and Payables* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / due from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- e. *Restricted Assets* - Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use. The restricted assets are primarily related to debt trustee accounts and guaranty deposits.
- f. *Capital Assets* - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$1000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 - 65 years
Infrastructure	25 - 50 years
Improvements other than buildings & infrastructure	10 - 20 years
Machinery and equipment	3 - 20 years
Vehicles	3 - 7 years

- g. *Inventory* - The City records parts and fuel inventory within the General Fund. Parts inventory is recorded using actual cost.
- h. *Long-term Debt* Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied, and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities and proprietary funds are reported as liabilities as incurred. The long-term debt presently is primarily comprised of revenue bonds payable, net pension liability, and accrued compensated absences. This long-term debt is reported not of unamortized discounts and premiums.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- i. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. The Risk Management Fund pays all claims and judgments. A liability has been recorded within the government-wide, proprietary, and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources.
- j. *Compensated Absences* - Under the terms of union contracts and City personnel policies, City employees are granted vacation in varying amounts. In the event of termination, an employee is paid for their accumulated vacation leave.
- k. *Pensions* - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the City's multiemployer pension plans and additions to/deductions from the multiemployer pension plans have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- l. *Fund Equity* - In the government-wide financial statements, equity is classified as net position and displayed in three components:
 - 1. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
 - 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
 - 3. *Unrestricted net position* - All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net positions are available for use, generally it is the City's policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows and based on the nature of any limitations requiring the use of resources for specific purposes.

- a) *Nonspendable* - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- b) *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c) *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision-making authority. The City Council is the highest level of decision-making authority that can, by adoption of an Ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action by City Council is taken (the adoption of another ordinance) to remove or revise the limitation.
- d) *Assigned* - Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the General Fund.

When both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance) are available for use, generally it is the City's policy to use restricted resources first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cost Sharing Defined Benefit Pension Plans

The City participates in two cost-sharing multiple-employer defined benefit pension plans, the Oklahoma Firefighters Pension & Retirement System (OFPRS) and the Oklahoma Police Pension & Retirement System (OPPRS) (the Plans). For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to the pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has deferred outflows related to pensions, with one being the amount of contributions made to pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments and the difference in assumption changes. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of pension liability in the following year. The remaining amounts will be amortized to pension expense over future periods. See Note 4 for additional information.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has a deferred inflow related to pensions. This consists of the difference between expected and actual experience related to pension plans as well as the difference in assumption changes. These amounts are amortized over future periods to pension expense.

Revenues, Expenditures and Expenses

- a. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two-month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.
- b. *Charges for Services* - Charges for service consist primarily of charges made by the Risk Management Fund for services such as self-insurance and other benefits provided to the other funds of the City.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses and changes in fund net position.
- d. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Compliance

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing is held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All fund decreases of appropriation and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments within a fund without City Council approval. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

In accordance with Title 60 of the Oklahoma State Statutes, the Harrah Public Works Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal level of control; and, therefore, no budget and actual financial presentation for the HPWA funds are included in this report.

Deposits and Investment Laws and Regulations

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds or certain letters of credit. As required by 12 U.S.C.A., Section 1823c, all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or the loan committee. As reflected in Note 3, the City's uninsured deposited were sufficiently collateralized in accordance with these provisions for the year ended on June 30, 2020.

Investments of a City (excluding Public Trusts) are limited by State Law to the following:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable pledged collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime banker acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by restrictions in their trust or bond indentures.

**City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of certain outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of the net assessed valuation. For the year ended June 30, 2020, the City complied with this restriction.

Other Long-term Debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

Revenue Note Debt

The bond indentures relating to the revenue note issues of the Harrah Public Works Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, debt service coverage requirements and required reserve account balances.

The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance, thereon, as of June 30, 2020:

<u>Requirement</u>	<u>Level of Compliance</u>
<i>Harrah Public Works Authority</i>	
a. Flow of Funds	
1. 2015 Revenue Note	The Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Note Fund	
2. 2008 Revenue Note	Authority maintained all required accounts and made the required payments into such accounts.
- Construction Fund	
- Note Fund	
b. Revenue Note Coverage	
Net operating revenue plus transferred Sales tax must equal 1.25 times annual debt service on the 2004, 2009, 2011 OWRB Notes and the 2008 and 2015 Revenue Notes	Net revenue available amounted to \$2,052,100. The annual debt service was \$466,968. Actual coverage was 4.39 times.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Fund Equity/Net Position Restrictions

Restricted Net Position

Restricted net position at the government-wide financial statements are required to restrict funds in accordance with various laws and regulations, specifically those laws and regulations dealing with debt service and the use of restricted revenues. See Note 3 for details of restricted net position.

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, equity, revenues, and expenditures/expenses.

Deposits and Investment Risks

The City of Harrah, including its blended component units, held the following deposits and investments on June 30, 2020:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 4,918,299
Cash on hand			<u>1,600</u>
Total deposits and investments			\$ <u>4,919,899</u>
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 4,476,093
Restricted investments			<u>443,806</u>
			\$ <u>4,919,899</u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized, collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exist when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

On June 30, 2020, the City was not exposed to custodial credit risk as defined above.

Investment Interest Credit Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its investments.

As noted in the schedule of deposits and investments above, on June 30, 2020, the investments held by the City mature at various times.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City places no limit on the amount it may invest with any one issuer. The City has the following concentration of credit risk: 100% or (\$4,533,718) invested in Federal Treasury Obligations money market accounts at BancFirst.

Restricted Assets

The amounts reported as restricted assets on the Statement of Net Position are comprised of cash and investments held by the trustee bank on behalf of the public trusts (Authorities) related to its required revenue bond accounts as described in Note 2 and amounts due to depositors related to utility deposits.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

The restricted assets as of June 30, 2020 were as follows:

Utility Sales Tax Revenue Note, Series 2008 :

Project account	\$	200,096
Debt service		61,874

Utility Sales Tax Revenue Note, Series 2015 :

Project account	17,446
Debt service	39,405

Meter deposit funds	124,985
Total restricted assets	<u>\$ 443,806</u>

Receivables and Uncollectible Accounts

Accounts receivable of governmental and business-type activities consist of sales tax, franchise tax and fees, grants funds due, customer utilities services provided, both billed and unbilled, all reported net of allowance for uncollectible amounts are as follows:

	General <u>Fund</u>	Capital Project <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Harrah Public Works <u>Authority</u>
Receivables:				
Accounts	\$ 94,980	-	-	436,821
Due from other governments	581,798	-	10,508	-
Gross receivables	676,778	-	10,508	436,821
Less: Allowance for uncollectibles	-	-	-	236,242
Net total receivables	<u>\$ 676,778</u>	<u>-</u>	<u>10,508</u>	<u>200,579</u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets

Capital asset balances and activities for the year ended June 30, 2020, were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
<i>Governmental activities</i>					
Capital assets not being depreciated :					
Land	\$ 1,001,528	-	-	-	1,001,528
Construction in progress	32,500	-	(32,500)	-	-
Total capital assets not being depreciated	1,034,028	-	(32,500)	-	1,001,528
Capital assets being depreciated :					
Buildings and improvements	1,361,276	155,536	32,500	-	1,549,312
Machinery and equipment	1,420,576	258,673	-	-	1,679,249
Vehicles	2,359,884	140,814	-	-	2,500,698
Infrastructure	1,855,175	-	-	-	1,855,175
Total capital assets being depreciated	6,996,911	555,023	32,500	-	7,584,434
Less : Accumulated depreciation	4,710,596	324,229	-	-	5,034,825
Governmental activities capital assets, net \$	<u>3,320,343</u>	<u>230,794</u>	<u>-</u>	<u>-</u>	<u>3,551,137</u>

Depreciation expense for governmental activities is charged to functions as follows:

Governmental activities:

General government	\$ 64,005
Public safety	171,245
Cultural and recreation	88,979
Total depreciation expense - governmental activities	<u>\$ 324,229</u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital asset activity for business-type activities for the year ended June 30, 2020 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
<i>Business-type activities</i>					
Capital assets not being depreciated :					
Land	\$ -	-	-	-	-
Construction in progress	112,929	-	(99,000)	-	13,929
Total capital assets not being depreciated	112,929	-	(99,000)	-	13,929
Capital assets being depreciated :					
Buildings and improvements	533,637	-	-	-	533,637
Equipment and vehicles	1,475,642	19,426	-	-	1,495,068
Infrastructure	17,229,466	18,677	99,000	-	17,347,143
Industrial park	440,664	-	-	-	440,664
Total capital assets being depreciated	19,679,409	38,103	99,000	-	19,816,512
Less : Accumulated depreciation	10,911,120	563,340	-	-	11,474,460
Governmental activities capital assets, ne \$	8,881,218	(525,237)	-	-	8,355,981

Depreciation expense for business-type activities is charged to functions as follows:

Business-type activities:

Water and wastewater	\$ 563,340
Total depreciation expense - business-type activities	\$ 563,340

Deposits Subject to Refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2020, cash and investments included \$124,984 available for refund of customer deposits, while the liability to customers was \$129,435.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2020, \$4,275 was being held that was subject to refund.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Long-term Debt

The reporting entity's long-term debt is segregated by the amounts involving governmental activities and business activities.

Governmental Activities Long-term Debt:

As of June 30, 2020, the governmental activities long-term debt consisted of the following:

Notes Payable

Notes outstanding consist of debt issued by the City of Harrah.

\$290,531 note payable to FNB Community Bank; dated October 5, 2018, for the acquisition of land for economic development; due in monthly principal and interest payments of \$2,012.49 beginning November 5, 2018 and maturing October 5, 2033; secured by mortgage on the land; interest included at a rate of 3.00% per annum. \$ 264,401

\$103,530 note payable to FNB Community Bank; dated June 24, 2019, for the acquisition of three police vehicles and related equipment; due in three annual installments of \$36,522 beginning June 15, 2020 and maturing June 15, 2022; secured by the vehicles; interest included at a rate of 2.88% per annum. 69,965

Total Revenue Notes	\$	334,366
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Current portion	\$	50,813
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Non-current portion		283,553
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	\$	334,366
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Tax Increment Revenue Note

\$600,000 Harrah Tax Increment Finance Authority Use Tax Revenue Note, Taxable Series 2019; dated January 31, 2019. Proceeds to be used to finance the purchase of land for an economic development project. Note matures on August 1, 2030 and bears interest at an initial rate of 5.50% per annum. The interest rate resets annually on February 1 of each year at an interest rate equal to the WSJ prime rate, but not be less than 5.00% per annum. Semi-annual principal payments commence on February 1, 2021 to August 1, 2030 in varying amounts of \$23,000 to \$38,000. The note is secured by a pledge of all of the use tax revenue of the City. \$ 612,500

Current portion	\$	23,000
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Non-current portion		589,500
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	\$	612,500
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City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Business-type Activities Long-term Debt:

As of June 30, 2020, the long-term debt payable from enterprise fund resources consisted of the following:

Revenue Notes Payable

\$2,220,000 Clean Water SRF Series 2004 loan payable to the Oklahoma Water Resource Board (OWRB), dated December 16, 2004, payable in semi-annual installments with a final payment due September 15, 2025; interest rate of 2.60% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues.	\$ 722,908
\$1,930,000 Clean Water SRF Series 2009 loan payable to the Oklahoma Water Resource Board (OWRB), dated May 29, 2009, payable in semi-annual installments with a final payment due March 15, 2030; interest rate of 2.35% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues.	737,764
\$490,000 Drinking Water SRF Series 2011 loan payable to the Oklahoma Water Resource Board (OWRB), dated October 1, 2011, payable in semi-annual installments with a final payment due March 15, 2032; interest rate of 3.05% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues.	329,111
\$1,470,000 HPWA Utilities System and Sales Tax Revenue Note, Series 2008; payable in semi-annual installments ranging from \$35,000 to \$70,000 with a final payment due February 1, 2021; interest rate of 3.73%; secured by a pledge of a three cent sales tax and water and sewer revenues.	140,000
\$1,220,000 HPWA Utilities System and Sales Tax Revenue Note, Series 2015; payable in semi-annual installments ranging from \$35,000 to \$50,000 with a final payment due February 1, 2030; interest rate of 2.56%; secured by a pledge of a three cent sales tax and water and sewer revenues.	870,000
Total Revenue Notes Payable	\$ 2,799,783
Current portion	\$ 437,708
Non-current portion	2,362,075
	\$ 2,799,783

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Accrued Compensated Absences

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave, sick leave and compensatory time.

Governmental activities	\$ 94,390
Business-type activities	<u>40,378</u>
Total Accrued Compensated Absences	<u><u>\$ 134,768</u></u>

Due to Depositors

Outstanding deposits for utility services, refundable only upon termination of services, amounted to the following:

Current portion	\$ -
Non-current portion	<u>129,435</u>
Total Due to Depositors	<u><u>\$ 129,435</u></u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Beginning			Ending	Amounts
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental activities					
Note payable - FNB - Land	\$ 280,224	-	15,823	264,401	16,334
Note payable - FNB - Vehicles	103,530	-	33,565	69,965	34,479
Revenue note - HTIFA	600,000	12,500	-	612,500	23,000
Net pension liability	944,507	198,038	-	1,142,545	-
Accrued compensated absences	61,695	32,695	-	94,390	23,597
Total Governmental Activities \$	<u>1,989,956</u>	<u>243,233</u>	<u>49,388</u>	<u>2,183,801</u>	<u>97,410</u>

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>One Year</u>
Business-type activities					
Notes payable:					
OWRB Series 2004	\$ 853,925	-	131,017	722,908	135,041
OWRB Series 2009	800,504	-	62,740	737,764	64,627
OWRB Series 2011	351,427	-	22,316	329,111	23,040
Revenue note - Series 2008	280,000	-	140,000	140,000	140,000
Revenue note - Series 2015	940,000	-	70,000	870,000	75,000
Deposits subject to refund	123,625	5,810	-	129,435	-
Net pension liability	287,253	383,635	-	670,888	-
Accrued compensated absences	40,034	344	-	40,378	10,095
Total Business-type Activities	<u>3,676,768</u>	<u>389,789</u>	<u>426,073</u>	<u>3,640,484</u>	<u>447,803</u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, with interest rates applicable as of June 30, 2020, excluding accrued compensated absences, due to depositors, estimated claims liability, net pension liability and net OPEB obligation are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2021	\$ 73,813	42,859	437,708	72,990
2022	100,323	39,424	309,386	60,388
2023	68,357	35,201	317,459	50,245
2024	70,875	31,850	325,650	39,970
2025	74,443	28,311	334,272	34,275
2026-2030	444,598	82,104	1,011,705	88,284
2031-2035	114,457	5,078	63,603	2,483
Totals	\$ 946,866	264,827	2,799,783	348,635

Applicability of Federal Arbitrage Regulations

Debt issuances of the City and Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The City's management believes the City is in compliance with these rules and regulations.

**City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Non-Commitment Debt

Harrah Tax Increment Finance Authority Revenue Notes- Series 2009

On December 28, 2008, the Harrah Tax Increment Finance Authority issued tax increment revenue notes in the aggregate principal amount of \$15,760,000 with a maturity date on July 1, 2035. The Notes will be issued on a drawdown basis as project costs are incurred. The Notes shall bear interest and principal on a monthly basis, as more fully set out in a Loan Agreement and Security Agreement dated December 1, 2009. The Notes were issued in furtherance of the implementation of the Harrah Town Center Economic Development Project Plan. The proceeds of the Notes are financing the certain project costs outlined in the Project Plan.

The Notes are secured by a pledge of certain ad valorem tax and sales and use revenues generated within the Increment District. The Notes are a limited obligation of the Authority and does not constitute an obligation of the State of Oklahoma or the City of Harrah. The Authority has no taxing power.

During the fiscal year ended June 30, 2020, the Authority received and paid \$96,850 of sales tax related to the Tax Increment District.

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged three cents of future sales tax revenues to repay \$4,640,000 of OWRB Series 2004, 2009 and 2011 Revenue Notes and \$2,690,000 of HPWA Series 2008 and 2015 Revenue Notes which are payable through 2032. Proceeds from the notes provided financing for construction of designated capital improvements. The total principal and interest payable for the remainder of the life of the notes is \$3,148,417. Pledged sales tax received in the current year was \$1,866,276. Debt service payments on the Revenue Notes of \$426,073 for the current fiscal year was 22.8% of pledged sales tax. Other sources of revenues such as water and sewer are also pledged.

Utility Revenue Pledge - The City has also pledged future net water and sewer revenues to repay \$4,640,000 of OWRB Series 2004, 2009 and 2011 Revenue Notes and \$2,690,000 of HPWA Series 2008 and 2015 Revenue Notes which are payable through 2032. Proceeds from the notes provided funding for utility system capital assets. The total principal and interest payable for the remainder of the life of the notes is \$3,148,417. The notes are payable from the above-mentioned utility net revenues and are additionally secured with three cents of future sales tax revenues. The debt service payments on the notes this year were \$426,073 which was 229.3% of pledged net utility revenues of \$185,824 and 20.8% of both pledged utility revenues and pledged sales taxes.

Use Tax Pledge - The City has pledged future use tax revenues to repay \$600,000 of the Harrah Tax Increment Finance Authority Series 2020 Revenue Notes which are payable through 2030. Proceeds from the note provided financing for economic development incentives. The total principal and interest payable for the remainder of the life of the notes is \$815,615. Pledged use tax received in the current year was \$399,270. Maximum annual debt service payments on the Revenue Notes of \$79,408 are 19.9% of pledged use tax.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Interfund Receivables, Payables, and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid grossing up 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. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
Harrah Public Works Auth.	General Fund	120,000	Operating subsidy
Capital Improvement Fund	General Fund	72,436	Operating subsidy
General Fund	Capital Improvement Fund	643,149	Sales tax transfer
General Fund	Harrah Public Works Auth.	643,149	Sales tax transfer
General Fund	Park Fund	49,300	Operating subsidy
		<u>1,528,034</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	884,886	(1,408,034)	(523,148)
Proprietary Funds	643,148	(120,000)	523,148
	<u>1,528,034</u>	<u>(1,528,034)</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net Transfers	<u>-</u>
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City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Balances:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	Capital Improvement Fund	123,268	Sales tax transfer receivable
General Fund	Harrah Public Works Auth.	123,268	Sales tax transfer receivable
Capital Improvement Fund	General Fund	1,599	Interfund obligation
Harrah Ind Econ Dev Trust	Capital Improvement Fund	51,912	Interfund obligation
General Fund	Harrah Public Works Auth.	28,757	Sales tax transfer receivable
		<u>328,804</u>	

Reconciliation to Fund Financial Statements:

	<u>Due To</u>	<u>Due From</u>	<u>Net Interfund Balance</u>
Governmental Funds	(300,047)	205,536	(94,511)
Proprietary Funds	(28,757)	123,268	94,511
	<u>(328,804)</u>	<u>328,804</u>	<u>-</u>

Fund Balances and Net Position

Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Fuunds</u>	<u>Total</u>
Fund Balances:				
Nonspendable:				
Capital improvements	-	671,771	-	671,771
Economic development	-	-	(51,912)	(51,912)
Street	-	-	59,738	59,738
Parks	-	-	7,272	7,272
Subtotal Nonspendable	-	671,771	15,098	686,869
Unassigned (deficit):	2,003,310	-	-	2,003,310
TOTAL FUND BALANCES	<u>2,003,310</u>	<u>671,771</u>	<u>15,098</u>	<u>2,690,179</u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION

Sales Tax

Sales tax revenue represents a 4 cents tax on each dollar of taxable sales of which is recorded as follows:

- 3 cents are recorded in the General Fund and is pledged for Harrah Public Works Authority debt service. 1 cent is transferred to HPWA and the remaining 2 cents is retained in the General Fund for general operational purposes,
- 1 cent is recorded in the General Fund and then transferred to the Capital Improvement Fund for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures.

In accordance with sales tax agreements of the OWRB and Revenue note indentures, sales tax has been pledged for the payment of principal and interest on the indebtedness on a parity basis.

Risk Management

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

- General Liability - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Physical Property - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Workers' Compensation - The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a matter of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A loss Fund has been established from the proceeds of the fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

**City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020**

NOTE 4 - OTHER INFORMATION - Continued

- Employee's Group Medical - Covered through purchased insurance with a deductible of \$500 per employee. The deductible for the period prior to January 1, 2020 was \$6,000.

COMMITMENTS AND CONTINGENCIES

Commitments

Construction in Progress

Construction in progress is authorized by actions of the City Council (governing body). A summary of construction in progress as of June 30, 2020 is as follows:

	Total Construction <u>In Progress</u>	Total Project <u>Project</u>	Remaining To Complete <u>To Complete</u>
Water and sewer improvements	\$ 13,929	2,200,000	2,186,071

Contingent Liabilities

General Litigation

The City and Public Works Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the self-insurance reserves maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance reserves would not have a material adverse effect on the financial condition of the City.

Grant Program Involvement

In the normal course of operations, the City participates in various federal and state grant/loan programs from year to year. 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. Any liability of reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The City participates in five employee pension systems as follows:

<u>Names of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Contribution Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	City Manager Retirement Plan - Defined Contribution Plan

Summary of Defined Benefit Plan Balances

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Pension Liability (Asset)		
Police Pension System	\$ (7,145)	-
Firefighter's Pension System	855,021	-
Non-Uniform Employees Pension System	<u>287,524</u>	<u>670,888</u>
Total Net Pension Liability	<u>\$ 1,135,400</u>	<u>670,888</u>
Deferred Outflows of Resources		
Police Pension System	\$ 128,257	-
Firefighter's Pension System	203,123	-
Non-Uniform Employees Pension System	<u>70,944</u>	<u>165,537</u>
Total Deferred Outflow of Resources	<u>\$ 402,324</u>	<u>165,537</u>
Deferred Inflows of Resources		
Police Pension System	\$ 55,537	-
Firefighter's Pension System	101,250	-
Non-Uniform Employees Pension System	<u>28,768</u>	<u>67,125</u>
Total Deferred Inflow of Resources	<u>\$ 185,555</u>	<u>67,125</u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS)

Plan Description - The City of Harrah, as the employer, participates in the Police Pension & Retirement - a cost-sharing multi-employer defined benefit pension plan administered by the Oklahoma Police Pension & Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes 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/pprs.

Benefits Provided - The Plan 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 State statute. Retirement provisions are as follows:

- 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.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

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 eight percent (8%) of their annual pay. Participating cities are required to contribute thirteen percent (13%) of the employees' annual pay. Contributions to the pension plan from the City were \$47,314. In the government-wide Statement of Activities, revenue is recognized for the State of Oklahoma's on-behalf contributions on an accrual basis of \$44,275. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities/Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - On June 30, 2020, the City reported a net asset of \$7,145 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset 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 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 0.1111921%.

For the year ended June 30, 2020, the City recognized pension expense of \$37,778. As of 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	\$ 4,288	\$ 49,955
Changes of assumptions	18,244	-
Net difference between projected and actual earnings on pension plan investments	65,280	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,320
City contributions during measurement period	-	4,262
City contributions subsequent to the measurement date	40,445	-
Total	\$ <u>128,257</u>	\$ <u>55,537</u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

\$40,445 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:

2020 \$	18,494
2021	(15,363)
2022	14,943
2023	13,781
2024	420
	<hr/>
\$	<u>32,275</u>

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 12.0% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
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 with fully generational improvement using Scale AA.

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

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

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:

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

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net position 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 one percentage point lower - (6.5%) or one 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 \$	304,375	(7,145)	(270,539)

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.

**City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020**

NOTE 4 - OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The City of Harrah, as the employer, participates in the Firefighters Pension & Retirement - a cost-sharing multi-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.

Benefits Provided - In general, the Plan 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:

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.

**City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020**

NOTE 4 - OTHER INFORMATION - Continued

- 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 benefit 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 services, 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% 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 \$35,032. In the government-wide Statement of Activities, revenue is recognized for the State of Oklahoma's on-behalf contributions on an accrual basis of \$82,293. 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 - On June 30, 2020, the City reported a liability of \$855,021 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 0.080917%.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

For the year ended June 30, 2020, the City recognized pension expense of \$134,219. On 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	\$ 143,173	\$ 17,391
Changes of assumptions	-	21,965
Net difference between projected and actual earnings on pension plan investments	-	61,894
Changes in proportion and differences between City contributions and proportionate share of contributions	26,766	-
City contributions during measurement date	1,522	-
City contributions subsequent to the measurement date	<u>31,662</u>	<u>-</u>
Total	\$ <u>203,123</u>	\$ <u>101,250</u>

\$31,662 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:

2020	\$ 39,950
2021	(4,634)
2022	28,787
2023	11,093
2024	<u>(4,985)</u>
	\$ <u>70,211</u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

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 10.50% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

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

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

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:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	4.90%
Domestic equity	7.09%
International equity	9.19%
Real estate	7.99%
Other assets	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 thirty-six percent (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.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position 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 one percentage point lower - (6.5%) or one 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	\$ 1,104,073	\$ 855,021	\$ 581,538

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

Oklahoma Municipal Retirement Fund - Defined Benefit Plan (OkMRF)

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

Summary of Significant Accounting Policies - For purposes of measuring the 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 City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detail information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4. OTHER INFORMATION - Continued

Eligibility Factors and Benefit Provisions

<u>Provision</u>	As of July 1, 2019	Hired After April 1, 2019
	<u>OMRF Plan</u>	<u>OMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.	Same
b. Period Required to Vest	5 years of credited service.	10 years of credited service.
c. Eligibility for Distribution	- Normal retirement at age 65 with 5 years of service.	10 years of service.
	- Early retirement at age 55 with 5 years of service.	10 years of service.
	- Disability retirement upon disability with 5 years of service.	10 years of service.
	- Death benefit with 5 years of service for married employees.	10 years of service.
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.	Same
e. Benefit Determination Methods:		
Normal Retirement	-2.625% of final average salary multiplied by credited years of service.	Same
Early Retirement	-Accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.	After age 55 with 10 or more years of vested service.
Disability Retirement	-Same as normal retirement.	Same
Death Benefit	-50% of employee's accrued benefit, but terminates upon spouse remarriage.	Same
Prior to 5 Years Service	-No benefits.	Prior to 10 years - No benefits.
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title 11, Section 48-101-102	Same
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.	Same

Employees Covered by Benefit Terms -

Active Employees	18
Deferred Vested Former Employees	3
Retirees or Retiree Beneficiaries	9
	<hr/>
Total	30
	<hr/> <hr/>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4. OTHER INFORMATION - Continued

Contribution Requirements - The City Council has the authority to set and amend contribution rates by ordinance for the OMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 23.39% of covered payroll as of July 1, 2019 and 17.20% of covered payroll as of July 1, 2018. For the year ended June 30, 2019, the City recognized \$126,838 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$798,695. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions -

Date of Last Actuarial Valuation	July 1, 2019
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.5
c. Projected Salary Increase	Varies between 7.50% and 4.50% based on age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	2.75%
f. Mortality Table	UP 1994
g. Percent of Married Employees	100%
h. Spouse Age Difference	3 years (female spouses younger)
i. Turnover	Selected and ultimate rates Ultimate rates are age related as shown Additional rates per thousand are added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40

Discount Rate - The discount rate used to value benefits was the long-term expected rate of return on the plan investments, 7.50% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4. OTHER INFORMATION - Continued

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2019 are summarized in the following table:

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

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4. OTHER INFORMATION - Continued

Changes in Net Pension Liability - The total pension liability was determined based on an actuarial valuation performed as of July 1, 2019 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2019 and the City's report ending date of June 30, 2020, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

	SCHEDULE OF CHANGES IN NET PENSION LIABILITY		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)-(b)
Balances Beginning of Year	\$ 2,961,063	2,550,702	410,361
Changes for the Year:			
Service cost	69,922	-	69,922
Interest expense	218,710	-	218,710
Difference between expected and actual experience	143,333		143,333
Assumption changes	44,770	-	44,770
Contributions - City	-	126,838	(126,838)
Contributions - Members	-	44,321	(44,321)
Net investment income	-	181,184	(181,184)
Benefits payments, including refunds of employee contributions	(91,503)	(91,503)	-
Benefit changes due to plan amendments	416,761	-	416,761
Plan administrative expenses	-	(6,898)	6,898
Other changes	-	-	-
Net Changes	<u>801,993</u>	<u>253,942</u>	<u>548,051</u>
Balances End of Year	\$ <u>3,763,056</u>	<u>2,804,644</u>	<u>958,412</u>

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4. OTHER INFORMATION - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of the City, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower - (6.50%) or one percentage point higher - (8.50%) than the current rate:

	(6.50%)	Rate (7.50%)	(8.50%)
Employer's total pension liability	\$ 4,246,176	\$ 3,763,056	\$ 3,360,655
Employer's plan net fiduciary position	2,804,644	2,804,644	2,804,644
Employers' net pension liability	<u>\$ 1,441,532</u>	<u>\$ 958,412</u>	<u>\$ 556,011</u>

The City reported \$550,280 in pension expense for the year ended June 30, 2020. As of 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	\$ 127,219	\$ 58,912
Changes of assumptions	71,619	-
Net difference between projected and actual earnings on pension plan investments	37,643	36,981
City contributions subsequent to the measurement date	<u>158,908</u>	<u>-</u>
Total	<u>\$ 395,389</u>	<u>\$ 95,893</u>

Amortization of Pension Deferrals - \$158,908 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:

2020	\$ 60,625
2021	24,122
2022	42,635
2023	13,206
2024	<u>-</u>
	<u>\$ 140,588</u>

**City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020**

NOTE 4 - OTHER INFORMATION - Continued

OMRF Defined Contribution Plan (DC) -

The City has provided a defined contribution plan and trust known as the City of Harrah Plan and Trust (the Plan) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JP Morgan Chase Bank, Oklahoma. The defined contribution plan is available to all full-time employees except those participating in state fire and police programs. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment and may make contributions at their option with the City matching their contributions up to a maximum amount equal to 5% of their compensation. By City ordinance, the City, as employer, is required to make contributions at a current rate of 5% of covered payroll. The City's contributions for each employee (and interest allocated to the employee account) are vested at a rate of 100% after 5 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining participants. The authority to establish and amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2020, the City contributed \$41,673 to the plan, while the employee contributions totaled \$44,587 on a covered payroll of \$849,300.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Dr., Oklahoma City, Oklahoma 73105.

OMRF City Manager Defined Contribution Plan (CMO) -

The City has also provided a defined contribution plan and trust known as the City of Harrah City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. This plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund. For the current year, the employer contribution was \$9,000.

Deferred Compensation Plan

The City makes available to all full-time employees a deferred compensation plan. The DC Plan was created in accordance with Section 457 of the *Internal Revenue Code* and permits employees to defer a portion of their salary until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in case of an unforeseeable emergency.

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

The City makes no contributions to the Deferred Compensation Plan which the employees may contribute up to a maximum of 25% of compensation of \$19,000 annually, whichever is less. Vesting in such contributions is 100% immediately. During the year ended June 30, 2020, employees contributed \$4,409 to the DC Plan.

Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug and dental benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State Law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan.

A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 55 and 65. As of June 30, 2020, approximately no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier.

There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2020, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2020 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reporting amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year effective, and the City's consideration of the impact of these pronouncements are described below:

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021. This Statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2022. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 90, *Majority Equity Interests*, issued August 2018, will be effective for the City beginning with its fiscal year ending June 30, 2021. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An

City of Harrah, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - OTHER INFORMATION - Continued

equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit.

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019, will be effective for the City beginning with its fiscal year ending June 30, 2022. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the City beginning with its fiscal year ending June 30, 2022. This Statement was issued to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature. The statement address GASB no. 73, 84 and 87 among other topics.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, will be effective for the City beginning with the fiscal year ending June 30, 2022. This Statement was issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, will be effective for the City beginning with the fiscal year ending June 30, 2023. This Statement was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). Additionally, this Statement provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

Management has not yet determined the effect these Statements will have on the City's financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report which is the date the financial statements were available to be issued.

During the first quarter of 2020, there was a global outbreak of a novel strain of the coronavirus (COVID-19), which resulted in a significant disruption to businesses and individuals throughout the world. This outbreak of COVID-19 could significantly affect the operations and future revenue of the City. At the time these financial statements were issued, the City is unable to full quantify the current and future effects of COVID-19 on its financial position and future revenues and expenses.

REQUIRED SUPPLEMENTARY INFORMATION

City of Harrah, Oklahoma
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2020

	Budget				Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUES					
Taxes	\$ 2,762,000	(2,000)	2,760,000	3,201,965	441,965
Intergovernmental	67,648	22,352	90,000	32,832	(57,168)
Licenses and permits	97,000	-	97,000	125,710	28,710
Charge for services	-	-	-	7,954	7,954
Fines and forfeitures	250,000	-	250,000	134,410	(115,590)
Interest	22,000	-	22,000	14,252	(7,748)
Miscellaneous	234,400	(211,100)	23,300	48,030	24,730
Total revenues	<u>3,433,048</u>	<u>(190,748)</u>	<u>3,242,300</u>	<u>3,565,153</u>	<u>322,853</u>
EXPENDITURES					
General government:					
General government	239,315	104,848	344,163	325,076	19,087
Administration	409,984	(55,882)	354,102	354,102	-
Building inspection	110,647	(18,236)	92,411	92,411	-
Legal	24,152	(1,775)	22,377	22,377	-
Public safety:					
Police	1,137,861	(262,320)	875,541	875,541	-
Fire	524,593	(98,779)	425,814	425,814	-
Culture and recreation:					
Senior citizen center	73,100	(663)	72,437	72,437	-
Total expenditures	<u>2,519,652</u>	<u>(332,807)</u>	<u>2,186,845</u>	<u>2,167,758</u>	<u>19,087</u>
Excess (deficiency) of revenues over (under) expenditures	913,396	142,059	1,055,455	1,397,395	341,940
OTHER FINANCING SOURCES (USES)					
Transfers	(1,160,720)	60,336	(1,100,384)	(1,173,484)	(73,100)
Net change in fund balances	(247,324)	202,395	(44,929)	223,911	268,840
Fund balances - beginning	350,893	-	350,893	1,695,173	1,344,280
Fund balances - ending	<u>\$ 103,569</u>	<u>202,395</u>	<u>305,964</u>	<u>1,919,084</u>	<u>1,613,120</u>

City of Harrah, Oklahoma
Notes to Required Supplemental Information
On Budgetary Accounting and Control
For the Year Ended June 30, 2020

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

Per State law, the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. All transfers of appropriations between departments and supplemental appropriations require City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between funds also require the approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Harrah Public Works Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal spending limit.

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on a modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers most all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the next year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

City of Harrah, Oklahoma
Notes to Required Supplemental Information
Budgetary Comparison Schedule
For the Year Ended June 30, 2020

Budget Reconciliations - Items required to adjust actual revenues, expenditures, and fund balances reported on the budgetary basis to those reported within the fund financial statements as of and for the year ended June 30, 2020, are as follows:

	General Fund
	<hr/>
Fund balances - budgetary basis, June 30, 2020	\$ 1,919,084
Current year revenue accruals	493,072
Current year expenditure accruals	-
Prior year revenue accruals	<hr/> (408,846)
Fund balances - fund financial statements, June 30, 2020	\$ <u><u>2,003,310</u></u>
 Revenues - budgetary basis, June 30, 2020	 \$ 3,565,153
Current year revenue accruals	493,072
Prior year revenue accruals	<hr/> (408,846)
Revenues - fund financial statements, June 30, 2020	\$ <u><u>3,649,379</u></u>
 Expenditures - budgetary basis, June 30, 2020	 \$ 2,167,758
Current year expenditure accruals	-
Prior year expenditure accruals	<hr/> -
Expenditures - fund financial statements, June 30, 2020	\$ <u><u>2,167,758</u></u>

City of Harrah, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019
1. Employer's proportion of the net pension liability (asset)	0.103100%	0.104000%	0.111900%	0.115300%	0.108663%	0.111921%
2. Employer's proportionate share of the net pension liability (asset)	\$ (34,718)	\$ 4,242	\$ 171,376	\$ 8,869	\$ (51,762)	\$ (7,145)
3. Employer's covered-employee payroll	\$ 267,062	\$ 294,077	\$ 330,015	\$ 343,831	\$ 331,454	\$ 364,238
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-13.00%	1.44%	51.93%	2.58%	-15.62%	-1.96%
5. Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2019.

City of Harrah, Oklahoma
Schedule of Employer Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019
Statutorily required contribution	\$ 34,718	\$ 38,230	\$ 42,902	\$ 44,698	\$ 43,089	\$ 47,351
Contributions in relation to the statutorily required contribution	\$ (34,718)	\$ (38,230)	\$ (42,902)	\$ (44,698)	\$ (43,089)	\$ (47,351)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 267,062	\$ 294,077	\$ 330,015	\$ 343,831	\$ 331,454	\$ 364,238
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2019.

City of Harrah, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019
1. Employer's proportion of the net pension liability (asset)	0.076800%	0.078500%	0.079200%	0.083519%	0.077569%	0.080917%
2. Employer's proportionate share of the net pension liability (asset)	\$ 789,690	\$ 832,836	\$ 967,273	\$ 1,115,064	\$ 873,152	\$ 855,021
3. Employer's covered-employee payroll	\$ 203,260	\$ 214,386	\$ 221,464	\$ 237,393	\$ 230,707	\$ 226,157
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	388.51%	388.47%	436.76%	469.71%	378.47%	378.07%
5. Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2019.

City of Harrah, Oklahoma
Schedule of Employer Contributions
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019
Statutorily required contribution	\$ 28,456	\$ 30,014	\$ 31,005	\$ 33,235	\$ 32,299	\$ 31,662
Contributions in relation to the statutorily required contribution	\$ (28,456)	\$ (30,014)	\$ (31,005)	\$ (33,235)	\$ (32,299)	\$ (31,662)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 203,260	\$ 214,386	\$ 221,464	\$ 237,393	\$ 230,707	\$ 226,157
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2019

City of Harrah, Oklahoma
Schedule of Changes in Net Pension Liability and Related Ratios
Oklahoma Municipal Retirement Fund
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019
Total pension liability						
Service cost	\$ 71,309	76,600	81,270	79,992	89,610	69,922
Interest	154,897	161,833	172,914	193,982	204,573	218,710
Changes of benefit terms	-	-	-	-	-	416,761
Differences between expected and actual experience	-	(29,127)	79,765	(85,733)	(36,897)	143,333
Changes of assumptions	-	-	-	88,418	-	44,770
Benefit payments, including refunds of member contributions	(65,202)	(65,608)	(67,071)	(56,935)	(46,877)	(91,503)
Net change in total pension liability	161,004	143,698	266,878	219,724	210,409	801,993
Total pension liability - beginning	1,959,350	2,120,354	2,264,052	2,530,930	2,750,654	2,961,063
Total pension liability - ending (a)	<u>\$ 2,120,354</u>	<u>2,264,052</u>	<u>2,530,930</u>	<u>2,750,654</u>	<u>2,961,063</u>	<u>3,763,056</u>
Plan fiduciary net position						
Contributions - employer	\$ 93,722	95,351	106,005	104,262	105,813	126,838
Contributions - member	35,145	35,757	39,752	39,098	39,680	44,321
Net investment income	241,750	50,111	19,007	247,277	170,447	181,184
Benefit payments, including refunds of member contributions	(65,202)	(65,608)	(67,071)	(56,935)	(46,877)	(91,503)
Administrative expense	(3,586)	(3,686)	(3,746)	(4,300)	(5,193)	(6,898)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	301,829	111,925	93,947	329,402	263,870	253,942
Plan fiduciary net position - beginning	1,449,729	1,751,558	1,863,483	1,957,430	2,286,832	2,550,702
Plan fiduciary net position - ending (b)	<u>\$ 1,751,558</u>	<u>1,863,483</u>	<u>1,957,430</u>	<u>2,286,832</u>	<u>2,550,702</u>	<u>2,804,644</u>
Net pension liability - ending (a) - (b)	<u>\$ 368,796</u>	<u>400,569</u>	<u>573,500</u>	<u>463,822</u>	<u>410,361</u>	<u>958,412</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%	82.31%	77.34%	83.14%	86.14%	74.53%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2019.

**City of Harrah, Oklahoma
Schedule of Employer Contributions
Oklahoma Municipal Retirement Fund
Last 10 Fiscal Years***

	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 120,396	120,597	126,170	133,915	117,739	137,376
Contributions in relation to the actuarially determined contribution	<u>120,396</u>	<u>120,597</u>	<u>126,170</u>	<u>133,915</u>	<u>117,739</u>	<u>137,376</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 667,383	696,231	695,916	753,601	649,418	798,695
Contributions as a percentage of covered-employee payroll	18.04%	17.32%	18.13%	17.77%	18.13%	17.20%

Notes to Schedule:

- Only the current fiscal year is presented because 10-year data is not available.
- Latest Valuation Date: July 1, 2019
- Actuarially determined contribution rate is calculated as of July 1, 2013, 2014, 2015, 2016, 2017, 2018 and 2019.

2013 - 17.55%
2014 - 18.04%
2015 - 17.32%
2016 - 18.13%
2017 - 17.77%
2018 - 18.13%
2019 - 17.20%

- Methods and assumptions used to determine contribution rates:

Actuarial cost method - Entry age normal
Amortization method - Level percent of payroll, closed
Remaining amortization period - 27 years
Asset valuation method - Actuarial:
Smoothing period - 4 years
Recognition method - Non-asymptotic
Corridor - 70% - 130%
Salary increases - 4.00% to 7.42% (varies by attained age)
Investment rate of return - 7.50%

OTHER SUPPLEMENTARY INFORMATION

City of Harrah, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020

	Special Revenue				Total Nonmajor Governmental Funds
	Street & Alley	Harrah Ind. Econ. Dev. Trust	Harrah Tax Income Fin. Auth.	Park Funds	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 49,230	-	-	10,192	59,422
Due from other governments	10,508	-	-	-	10,508
TOTAL	59,738	-	-	10,192	69,930
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Deposits subject to refund	-	-	-	2,920	2,920
Due to other funds	-	51,912	-	-	51,912
Total Liabilities	-	51,912	-	2,920	54,832
Fund balances:					
Restricted	59,738	(51,912)	-	7,272	15,098
Assigned	-	-	-	-	-
Total Fund Balances	59,738	(51,912)	-	7,272	15,098
TOTAL	\$ 59,738	-	-	10,192	69,930

City of Harrah, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue				Total
	Street & Alley	Harrah Ind. Econ. Dev. Trust	Harrah Tax Income Fin. Auth.	Park Funds	Nonmajor Governmental Funds
REVENUES					
Taxes	\$ 55,863	-	-	-	55,863
Charge for services	-	-	-	1,890	1,890
Interest	-	-	-	22	22
Total revenues	<u>55,863</u>	<u>-</u>	<u>-</u>	<u>1,912</u>	<u>57,775</u>
EXPENDITURES					
Maintenance & operations	57,638	1	-	50,912	108,551
Capital outlay	-	-	-	-	-
Total expenditures	<u>57,638</u>	<u>1</u>	<u>-</u>	<u>50,912</u>	<u>108,551</u>
Excess (deficiency) of revenues over expenditures	<u>(1,775)</u>	<u>(1)</u>	<u>-</u>	<u>(49,000)</u>	<u>(50,776)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	49,300	49,300
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,300</u>	<u>49,300</u>
Net change in fund balances	(1,775)	(1)	-	300	(1,476)
Fund balances-beginning	61,513	(51,911)	-	6,972	16,574
Fund balances-ending	<u>\$ 59,738</u>	<u>(51,912)</u>	<u>-</u>	<u>7,272</u>	<u>15,098</u>

City of Harrah, Oklahoma
Harrah Public Works Authority
Debt Service Coverage Schedule
For the Year Ended June 30, 2020

Gross Revenue Available For Debt Service:

Pledged sales tax (3 cents)	\$ 1,866,276
System-wide (water and sewer) gross revenues	<u>1,525,004</u>
Total Gross Revenues Available	<u>3,391,280</u>
System-wide operating expense - Exclusive of capital improvements, debt service and depreciation	<u>1,339,180</u>
Net Revenues Available for Debt Service	<u><u>\$ 2,052,100</u></u>

Debt Service Requirements:

Revenue note - Series 2015	104,480
Revenue note - Series 2011	37,941
Revenue note - Series 2009	113,569
Revenue note - Series 2008	148,930
Revenue note - Series 2004	<u>62,048</u>
Maximum annual debt service	<u><u>\$ 466,968</u></u>
Coverage	<u><u>4.39</u></u>
Coverage requirement	<u><u>1.25</u></u>

City of Harrah, Oklahoma
Harrah Tax Increment Financing Authority
Debt Service Coverage Schedule
For the Year Ended June 30, 2020

Gross Revenue Available For Debt Service:

Pledged use tax	\$ <u>399,270</u>
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Net Revenues Available for Debt Service	\$ <u><u>399,270</u></u>
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Debt Service Requirements:

Revenue note - Series 2019	<u>79,678</u>
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Maximum annual debt service	\$ <u><u>79,678</u></u>
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Coverage	<u><u>5.01</u></u>
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council
City of Harrah, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrah, Oklahoma (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on 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 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. 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Dillon & Associates, PC

Midwest City, Oklahoma
August 24, 2020

City of Harrah, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	FEDERAL EXPENDITURES
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Grant	16.607	FY 2019	\$ 3,497
Passed through Oklahoma District Attorneys Council:			
Equipment - Hand-held Radio Grant	16.738	JAG-LLE-2019	<u>9,682</u>
Total U.S. Department of Transportation			<u>13,179</u>
<u>Federal Emergency Management Agency</u>			
Assistance to Firefighters Grant Program	97.044	EMW-2018-FO-02869	<u>120,019</u>
Total Federal Emergency Management Agency			<u>120,019</u>
Total Federal Assistance			<u>\$ 133,198</u>

Footnotes to Schedule of Expenditures of Federal Awards:

1. The Schedule of Expenditures of Federal Awards is prepared on a basis consistent with the measurement of awards expended as defined in Uniform Guidance. This may differ at times from the modified cash basis by accruing certain grant expenditures.

City of Harrah, Oklahoma
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2020

STATE GRANTOR/ PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	<u>GRANTOR NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>STATE EXPENDITURES</u>
STATE PROGRAMS			
<u>State of Oklahoma</u>			
Oklahoma Department of Agriculture: Rural Fire Program		4,500	4,500
Passed through the Association of Central Oklahoma Governments:			
Rural Economic Action Plan Funds - REAP Grant	2019 T 2019-16	55,000	55,000
		<hr/>	<hr/>
Total State of Oklahoma		59,500	59,500
		<hr/>	<hr/>
Total State Assistance		\$ 59,500	59,500
		<hr/>	<hr/>

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedule of Expenditures of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.
2. The City has not been notified of any noncompliance with state award requirements. Any liability for reimbursement which may arise as a result of these audits can not be reasonably determined at this time, although it is believed the amount, if any, would not be material.