



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

AS OF AND FOR THE FISCAL YEAR ENDED

JUNE 30, 2021

**THE CITY OF TAHLEQUAH,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

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CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

	Page
Independent Auditor’s Report on Financial Statements	5-6
Required Supplementary Information:	
Management’s Discussion and Analysis	7-15
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Governmental Funds Financial Statements:	
Balance Sheet	20
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	21
Reconciliation of Governmental Funds and Government-Wide Financial Statements...	22-23
Proprietary Funds Financial Statements:	
Statement of Net Position.....	25
Statement of Revenues, Expenses, and Changes in Net Position.....	26
Statement of Cash Flows.....	27
Discretely-Presented Component Units Financial Statements:	
Statement of Net Position.....	29
Statement of Revenues, Expenses, and Changes in Net Position.....	30
Footnotes to the Basic Financial Statements	31-68
Required Supplementary Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule – General Fund.....	70
Budgetary Comparison Schedule – Restricted Sales Tax Fund II.....	71
Footnotes to Budgetary Comparison Schedules.....	72
Schedules of Required Supplementary Information – Oklahoma Firefighter’s Pension & Retirement System.....	73-74
Schedules of Required Supplementary Information – Oklahoma Police Pension & Retirement System.....	75
Schedules of Required Supplementary Information – Oklahoma Public Employee’s Pension & Retirement System.....	76
Schedules of Required Supplementary Information – Oklahoma Public Employee System OPEB.....	77-78

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

Other Supplementary Information:

General Fund Accounts Combining Schedules

Combining Balance Sheet	80-82
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance.....	83-85

Nonmajor Governmental Combining Statements

Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	86



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma (the "City"), as of and for the year ended June 30, 2021, 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 did not audit the financial statements of the Tahlequah Educational Facilities Authority, Tahlequah Public Facilities Authority, and the discretely presented component units of the Tahlequah Hospital Authority and the Tahlequah Regional Development Authority. These balances represent 100 percent of the assets, net position, and revenues of Tahlequah Educational Facilities and the Tahlequah Public Facilities Authority and 66 percent of the assets, 62 percent of net position, and 83 percent of the revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Tahlequah Hospital Authority, Tahlequah Public Works Authority, Tahlequah Public Facilities Authority, Tahlequah Educational Facilities Authority, and the Tahlequah Regional Development Authority, is based solely on the report of the other auditors.

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors', the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City,

as of June 30, 2021, 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.

Emphasis of Matters

As explained in Note 10 to the financial statements, the City restated beginning net position of the government-wide financial statements and the individual fund financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension exhibits, and other post-employment benefits funding schedules, 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 for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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 June 15, 2022, 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 the City's internal control over financial reporting and compliance.

Edmond, Oklahoma
June 15, 2022



CITY OF TAHLEQUAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF TAHLEQUAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2021

Our discussion and analysis of the City of Tahlequah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2021, the City's total net position increased by \$5,046,876 or 12.7% from the prior year.
- During the year, the City's expenses for governmental activities were \$15.4 million and were funded by program revenues of \$5.8 million and further funded with taxes and other general revenues \$14.4 million.
- In the City's business-type activities, which include education and sanitation, program revenues were in excess of expenses in total by \$208,693.
- For budgetary reporting purposes, the General Fund reported revenues over estimates by \$1.9 million or 17.9%, while expenditures were under the final appropriations by \$1.2 million or 10.6%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Tahlequah (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, 39, and 61. Included in this report are government-wide statements for each of three categories of activities – governmental, business-type, including two blended component units and discretely presented component units.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City's financial reporting entity (including infrastructure capital assets) and deferred outflows, as well as all liabilities (including all long-term debt) and deferred inflows.

About the City

The City of Tahlequah is an incorporated municipality with a population of approximately 16,966 located in eastern Oklahoma. The City is an aldermanic form of government and operates under state law that provides for three branches of government:

- Legislative – the City Council is a five-member governing body with the mayor and four council members elected by the citizens at large
- Executive – the City Mayor is the Chief Executive Officer and is elected by the citizenry
- Judicial – the Municipal Judge is a practicing attorney appointed by the Mayor and confirmed by the City Council

The City's primary government provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, airport, sanitation and education.

The City's Financial Reporting Entity

This annual report includes all activities for which the Tahlequah City Council is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the primary government (City of Tahlequah and two blended component units) as follows:

- **The City of Tahlequah** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The Tahlequah Public Facilities Authority** – that operates to stimulate public growth and development; to promote public well-being by improving available resources, increasing job opportunities, promoting entrepreneurship and capital investment
- **The Tahlequah Educational Facilities Authority** – operates to promote, finance and develop projects, facilities and services pertaining to educational institutions and the furtherance of educational opportunities

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

In addition, the City's financial reporting entity includes three discretely presented component units, the Tahlequah Hospital Authority, the Tahlequah Public Works Authority and the Tahlequah Regional Development Authority.

Using This Annual Report

This annual report is presented in a format that complies with the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements
- **Supplemental Schedules** – that provide additional information about specified elements of the financial statements, such as budgetary comparison information

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. 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 government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the residual difference between assets, deferred outflows, liabilities and deferred inflows, – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial 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 and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, 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 charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's sanitation and education activities 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. 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 of Tahlequah can be divided into two categories: governmental funds and proprietary funds.

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.

CITY OF TAHLEQUAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2021

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. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City's enterprise funds 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.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets and deferred outflows exceeded liabilities and deferred inflows by \$44.7 million at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
		*		*		*
Current assets	\$ 21,378	\$ 16,413	\$ 9,853	\$ 11,269	\$ 31,231	\$ 27,682
Non-current assets	35,410	34,996	5,028	5,217	40,438	40,213
Total assets	<u>56,788</u>	<u>51,409</u>	<u>14,881</u>	<u>16,486</u>	<u>71,669</u>	<u>67,895</u>
Deferred outflow of resources	<u>2,903</u>	<u>1,962</u>	<u>307</u>	<u>117</u>	<u>3,210</u>	<u>2,079</u>
Current liabilities	3,217	2,080	2,505	2,415	5,722	4,495
Non-current liabilities	19,716	18,891	4,280	6,322	23,996	25,213
Total liabilities	<u>22,933</u>	<u>20,971</u>	<u>6,785</u>	<u>8,737</u>	<u>29,718</u>	<u>29,708</u>
Deferred inflow of resources	<u>396</u>	<u>710</u>	<u>32</u>	<u>43</u>	<u>428</u>	<u>753</u>
Net position						
Net investment in capital assets	21,241	19,598	5,009	-	26,250	19,598
Restricted	9,921	7,232	59	59	9,980	7,291
Unrestricted	5,200	4,860	3,303	7,764	8,503	12,624
Total net position	<u>\$ 36,362</u>	<u>\$ 31,690</u>	<u>\$ 8,371</u>	<u>\$ 7,823</u>	<u>\$ 44,733</u>	<u>\$ 39,513</u>

* Prior year amounts not restated (see Note 10)

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. For 2021, this net investment in capital assets amounted to approximately \$26.3 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

Another portion of the City's net position, approximately \$10 million, also represents resources that are subject to external restrictions or internal legislation on how they may be used. The remaining balance of unrestricted net position, approximately \$8.5 million, is available to meet the government's ongoing obligations to citizens and creditors.

CITY OF TAHLEQUAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2021

Changes in Net Position

For the year ended June 30, 2021, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental		Business-Type		Total	
	Activities		Activities		Total	
	*	*	*	*	*	*
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Charges for service	\$ 1,216	\$ 1,147	\$ -	\$ -	\$ 1,216	\$ 1,147
Operating grants and contributions	3,521	1,957	2,734	2,414	6,254	4,371
Capital grants and contributions	1,086	585	-	-	1,086	585
Taxes	13,559	12,629	-	-	13,559	12,629
Intergovernmental revenue	-	-	-	-	-	-
Investment income	277	290	55	15	332	305
Miscellaneous	566	186	(24)	23	542	209
Total revenues	<u>20,225</u>	<u>16,794</u>	<u>2,765</u>	<u>2,452</u>	<u>22,990</u>	<u>19,246</u>
Expenses						
General government	4,111	3,787	-	-	4,111	3,787
Public safety	6,696	5,880	-	-	6,696	5,880
Highways and streets	1,725	1,584	-	-	1,725	1,584
Culture and recreation	1,481	1,645	-	-	1,481	1,645
Public Works	-	485	-	-	-	485
Economic development	165	152	-	-	165	152
Airport	421	418	-	-	421	418
Cemetery	259	269	-	-	259	269
Interest on long-term debt	560	718	-	-	560	718
Education	-	-	17	17	17	17
Sanitation	-	-	2,508	2,081	2,508	2,081
Total expenses	<u>15,418</u>	<u>14,938</u>	<u>2,525</u>	<u>2,098</u>	<u>17,943</u>	<u>17,036</u>
Excess (deficiency) before transfers	4,807	1,856	240	354	5,047	2,210
Transfers	(120)	81	120	(81)	-	-
Change in net position	4,687	1,937	360	273	5,047	2,210
Beginning net position (restated)	31,675	29,753	8,012	7,549	39,687	37,302
Ending net position	<u>\$ 36,362</u>	<u>\$ 31,690</u>	<u>\$ 8,371</u>	<u>\$ 7,823</u>	<u>\$ 44,733</u>	<u>\$ 39,513</u>

* Prior year amounts not restated (see Note 10)

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, Expenses, 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 the 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.

CITY OF TAHLEQUAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2021

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

	Total Expense		Net Revenue	
	of Services		(Expense)	
	*		*	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General government	\$ 4,111	\$ 3,787	(\$2,495)	(\$2,519)
Public safety	6,696	5,880	(4,194)	(4,613)
Highways and streets	1,725	1,584	(1,042)	(1,184)
Culture and recreation	1,481	1,645	(1,328)	(1,167)
Public works	-	484	-	(485)
Economic development	165	151	(165)	(151)
Airport	421	418	388	(181)
Cemetery	259	269	(198)	(229)
Interest on long-term debt	560	718	(560)	(718)
Total	<u>15,418</u>	<u>\$ 14,938</u>	<u>(\$9,594)</u>	<u>(\$11,249)</u>

*Prior year amounts not restated (see Note 10)

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

	Total Expense		Net Revenue	
	of Services		(Expense)	
	*		*	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Sanitation	\$ 2,508	\$ 2,081	\$ 214	\$ 318
Education	<u>17</u>	<u>17</u>	<u>(6)</u>	<u>(2)</u>
Total	<u>\$ 2,525</u>	<u>\$ 2,098</u>	<u>\$ 209</u>	<u>\$ 316</u>

* prior year amounts not restated (see Note 10)

The City's business-type activities include utility services for sanitation and also education services.

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenue of \$208,693 for the year ended June 30, 2021.
- While sanitation activities reported net revenue for the year ended June 30, 2021, education had a net expense.

CITY OF TAHLEQUAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2021

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2021 fiscal year, the governmental funds reported a combined fund balance of \$22,460,997. The enterprise funds reported combined net position of \$8,371,399.

Other fund highlights include:

- In the General Fund there was a \$24,325 restriction for streets, \$65,765 restriction for public safety, \$159,200 restriction for dog park, and an \$18,539 restriction for indigent transportation. There was also a \$14,870 assignment for public safety, a \$97,963 assignment for the CDBG, a \$12,713 assignment for Brookside restoration, and a \$3,447 assignment for Airport.
- Proprietary fund net position restrictions included \$53,843 for education.

General Fund Budgetary Highlights

Actual revenues and transfers were over estimates by \$1.9 million or 17.9%, while expenditures and transfers were under final appropriations by \$1.2 million or 10.6%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2021, the City had approximately \$37.5 million invested in capital assets, net of depreciation, including streets, facility improvements, and land purchases. (See Table 5). This represents a net increase of approximately \$.3 million over last year.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 3,695	\$ 3,762	\$ 76	\$ 76	\$ 3,771	\$ 3,838
Buildings	6,674	6,387	1,869	1,912	8,543	8,299
Infrastructure	15,752	16,380	723	771	16,475	17,151
Machinery, furniture and equipment	3,758	4,347	2,340	2,443	6,098	6,790
Construction in progress	2,653	1,163	-	-	2,653	1,163
Totals	\$ 32,532	\$ 32,039	\$ 5,008	\$ 5,202	\$ 37,540	\$ 37,241

This year's more significant capital asset additions included:

Taxiway Lighting Project	\$781,926
Building – Shawnee Street	\$326,490
Solid Waste – 2021 Dump Truck	\$240,000

See Note 4 to the financial statements for more detail information on the City's capital assets and changes therein.

CITY OF TAHLEQUAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2021

Long- Term Debt

At year-end, the City had \$22.3 million in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

TABLE 6
Long-Term Debt

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Accrued absences	\$ 680	\$ 485	32	\$ 20	\$ 712	\$ 505
Revenue bonds	15,309	16,780	6,200	8,365	21,509	25,145
Capital leases	75	210	1	111	76	321
Totals	<u>\$ 16,064</u>	<u>\$ 17,475</u>	<u>\$ 6,233</u>	<u>\$ 8,496</u>	<u>\$ 22,297</u>	<u>\$ 25,971</u>

See Note 5 to the financial statements for more detail information on the City's long-term debt and changes therein.

The Economic Outlook

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

An economic slowdown began in early March 2020 related to the effects of the Coronavirus and has certainly had an economic impact on the City's financial position and activities. However, in FY 21-22, the City received ARPA monies that will help offset some of these shortfalls.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 111 S. Cherokee, Tahlequah, Oklahoma 74464 or telephone at 918-456-0651.

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Statement of Net Position– June 30, 2021

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 9,152,012	\$ 2,967,950	\$ 12,119,962	\$ 16,450,875
Restricted cash and cash equivalents	9,603,951	137,670	9,741,621	9,534,278
Investments	319,762	-	319,762	38,870,504
Prepaid expense	-	-	-	1,059,379
Accounts receivable, net	446,171	6,441,380	6,887,551	33,358,268
Court fine receivable, net	204,084	-	204,084	-
Receivable from component unit	-	61,295	61,295	-
Internal balances	(245,000)	245,000	-	-
Due from other governments	1,896,972	-	1,896,972	-
Inventory	-	-	-	4,684,245
Total Current Assets	<u>21,377,952</u>	<u>9,853,295</u>	<u>31,231,247</u>	<u>103,957,549</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	2,812,966	-	2,812,966	-
Other assets	-	-	-	1,629,272
Net OPEB asset	65,342	19,472	84,814	-
Capital Assets:				
Land and construction in progress	6,347,500	76,100	6,423,600	12,514,434
Other capital assets, net of depreciation	26,184,694	4,932,662	31,117,356	79,486,763
Total Noncurrent Assets	<u>35,410,502</u>	<u>5,028,234</u>	<u>40,438,736</u>	<u>93,630,469</u>
Total Assets	<u>56,788,454</u>	<u>14,881,529</u>	<u>71,669,983</u>	<u>197,588,018</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to pensions	2,839,710	288,344	3,128,054	-
Deferred amounts related to derivative	-	-	-	950,110
Deferred amounts related to OPEB	63,124	18,160	81,284	-
	<u>2,902,834</u>	<u>306,504</u>	<u>3,209,338</u>	<u>950,110</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,495,577	181,989	1,677,566	21,577,198
Other payables	41,250	-	41,250	-
Deposits subject to refund	-	-	-	1,765,210
Due to other governments	9,853	-	9,853	-
Current portion of:				
Long term liabilities - due in one year	1,670,143	2,323,250	3,993,393	14,622,900
Total Current Liabilities	<u>3,216,823</u>	<u>2,505,239</u>	<u>5,722,062</u>	<u>37,965,308</u>
Noncurrent liabilities:				
Long term liabilities - due in more than one year	14,393,313	3,909,249	18,302,562	50,408,124
Net pension liability	5,322,742	370,546	5,693,288	-
Total Noncurrent Liabilities	<u>19,716,055</u>	<u>4,279,795</u>	<u>23,995,850</u>	<u>50,408,124</u>
Total Liabilities	<u>22,932,878</u>	<u>6,785,034</u>	<u>29,717,912</u>	<u>88,373,432</u>
DEFERRED INFLOW OF RESOURCES				
Deferred amounts related to pensions	340,733	13,771	354,504	-
Deferred amounts related to OPEB	55,512	17,829	73,341	-
	<u>396,245</u>	<u>31,600</u>	<u>427,845</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	21,241,289	5,008,762	26,250,051	40,888,915
Restricted for:				
Capital Projects	4,453,650	-	4,453,650	-
Debt Service	3,326,601	-	3,326,601	2,460,276
Streets	1,716,902	-	1,716,902	-
Tourism	16,315	-	16,315	-
Stormwater	64,417	-	64,417	-
Public Safety	65,765	-	65,765	-
Cemetery	99,428	-	99,428	-
Education	-	59,381	59,381	-
Dog Park	159,200	-	159,200	-
Indignet Transportation	18,539	-	18,539	-
Unrestricted	5,200,058	3,303,256	8,503,314	66,815,505
Total Net Position	<u>\$ 36,362,164</u>	<u>\$ 8,371,399</u>	<u>\$ 44,733,563</u>	<u>\$ 110,164,696</u>

See accompanying notes to the basic financial statements.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Statement of Activities –Fiscal Year Ended June 30, 2020

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General government	\$ 4,111,369	\$ 245,168	\$ 1,271,651	\$ 100,000	\$ (2,494,550)	\$ -	\$ (2,494,550)	\$ -
Public safety	6,695,379	404,594	2,096,811	-	(4,193,974)	-	(4,193,974)	-
Highways and streets	1,725,163	227,490	152,579	302,774	(1,042,320)	-	(1,042,320)	-
Culture and recreation	1,481,294	153,612	144	-	(1,327,538)	-	(1,327,538)	-
Economic development	165,345	-	-	-	(165,345)	-	(165,345)	-
Airport	420,595	125,149	-	683,448	388,002	-	388,002	-
Cemetery	258,550	60,376	-	-	(198,174)	-	(198,174)	-
Interest on Long-term debt	559,889	-	-	-	(559,889)	-	(559,889)	-
Total governmental activities	<u>15,417,584</u>	<u>1,216,389</u>	<u>3,521,185</u>	<u>1,086,222</u>	<u>(9,593,788)</u>	<u>-</u>	<u>(9,593,788)</u>	<u>-</u>
Business-type activities:								
Education	17,357	11,783	-	-	-	(5,574)	(5,574)	-
Sanitation	2,507,998	2,722,265	-	-	-	214,267	214,267	-
Total business-type activities	<u>2,525,355</u>	<u>2,734,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,693</u>	<u>208,693</u>	<u>-</u>
Total primary government	<u>\$ 17,942,939</u>	<u>\$ 3,950,437</u>	<u>\$ 3,521,185</u>	<u>\$ 1,086,222</u>	<u>(9,593,788)</u>	<u>208,693</u>	<u>(9,385,095)</u>	<u>-</u>
Component Units								
Tahlequah Hospital Authority	126,089,952	120,397,058	350,961	-	-	-	-	(5,341,933)
Tahlequah Industrial Authority	176,357	152,595	-	-	-	-	-	(23,762)
Tahlequah Public Works Authority	23,904,263	24,720,588	-	-	-	-	-	816,325
Total component units	<u>150,170,572</u>	<u>145,270,241</u>	<u>350,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,549,370)</u>
General revenues:								
Taxes:								
Sales and use taxes					12,868,727	-	12,868,727	-
Franchise taxes and public service taxes					525,867	-	525,867	-
Hotel/motel taxes					164,156	-	164,156	-
Unrestricted investment earnings					276,463	55,256	331,719	3,445,473
Miscellaneous					445,722	34,209	479,931	5,691
Gain (loss) on sale of capital assets					120,012	(58,441)	61,571	-
Transfers - internal activities					(120,131)	120,131	-	-
Total general revenues and transfers					<u>14,280,816</u>	<u>151,155</u>	<u>14,431,971</u>	<u>3,451,164</u>
Change in net position					<u>4,687,028</u>	<u>359,848</u>	<u>5,046,876</u>	<u>(1,098,206)</u>
Net position - beginning, restated					<u>31,675,136</u>	<u>8,011,551</u>	<u>39,686,687</u>	<u>111,262,902</u>
Net position - ending					<u>\$ 36,362,164</u>	<u>\$ 8,371,399</u>	<u>\$ 44,733,563</u>	<u>\$ 110,164,696</u>

See accompanying notes to the basic financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Governmental Funds Balance Sheet - June 30, 2021

	<u>General Fund</u>	<u>Restricted Sales Tax II Fund</u>	<u>Tahlequah Public Facilities Authority</u>	<u>Streets & Sidewalks Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 4,853,402	\$ -	\$ 12,416,917	\$ 2,125,833	\$ 2,172,776	\$ 21,568,928
Investments	319,762	-	-	-	-	319,762
Due from other funds	-	-	256,554	-	2,595	259,149
Taxes receivable, net	1,193,172	256,554	-	-	54,469	1,504,195
Receivables:						
Court fines receivable, net	204,084	-	-	-	-	204,084
Due from other governments	161,084	-	-	265,744	-	426,828
Other receivables	412,120	-	-	-	-	412,120
Total assets	<u>\$ 7,143,624</u>	<u>256,554</u>	<u>12,673,471</u>	<u>2,391,577</u>	<u>\$ 2,229,840</u>	<u>\$ 24,695,066</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 539,692	5,461	120,669	\$ 762,924	\$ 89,357	\$ 1,518,103
Payable to other government	1,427	-	-	-	-	1,427
Due to other funds	247,398	256,672	-	-	79	504,149
Other accrued expenses	27,150	-	-	-	-	27,150
Total liabilities	<u>815,667</u>	<u>262,133</u>	<u>120,669</u>	<u>762,924</u>	<u>89,436</u>	<u>2,050,829</u>
Deferred Inflows of resources:						
Deferred revenue	183,240	-	-	-	-	183,240
Fund balances:						
Restricted for:						
Cemetery	-	-	-	-	99,428	99,428
Capital Improvements	-	-	9,226,201	-	-	9,226,201
Debt Service	-	-	3,326,601	-	-	3,326,601
Streets	24,325	-	-	1,628,653	63,924	1,716,902
Public Safety	65,765	-	-	-	-	65,765
Stormwater	-	-	-	-	64,417	64,417
Tourism	-	-	-	-	16,315	16,315
Dog Park	159,200	-	-	-	-	159,200
Indigent Transportation	18,539	-	-	-	-	18,539
Assigned to:						
Public safety	14,870	-	-	-	-	14,870
CDBG	97,963	-	-	-	-	97,963
Capital Improvements	-	-	-	-	773,624	773,624
Stormwater	-	-	-	-	450,214	450,214
Brookside restoration	12,713	-	-	-	-	12,713
Streets	-	-	-	-	526,816	526,816
Airport	3,447	-	-	-	-	3,447
Tourism	-	-	-	-	145,745	145,745
Future year budget	1,514,690	-	-	-	-	1,514,690
Unassigned (deficit)	4,233,205	(5,579)	-	-	(79)	4,227,547
Total fund balances	<u>6,144,717</u>	<u>(5,579)</u>	<u>12,552,802</u>	<u>1,628,653</u>	<u>2,140,404</u>	<u>22,460,997</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,143,624</u>	<u>\$ 256,554</u>	<u>\$ 12,673,471</u>	<u>\$ 2,391,577</u>	<u>\$ 2,229,840</u>	<u>\$ 24,695,066</u>

See accompanying notes to the basic financial statements.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Fiscal Year Ended June 30, 2021

	General Fund	Restricted Sales Tax II Fund	Tahlequah Public Facilities Authority	Streets & Sidewalks Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 8,532,511	\$ 2,860,425	\$ -	\$ 2,001,658	\$ 331,538	\$ 13,726,132
Intergovernmental	3,698,370	-	-	-	-	3,698,370
Charges for services	397,575	-	16,660	-	235,568	649,803
Fines and forfeitures	308,277	-	-	-	-	308,277
Licenses and permits	159,311	-	-	-	-	159,311
Investment income	111,600	-	100,219	12,698	51,945	276,462
Donations	700	-	-	-	-	700
Miscellaneous	1,134,320	-	-	-	37,629	1,171,949
Total revenues	<u>14,342,664</u>	<u>2,860,425</u>	<u>116,879</u>	<u>2,014,356</u>	<u>656,680</u>	<u>19,991,004</u>
EXPENDITURES						
Current:						
City Treasurer	13,345	-	-	-	-	13,345
City Clerk	72,274	-	-	-	-	72,274
Municipal Court	148,271	-	-	-	-	148,271
Police	3,183,648	-	-	-	-	3,183,648
Fire	1,503,140	-	-	-	-	1,503,140
Emergency Management	561,294	-	-	-	-	561,294
Maintenance	191,272	-	-	-	-	191,272
Streets	953,011	-	-	6,270	69,067	1,028,348
Health and sanitation	-	-	-	-	65,608	65,608
Culture, tourism and recreation	918,359	-	-	-	198,905	1,117,264
General government	2,058,919	-	35,643	-	6,153	2,100,715
Library	20,731	-	-	-	-	20,731
Cemetery	211,685	-	-	-	-	211,685
Airport	150,576	-	-	-	-	150,576
Capital Outlay	1,588,821	-	189,735	946,071	806,736	3,531,363
Debt Service:						
Principal	209,635	-	1,455,000	-	-	1,664,635
Interest and other charges	6,574	-	495,348	-	-	501,922
Total expenditures	<u>11,791,555</u>	<u>-</u>	<u>2,175,726</u>	<u>952,341</u>	<u>1,146,469</u>	<u>16,066,091</u>
Excess (deficiency) of revenues over expenditures	<u>2,551,109</u>	<u>2,860,425</u>	<u>(2,058,847)</u>	<u>1,062,015</u>	<u>(489,789)</u>	<u>3,924,913</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	252,100	-	2,987,189	-	-	3,239,289
Transfers out	-	(2,987,189)	-	(244,942)	(125,584)	(3,357,715)
Total other financing sources (uses)	<u>252,100</u>	<u>(2,987,189)</u>	<u>2,987,189</u>	<u>(244,942)</u>	<u>(125,584)</u>	<u>(118,426)</u>
Net change in fund balances	2,803,209	(126,764)	928,342	817,073	(615,373)	3,806,487
Fund balances - beginning, restated	3,341,508	121,185	11,624,460	811,580	2,755,777	18,654,510
Fund balances - ending	<u>\$ 6,144,717</u>	<u>\$ (5,579)</u>	<u>\$ 12,552,802</u>	<u>\$ 1,628,653</u>	<u>\$ 2,140,404</u>	<u>\$ 22,460,997</u>

See accompanying notes to the basic financial statements.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	22,460,997
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
		32,532,193
Certain long-term assets and deferred outflows are not available to pay for current fund liabilities and therefore, are either deferred or not reported in the funds:		
Net OPEB asset		65,342
OPEB related deferred outflows		63,124
Pension related deferred outflows		2,839,710
Deferred revenue		183,241
Certain long-term liabilities, along with certain deferred inflows, are not due and payable from current financial resources and therefore, are not reported in the funds:		
Net pension liability		(5,322,742)
Pension related deferred inflows		(340,733)
OPEB related deferred inflows		(55,512)
Note payable		(15,308,937)
Accrued compensated absences		(679,646)
Capital lease payable		(74,873)
Net Position of Governmental Activities in the Statement of Net Position	\$	36,362,164

See accompanying notes to the basic financial statements.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Reconciliation of Governmental Funds and Government-Wide Financial Statements (Continued):

Net change in fund balances - total governmental funds: \$ 3,806,487

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital asset purchases capitalized	3,209,546
Depreciation expense	(2,814,168)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

Donated assets	189,736
Transferred assets	(1,704)
Book value of disposed asset	(90,190)

In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.

(1,050,436)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in deferred revenue	19,004
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Principal payments on long-term debt	1,606,668
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change Net OPEB asset	6,847
Change in accrued compensated absences	(194,762)

Change in net position of governmental activities	\$ 4,687,028
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See accompanying notes to the basic financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Proprietary Funds Statement of Net Position - June 30, 2021

	<u>Sanitation</u>	<u>TEFA</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,967,889	\$ 61	\$ 2,967,950
Restricted:			
Cash and cash equivalents	-	137,670	137,670
Accounts receivable, net	232,653	2,529,150	2,761,803
Receivable from component unit	61,295	-	61,295
Due from other funds	245,000	-	245,000
Total current assets	<u>3,506,837</u>	<u>2,666,881</u>	<u>6,173,718</u>
Non-current assets:			
Net OPEB asset	19,472	-	19,472
Capital assets:			
Land and construction in progress	76,100	-	76,100
Other capital assets, net of accumulated depreciation	4,932,662	-	4,932,662
Accounts receivable, net	-	3,679,577	3,679,577
Total non-current assets	<u>5,028,234</u>	<u>3,679,577</u>	<u>8,707,811</u>
Total assets	<u>\$ 8,535,071</u>	<u>\$ 6,346,458</u>	<u>\$ 14,881,529</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	288,344	-	288,344
Deferred amounts related to OPEB	18,160	-	18,160
	<u>306,504</u>	<u>-</u>	<u>306,504</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 74,609	\$ -	\$ 74,609
Salaries payable	44,014	-	44,014
Accrued interest payable	-	92,615	92,615
Revenue bonds payable	-	2,320,000	2,320,000
Accrued compensated absences	3,250	-	3,250
Total current liabilities	<u>121,873</u>	<u>2,412,615</u>	<u>2,534,488</u>
Non-current liabilities:			
Revenue bonds payable	-	3,880,000	3,880,000
Net pension liability	370,546	-	370,546
Total non-current liabilities	<u>370,546</u>	<u>3,880,000</u>	<u>4,250,546</u>
Total liabilities	<u>492,419</u>	<u>6,292,615</u>	<u>6,785,034</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	13,771	-	13,771
Deferred amounts related to OPEB	17,829	-	17,829
	<u>31,600</u>	<u>-</u>	<u>31,600</u>
NET POSITION			
Net investment in capital assets	5,008,762	-	5,008,762
Restricted for education	-	53,843	53,843
Unrestricted	3,308,794	-	3,308,794
Total net position	<u>\$ 8,317,556</u>	<u>\$ 53,843</u>	<u>\$ 8,371,399</u>

See accompanying notes to the basic financial statements.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position – Fiscal Year Ended June 30, 2021

	<u>Sanitation</u>	<u>TEFA</u>	<u>Total</u>
REVENUES			
Charges for services:			
Sanitation charges	\$ 2,722,265	\$ -	\$ 2,722,265
Rents and royalties	-	11,783	11,783
Total operating revenues	<u>2,722,265</u>	<u>11,783</u>	<u>2,734,048</u>
OPERATING EXPENSES			
Personal Services	1,143,927	-	1,143,927
Capital Outlay	40,291	-	40,291
Materials and Supplies	920,224	-	920,224
Education	-	17,357	17,357
Depreciation expense	402,350	-	402,350
Total operating expenses	<u>2,506,792</u>	<u>17,357</u>	<u>2,524,149</u>
Operating income (loss)	<u>215,473</u>	<u>(5,574)</u>	<u>209,899</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	55,220	36	55,256
Loss on capital asset disposal	(58,441)	-	(58,441)
Miscellaneous	34,209	-	34,209
Interest expense	(1,206)	-	(1,206)
Total non-operating revenue (expenses)	<u>29,782</u>	<u>36</u>	<u>29,818</u>
Income before transfers	245,255	(5,538)	239,717
Transfers in	<u>120,131</u>	<u>-</u>	<u>120,131</u>
Change in net position	365,386	(5,538)	359,848
Total net position - beginning, restated	<u>7,952,170</u>	<u>59,381</u>	<u>8,011,551</u>
Total net position - ending	<u>\$ 8,317,556</u>	<u>\$ 53,843</u>	<u>\$ 8,371,399</u>

See accompanying notes to the basic financial statements.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Proprietary Funds Statement of Cash Flows – Fiscal Year Ended June 30, 2021

	<u>Sanitation</u>	<u>TEFA</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,759,198	\$ 11,783	\$ 2,770,981
Payments to suppliers	(927,411)	(17,357)	(944,768)
Payments to employees	(1,028,395)	-	(1,028,395)
Receipts (payments) from other funds	143,629	-	143,629
Net cash provided by (used in) operating activities	<u>947,021</u>	<u>(5,574)</u>	<u>941,447</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	120,131	-	120,131
Net cash provided by (used in) noncapital financing activities	<u>120,131</u>	<u>-</u>	<u>120,131</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(306,787)	-	(306,787)
Proceeds from sale of assets	38,900	-	38,900
Principal paid on debt	(110,434)	(2,165,000)	(2,275,434)
Collection of capital lease purchase receivable	-	2,196,143	2,196,143
Interest and fiscal agent fees paid on debt	(1,206)	(30,643)	(31,849)
Net cash provided by (used in) capital and related financing activities	<u>(379,527)</u>	<u>500</u>	<u>(379,027)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	127,784	-	127,784
Interest and dividends	55,220	36	55,256
Net cash provided by (used in) investing activities	<u>183,004</u>	<u>36</u>	<u>183,040</u>
Net increase (decrease) in cash and cash equivalents	870,629	(5,038)	865,591
Balances - beginning of year	<u>2,097,260</u>	<u>142,769</u>	<u>2,240,029</u>
Balances - end of year	<u>\$ 2,967,889</u>	<u>\$ 137,731</u>	<u>\$ 3,105,620</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 2,967,889	\$ 61	\$ 2,967,950
Restricted cash and cash equivalents - current	-	137,670	137,670
Total cash and cash equivalents, end of year	<u>\$ 2,967,889</u>	<u>\$ 137,731</u>	<u>\$ 3,105,620</u>
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 215,473	\$ (5,574)	\$ 209,899
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	402,350	-	402,350
Other non-operating revenues	34,209	-	34,209
Change in assets and liabilities:			
Due to other funds	143,629	-	143,629
Accounts receivable	2,724	-	2,724
Net OPEB asset	(4,849)	-	(4,849)
Accrued payroll payable	14,846	-	14,846
Accounts payable	18,258	-	18,258
Net Pension liability	320,445	-	320,445
Pension and OPEB deferrals	(201,304)	-	(201,304)
Accrued compensated absences	1,240	-	1,240
Net cash provided by (used in) operating activities	<u>\$ 947,021</u>	<u>\$ (5,574)</u>	<u>\$ 941,447</u>

See accompanying notes to the basic financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

COMBINING DISCRETELY PRESENTED COMPONENT UNITS

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Discretely Presented Component Units Statement of Net Position - June 30, 2021

	Discretely Presented Component Units			
	Tahlequah Hospital Authority	TPWA	TRDA	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,978,937	\$ 7,521,404	\$ 950,534	\$ 16,450,875
Investments	38,870,504	-	-	38,870,504
Restricted:				
Cash and cash equivalents	-	9,534,278	-	9,534,278
Accounts Receivable, net	29,946,910	2,377,378	6,501	32,330,789
Other receivables	1,027,479	293,582	-	1,321,061
Inventories	3,322,224	1,362,021	-	4,684,245
Prepaid Expenses	1,059,379	-	-	1,059,379
Total current assets	<u>82,205,433</u>	<u>21,088,663</u>	<u>957,035</u>	<u>104,251,131</u>
Non-current assets:				
Capital Assets:				
Other capital assets, net of accumulated depreciation	45,701,974	45,271,071	1,028,152	92,001,197
Other assets	1,335,690	-	-	1,335,690
Total non-current assets	<u>47,037,664</u>	<u>45,271,071</u>	<u>1,028,152</u>	<u>93,336,887</u>
Total assets	<u>129,243,097</u>	<u>66,359,734</u>	<u>1,985,187</u>	<u>197,588,018</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to derivative	950,110	-	-	950,110
	<u>950,110</u>	<u>-</u>	<u>-</u>	<u>950,110</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	17,814,615	2,045,835	256	19,860,706
Payable to City of Tahlequah	-	19,086	-	19,086
Other accrued expenses	950,110	-	-	950,110
Unearned revenue	747,296	-	-	747,296
Deposits subject to refund	-	1,765,210	-	1,765,210
Capital lease obligation	338,604	59,905	-	398,509
Notes payable	13,030,517	343,659	18,333	13,392,509
Revenue bonds payable	-	596,000	-	596,000
Compensated absences	-	235,882	-	235,882
Total current liabilities	<u>32,881,142</u>	<u>5,065,577</u>	<u>18,589</u>	<u>37,965,308</u>
Non-current liabilities:				
Capital lease obligation	2,272,404	-	-	2,272,404
Notes payable	28,282,191	11,498,000	3,332	39,783,523
Revenue bonds payable	-	8,352,197	-	8,352,197
Total non-current liabilities	<u>30,554,595</u>	<u>19,850,197</u>	<u>3,332</u>	<u>50,408,124</u>
Total liabilities	<u>63,435,737</u>	<u>24,915,774</u>	<u>21,921</u>	<u>88,373,432</u>
NET POSITION				
Net investment in capital assets	15,461,117	24,421,310	1,006,488	40,888,915
Restricted for debt service	-	2,460,276	-	2,460,276
Unrestricted	51,296,353	14,562,374	956,778	66,815,505
Total net position	<u>\$ 66,757,470</u>	<u>\$ 41,443,960</u>	<u>\$ 1,963,266</u>	<u>\$ 110,164,696</u>

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Discretely Presented Component Units Statement of Revenues, Expenses, and Changes in Net Position – Fiscal Year Ended June 30, 2021

	Discretely Presented Component Units			
	Tahlequah Hospital Authority	TPWA	TRDA	Total
REVENUES				
Charges for services:				
Electric	\$ -	\$ 16,603,004	\$ -	\$ 16,603,004
Water	-	4,758,167	-	4,758,167
Sewer	-	3,319,930	-	3,319,930
Patient service	120,397,058	-	-	120,397,058
Rental Income	-	-	96,094	96,094
Miscellaneous	-	39,487	-	39,487
Total operating revenues	<u>120,397,058</u>	<u>24,720,588</u>	<u>96,094</u>	<u>145,213,740</u>
OPERATING EXPENSES				
Administration	-	2,725,759	-	2,725,759
Water	-	2,993,841	-	2,993,841
Wastewater/Sewer	-	1,936,414	-	1,936,414
Electric	-	12,104,853	-	12,104,853
Industrial	-	-	78,100	78,100
Hospital	120,300,845	-	-	120,300,845
Depreciation expense	4,626,847	2,105,505	42,547	6,774,899
Payment to City of Tahlequah	-	1,168,948	-	1,168,948
Total Operating Expenses	<u>124,927,692</u>	<u>23,035,320</u>	<u>120,647</u>	<u>148,083,659</u>
Operating income (loss)	<u>(4,530,634)</u>	<u>1,685,268</u>	<u>(24,553)</u>	<u>(2,869,919)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	3,281,758	160,090	3,625	3,445,473
Gain on capital asset disposal	5,691	-	-	5,691
Miscellaneous revenue	350,961	-	56,501	407,462
Interest expense	(1,162,260)	(868,943)	-	(2,031,203)
Miscellaneous expenses	-	-	(55,710)	(55,710)
Total non-operating revenue (expenses)	<u>2,476,150</u>	<u>(708,853)</u>	<u>4,416</u>	<u>1,771,713</u>
Incomenome (loss) before contributions	<u>(2,054,484)</u>	<u>976,415</u>	<u>(20,137)</u>	<u>(1,098,206)</u>
Change in net position	<u>(2,054,484)</u>	<u>976,415</u>	<u>(20,137)</u>	<u>(1,098,206)</u>
Total net position - beginning	<u>68,811,954</u>	<u>40,467,545</u>	<u>1,983,403</u>	<u>111,262,902</u>
Total net position - ending	<u>\$ 66,757,470</u>	<u>\$ 41,443,960</u>	<u>\$ 1,963,266</u>	<u>\$ 110,164,696</u>

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Tahlequah and two blended component units) as noted below, along with three discretely presented component units. This annual report includes all activities for which the City of Tahlequah City Council are fiscally responsible.

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

The City of Tahlequah – provides the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of Tahlequah has a population of 16,966 located in eastern Oklahoma. The City is an aldermanic form of government and operates under state law that provides for three branches of government:

- Legislative – the City Council is a five-member governing body with the mayor and four council members elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, airport, and certain utility services including sanitation.

Component Units:

- **The Tahlequah Public Facilities Authority** – that stimulate public growth and development, increasing meaningful job opportunities, promoting entrepreneurship and capital investment, to inventory public services, facilities and resources, to promote, encourage and finance the growth and development of the City
- **The Tahlequah Educational Facilities Authority** – that stimulates educational growth and development and promote, encourage and finance the growth and development of education within the City

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

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

In addition, the City has the following three discretely presented component units:

- **The Tahlequah Hospital Authority** –consists of seven trustees who are responsible for decisions related to the management, operation and development of the Northeastern Health System hospital. Appointments of the Trustees are made by appointment of the mayor of Tahlequah and approved by the City Council and established as a Title 60 Public Trust.
- **The Tahlequah Public Works Authority** – is a public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statute 1961, Sections 176 to 180, on December 4, 1970 for the use and benefit of the City of Tahlequah, Oklahoma. The Authority was established to manage utility facilities whether water, sewage, electric, or other forms or types of public and municipal services within or without the corporate boundaries of the City of Tahlequah, Oklahoma and the conservation of public welfare in these areas.
- **The Tahlequah Regional Development Authority** - is a public trust created on September 8, 1981, under the provisions of Title 60, Oklahoma Statutes, the Oklahoma Trust Act, and other applicable laws and statutes of the State of Oklahoma. The Board of Trustees are citizens and residents of the Beneficiary appointed by the Mayor and confirmed by a majority vote of the City Council of the City of Tahlequah. All Trustees must reside within the Beneficiary City. The industrial authority mission is to advance an environment through partnerships which preserves, attracts and promotes business growth in the Tahlequah community.

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

- General government – licenses and permits, inspection fees, rental fees, operating grants and contributions
- Public safety – fine revenue, fire run fees, on-behalf pension payments, operating grants
- Highways and streets – stormwater management fees, commercial vehicle and gasoline excise tax shared by the State

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

- Culture and recreation – swimming pool, golf course, and aquatic center fees/concessions, operating grants
- Airport – rental fees, fuel sales, capital grants and contributions
- Cemetery – Cemetery lot sales and openings/closings revenue

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

Governmental Funds:

The City’s governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Restricted Sales Tax II Fund – accounts for sales tax levied by the City for capital project improvements and debt service payments related to capital projects
- Tahlequah Public Facilities Authority – accounts for resources related to capital projects
- Streets & Sidewalks Fund – capital improvement fund for use of sales tax for improvements to streets and sidewalks.

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

Special Revenue Funds:

- Restricted Sales Tax Fund – accounts for sales tax levied by the City for the utility system
- Street and Alley Fund – accounts for revenues from gasoline and vehicle taxes restricted for street repairs and maintenance
- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenue restricted by State law for cemetery capital improvements, with interest used for maintenance or capital improvements
- Hotel/Motel Tax Fund – accounts for hotel/motel tax collections to promote tourism for the City.
- Stormwater Management Fund – accounts for fees charges to manage stormwater runoff and stormwater management including but not limited to development, administration, and implementation of a stormwater management program.
- Capital Improvement Fund – accounts for capital outlays related to City capital improvement projects.

The governmental funds are reported on the modified accrual basis of accounting in which revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

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

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

The General Fund, Restricted Sales Tax II Fund and the Tahlequah Public Facilities Authority Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

Proprietary Funds:

The City's proprietary funds include:

Enterprise Funds

- Sanitation Fund - accounts for the activities in providing sanitation services to the public.
- Tahlequah Educational Facilities Authority Fund - accounts for the activities related to educational facilities and Tahlequah Public Schools.

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

fiduciary net position of the Oklahoma Public Employees Retirement System (OPERS), Oklahoma Firefighters Pension & Retirement System (OFPRS), and Oklahoma Police Pension & Retirement System (OPPRS) and additions to/deductions from OPERS's, OFPRS's, and OPPRS's fiduciary net position have been determined on the same basis as they are reported by OPERS'S, OFPRS, and OPPRS. 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.

- d. For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's, fiduciary net position have been determined on the same basis as they are reported by OPERS'S. 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.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities, Deferrals and Equity

Cash and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are considered cash equivalents.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost, which approximates fair value. Fair value is based on quoted market price.

Receivables

In the government-wide 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

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories for the component units, the Tahlequah Hospital Authority and Tahlequah Public Works Authority, are valued at lower of cost or market using first-in, first-out. The cost of governmental funds inventories are recorded as expenditures when purchased rather than when consumed because they are immaterial.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1992.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings	10-50 years
- Improvements other than buildings	5-10 years
- Machinery, furniture and equipment	5-20 years
- Vehicles	5-20 years
- Infrastructure	5-50 years

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to capital improvement funds and debt related trustee accounts.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of revenue bonds payable, deposits subject to refund and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Net Position and Fund Balances

Net position is displayed in three components:

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

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

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Fund Balances:

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Sales Tax

The City presently levies a three and one-quarter cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Two cents of the sales tax is recorded in the General Fund. One-half cent is recorded in the Restricted Sales Tax Fund per voter approval to be used for education. Three-quarters cent is recorded in the Restricted Sales Tax II Fund to be used to provide revenues to the City to make capital improvements to the streets and other facilities of the City; this is done through transferring resources to the Tahlequah Public Facilities Authority.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds, if any, is not eliminated in the Statement of Activities.

G. Use of Estimates

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

2. Cash, Cash Equivalents, and Investments

For the purpose of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less.

At June 30, 2021, the reporting entity held the following deposits and investments:

Primary Government:

<u>Type</u>	<u>Credit Rating</u>	<u>Fair Value Valuation Level</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 16,779,300
Certificates of Deposit			319,762
			<u>17,099,062</u>
Investments:			
US Treasury Notes		Level I	\$ 2,434,523
Federated Hermes Treasury Obligations	AAAm	Level II	5,664,639
			<u>8,099,162</u>
Total deposits and investments			<u>\$ 25,198,224</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 12,323,875
Restricted cash and cash equivalents			9,741,621
Investments			319,762
Noncurrent restricted cash and cash equivalents			2,812,966
			<u>\$ 25,198,224</u>

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized 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 exists 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 110% of the uninsured deposits and accrued interest thereon. At June 30, 2021, the City had no custodial credit risk as described above.

Investment Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable. The city weighted average maturity related to Federated Hermes Treasury Obligations is 0.12 years.

Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2021, the City's investments consisted of \$2,434,523 in US Treasury notes and \$5,664,639 of Federated Treasury Obligations with a credit rating of AAAM as rated by Standard and Poor's.

Concentration of Investment Credit Risk

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

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2021, the City had no concentration of credit risk as defined above.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Restricted Cash and Investments – The amounts reported as restricted assets of the governmental activities statement of net position are comprised of amounts held by the Tahlequah Public Finance Authority (TPFA) for sales tax transfers for debt service payments, amounts held by the trustee bank for debt retirement, and amounts held for capital improvement. The restricted assets as of June 30, 2021 are as follows:

<u>Type of Restricted Assets</u>	Cash including time deposits	
	Governmental Activities	Business-Type Activities
Sales Tax - TPFA	\$ 4,317,755	\$ -
Trust Account - Bond A TPFA	513,635	-
Trust Account - Bond B TPFA	10	-
Trust Account - Improvement Fund TPFA	4,772,551	-
Trust Account- Reserve TPFA	378,443	-
Trust Account - TEFA	-	137,670
Reserve Account TPFA	2,434,523	-
	<u>\$ 12,416,917</u>	<u>\$ 137,670</u>

Reconciliation of Statmenet of Net Position:

Restricted Cash & Cash Equivalents - current	\$ 9,603,951	\$ 137,670
Restricted Cash & Cash Equivalents - noncurrent	2,812,966	-
	<u>\$ 12,416,917</u>	<u>\$ 137,670</u>

Discretely presented component units:

<u>Type</u>	<u>Credit Rating</u>	<u>Fair Value Valuation Level</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits	N/A	-	\$ 20,539,373
Money Market Accounts	N/A	Level 1	42,813
Time deposits, due within one year	N/A	-	5,849,248
			<u>26,431,434</u>
Investments:			
Domestic Fixed Income	Ba2-Aaa	Level II	\$ 2,767,435
International Fixed Income	Ba2-A2	Level II	209,559
Closed End mutual funds & EFT	N/A	Level I	23,880,811
Domestic equities	N/A	Level I	2,095,649
international equities	N/A	Level I	861,197
Investment in joint venture	N/A	Equity Method	6,642,246
Assets under deferred compensation agreements	N/A	N/A	747,296
Investments in capitive insurance contracts	N/A	N/A	1,220,030
			<u>38,424,223</u>
Total deposits and investments			<u>\$ 64,855,657</u>

Reconciliation to Statement of Net Position:

CU Cash and cash equivalents	16,450,875
CU Restricted cash and cash equivalents	9,534,278
CU investments	38,870,504
	<u>\$ 64,855,657</u>

Detailed disclosures can be found in the separately audit financial statements of each discretely presented component unit.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

3. Accounts and Notes Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include accounts receivable, hotel/motel tax receivable, other receivables and court fines receivables.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Accounts receivable	\$ 374,672	-	\$ 374,672
Hotel/motel tax receivable	32,928	-	32,928
Other receivables	38,571	-	38,571
Court fines	3,368,884	(3,164,800)	204,084
Total Governmental Activities	\$ 3,815,055	\$ (3,164,800)	\$ 650,255
Business-Type Activities:			
Education	\$ 6,208,727	-	\$ 6,208,727
From component unit	245,000	-	245,000
Other receivables	28,740	-	28,740
Total Business-Type Activities	\$ 6,482,467	\$ -	\$ 6,482,467

Accounts receivable of the discretely presented component units consist of receivables from patient services, provider related funds related parties, and outstanding utility billing receivables.

	Net Accounts Receivable
Discretely Presented Component Units:	
Patient receivable	\$ 22,194,400
Provider relief funds	7,422,826
Related parties	329,684
Utility receivable	2,377,378
Other	1,033,980
Total Discretely Presented Component Units	\$ 33,358,268

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

For the year ended June 30, 2021, capital assets balances changed as follows:

	Balance at July 1, 2020	Additions	Disposals	Interfund Transfers In (Out)	Balance at June 30, 2021
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,761,835	\$ -	\$ 67,000	\$ -	\$ 3,694,835
Construction in progress	1,163,260	1,606,905	117,500	-	2,652,665
Total capital assets not being depreciated	<u>4,925,095</u>	<u>1,606,905</u>	<u>184,500</u>	<u>-</u>	<u>6,347,500</u>
Other capital assets:					
Buildings	10,788,185	554,445	-	-	11,342,630
Infrastructure	34,409,699	1,292,299	-	-	35,701,998
Machinery, furniture and equipment	12,499,710	110,315	633,459	(14,634)	11,961,932
Total other capital assets at historical cost	<u>57,697,594</u>	<u>1,957,059</u>	<u>633,459</u>	<u>(14,634)</u>	<u>59,006,560</u>
Less accumulated depreciation for:					
Buildings	4,401,662	266,879	-	-	4,668,541
Improvements	-	-	-	-	-
Infrastructure	18,029,206	1,920,285	-	-	19,949,491
Machinery, furniture and equipment	8,200,030	627,003	610,269	(12,930)	8,203,834
Total accumulated depreciation	<u>30,630,898</u>	<u>2,814,167</u>	<u>610,269</u>	<u>(12,930)</u>	<u>32,821,866</u>
Other capital assets, net	<u>27,066,696</u>	<u>(857,108)</u>	<u>23,190</u>	<u>(1,704)</u>	<u>26,184,694</u>
Governmental activities capital assets, net	<u>\$ 31,991,791</u>	<u>\$ 749,797</u>	<u>\$ 207,690</u>	<u>\$ (1,704)</u>	<u>\$ 32,532,194</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 76,100	\$ -	\$ -	\$ -	\$ 76,100
Total capital assets not being depreciated	<u>76,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,100</u>
Other capital assets:					
Buildings	2,235,448	-	-	-	2,235,448
Machinery, furniture and equipment	4,681,827	305,083	424,056	14,634	4,577,488
Infrastructure	1,003,280	-	-	-	1,003,280
Total other capital assets at historical cost	<u>7,920,555</u>	<u>305,083</u>	<u>424,056</u>	<u>14,634</u>	<u>7,816,216</u>
Less accumulated depreciation for:					
Buildings	323,217	43,053	-	-	366,270
Machinery, furniture and equipment	2,239,123	311,844	326,715	12,930	2,237,182
Infrastructure	232,649	47,453	-	-	280,102
Total accumulated depreciation	<u>2,794,989</u>	<u>402,350</u>	<u>326,715</u>	<u>12,930</u>	<u>2,883,554</u>
Other capital assets, net	<u>5,125,566</u>	<u>(97,267)</u>	<u>97,341</u>	<u>1,704</u>	<u>4,932,662</u>
Business-type activities capital assets, net	<u>\$ 5,201,666</u>	<u>\$ (97,267)</u>	<u>\$ 97,341</u>	<u>\$ 1,704</u>	<u>\$ 5,008,762</u>

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 1,197,734	Sanitation	<u>\$ 402,350</u>
Public safety	386,704		
Highways and streets	491,548		
Culture and recreation	457,251		
Cemetery	18,000		
Airport	262,930		
	<u>\$ 2,814,167</u>		

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Discretely Presented Component Units:

For the year ended June 30, 2021, capital assets balances for the combined discretely presented component units which includes the THA, TPWA and TRDA changed as follows:

	Balance at June 30, 2020	Additions	Transfers and Disposals	Balance at June 30, 2021
Discretely Presented Component Units:				
Capital assets not being depreciated:				
Land	\$ 3,561,343	\$ 22,030	\$ -	\$ 3,583,373
Construction in progress	7,870,599	3,697,122	(2,636,660)	8,931,061
Total capital assets not being depreciated	<u>11,431,942</u>	<u>3,719,152</u>	<u>(2,636,660)</u>	<u>12,514,434</u>
Other capital assets:				
Buildings	53,659,444	1,519,410	2,651,550	57,830,404
Improvements	935,689	-	-	935,689
Infrastructure	70,434,002	-	-	70,434,002
Machinery, furniture and equipment	44,411,807	2,323,188	(2,691,218)	44,043,777
Total other capital assets at historical cost	<u>169,440,942</u>	<u>3,842,598</u>	<u>(39,668)</u>	<u>173,243,872</u>
Less accumulated depreciation for:				
Buildings	(20,125,615)	(1,780,411)	99,451	(21,806,575)
Improvements	(657,265)	(30,561)	-	(687,826)
Infrastructure	(38,129,349)	(1,806,546)	-	(39,935,895)
Machinery, furniture and equipment	(30,747,322)	(3,157,382)	2,577,891	(31,326,813)
Total accumulated depreciation	<u>(89,659,551)</u>	<u>(6,774,900)</u>	<u>2,677,342</u>	<u>(93,757,109)</u>
Other capital assets, net	79,781,391	(2,932,302)	2,637,674	79,486,763
Discretely presented component units capital assets, net	<u>\$ 91,213,333</u>	<u>\$ 786,850</u>	<u>\$ 1,014</u>	<u>\$ 92,001,197</u>

5. Debt and Debt Service Requirements

For the year ended June 30, 2021, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
Governmental Activities:					
Revenue bonds payable	\$ 16,780,150	\$ -	\$ 1,471,213	\$ 15,308,937	\$ 1,535,000
Capital leases payable	210,328	-	135,454	74,874	67,179
Accrued compensated absences	484,883	194,762	-	679,645	67,964
Total Governmental Activities	<u>\$ 17,475,361</u>	<u>\$ 194,762</u>	<u>\$ 1,606,667</u>	<u>\$ 16,063,456</u>	<u>\$ 1,670,143</u>
Business-Type Activities:					
Revenue bonds payable	\$ 8,365,000	\$ -	\$ 2,165,000	\$ 6,200,000	\$ 2,320,000
Capital lease payable	110,434	-	110,434	-	-
Accrued compensated absences	27,943	4,556	-	32,499	3,250
Total Business-Type Activities	<u>8,503,377</u>	<u>4,556.00</u>	<u>2,275,434</u>	<u>6,232,499</u>	<u>2,323,250</u>
Total Long-Term Debt	<u>\$ 25,978,738</u>	<u>\$ 199,318</u>	<u>\$ 3,882,101</u>	<u>\$ 22,295,955</u>	<u>\$ 3,993,393</u>

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Governmental activities long-term debt:

Governmental activities long-term debt payables from net revenues include the following:

Revenue Bonds Payable:

Tahlequah Public Facilities Authority

2013 Sales Tax Revenue Bond Series A, original issue amount of \$15,935,000 dated May 1, 2013, issued by the Tahlequah Public Facilities Authority secured by sales tax revenue, interest rate of 3.125% with a final maturity of April 1, 2025	\$ 6,685,000
2013 Sales Tax Revenue Bond Series B, original issue amount of \$8,520,000 dated May 1, 2013, issued by the Tahlequah Public Facilities Authority secured by sales tax revenue, interest rate of 3.25% with a final maturity of April 1, 2028	8,520,000
Total Revenue Bonds Payable	\$ 15,205,000
Current portion	\$ 1,535,000
Noncurrent portion	13,773,937
	\$ 15,308,937
Less: Premium on bonds	(103,937)
Total Revenue Bonds Payable	\$ 15,205,000

Capital Leases Payable:

City of Tahlequah

\$172,955 lease with Welch State Bank for the purchase of a 2019 Freightliner fire truck, issued August 2018 with an interest rate of 3.46%, maturing August 2022.	\$ 52,941
\$188,072 lease with Armstrong Bank for the purchase of a street sweeper, issued October 2018 with an interest rate of 5%, maturing October 2021.	21,933
Total Capital Leases Payable	\$ 74,874
Current portion	\$ 67,179
Noncurrent portion	7,695
Total Capital Leases Payable	\$ 74,874

Accrued Compensated Absences:

Current portion	\$ 67,964
Noncurrent portion	611,681
Total Accrued Compensated Absences	\$ 679,645

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Business-type activities long-term debt payable from net revenues generated by and taxes pledged to the City's business-type activities include the following:

Revenue Bonds Payable:

Tahlequah Educational Facilities Authority

2009A Series Build America Sales Tax Revenue Bonds, dated September 30, 2009, original amount of \$19,280,000 secured by lease revenue, interest rate of 6.05%, final maturity of September 1, 2022

	\$ 6,200,000
Current portion	\$ 2,320,000
Noncurrent portion	3,880,000
Total Revenue Bonds Payable (TEFA)	\$ 6,200,000

Accrued Compensated Absences:

	\$ 3,250
Current portion	\$ 3,250
Noncurrent portion	29,249
Total Accrued Compensated Absences	\$ 32,499

Debt Service Requirements to Maturity:

	Governmental Activities			Governmental Activities	
Year Ending June 30,	Revenue Bonds Payable		Year Ending June 30,	Capital Leases Payable	
	Principal	Interest		Principal	Interest
2022	1,535,000	481,756	2022	67,179	1,289
2023	1,615,000	443,381	2023	7,695	33
2024	1,720,000	385,219	2024	-	-
2025	1,815,000	333,619	2025	-	-
2026	1,915,000	276,900	2026	-	-
2027-2028	6,605,000	363,676	2027-2028	-	-
Totals	\$ 15,205,000	\$ 2,284,551	Totals	\$ 74,874	\$ 1,322

Business-Type Activities			
	Revenue Bonds Payable		
Year Ending June 30,	Principal	Interest	
2022	\$ 2,320,000	\$	302,600
2023	3,880,000		117,370
2024	-		-
2025	-		-
Totals	\$ 6,200,000	\$	419,970

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Discretely Presented Component Units:

For the year ended June 30, 2021, the combined discretely presented component units which includes the THA, TPWA and TRDA for long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Component Unit:					
Notes Payable (direct borrowings)	\$ 52,271,420	\$ 3,140,517	\$ 4,498,592	\$ 50,913,345	\$ 13,430,759
Capital lease payable	2,736,488	-	948,691	1,787,797	360,259
Revenue bonds payable	12,674,000	-	580,000	12,094,000	596,000
CMS Advance Program	19,952,520	-	1,817,671	18,134,849	11,502,885
Accrued compensated absences	219,194	16,688	-	235,882	235,882
Total Governmental Activities	<u>\$ 87,853,622</u>	<u>\$ 3,157,205</u>	<u>\$ 7,844,954</u>	<u>\$ 83,165,873</u>	<u>\$ 26,125,785</u>

Notes Payable (Direct Borrowings):

Tahlequah Public Works Authority

2018 Series Drinking Water SRF Promissory Note to the Oklahoma Water Resources Board, original issue amount \$8,200,000, secured by utility revenues, interest rate of 2.65% and administrative fee of 0.5%, final maturity of September 15, 2050 (\$3,126,373 not drawn as of June 30, 2020) \$ 6,833,936

2011 Series Drinking Water SRF Promissory Note to the Oklahoma Water Resources Board, original issue amount \$1,680,000, secured by utility revenues, interest rate of 1.78% and administrative fee of 0.5%, final maturity of March 15, 2023 312,462

2019 Series Drinking Water SRF Promissory Note to the Oklahoma Water Resources Board, original issue amount \$1,116,855, secured by utility revenues, interest rate of 2.99% and administrative fee of 0.5%, final maturity of March 15, 2041 1,549,458

Total Notes Payable (TPWA)	<u>\$ 8,695,856</u>
Current portion	\$ 343,659
Noncurrent portion	<u>8,352,197</u>
Total Note Payable (TPWA)	<u>\$ 8,695,856</u>

The direct borrowings for TPWA are collateralized by the pledge of revenues. In the event of default, the lender may file suit to require any or all of the borrower covenants to be performed; accelerate the payment of principal and interest accrued on the note; appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or file suit to enforce or enjoin the action or inaction of the Borrower under the provisions of the loan agreements.

Tahlequah Regional Development Authority (direct borrowing)

\$400,000 note payable in monthly installments of \$1,666, with a 0% interest rate, final payment due August 2022. this note is with the Oklahoma Department of Commerce. It is collateralized by a pledge of sales tax from the City of Tahlequah \$ 21,665

Total Notes Payable (TRDA)	<u>\$ 21,665</u>
Current portion	\$ 18,333
Noncurrent portion	<u>3,332</u>
Total Note Payable (TRDA)	<u>\$ 21,665</u>

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Tahlequah Hospital Authority (direct borrowing)

4.39% note payable, due in monthly installments of \$114,385 including interest, with an estimated balloon payment of \$6,257,000 due December 2027, secured by property and equipment	\$ 12,465,424
4.75% note payable, due in monthly installments of \$3,925 including interest, through January 2027, secured by property	384,216
4.1% note payable, due in monthly installments of \$4,268 including interest, through April 2024, secured by land	136,766
4.1% note payable, due in monthly installments of \$6,431 including interest, through April 2024, secured by land	206,059
4.0% note payable, due in monthly installments of \$4,878 including interest, through December 2028, secured by land	380,245
4.5% note payable, due in monthly installments of \$29,359 including interest, through December 2031, secured by property	2,934,338
5.0% note payable, due in monthly installments of \$5,876 including interest, through August 2033, secured by building	652,117
3.92% note payable up to \$7,400,000, due in monthly installments of \$44,531 including interest, through September 2021, secured by building	6,647,824
2.75% note payable, due in monthly installments of \$10,258 including interest, through July 2023, secured by equipment	248,960
3.2% note payable, due in monthly installments of \$5,426 including interest, through July 2021, secured by property and equipment	5,026
0.00%, CMS Advance Payment Program	18,134,849
Total Notes Payable (THA)	<u>\$ 42,195,824</u>
Current portion	\$ 13,068,767
Noncurrent portion	<u>29,127,057</u>
Total Note Payable (THA)	<u>\$ 42,195,824</u>

CMS Advance Payment Program

The CMS Advanced Payment balance consists of advanced payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The Authority received \$19,952,520 in advanced payments during April 2020, which will be recouped through the Medicare claims processed beginning 365 days after the date of issuance of each advanced payment. This recoupment process will continue until the balance of the advanced payments has been recouped or 29 months from the date each advanced payment was issued, at which point any remaining unpaid balance is due. The advanced payments balance is non-interest bearing through the 29-month repayment period. The portion expected to be recouped in the next 12 months is included in current liabilities and the portion expected to be recouped in greater than 12 months is presented in long-term liabilities.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Capital Leases Payable:

Tahlequah Public Works Authority

\$311,841 capital lease obligation for the purchase of a vacuum truck, matures May 2022 with stated interest of 2.39%

		59,905	
Total Capital Leases Payable (TPWA)	\$	59,905	
Current portion	\$	59,905	
Noncurrent portion		-	
Total Capital Leases Payable (TPWA)	\$	59,905	

Tahlequah Hospital Authority

Capital lease obligation with imputed interest of 0%, with a maturity date of January 2029, collateralized by equipment

		1,727,892	
Total Capital Leases Payable (THA)	\$	1,727,892	
Current portion	\$	300,354	
Noncurrent portion		1,427,538	
Total Capital Leases Payable (THA)	\$	1,727,892	

Revenue Bonds Payable:

Tahlequah Public Works Authority

Utility System Revenue Note, Taxable Series 2019, original issue amount of \$12,850,000, secured by utility revenues, interest rate of 2.65%, final maturity October 1, 2037.

		\$ 12,094,000	
Total revenue bonds payable, net		12,094,000	
Current portion	\$	596,000	
Noncurrent portion		11,498,000	
Total Revenue Bonds Payable (TPWA)	\$	12,094,000	

Year Ending June 30,	Discretely Presented Component Units		Year Ending June 30,	Discretely Presented Component Units	
	Notes Payable (direct borrowings)			Capital Lease Payable	
	Principal	Interest		Principal	Interest
2022	\$ 13,430,759	\$ 1,071,684	2022	\$ 360,259	\$ 2,267
2023	8,704,833	1,083,426	2023	313,104	-
2024	1,855,136	1,008,046	2024	313,104	-
2025	1,813,504	932,860	2025	313,104	-
2026	2,086,843	854,290	2026	313,104	-
2027-2031	12,439,906	2,346,588	2027-2031	175,122	-
2032-2036	5,694,673	521,519	2032-2036	-	-
2037-2041	1,545,179	238,406	2037-2041	-	-
2042-2046	1,786,805	25,172	2042-2046	-	-
2047-2051	1,555,707	116,310		-	-
Totals	\$ 50,913,345	\$ 8,198,301	Totals	\$ 1,787,797	\$ 2,267

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

<u>Year Ending June 30,</u>	<u>Discretely Presented Component Units</u>	
	Bonds Payable	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 596,000	\$ 316,569
2023	612,000	300,668
2024	628,000	284,345
2025	644,000	267,597
2026	660,000	250,724
2027-2031	3,569,000	978,602
2032-2036	4,062,000	477,049
2037-2041	1,323,000	35,190
	\$ 12,094,000	\$ 2,910,744

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged three fourths of a cent of future sales tax revenues to assist in the repayment of \$24,455,000 of 2013 A & B Series Sales Tax Revenue Bonds, dated May 1, 2013. Proceeds from the note provided financing for capital assets. The bonds are payable from pledged sales tax revenues and are payable through April 1, 2028. The total principal and interest payable for the remainder of the life of these bonds is \$17,489,551. Pledged sales taxes received in the current year were \$2,860,425. Debt service payments of \$1,976,394 for the current fiscal year were 69.1% of the pledged sales taxes.

6. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2021 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
Restricted Sales Tax II Fund	TPFA	\$ 2,987,189	Restricted Sales Tax
Streets & Sidewalks Fund	General Fund	244,942	Matching Resources
Sanitation Fund	General Fund	7,158	Investment Income
Capital Improvement Fund	Sanitation	118,427	Investment Income
General Fund	Sanitation	1,704	transfer of capital assets
Total		\$ 3,359,420	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 3,239,289	\$ (3,357,715)	\$ (118,426)
Proprietary Funds	120,131	-	120,131
	\$ 3,359,420	\$ (3,357,715)	\$ 1,705
Reconciliation to Statement of Activities:			
Net Transfers			\$ (118,426)
Transfer of governmental activity asset to business-type activity			(1,705)
Transfers - internal activity			\$ (120,131)

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Balances:

Interfund receivable and payables at June 30, 2021 were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Street and Alley Fund	\$ 2,595	Operating
Restricted Sales Tax II	Tahlequah Public Facilities Authority	256,554	Restricted Sales Tax
General Fund	Sanitation	245,000	Operating
Total		<u>\$ 504,149</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 259,149	\$ (504,149)	\$ (245,000)
Proprietary Funds	245,000	-	245,000
Total	<u>\$ 504,149</u>	<u>\$ (504,149)</u>	<u>\$ -</u>

7. Risk Management

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

- General Liability and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool
- Worker’s Compensation – Worker’s compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool
- Employee’s Group Medical – Purchased insurance with commercial carrier with no risk retained

8. Interest Rate Swap

The Tahlequah Hospital Authority, discretely presented component unit, entered the interest rate swap agreement in January 2018. The Authority receives a floating rate of 1-month LIBOR, plus 184 basis points, in return for the fixed rate outlined above. The swaps expire January 2028. The objective of the swap is for the Authority to offset the variability of the overall cash flows on its fixed rate debt attributable to changes in market interest rates.

Notional Value			
<u>Original</u>	<u>2021</u>	<u>2020</u>	<u>Interest Paid</u>
15,000,000	12,403,318	13,204,379	4.390%

The change in fair value of the swap is included as deferred outflows of resources in the statement of net position. The fair market value of the swap is determined using quoted market prices based upon observable interest rates and yield curves (Level 2 inputs), and the swap is a liability totaling \$950,110 and \$1,685,673 at June 30, 2021 and 2020 and was included in noncurrent liabilities.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Credit Risk

The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. As of June 30, 2021 and 2020, the Authority did not have hedging derivative instruments in asset positions.

Interest Rate Risk

The Authority is exposed to interest rate risk on its interest rate swap. As the LIBOR swap index decreases, the Authority's net payment on the swap increases.

Termination Risk

The Authority or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, the Authority would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk

The Authority is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Authority will be re-exposed to the risks being hedged by the hedging derivative instrument.

9. Commitments and Contingencies

Litigation:

The City is a party 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 insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Tahlequah 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. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for 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 TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

10. Prior Period Adjustment

Certain restatements of the beginning net position and/or fund balances of both the government-wide financial statements and the individual fund financials statements were necessary in order to correct errors presented in the previously reported financial statements.

	TPFA	Restricted Sales Tax Fund II	<u>Government-Wide Governmental Activities</u>	Sanitation	<u>Government-Wide Business-type Activities</u>
Beginning net position, as previously reported	\$ 11,767,436	\$ (7,137)	\$ 31,689,790	\$ 7,763,410	\$ 7,822,791
Sales tax revenue/receivable	(142,976)	128,322	(14,654)	-	-
Understatement of accounts receivable	-	-	-	188,760	188,760
Beginning net position, restated	<u>\$ 11,624,460</u>	<u>\$ 121,185</u>	<u>\$ 31,675,136</u>	<u>\$ 7,952,170</u>	<u>\$ 8,011,551</u>

11. Pension Plan Participation

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

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Public Employees Retirement System (OPERS) – a state-wide cost-sharing plan

A summary of all the amounts recorded in the City’s financial statements for the plans is as follows:

	Governmental Activities	Business-type Activities	Plan Totals
Net Pension Liability:			
OPERS	\$ 1,243,445	\$ 370,546	\$ 1,613,991
Police	662,868	-	662,868
Firefighters	3,416,429	-	3,416,429
Total	<u>\$ 5,322,742</u>	<u>\$ 370,546</u>	<u>\$ 5,693,288</u>
Deferred Outflows of Resources:			
OPERS	\$ 950,827	\$ 288,344	\$ 1,239,171
Police	1,117,814	-	1,117,814
Firefighters	771,069	-	771,069
Total	<u>\$ 2,839,710</u>	<u>\$ 288,344</u>	<u>\$ 3,128,054</u>
Deferred Inflows of Resources:			
OPERS	\$ 21,042	\$ 13,771	\$ 34,813
Police	214,208	-	214,208
Firefighters	105,484	-	105,484
Total	<u>\$ 340,734</u>	<u>\$ 13,771</u>	<u>\$ 354,505</u>
Pension Expense:			
OPERS	\$ 772,733	\$ 227,187	\$ 999,920
Police	775,172	-	775,172
Firefighters	759,809	-	759,809
Total	<u>\$ 2,307,714</u>	<u>\$ 227,187</u>	<u>\$ 2,534,901</u>

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Firefighters' Plan:

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

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

Normal Retirement:

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

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

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in the line of duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in the line of duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

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

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$120,502. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$216,037 (modified-accrual); these on-behalf payments

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

did not meet the criteria of a special funding situation. For full-accrual reporting the amount of on-behalf payments made were \$287,288.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$3,416,429 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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 the pension plan for all participating employers as of June 30, 2020. Based upon this information, the City's proportion was 0.277327%.

For the year ended June 30, 2021, the City recognized pension expense of \$759,809. At June 30, 2021, 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	\$ 435,425	\$ 45,840
Changes of assumptions	-	57,895
Net difference between projected and actual earnings on pension plan investments	50,218	-
Changes in proportion	164,890	-
City contributions during measurement date	34	1,749
City contributions subsequent to the measurement date	120,502	-
Total	\$ 771,069	\$ 105,484

The \$120,502 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, 2022. 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:

2022	\$ 144,567
2023	190,248
2024	134,414
2025	75,854
Total	\$ 545,083

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.5% average, including inflation

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Investment rate of return: 7.5% net of pension plan investment expense

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

The actuarial assumptions used in the July 1, 2020, valuation were 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, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	4.38%
Domestic equity	47%	7.41%
International equity	15%	9.82%
Real estate	10%	7.70%
Other assets	8%	5.67%

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

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

	1% Decrease <u>6.5%</u>	Current Discount Rate 7.5%	1% Increase <u>8.5%</u>
Employers' net pension liability	\$ 4,436,866	\$ 3,416,429	\$ 2,562,676

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.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Police Plan:

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

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

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

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

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

Contributions -The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$246,345. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$154,390 during the calendar year and this is reported, as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$232,577. These on-behalf payments did not meet the criteria of a special funding situation.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Pension Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$662,868 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2020. Based upon this information, the City's proportion was 0.57719%.

For the year ended June 30, 2021, the City recognized pension expense of \$775,172. At June 30, 2021, 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	\$ 17,149	\$ 180,017
Changes of assumptions	68,096	-
Net difference between projected and actual earnings on pension plan investments	782,081	-
Changes in proportion	2,903	20,061
City contributions during measurement date	1,240	14,130
City contributions subsequent to the measurement date	246,345	-
Total	<u>\$ 1,117,814</u>	<u>\$ 214,208</u>

The \$246,345 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. 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:	
2022	\$ 88,190
2023	190,141
2024	248,062
2025	144,417
2026	(13,549)
	<u>\$ 657,261</u>

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation: 2.75%

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

Salary increases:	3.5% to 12% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation).
Mortality rates:	<p>Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.</p> <p>Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.</p> <p>Disabled pensioners RP-2000 Blue Collar Healthy Combined table with age set forward 4 years.</p>

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	5.11%
Domestic equity	6.80%
International equity	11.45%
Real estate	8.60%
Private Equity	11.58%
Commodities	0.00%

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

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

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 pension liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 2,341,645	\$ 662,868	\$ (757,024)

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

Oklahoma Public Employees Retirement System:

Plan description - The City of Tahlequah, as the employer, participates in Oklahoma Public Employees Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at www.opers.ok.gov.

Benefits provided - OPERS provides retirement, disability, and death benefits to members of the plan. Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Benefits are calculated for each member category as follows:

- Employees
 - Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.
 - Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.
 - Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Contributions - The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 7.5% percent of their annual pay. Participating entities are required to contribute 12.5% of the employees' annual pay. A portion of the contributions received by OPERS are allocated to the Supplemental Health Insurance program; see Note 10. Contributions to the pension plan from the City were \$454,961.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$1,613,991 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2020. Based upon this information, the City's proportion was 0.180908%.

For the year ended June 30, 2021, the City recognized pension expense of \$999,920. At June 30, 2021, 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	\$ -	\$ 8,819
Changes of assumptions	576,502	-
Net difference between projected and actual earnings on pension plan investments	191,782	-
Changes in proportion	8,156	16,044
City contributions during measurement date	7,770	9,950
City contributions subsequent to the measurement date	454,961	-
Total	<u>\$ 1,239,171</u>	<u>\$ 34,813</u>

The \$454,961 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, 2022. 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:

2022	\$ 302,230
2023	247,577
2024	117,939
2025	81,651
	<u>\$ 749,397</u>

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Actuarial Assumptions- The total pension liability as of June 30, 2021, was determined based on an actuarial valuation prepared as of July 1, 2020, using the following actuarial assumptions:

- Investment return – 6.5% compounded annually net of investment expense and including inflation
- Salary increases – 3.25% to 9.25% per year including inflation
- Mortality rates – Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019 Male rates are set back one year, and female rates are set forward one year.
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.50%
- Payroll growth – 3.25% per year
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2020, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2016. The experience study report is dated May 13, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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.

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
Int's Developed Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	0.5%
Long Term Treasuries	3.5%	0.0%
U.S. TIPS	3.5%	0.3%
Total	100.0%	

Discount Rate- The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate-The following presents the net pension liability (asset) of the employers calculated using the discount rate of 6.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease Rate 5.50%	Current Discount Rate 6.50%	1% Increase Rate 7.50%
Net Pension Liability (Asset)	\$ 3,799,469	\$ 1,613,991	\$ (232,712)

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 OPERS; which can be located at www.opers.ok.gov.

10. Other Postemployment Benefits Plan

Plan description - The City of Tahlequah, as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Public Employees Retirement System (OPERS). The authority to establish and amend benefit provisions rests with the State Legislature. OPERS issues a publicly available financial report that can be obtained at www.ok.gov/OPERS

Benefits provided - OPERS pays a medical insurance supplement to eligible members who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries. The supplement payment is capped at \$105 per month per retiree, remitted to the (insurance provider or entity).

Contributions - The contribution rates for each member category of the System are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contributions to the System are set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code. Based on the contribution requirements of the plan employers and employees contribute a single amount based on a single contribution rate as described in Note (pension note number); from this amount OPERS allocates a portion of the contributions to the supplemental health insurance program. Contributions allocated to the OPEB plan from the City were \$31,909.

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2021, the City reported an asset of \$84,814 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020. The City's proportion of the net OPEB asset was based on the City's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

participating employers as of June 30, 2020. Based upon this information, the City's proportion was .180906%.

For the year ended June 30, 2021, the City recognized OPEB expense of (\$3,437). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 71,810
Changes of assumptions	29,928	-
Net difference between projected and actual earnings on OPEB plan investments	12,913	-
Changes in proportion	4,673	623
City contributions during to the measurement date	1,861	908
City contributions subsequent to the measurement date	31,909	-
Total	\$ 81,284	\$ 73,341

The \$31,909 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction or addition to of the net OPEB liability or asset in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$ (11,347)
2023	(5,757)
2024	(3,469)
2025	(2,549)
2026	(844)
Thereafter	-
	\$ (23,966)

Actuarial Assumptions- The total OPEB liability as of June 30, 2021, was determined based on an actuarial valuation prepared as if June 30, 2020 using the following actuarial assumptions:

- Investment return – 6.50 % compounded annually net of investment expense and including inflation
- Salary increases – 3.25% to 9.25% per year including inflation
- Mortality rates – Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back one year, and female rates are set forward one year. • No annual post-retirement benefit increases
- Assumed inflation rate – 2.50%
- Payroll growth – 3.25%
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

The actuarial assumptions used in the July 1, 2020, valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study report is dated May 13, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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.

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
Int's Developed Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	0.5%
Long Term Treasuries	3.5%	0.0%
U.S. TIPS	3.5%	0.3%
Total	<u>100.0%</u>	

Discount Rate- A single discount rate of 6.50% was used to measure the total OPEB liability as of June 30, 2020. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate-The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 6.50%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability (Asset)	\$ (21,593)	\$ (84,814)	\$ (138,995)

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

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Budgetary Comparison Schedule (Budgetary Basis)– General Fund – Fiscal Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 1,392,662	\$ 1,392,662	\$ 1,623,734	\$ 231,072
Resources (Inflows):				
Taxes	7,060,000	7,060,000	8,518,758	1,458,758
Intergovernmental	1,268,000	1,268,000	1,285,030	17,030
Charges for services	422,800	422,800	388,506	(34,294)
Fines and forfeitures	304,000	304,000	299,340	(4,660)
Licenses and permits	146,650	146,650	164,886	18,236
Miscellaneous	124,600	1,421,012	1,854,379	433,367
Interest	47,000	47,000	71,961	24,961
Transfers in	-	-	2,808	2,808
Total Resources (Inflows)	<u>9,373,050</u>	<u>10,669,462</u>	<u>12,585,668</u>	<u>1,916,206</u>
Amounts available for appropriation	<u>10,765,712</u>	<u>12,062,124</u>	<u>14,209,402</u>	<u>2,147,278</u>
Charges to Appropriations (Outflows):				
Managerial	1,608,489	1,844,218	1,668,944	175,274
City treasurer	14,499	14,499	13,252	1,247
City clerk	94,021	94,021	72,304	21,717
Municipal court	186,156	186,156	149,372	36,784
Police	3,196,720	3,196,722	3,018,903	177,819
Fire	1,418,275	1,418,275	1,328,843	89,432
Emergency management	99,038	99,037	91,173	7,864
Highways and streets	1,209,166	1,209,166	1,066,806	142,360
Maintenance	233,349	233,349	189,960	43,389
Culture, tourism and recreation	1,117,275	1,117,275	908,442	208,833
Cemetery	254,079	254,078	210,224	43,854
Airport	197,259	197,259	169,677	27,582
Library	35,500	35,500	25,172	10,328
Transfers out	235,730	1,532,142	1,309,693	222,449
Total Charges to Appropriations	<u>9,899,556</u>	<u>11,431,697</u>	<u>10,222,765</u>	<u>1,208,932</u>
Ending Budgetary Fund Balance	<u>\$ 866,156</u>	<u>\$ 630,427</u>	<u>\$ 3,986,637</u>	<u>\$ 3,356,210</u>

See accompanying notes to budgetary comparison schedules.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Budgetary Comparison Schedule (Budgetary Basis) – Restricted Sales Tax Fund II – Fiscal Year Ended June 30, 2021

	RESTRICTED SALES TAX FUND II			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ (43)	\$ (43)	\$ (7,137)	\$ (7,094)
Resources (Inflows):				
Taxes	2,375,000	2,375,000	2,988,747	613,747
Total Revenue	<u>2,375,000</u>	<u>2,375,000</u>	<u>2,988,747</u>	<u>613,747</u>
Amounts available for appropriation	<u>\$ 2,374,957</u>	<u>\$ 2,374,957</u>	<u>\$ 2,981,610</u>	<u>\$ 606,653</u>
Charges to Appropriations (Outflows):				
Transfer out	\$ 2,375,000	\$ 2,375,000	\$ 2,988,747	\$ (613,747)
Total Charges to Appropriations	<u>2,375,000</u>	<u>2,375,000</u>	<u>2,988,747</u>	<u>(613,747)</u>
Ending Budgetary Fund Balance	<u>\$ (43)</u>	<u>\$ (43)</u>	<u>\$ (7,137)</u>	<u>\$ (7,094)</u>

See accompanying notes to budgetary comparison schedules.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on a cash basis that reports expected cash expenditures by program within a fund and estimated cash receipts by source for all funds.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within line items and object categories within a department may be made by the City Administrator, however, transfers of appropriations between departments require the approval of the City Council. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual (GAAP) basis as shown in the schedule below:

General Fund:

Total budgetary revenues and transfers	\$ 12,585,668
Less: budgetary expenses and transfers	<u>(10,222,765)</u>
Net Change to Budgetary Fund Balance	2,362,903
Change in revenue accruals	1,697,831
Change in expenditure accruals	(1,830,914)
General Fund sub-accounts changes in balance	<u>573,389</u>
Change in Fund Balance- Modified Accrual	<u><u>\$ 2,803,209</u></u>

Restricted Sales Tax Fund II:

Total budgetary revenues and transfers	\$ 2,988,747
Less: budgetary expenses and transfers	<u>(2,988,747)</u>
Net Change to Budgetary Fund Balance	-
Change in revenue accruals	(128,322)
Change in expenditure accruals	<u>1,558</u>
Change in Fund Balance- Modified Accrual	<u><u>\$ (126,764)</u></u>

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

SCHEDULE OF THE CITY OF TAHLEQUAH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City's proportion of the net pension liability	0.223900%	0.246298%	0.254001%	0.260579%	0.271829%	0.270078%	0.277328%
City's proportionate share of the net pension liability	\$ 2,302,349	\$ 2,614,231	\$ 3,103,156	\$3,277,365	\$3,008,855	\$2,853,812	\$3,416,429
City's covered-employee payroll	\$ 608,050	\$ 640,287	\$ 666,324	\$ 695,000	\$ 742,841	\$ 837,221	\$ 884,714
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	379%	408%	466%	472%	405%	341%	386%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%	69.98%

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

Notes to Schedule:

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

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorially required contribution	\$ 95,544	\$ 94,212	\$ 99,469	\$ 103,693	\$ 117,211	\$ 123,860	\$ 120,502
Contributions in relation to the statutorially required contribution	<u>95,544</u>	<u>94,212</u>	<u>99,469</u>	<u>103,693</u>	<u>117,211</u>	<u>123,860</u>	<u>120,502</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 640,287	\$ 666,324	\$ 695,000	\$ 742,841	\$ 837,221	\$ 884,714	\$ 860,729
Contributions as a percentage of coverd-employee payroll	14.92%	14.14%	14.31%	13.96%	14.00%	14.00%	14.00%

Notes to Schedule:

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

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

Schedules of Required Supplementary Information

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City's proportion of the net pension liability (asset)	0.4099%	0.4372%	0.4457%	0.4819%	0.5211%	0.5666%	0.5772%
City's proportionate share of the net pension liability (asset)	\$ (138,025)	\$ 17,826	\$ 682,581	\$ 17,826	\$ (248,236)	\$ (36,168)	\$ 662,868
City's covered-employee payroll	\$1,186,670	\$1,083,246	\$1,235,769	\$1,314,515	\$1,413,115	\$1,851,608	\$1,942,538
City's proportionate share of the net pension liability (asset) as a percentage of its covered-	11.63%	1.65%	55.24%	1.36%	17.57%	1.95%	-34.12%
Plan fiduciary net position as a percentage of the total pension	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%	95.80%

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

Notes to Schedule:

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorially required contribution	\$ 140,822	\$ 160,650	\$ 170,887	\$ 183,705	\$ 240,709	\$ 252,530	\$ 246,345
Contributions in relation to the statutorially required contribution	<u>140,822</u>	<u>160,650</u>	<u>170,887</u>	<u>183,705</u>	<u>240,709</u>	<u>252,530</u>	<u>246,345</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered-employee payroll	\$ 1,083,246	\$ 1,235,769	\$ 1,314,515	\$1,413,115	\$1,851,608	\$1,942,538	\$1,894,962
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Notes to Schedule:

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

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Last 10 Fiscal Years* (Dollar amounts in thousands)

	<u>2015</u>	<u>2016</u>	<u>** 2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City's proportion of the net pension	0.1517%	0.1598%	0.1552%	0.1634%	0.1869%	0.1881%	0.1809%
City's proportionate share of the net pension liability	\$ 274,448	\$ 574,704	\$ 1,539,943	\$ 883,458	\$ 364,561	\$ 250,512	\$1,613,991
City's covered-employee payroll	\$2,569,909	\$2,740,012	\$ 2,824,552	\$2,788,176	\$3,124,503	\$2,977,273	\$2,995,164
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11%	21%	55%	32%	12%	8%	54%
Plan fiduciary net position as a percentage of the total pension	97.90%	96.00%	89.48%	94.28%	97.96%	98.63%	98.63%

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

Notes to Schedule:

Only seven fiscal years are presented because 10-year data is not yet available.
 The Plan's net pension liability increased between 2015 and 2016 due to changes in assumptions adopted by the System's Board .
 The most notable change was the lowering of the System's discount rate from 7.00% to 6.50%.

** The net pension liability for fiscal year 2017 was restated due to the restatement of other post employment benefits at OPERS.

SCHEDULE OF THE CITY'S CONTRIBUTIONS
 OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Last 10 Fiscal Years (Dollar amounts in thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 452,102	\$ 466,051	\$ 460,049	\$ 515,543	\$ 491,250	\$ 494,202	\$ 454,961
Contributions in relation to the contractually required contribution	<u>452,102</u>	<u>466,051</u>	<u>460,049</u>	<u>515,543</u>	<u>491,250</u>	<u>494,202</u>	<u>454,961</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered-employee payroll	\$ 2,740,012	\$ 2,824,552	\$ 2,788,176	\$ 3,124,503	\$ 2,977,273	\$ 2,995,164	\$ 2,757,339
Contributions as a percentage of coverd-employee payroll	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%

Notes to Schedule:

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

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

SUPPLEMENTAL HEALTH INSURANCE PROGRAM

Last 10 Fiscal Years* (Dollar amounts in thousands)

	2018	2019	2020	2021
Center's proportion of the net OPEB liability (asset)	0.1634%	0.1869%	0.1881%	0.1809%
Center's proportionate share of the net OPEB liability (asset)	\$ 18,716	\$ (24,188)	\$ (73,118)	\$ (84,814)
Center's covered payroll	\$2,788,176	\$3,124,503	\$2,977,273	\$2,995,164
Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.67%	-0.77%	-2.46%	-2.83%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	96.50%	103.94%	112.11%	114.27%

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

Notes to Schedule:

Only the current and prior three fiscal year's are presented because 10-year data is not yet available.

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Schedules of Required Supplementary Information
SCHEDULE OF THE CITY'S CONTRIBUTIONS
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years (Dollar amounts in thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 35,633	\$ 36,205	\$ 1,201	\$ 31,909
Contributions in relation to the contractually required contribution	<u>35,633</u>	<u>36,205</u>	<u>1,201</u>	<u>31,909</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,124,503	\$ 2,977,273	\$ 2,995,164	\$ 2,757,339
Contributions as a percentage of covered payroll	1.14%	1.22%	0.04%	1.16%

Notes to Schedule:

Only the current and prior three fiscal year's are presented because 10-year data is not yet available.

**CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021**

OTHER SUPPLEMENTARY INFORMATION

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Combining Balance Sheet – General Fund Accounts – June 30, 2021

	General Fund (110)	Police Canine (215)	Police Dare (217)	Brookside Restoration (203)	School Resource Officer (204)	Emergency Reserve Fund (208)	Winter Wonderland (220)	Bullet Proof Vest Grant (337)	Cops in Schools Retention (347)	Relocate & Rehab Taxi Grant (355)	Safe Routes To School (387)	Tahlequah Best Grant (388)	FBI - EDOVCTF (392)
ASSETS													
Cash and cash equivalents	\$ 2,475,635	\$ 4,401	\$ -	\$ 13,237	\$ -	\$ 1,221,265	\$ -	\$ -	\$ -	\$ -	\$ 216,525	\$ -	\$ -
Investments	319,762	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	7,539	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	475,486	-	-	-	-	-	-	-	-	-	-	-	-
Taxes receivable, net	1,193,172	-	-	-	-	-	-	-	-	-	-	-	-
Court fines receivable, net	204,084	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	412,120	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 5,087,798</u>	<u>\$ 4,401</u>	<u>\$ -</u>	<u>\$ 13,237</u>	<u>\$ -</u>	<u>\$ 1,221,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,525</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ 295,088	\$ -	\$ -	\$ 524	\$ -	\$ -	\$ -	\$ -	\$ 5,858	\$ -	\$ 5,378	\$ -	\$ -
Due to other funds	260,767	-	-	-	-	-	-	-	150,442	-	217,025	-	-
Payable to other governments	1,427	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	173,735	-	-	-	-	-	-	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Other payables	27,150	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>758,167</u>	<u>-</u>	<u>-</u>	<u>524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,300</u>	<u>-</u>	<u>222,403</u>	<u>-</u>	<u>-</u>
Fund balances:													
Restricted for:													
Streets	24,325	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	58,500	700	-	-	-	-	-	-	-	-	-	-	-
Dog Park	-	-	-	-	-	-	-	-	-	-	-	-	-
Indigent Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned to:													
Public safety	-	3,701	-	-	-	-	-	-	-	-	-	-	-
CDBG	-	-	-	-	-	-	-	-	-	-	-	-	-
Brookside restoration	-	-	-	12,713	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance future budget	1,514,690	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	2,732,116	-	-	-	-	1,221,265	-	-	(156,300)	-	(5,878)	-	-
Total fund balances	<u>4,329,631</u>	<u>4,401</u>	<u>-</u>	<u>12,713</u>	<u>-</u>	<u>1,221,265</u>	<u>-</u>	<u>-</u>	<u>(156,300)</u>	<u>-</u>	<u>(5,878)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,087,798</u>	<u>\$ 4,401</u>	<u>\$ -</u>	<u>\$ 13,237</u>	<u>\$ -</u>	<u>\$ 1,221,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,525</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Combining Balance Sheet – General Fund Accounts – June 30, 2021, (Continued)

	<u>PAPI-FAA Grant (393)</u>	<u>CDBG 16 (395)</u>	<u>Safe Oklahoma Grant (396)</u>	<u>TIDE 8 (397)</u>	<u>Department of Justice TFO-OT (398)</u>	<u>Safe Trails Grant (399)</u>	<u>2020 BPV Grant Fund (419)</u>	<u>Walmart Grant Fund (403)</u>	<u>CDBG 17 Fund (404)</u>	<u>PAPI-FAA Grant Fund (405)</u>	<u>Safe Ok Grant Fund (406)</u>	<u>Dog Park Fund (420)</u>
ASSETS												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,506	\$ -	\$ 4,000	\$ -	\$ 600	\$ 2,685	\$ 159,200
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	167	-	-	-	-	-
Due from other funds	-	-	-	11,169	-	1,718	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-	-	-	-	-
Court fines receivable, net	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,169</u>	<u>\$ -</u>	<u>\$ 3,224</u>	<u>\$ 167</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 2,685</u>	<u>\$ 159,200</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	6,670	-	-	-	-	-	-
Payable to other governments	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	167	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-	-	-	-	-	120	-
Other payables	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,670</u>	<u>167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120</u>	<u>-</u>
Fund balances:												
Restricted for:												
Streets	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	4,000	-	-	2,565	-
Dog Park	-	-	-	-	-	-	-	-	-	-	-	159,200
Indigent Transportation	-	-	-	-	-	-	-	-	-	-	-	-
Assigned to:												
Public safety	-	-	-	11,169	-	-	-	-	-	-	-	-
CDBG	-	-	-	-	-	-	-	-	-	-	-	-
Brookside restoration	-	-	-	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	600	-	-
Balance future budget	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	(3,446)	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,169</u>	<u>-</u>	<u>(3,446)</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>600</u>	<u>2,565</u>	<u>159,200</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,169</u>	<u>\$ -</u>	<u>\$ 3,224</u>	<u>\$ 167</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 2,685</u>	<u>\$ 159,200</u>

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Combining Balance Sheet – General Fund Accounts – June 30, 2021, (Continued)

	Mission Park Trails Fund (408)	Bullet Proof Vest 2018 Fund (409)	Grant Fund (410)	OCDETF Officer OT Grant Fund (411)	FAA Airport Taxiway Project Fund (412)	PD C19 Emergenc y Fund (413)	Cares Fund (414)	CDBG 20 Fund (415)	Indigent Transportation Fund (416)	LED Lighting Pass Thru Fund (417)	JAG LLE Grant Fund (418)	Total General Fund Accounts
ASSETS												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 524,808	\$ 211,001	\$ 18,539	\$ -	\$ -	\$ 4,853,402
Investments	-	-	-	-	-	-	-	-	-	-	-	319,762
Due from other governments	-	-	1,693	-	26,160	7,645	-	113,038	-	-	4,842	161,084
Due from other funds	-	855	-	-	-	-	-	-	-	-	-	489,228
Taxes receivable, net	-	-	-	-	-	-	-	-	-	-	-	1,193,172
Court fines receivable, net	-	-	-	-	-	-	-	-	-	-	-	204,084
Other receivables	-	-	-	-	-	-	-	-	-	-	-	412,120
Total assets	\$ -	\$ 855	\$ 1,693	\$ -	\$ 26,160	\$ 7,645	\$ 524,808	\$ 324,039	\$ 18,539	\$ -	\$ 4,842	\$ 7,632,852
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 6,028	\$ -	\$ 620	\$ -	\$ -	\$ -	\$ -	\$ 226,076	\$ -	\$ -	\$ -	\$ 539,572
Due to other funds	58,763	4,500	2,480	-	23,313	7,645	-	-	-	82	4,939	736,626
Payable to other governments	-	-	-	-	-	-	-	-	-	-	-	1,427
Deferred revenue	-	-	1,693	-	-	7,645	-	-	-	-	-	183,240
Other accrued expenses	-	-	-	-	-	-	-	-	-	-	-	120
Other payables	-	-	-	-	-	-	-	-	-	-	-	27,150
Total liabilities	64,791	4,500	4,793	-	23,313	15,290	-	226,076	-	82	4,939	1,488,135
Fund balances:												
Restricted for:												
Streets	-	-	-	-	-	-	-	-	-	-	-	24,325
Public safety	-	-	-	-	-	-	-	-	-	-	-	65,765
Dog Park	-	-	-	-	-	-	-	-	-	-	-	159,200
Indigent Transportation	-	-	-	-	-	-	-	-	18,539	-	-	18,539
Assigned to:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	14,870
CDBG	-	-	-	-	-	-	-	97,963	-	-	-	97,963
Brookside restoration	-	-	-	-	-	-	-	-	-	-	-	12,713
Airport	-	-	-	-	2,847	-	-	-	-	-	-	3,447
Balance future budget	-	-	-	-	-	-	-	-	-	-	-	1,514,690
Unassigned (deficit)	(64,791)	(3,645)	(3,100)	-	-	(7,645)	524,808	-	-	(82)	(97)	4,233,205
Total fund balances	(64,791)	(3,645)	(3,100)	-	2,847	(7,645)	524,808	97,963	18,539	(82)	(97)	6,144,717
Total liabilities and fund balances	\$ -	\$ 855	\$ 1,693	\$ -	\$ 26,160	\$ 7,645	\$ 524,808	\$ 324,039	\$ 18,539	\$ -	\$ 4,842	\$ 7,632,852

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Fiscal Year Ended June 30, 2021

	General Fund (110)	Police Canine (215)	Police Dare (217)	Brookside Restoration (203)	CDBG 14 Grant Fund (385)	School Resource Officer (204)	Emergency Reserve Fund (208)	Winter Wonderland (220)	Bullet Proof Vest Grant (337)	Cops in Schools Retention (347)	Relocate & Rehab Taxi Grant (355)	Safe Routes To School (387)	Tahlequah Best Grant (388)	FBI - EDOVCTF (392)
REVENUES														
Taxes	\$ 8,532,511	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and fines	308,277	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	159,311	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	1,271,945	-	-	-	-	-	-	-	-	292,074	-	-	-	-
Charges for services	390,857	-	-	6,718	-	-	-	-	-	-	-	-	-	-
Investment earnings	111,170	-	-	430	-	-	-	-	-	-	-	-	-	-
Miscellaneous	952,770	1,050	-	-	-	-	-	-	-	-	-	-	-	-
Donations	-	700	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>11,726,841</u>	<u>1,750</u>	<u>-</u>	<u>7,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES														
Current:														
General government	1,724,370	-	-	-	-	-	-	-	-	-	-	-	-	-
City Treasurer	13,345	-	-	-	-	-	-	-	-	-	-	-	-	-
City Clerk	72,274	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Court	148,271	-	-	-	-	-	-	-	-	-	-	-	-	-
Police	3,183,648	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	1,503,140	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Management	88,169	-	-	-	-	-	-	-	-	443,495	-	-	-	-
Highways and streets	952,160	-	-	-	-	-	-	-	-	-	-	851	-	-
Maintenance	191,272	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture, tourism and recreation	918,359	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemetery	211,685	-	-	-	-	-	-	-	-	-	-	-	-	-
Airport	150,576	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	20,731	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	135,455	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other charges	6,574	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	125,094	-	-	15,148	-	-	-	-	-	-	-	5,027	-	-
Total Expenditures	<u>9,445,123</u>	<u>-</u>	<u>-</u>	<u>15,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,495</u>	<u>-</u>	<u>5,878</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>2,281,718</u>	<u>1,750</u>	<u>-</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,421)</u>	<u>-</u>	<u>(5,878)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)														
Transfer in	7,158	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in- Intra account	1,227	-	-	-	-	-	-	-	3,090	-	-	-	-	-
Transfers out- Intra account	(60,283)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(51,898)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>2,229,820</u>	<u>1,750</u>	<u>-</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,090</u>	<u>(151,421)</u>	<u>-</u>	<u>(5,878)</u>	<u>-</u>	<u>-</u>
Fund balances - beginning, restated	<u>2,099,811</u>	<u>2,651</u>	<u>-</u>	<u>20,713</u>	<u>-</u>	<u>-</u>	<u>1,221,265</u>	<u>-</u>	<u>(3,090)</u>	<u>(4,879)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,329,631</u>	<u>\$ 4,401</u>	<u>\$ -</u>	<u>\$ 12,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,221,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (156,300)</u>	<u>\$ -</u>	<u>\$ (5,878)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Fiscal Year Ended June 30, 2021, (Continued)

	PAPI-FAA Grant (393)	Safe Oklahoma Grant (396)	TIDE 8 (397)	Department of Justice TFO-OT (398)	Safe Trails Grant (399)	2020 BPV Grant Fund (419)	Walmart Grant Fund (403)	CDBG 17 Fund (404)	PAPI-FAA Grant Fund (405)	Safe Ok Grant Fund (406)	Dog Park Fund (420)
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	144	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	161,200
Donations	-	-	-	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	144	-	-	-	-	-	161,200
EXPENDITURES											
Current:											
General government	-	-	-	-	-	-	-	-	-	-	-
City Treasurer	-	-	-	-	-	-	-	-	-	-	-
City Clerk	-	-	-	-	-	-	-	-	-	-	-
Municipal Court	-	-	-	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-
Emergency Management	-	-	-	-	2,142	-	-	-	-	10,603	-
Highways and streets	-	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-	-	-	-	-
Culture, tourism and recreation	-	-	-	-	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	5,425	-	2,000
Total Expenditures	-	-	-	-	2,142	-	-	-	5,425	10,603	2,000
Revenues over (under) expenditures	-	-	-	-	(1,998)	-	-	-	(5,425)	(10,603)	159,200
OTHER FINANCING SOURCES (USES)											
Transfer in	-	-	-	-	-	-	-	-	-	-	-
Transfers in- Intra account	-	-	-	-	-	-	-	-	437	-	-
Transfers out- Intra account	-	(12)	(367)	-	-	-	-	(1,215)	-	-	-
Total other financing sources (uses)	-	(12)	(367)	-	-	-	-	(1,215)	437	-	-
Revenues and other sources over (under) expenditures and other uses	-	(12)	(367)	-	(1,998)	-	-	(1,215)	(4,988)	(10,603)	159,200
Fund balances - beginning, restated	-	12	11,536	-	(1,448)	-	4,000	1,215	5,588	13,168	-
Fund balances - ending	\$ -	\$ -	\$ 11,169	\$ -	\$ (3,446)	\$ -	\$ 4,000	\$ -	\$ 600	\$ 2,565	\$ 159,200

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Fiscal Year Ended June 30, 2021, (Continued)

	Mission Park Trails Fund (408)	Bullet Proof Vest 2018 Fund (409)	Grant Fund (410)	OCDETF Officer OT Grant Fund (411)	FAA Airport Taxiway Project Fund (412)	PD C19 Emergency Fund (413)	Cares Fund (414)	CDBG 20 Fund (415)	Indigent Transportation Fund (416)	LED Lighting Pass Thru Fund (417)	JAG LLE Grant Fund (418)	Total General Fund Accounts
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,532,511
Fees and fines	-	-	-	-	-	-	-	-	-	-	-	308,277
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	159,311
Intergovernmental	-	830	-	7,135	653,829	1,800	1,252,733	113,038	-	100,000	4,842	3,698,370
Charges for services	-	-	-	-	-	-	-	-	-	-	-	397,575
Investment earnings	-	-	-	-	-	-	-	-	-	-	-	111,600
Miscellaneous	-	-	-	-	-	-	-	-	19,300	-	-	1,134,320
Donations	-	-	-	-	-	-	-	-	-	-	-	700
Total revenues	-	830	-	7,135	653,829	1,800	1,252,733	113,038	19,300	100,000	4,842	14,342,664
EXPENDITURES												
Current:												
General government	-	-	-	-	-	-	333,788	-	761	-	-	2,058,919
City Treasurer	-	-	-	-	-	-	-	-	-	-	-	13,345
City Clerk	-	-	-	-	-	-	-	-	-	-	-	72,274
Municipal Court	-	-	-	-	-	-	-	-	-	-	-	148,271
Police	-	-	-	-	-	-	-	-	-	-	-	3,183,648
Fire	-	-	-	-	-	-	-	-	-	-	-	1,503,140
Emergency Management	-	4,340	3,100	-	-	9,445	-	-	-	-	-	561,294
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	953,011
Maintenance	-	-	-	-	-	-	-	-	-	-	-	191,272
Culture, tourism and recreation	-	-	-	-	-	-	-	-	-	-	-	918,359
Cemetery	-	-	-	-	-	-	-	-	-	-	-	211,685
Airport	-	-	-	-	-	-	-	-	-	-	-	150,576
Library	-	-	-	-	-	-	-	-	-	-	-	20,731
Principal	-	-	-	-	-	-	74,180	-	-	-	-	209,635
Interest and other charges	-	-	-	-	-	-	-	-	-	-	-	6,574
Capital Outlay	43,027	-	-	-	664,426	-	363,636	260,017	-	100,082	4,939	1,588,821
Total Expenditures	43,027	4,340	3,100	-	664,426	9,445	771,604	260,017	761	100,082	4,939	11,791,555
Revenues over (under) expenditures	(43,027)	(3,510)	(3,100)	7,135	(10,597)	(7,645)	481,129	(146,979)	18,539	(82)	(97)	2,551,109
OTHER FINANCING SOURCES (USES)												
Transfer in	-	-	-	-	-	-	-	244,942	-	-	-	252,100
Transfers in- Intra account	-	-	-	-	13,881	-	43,679	-	-	-	-	62,314
Transfers out- Intra account	-	-	-	-	(437)	-	-	-	-	-	-	(62,314)
Total other financing sources (uses)	-	-	-	-	13,444	-	43,679	244,942	-	-	-	252,100
Revenues and other sources over (under) expenditures and other uses	(43,027)	(3,510)	(3,100)	7,135	2,847	(7,645)	524,808	97,963	18,539	(82)	(97)	2,803,209
Fund balances - beginning, restated	(21,764)	(135)	-	(7,135)	-	-	-	-	-	-	-	3,341,508
Fund balances - ending	\$ (64,791)	\$ (3,645)	\$ (3,100)	\$ -	\$ 2,847	\$ (7,645)	\$ 524,808	\$ 97,963	\$ 18,539	\$ (82)	\$ (97)	\$ 6,144,717

CITY OF TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Fiscal Year Ended June 30, 2021

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2021

	Street and Alley Fund (111)	Cemetery Care Fund (113)	Hotel Motel Tax Fund (112)	Stormwater Management Fund (116)	Capital Impr Fund (210)	Restricted Sales Tax Fund (218)	Total-Other Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 580,193	\$ 99,428	\$ 164,614	\$ 552,377	\$ 776,164	\$ -	\$ 2,172,776
Due from other funds	2,595	-	-	-	-	-	2,595
Taxes receivable, net	21,541	-	32,928	-	-	-	54,469
Total assets	<u>\$ 604,329</u>	<u>\$ 99,428</u>	<u>\$ 197,542</u>	<u>\$ 552,377</u>	<u>\$ 776,164</u>	<u>\$ -</u>	<u>\$ 2,229,840</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 13,589	\$ -	\$ 35,482	\$ 37,746	\$ 2,540	\$ -	\$ 89,357
Due to other funds	-	-	-	-	-	79	79
Total liabilities	<u>13,589</u>	<u>-</u>	<u>35,482</u>	<u>37,746</u>	<u>2,540</u>	<u>79</u>	<u>89,436</u>
Fund balances:							
Restricted for:							
Cemetery	-	99,428	-	-	-	-	99,428
Streets	63,924	-	-	-	-	-	63,924
Stormwater	-	-	-	64,417	-	-	64,417
Tourism	-	-	16,315	-	-	-	16,315
Assigned to:							
Capital Improvements	-	-	-	-	773,624	-	773,624
Stormwater	-	-	-	450,214	-	-	450,214
Streets	526,816	-	-	-	-	-	526,816
Tourism	-	-	145,745	-	-	-	145,745
Unassigned (deficit)	-	-	-	-	-	(79)	(79)
Total fund balances	<u>590,740</u>	<u>99,428</u>	<u>162,060</u>	<u>514,631</u>	<u>773,624</u>	<u>(79)</u>	<u>2,140,404</u>
Total liabilities and fund balances	<u>\$ 604,329</u>	<u>\$ 99,428</u>	<u>\$ 197,542</u>	<u>\$ 552,377</u>	<u>\$ 776,164</u>	<u>\$ -</u>	<u>\$ 2,229,840</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Fiscal Year Ended June 30, 2021

	Street and Alley Fund (111)	Cemetery Care Fund (113)	Hotel Motel Tax Fund (112)	Stormwater Management Fund (116)	Capital Impr Fund (210)	Restricted Sales Tax Fund (218)	Total-Other Governmental Funds
REVENUES							
Taxes	\$ 167,382	\$ -	\$ 164,156	\$ -	\$ -	\$ -	\$ 331,538
Charges for services	-	8,078	-	227,490	-	-	235,568
Investment earnings	14,572	2,166	4,056	10,648	20,503	-	51,945
Miscellaneous	2,738	-	34,891	-	-	-	37,629
Total revenues	<u>184,692</u>	<u>10,244</u>	<u>203,103</u>	<u>238,138</u>	<u>20,503</u>	<u>-</u>	<u>656,680</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	6,153	-	6,153
Highways and streets	69,067	-	-	-	-	-	69,067
Stormwater	-	-	-	65,608	-	-	65,608
Culture, tourism and recreation	-	-	198,905	-	-	-	198,905
Capital Outlay	191,190	-	1,331	212,286	401,929	-	806,736
Total Expenditures	<u>260,257</u>	<u>-</u>	<u>200,236</u>	<u>277,894</u>	<u>408,082</u>	<u>-</u>	<u>1,146,469</u>
Revenues over (under) expenditures	<u>(75,565)</u>	<u>10,244</u>	<u>2,867</u>	<u>(39,756)</u>	<u>(387,579)</u>	<u>-</u>	<u>(489,789)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(125,584)	-	(125,584)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,584)</u>	<u>-</u>	<u>(125,584)</u>
Revenues and other sources over (under) expenditures and other uses	(75,565)	10,244	2,867	(39,756)	(513,163)	-	(615,373)
Fund balances - beginning, restated	666,305	89,184	159,193	554,387	1,286,787	(79)	2,755,777
Fund balances - ending	<u>\$ 590,740</u>	<u>\$ 99,428</u>	<u>\$ 162,060</u>	<u>\$ 514,631</u>	<u>\$ 773,624</u>	<u>\$ (79)</u>	<u>\$ 2,140,404</u>

CITY OF TAHLEQUAH, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2021

City of Tahlequah, Oklahoma

June 30, 2021

PAGE

SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:

**Reports related to financial statements of the reporting entity
Required by GAO *Government Auditing Standards*:**

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 <i>Government Auditing Standards</i>	1
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Reports related to Federal Assistance Programs Required by the Uniform Guidance:

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings and Questioned Costs	9



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 Tahlequah, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 15, 2022. Our report includes a reference to other auditors who audited the financial statements of Tahlequah Educational Facilities Authority, Tahlequah Public Facilities Authority, and the discretely presented component units of the Tahlequah Hospital Authority and the Tahlequah Regional Development Authority as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Arledge & Associates, P.C.

Edmond, Oklahoma
June 15, 2022





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Tahlequah, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct

and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 15, 2022 which contained unmodified opinions on those financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

Edmond, Oklahoma
June 15, 2022



City of Tahlequah
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal AL Number</i>	<i>Pass-through Grantor and Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Other Programs				
Department of Homeland Security				
Emergency Management Performance Grants				
Emergency Management Performance Grants	97.042	OK Dept of Emergency Management	Emg Mgmt Reimb - State 20-21	22,500
Emergency Management Performance Grants	97.042	State of OK Dept of Emergency Management	Emg Mgmt Reimb - State 19-20	7,500
Total Emergency Management Performance Grants				<u>30,000</u>
<i>Total Department of Homeland Security</i>				
				<u>30,000</u>
United States Department of Justice				
Coronavirus Emergency Supplemental Funding Program				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034			9,445
Total Coronavirus Emergency Supplemental Funding Program				<u>9,445</u>
Indian Country Investigations				
Indian Country Investigations	16.308			144
Total Indian Country Investigations				<u>144</u>
Bulletproof Vest Partnership Program				
Bulletproof Vest Partnership Program	16.607		2018 Bullet Proof Vest Partnership Grant--OJP-2019 Bullet Proof Vest Partnership Grant--OJP-2020 Bullet Proof Vest Partnership Grant--OJP-	830
Bulletproof Vest Partnership Program	16.607			1,693
Bulletproof Vest Partnership Program	16.607			167
Total Bulletproof Vest Partnership Program				<u>2,690</u>
Edward Byrne Memorial Justice Assistance Grant Program				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	State of Oklahoma - District Attorney's Council	JAG-LLE-2020 Tahlequah CI-00048--2017-DJ-X-0117	4,842
Total Edward Byrne Memorial Justice Assistance Grant Program				<u>4,842</u>
<i>Total United States Department of Justice</i>				
				<u>17,121</u>
Department of Transportation				
Airport Improvement Program and COVID-19 Airports Programs				
COVID-19 - Airport Improvement Program and COVID-19 Airports Programs	20.106		FAA Cares--FAA 3-40-0093-016-20 Install Parallel Taxiway	29,619
Airport Improvement Program	20.106		Lighting and Install Guidance Signs (90/10 grant) Install Parallel Taxiway	40,786
Airport Improvement Program	20.106		Lighting and Install Guidance Signs (90/10 grant)--FAA 3-40-0093-015-20	353,822
Total Airport Improvement Program and COVID-19 Airports Programs				<u>424,226</u>
<i>Total Department of Transportation</i>				
				<u>424,226</u>
Department of Housing and Urban Development				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Ok Dept of Commerce	CDBG 17991	100,000
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Ok Dept of Commerce	17983 CDBG 20--CDBG-SC-2020-Tahlequ	113,038
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				<u>213,038</u>
<i>Total Department of Housing and Urban Development</i>				
				<u>213,038</u>
Department of the Treasury				
Coronavirus Relief Fund				
COVID-19 - Coronavirus Relief Fund	21.019	Office of Management and Enterprise Service	CARES ACT--CARES Act 2020	1,252,733
Total Coronavirus Relief Fund				<u>1,252,733</u>
<i>Total Department of the Treasury</i>				
				<u>1,937,119</u>
Total Other Programs				
				<u>1,937,119</u>
Total Expenditures of Federal Awards				
				<u><u>\$ 1,937,119</u></u>

CITY OF TAHLEQUAH, OKLAHOMA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2021. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C—SUBRECIPIENTS

During the year ended June 30, 2021, the City did not provide federal awards to subrecipients.

CITY OF TAHLEQUAH, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>Program</u>	<u>AL Number</u>
Coronavirus Relief Fund	21.019

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF TAHLEQUAH, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control

None to report for the audit period

B. Compliance Findings

None to report for the audit period

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:

A. Internal Control

None to report for the audit period

B. Compliance Findings

None to report for the audit period

CITY OF TAHLEQUAH, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2021

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control

<u>Reference</u>	<u>Finding</u>	<u>Status</u>	<u>Corrective Action Plan or Other Explanation</u>
2020-001	The City's previous management did not effectively monitor and ensure proper implementation of internal controls resulting in restatements of prior year net position for three funds. Additionally, the City's previous management recorded the revenue from the Tahlequah Public Works Authority (the "TPWA") on a cash basis and did not have effective monitoring controls related to receivables from the TPWA.	Corrected	Financial Statements are now a routine part of the monthly City Council agenda presented by the newly appointed City Treasurer. The Mayor and Interim City Administrator's competencies in accounting lend assistance in addressing the culture changes required to meet adequate internal controls. This issue was fully resolved for the fiscal year ending June 30, 2021.

B. Compliance Findings

None to report for the audit period

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:

A. Internal Control

None to report for the audit period

B. Compliance Findings

None to report for the audit period

June 15, 2022

To the City Council and the Management of the City of Tahlequah, Oklahoma
City of Tahlequah, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Tahlequah, Oklahoma (the “City”) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 21, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. During fiscal year 2021, the City implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* and Governmental Accounting Standards Board Statement No. 90, *Majority Equity Interest*. The adoption of these new accounting standards did not have an impact on the City’s financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City’s financial statements were:

1. Management’s estimates of the allowance for uncollectible accounts receivable that is based on past due balances and historical collections experience.
2. Pension assets, deferred outflows, liabilities, and deferred inflows, which are based on actuarial reports and the City’s contributions towards the plans.
3. The liability for Other Post-Employment Benefits which is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of commitments and contingencies in Note 9 to the financial statements that management considered material to financial statement users and the detail of restatements made to the prior period in Note 10.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Corrected misstatements for 2021 are comprised of (a) revenues of \$188,760 that should not have been recognized as revenue resulting in an overstatement of revenue.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 21, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. The City has employed Crawford & Associates, P.C. as consultants for the City and for assistance in drafting the City's financial statements. To our knowledge there were no consultations with Crawford & Associates, P.C. or other accountants which could affect our opinions on the City's financial statements.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Findings identified during the audit have been communicated in the 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*.

Other Matters

We applied certain limited procedures to management's discussion and analysis, defined benefit pension plan funding schedules, the schedule of funding progress – other post-employment benefit obligation, budgetary comparison schedule – restricted sales tax fund II, combining information for the general fund, and the budgetary comparison schedule – general fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, as listed in the table of contents of the report, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



Restriction on Use

This information is intended solely for the information and use of members of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Arledge & Associates, P.C.

Arledge & Associates, P.C.

