



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

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

**THE CITY OF TAHLEQUAH,
OKLAHOMA**

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

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

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

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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tahlequah Hospital Authority, Tahlequah Public Works Authority, Tahlequah Public Facilities Authority, Tahlequah Educational Facilities Authority, and the Tahlequah Industrial Authority, which represent 100 percent of the assets, net position, and revenues of Tahlequah Hospital Authority, Tahlequah Public Works Authority, Tahlequah Public Facilities Authority, Tahlequah Educational Facilities Authority, and the Tahlequah Industrial Authority. 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 Industrial 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. 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 of Tahlequah, Oklahoma, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, and the pension plan and other post-employment benefit 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 and other auditors 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 introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Arledge & Associates, P.C.

May 10, 2021

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Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF TAHLEQUAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2020

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, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2020, the City's total net position increased by \$2,209,809 or 5.9% from the prior year.
- During the year, the City's expenses for governmental activities were \$14.9 million and were funded by program revenues of \$3.7 million and further funded with taxes and other general revenues and transfers that totaled \$13.2 million.
- In the City's business-type activities, which include education and sanitation, program revenues were in excess of expenses in total by \$316,205.
- For budgetary reporting purposes, the General Fund reported revenues over estimates by \$64,572 or .67%, while expenditures were under the final appropriations by \$2.2 million or 17.6%.

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.

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Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2020

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 \$39.5 million at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 16,413	\$ 15,045	\$11,269	\$ 12,898	\$ 27,682	\$ 27,943
Non-current assets	34,996	36,951	5,217	5,204	40,213	42,155
Total assets	<u>51,409</u>	<u>51,996</u>	<u>16,486</u>	<u>18,102</u>	<u>67,895</u>	<u>70,098</u>
Deferred outflow of resources	<u>1,962</u>	<u>2,119</u>	<u>117</u>	<u>154</u>	<u>2,079</u>	<u>2,273</u>
Current liabilities	2,080	2,875	2,415	2,274	4,495	5,149
Non-current liabilities	18,891	20,717	6,322	8,572	25,213	29,289
Total liabilities	<u>20,971</u>	<u>23,592</u>	<u>8,737</u>	<u>10,846</u>	<u>29,708</u>	<u>34,438</u>
Deferred inflow of resources	<u>710</u>	<u>770</u>	<u>43</u>	<u>66</u>	<u>753</u>	<u>836</u>
Net position						
Net investment in capital assets	19,598	19,689	-	5,033	19,598	24,722
Restricted	7,232	6,802	59	57	7,291	6,859
Unrestricted	4,860	3,262	7,764	2,254	12,624	5,516
Total net position	<u>\$ 31,690</u>	<u>\$ 29,753</u>	<u>\$ 7,823</u>	<u>\$ 7,344</u>	<u>\$ 39,513</u>	<u>\$ 37,097</u>

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 2020, this net investment in capital assets amounted to approximately \$19.6 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 \$7.3 million, also represents resources that are subject to external restrictions or internal legislation on how they may be used. The remaining balance of

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Management's Discussion and Analysis
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unrestricted net position, approximately \$12.6 million, is available to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Position

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

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Charges for service	\$ 1,147	\$ 1,275	\$ -	\$ -	\$ 1,147	\$ 1,275
Operating grants and contributions	1,957	2,013	2,414	2,368	4,370	4,381
Capital grants and contributions	585	163	-	2	585	165
Taxes	12,629	10,877	-	-	12,629	10,877
Intergovernmental revenue	-	-	-	-	-	-
Investment income	290	324	15	56	305	380
Miscellaneous	186	237	23	81	209	318
Total revenues	16,794	14,889	2,452	2,507	19,246	17,396
Expenses						
General government	3,787	3,774	-	-	3,787	3,774
Public safety	5,880	5,683	-	-	5,880	5,683
Highways and streets	1,584	1,611	-	-	1,584	1,611
Culture and recreation	1,645	1,674	-	-	1,645	1,674
Public Works	485	1,681	-	-	485	1,681
Economic development	152	108	-	-	152	108
Airport	418	654	-	-	418	654
Cemetery	269	285	-	-	269	285
Interest on long-term debt	718	606	-	-	718	606
Education	-	-	17	27	17	27
Sanitation	-	-	2,081	1,929	2,081	1,929
Total expenses	14,938	16,076	2,098	1,956	17,036	18,032
Excess (deficiency) before transfers	1,856	(1,187)	354	551	2,210	(636)
Transfers	81	144	(81)	(144)	-	-
Change in net position	1,937	(1,043)	273	407	2,211	(636)
Beginning net position (restated)	29,753	30,796	7,549	6,937	37,302	37,733
Ending net position	\$ 31,690	\$ 29,753	\$ 7,823	\$ 7,344	\$ 39,513	\$ 37,097

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

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general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

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

	Total Expense of Services		Net Revenue (Expense) of Services	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General government	\$ 3,787	\$ 3,899	(\$2,519)	(\$3,899)
Public safety	5,880	4,882	(4,613)	(4,259)
Highways and streets	1,584	-	(1,184)	-
Culture and recreation	1,645	1,648	(1,167)	(1,577)
Public works	484	1,931	(485)	(1,129)
Economic development	151	-	(151)	-
Airport	418	-	(181)	-
Cemetery	269	-	(229)	-
Interest on long-term debt	718	606	(718)	(606)
Total	<u>14,938</u>	<u>\$ 12,966</u>	<u>(\$11,249)</u>	<u>(\$11,470)</u>

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

	Total Expense of Services		Net Revenue (Expense) of Services	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Sanitation	\$ 2,081	\$ 1,929	\$ 318	\$ 417
Education	17	27	(2)	(3)
Total	<u>\$ 2,098</u>	<u>\$ 1,956</u>	<u>\$ 316</u>	<u>\$ 414</u>

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 \$316,205 for the year ended June 30, 2020.
- While sanitation activities reported net revenue for the year ended June 30, 2020, education had a net expense.

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A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2020 fiscal year, the governmental funds reported a combined fund balance of \$18,669,164. The enterprise funds reported combined net position of \$7,822,791.

Other fund highlights include:

- In the General Fund there was a \$17,168 restriction for public safety, and \$14,199 assignment for public safety, a \$5,588 assignment for Airport, a \$20,713 assignment for Brookside restoration, and a \$1,215 assignment for the CDBG.
- Proprietary fund net position restrictions included \$59,381 for capital projects.

General Fund Budgetary Highlights

Actual revenues and transfers were over estimates by \$64,572 or .67%, while expenditures and transfers were under final appropriations by \$2.2 million or 17.6%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the City had approximately \$37.2 million invested in capital assets, net of depreciation, including streets, facility improvements, and land purchases. (See Table 5). This represents a net decrease of approximately \$1.78 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 3,762	\$ 3,592	\$ 76	\$ 76	\$ 3,838	\$ 3,668
Buildings	6,387	6,667	1,912	1,956	8,299	8,623
Infrastructure	16,380	17,506	771	1,012	17,151	18,518
Machinery, furniture and equipment	4,347	5,005	2,443	2,155	6,790	7,160
Construction in progress	1,163	1,052	-	-	1,163	1,052
Totals	\$ 32,039	\$ 33,822	\$ 5,202	\$ 5,199	\$ 37,241	\$ 39,021

This year's more significant capital asset additions/completion of CIP/Infrastructure projects included:

Vinita Street Project	\$224,075
History Trail Lighting Project	\$188,036
College Avenue Sidewalk Project	\$146,544

The City also acquired \$289,664 of land at Mission & First Street. See Note 4 to the financial statements for more detail information on the City's capital assets and changes therein.

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Long- Term Debt

At year-end, the City had \$25.9 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Accrued absences	\$ 485	\$ 472	20	\$ 28	\$ 505	\$ 500
Revenue bonds	16,780	18,130	8,365	10,380	25,145	28,510
Capital leases	210	369	111	166	321	535
Totals	\$ 17,475	\$ 18,971	\$ 8,496	\$ 10,574	\$ 25,971	\$ 29,545

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 will certainly have some kind of economic impact on the City's financial position and activities. However, in FY 20-21, the City received CARES Act monies that will help offset some of these shortfalls. The City plans to respond with appropriate actions once the depth and length of the slowdown and its impact on the City have been determined.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with 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.

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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

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Statement of Net Position– June 30, 2020

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,194,234	\$ 2,106,059	\$ 6,300,293	\$ 32,207,098
Restricted cash and cash equivalents	8,651,433	133,970	8,785,403	9,088,610
Investments	1,562,318	127,784	1,690,102	21,703,384
Prepaid expense	-	-	-	1,819,368
Accounts receivable, net	85,482	8,451,487	8,536,969	35,167,369
Court fine receivable, net	164,381	-	164,381	-
Receivable from component unit	-	204,924	204,924	-
Internal balances	(245,000)	245,000	-	-
Due from other governments	2,000,358	-	2,000,358	-
Inventory	-	-	-	4,441,228
Total Current Assets	<u>16,413,206</u>	<u>11,269,224</u>	<u>27,682,430</u>	<u>104,427,057</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	2,861,562	-	2,861,562	-
Other assets	-	-	-	1,863,185
Net pension asset	36,168	-	36,168	-
Net OPEB asset	58,495	14,623	73,118	-
Capital Assets:				
Land and construction in progress	4,925,095	76,100	5,001,195	11,431,942
Other capital assets, net of depreciation	27,113,879	5,125,566	32,239,445	79,781,391
Total Noncurrent Assets	<u>34,995,199</u>	<u>5,216,289</u>	<u>40,211,488</u>	<u>93,076,518</u>
Total Assets	<u>51,408,405</u>	<u>16,485,513</u>	<u>67,893,918</u>	<u>197,503,575</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to pensions	1,920,753	106,515	2,027,268	-
Deferred amounts related to derivative	-	-	-	1,685,673
Deferred amounts related to OPEB	41,653	10,392	52,045	-
Total	<u>1,962,406</u>	<u>116,907</u>	<u>2,079,313</u>	<u>1,685,673</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	424,604	190,690	615,294	18,342,577
Other payables	10,070	-	10,070	-
Deposits subject to refund	-	-	-	1,682,667
Due to other governments	6,695	-	6,695	-
Current portion of:				
Long term liabilities - due in one year	1,638,943	2,223,941	3,862,884	5,465,567
Total Current Liabilities	<u>2,080,312</u>	<u>2,414,631</u>	<u>4,494,943</u>	<u>25,490,811</u>
Noncurrent liabilities:				
Long term liabilities - due in more than one year	15,836,418	6,271,590	22,108,008	62,435,535
Net pension liability	3,054,223	50,101	3,104,324	-
Total Noncurrent Liabilities	<u>18,890,641</u>	<u>6,321,691</u>	<u>25,212,332</u>	<u>62,435,535</u>
Total Liabilities	<u>20,970,953</u>	<u>8,736,322</u>	<u>29,707,275</u>	<u>87,926,346</u>
DEFERRED INFLOW OF RESOURCES				
Deferred amounts related to pensions	655,971	29,652	685,623	-
Deferred amounts related to OPEB	54,097	13,655	67,752	-
Total	<u>710,068</u>	<u>43,307</u>	<u>753,375</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	19,597,540	-	19,597,540	43,149,452
Restricted for:				
Capital Projects	3,516,283	-	3,516,283	-
Debt Service	3,337,516	-	3,337,516	2,645,489
Streets	156,799	-	156,799	-
Tourism	17,504	-	17,504	-
Stormwater	114,821	-	114,821	-
Cemetery	89,184	-	89,184	-
Education	-	59,381	59,381	-
Unrestricted	4,860,143	7,763,410	12,623,553	65,467,961
Total Net Position	<u>\$ 31,689,790</u>	<u>\$ 7,822,791</u>	<u>\$ 39,512,581</u>	<u>\$ 111,262,902</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, 2020

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	\$ 3,786,909	\$ 210,105	\$ 972,267	\$ 85,456	\$ (2,519,081)	\$ -	\$ (2,519,081)	\$ -
Public safety	5,880,308	436,166	830,521	-	(4,613,621)	-	(4,613,621)	-
Highways and streets	1,584,319	205,594	146,992	48,212	(1,183,521)	-	(1,183,521)	-
Culture and recreation	1,644,896	124,172	7,427	345,831	(1,167,466)	-	(1,167,466)	-
Public Works	484,768	-	-	-	(484,768)	-	(484,768)	-
Economic development	152,156	-	-	-	(152,156)	-	(152,156)	-
Airport	417,703	130,564	-	105,763	(181,376)	-	(181,376)	-
Cemetery	269,123	40,000	8	-	(229,115)	-	(229,115)	-
Interest on Long-term debt	718,120	-	-	-	(718,120)	-	(718,120)	-
Total governmental activities	<u>14,938,302</u>	<u>1,146,601</u>	<u>1,957,215</u>	<u>585,262</u>	<u>(11,249,224)</u>	<u>-</u>	<u>(11,249,224)</u>	<u>-</u>
Business-type activities:								
Education	16,851	14,885	-	-	-	(1,966)	(1,966)	-
Sanitation	2,080,753	2,398,924	-	-	-	318,171	318,171	-
Total business-type activities	<u>2,097,604</u>	<u>2,413,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,205</u>	<u>316,205</u>	<u>-</u>
Total primary government	<u>\$ 17,035,906</u>	<u>\$ 3,560,410</u>	<u>\$ 1,957,215</u>	<u>\$ 585,262</u>	<u>(11,249,224)</u>	<u>316,205</u>	<u>(10,933,019)</u>	<u>-</u>
Component Units								
Tahlequah Hospital Authority	120,012,541	105,243,855	13,163,017	-	-	-	-	(1,605,669)
Tahlequah Industrial Authority	109,281	100,062	-	-	-	-	-	(9,219)
Tahlequah Public Works Authority	23,165,830	22,786,583	-	61,000	-	-	-	(318,247)
Total component units	<u>143,287,652</u>	<u>128,130,500</u>	<u>13,163,017</u>	<u>61,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,933,135)</u>
General revenues:								
Taxes:								
Sales and use taxes					11,990,312	-	11,990,312	-
Franchise taxes and public service taxes					506,611	-	506,611	-
Hotel/motel taxes					132,056	-	132,056	-
Unrestricted investment earnings					290,188	14,678	304,866	4,056,695
Miscellaneous					86,110	23,162	109,272	(3,646)
Gain on sale of capital assets					99,711	-	99,711	-
Transfers - internal activities					80,577	(80,577)	-	-
Total general revenues and transfers					<u>13,185,565</u>	<u>(42,737)</u>	<u>13,142,828</u>	<u>4,053,049</u>
Change in net position					1,936,341	273,468	2,209,809	2,119,914
Net position - beginning, restated					29,753,449	7,549,323	37,302,772	109,142,988
Net position - ending					<u>\$ 31,689,790</u>	<u>\$ 7,822,791</u>	<u>\$ 39,512,581</u>	<u>\$ 111,262,902</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, 2020**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

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

Governmental Funds Balance Sheet - June 30, 2020

	<u>General Fund</u>	<u>Restricted Sales Tax II Fund</u>	<u>Tahlequah Public Facilities Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,374,530	\$ -	\$ 11,512,995	\$ 2,819,704	\$ 15,707,229
Investments	1,065,581	-	-	496,737	1,562,318
Due from other funds	-	-	384,876	2,595	387,471
Taxes receivable, net	1,176,037	384,876	-	299,222	1,860,135
Receivables:					
Court fines receivable, net	164,381	-	-	-	164,381
Due from other governments	153,884	-	-	-	153,884
Other receivables	71,821	-	-	-	71,821
Total assets	<u>\$ 4,006,234</u>	<u>384,876</u>	<u>11,897,871</u>	<u>\$ 3,618,258</u>	<u>\$ 19,907,239</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 266,448	7,019	130,435	\$ 36,019	\$ 439,921
Payable to other government	1,448	-	-	-	1,448
Due to other funds	247,398	384,994	-	79	632,471
Total liabilities	<u>515,294</u>	<u>392,013</u>	<u>130,435</u>	<u>36,098</u>	<u>1,073,840</u>
Deferred Inflows of resources:					
Deferred revenue	149,432	-	-	14,803	164,235
Fund balances:					
Restricted for:					
Cemetery	-	-	-	89,184	89,184
Capital Improvements	-	-	8,429,921	-	8,429,921
Debt Service	-	-	3,337,515	-	3,337,515
Streets	-	-	-	968,379	968,379
Public Safety	17,168	-	-	-	17,168
Stormwater	-	-	-	114,821	114,821
Tourism	-	-	-	17,504	17,504
Assigned to:					
Public safety	14,199	-	-	-	14,199
CDBG	1,215	-	-	-	1,215
Capital Improvements	-	-	-	1,286,787	1,286,787
Stormwater	-	-	-	439,566	439,566
Brookside restoration	20,713	-	-	-	20,713
Streets	-	-	-	509,506	509,506
Airport	5,588	-	-	-	5,588
Tourism	-	-	-	141,689	141,689
Unassigned (deficit)	3,282,625	(7,137)	-	(79)	3,275,409
Total fund balances	<u>3,341,508</u>	<u>(7,137)</u>	<u>11,767,436</u>	<u>3,567,357</u>	<u>18,669,164</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,006,234</u>	<u>\$ 384,876</u>	<u>\$ 11,897,871</u>	<u>\$ 3,618,258</u>	<u>\$ 19,907,239</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, 2020

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Fiscal Year Ended June 30, 2020

	General Fund	Restricted Sales Tax II Fund	Tahlequah Public Facilities Authority	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 7,396,131	\$ 2,583,472	\$ -	\$ 1,560,100	\$ 11,539,703
Intergovernmental	2,927,690	-	-	-	2,927,690
Charges for services	349,962	-	18,010	210,563	578,535
Fines and forfeitures	326,360	-	-	-	326,360
Licenses and permits	130,314	-	-	-	130,314
Investment income	120,532	-	155,638	14,018	290,188
Donations	-	-	-	8	8
Miscellaneous	839,456	-	-	2,675	842,131
Total revenues	<u>12,090,445</u>	<u>2,583,472</u>	<u>173,648</u>	<u>1,787,364</u>	<u>16,634,929</u>
EXPENDITURES					
Current:					
Administrative	-	-	-	484,768	484,768
City Treasurer	12,992	-	-	-	12,992
City Clerk	62,941	-	-	-	62,941
Municipal Court	178,512	-	-	-	178,512
Police	3,189,911	-	-	-	3,189,911
Fire	1,531,323	-	-	-	1,531,323
Emergency Management	558,378	-	-	-	558,378
Maintenance	222,230	-	-	-	222,230
Streets	996,409	-	-	34,943	1,031,352
Health and sanitation	-	-	-	74,663	74,663
Culture, tourism and recreation	1,182,701	-	-	151,527	1,334,228
General government	1,957,610	-	34,822	-	1,992,432
Library	20,848	-	-	-	20,848
Cemetery	254,592	-	-	-	254,592
Airport	131,277	-	-	-	131,277
Capital Outlay	800,577	-	83,324	358,635	1,242,536
Debt Service:					
Principal	158,286	-	1,350,000	-	1,508,286
Interest and other charges	9,796	-	708,324	-	718,120
Total expenditures	<u>11,268,383</u>	<u>-</u>	<u>2,176,470</u>	<u>1,104,536</u>	<u>14,549,389</u>
Excess (deficiency) of revenues over expenditures	<u>822,062</u>	<u>2,583,472</u>	<u>(2,002,822)</u>	<u>682,828</u>	<u>2,085,540</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	135,006	-	2,583,547	-	2,718,553
Transfers out	-	(2,583,547)	-	(46,800)	(2,630,347)
Total other financing sources (uses)	<u>135,006</u>	<u>(2,583,547)</u>	<u>2,583,547</u>	<u>(46,800)</u>	<u>88,206</u>
Net change in fund balances	957,068	(75)	580,725	636,028	2,173,746
Fund balances - beginning, restated	2,384,440	(7,062)	11,186,711	2,931,329	16,495,418
Fund balances - ending	<u>\$ 3,341,508</u>	<u>\$ (7,137)</u>	<u>\$ 11,767,436</u>	<u>\$ 3,567,357</u>	<u>\$ 18,669,164</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, 2020

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	18,669,164
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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.		32,038,974
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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		58,495
Net pension asset		36,168
OPEB related deferred outflows		41,653
Pension related deferred outflows		1,920,753
Deferred revenue		164,235

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		(3,054,223)
Pension related deferred inflows		(655,971)
OPEB related deferred inflows		(54,097)
Note payable		(16,780,150)
Accrued compensated absences		(484,883)
Capital lease payable		(210,328)

Net Position of Governmental Activities in the Statement of Net Position	\$	31,689,790
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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, 2020

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

Net change in fund balances - total governmental funds: \$ 2,173,746

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	1,080,901
Depreciation expense	(2,889,597)

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	154,043
Transferred assets	(7,629)
Book value of disposed asset	(120,289)

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.

(51,930)

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	71,690
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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	1,508,286
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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	30,136
Change in accrued compensated absences	(13,016)

Change in net position of governmental activities	\$ 1,936,341
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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, 2020**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

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

Proprietary Funds Statement of Net Position - June 30, 2020

	<u>Sanitation</u>	<u>TEFA</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,097,260	\$ 8,799	\$ 2,106,059
Investments	127,784	-	127,784
Restricted:			
Cash and cash equivalents	-	133,970	133,970
Accounts receivable, net	46,617	2,454,900	2,501,517
Receivable from component unit	204,924	-	204,924
Due from other funds	245,000	-	245,000
Total current assets	<u>2,926,509</u>	<u>2,597,669</u>	<u>5,524,178</u>
Non-current assets:			
Restricted:			
Net OPEB asset	14,623	-	14,623
Capital assets:			
Land and construction in progress	76,100	-	76,100
Other capital assets, net of accumulated depreciation	5,125,566	-	5,125,566
Accounts receivable, net	-	5,949,970	5,949,970
Total non-current assets	<u>5,216,289</u>	<u>5,949,970</u>	<u>11,166,259</u>
Total assets	<u>\$ 8,142,798</u>	<u>\$ 8,547,639</u>	<u>\$ 16,690,437</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	106,515	-	106,515
Deferred amounts related to OPEB	10,392	-	10,392
	<u>116,907</u>	<u>-</u>	<u>116,907</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 56,351	\$ -	\$ 56,351
Salaries payable	29,168	-	29,168
Accrued interest payable	-	123,258	123,258
Capital lease obligation	56,931	-	56,931
Revenue bonds payable	-	2,165,000	2,165,000
Accrued compensated absences	2,010	-	2,010
Total current liabilities	<u>144,460</u>	<u>2,288,258</u>	<u>2,432,718</u>
Non-current liabilities:			
Capital lease obligation	53,503	-	53,503
Revenue bonds payable	-	6,200,000	6,200,000
Net pension liability	50,101	-	50,101
Total non-current liabilities	<u>103,604</u>	<u>6,200,000</u>	<u>6,303,604</u>
Total liabilities	<u>248,064</u>	<u>8,488,258</u>	<u>8,736,322</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	29,652	-	29,652
Deferred amounts related to OPEB	13,655	-	13,655
	<u>43,307</u>	<u>-</u>	<u>43,307</u>
NET POSITION			
Net investment in capital assets	5,091,232	-	5,091,232
Restricted for education	-	59,381	59,381
Unrestricted	2,672,178	-	2,672,178
Total net position	<u>\$ 7,763,410</u>	<u>\$ 59,381</u>	<u>\$ 7,822,791</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, 2020

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

	<u>Sanitation</u>	<u>TEFA</u>	<u>Total</u>
REVENUES			
Charges for services:			
Sanitation charges	\$ 2,398,924	\$ -	\$ 2,398,924
Rents and royalties	-	14,885	14,885
Total operating revenues	<u>2,398,924</u>	<u>14,885</u>	<u>2,413,809</u>
OPERATING EXPENSES			
Personal Services	966,928	-	966,928
Materials and Supplies	745,731	-	745,731
Education	-	16,851	16,851
Depreciation expense	364,420	-	364,420
Total operating expenses	<u>2,077,079</u>	<u>16,851</u>	<u>2,093,930</u>
Operating income (loss)	<u>321,845</u>	<u>(1,966)</u>	<u>319,879</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	10,467	4,211	14,678
Miscellaneous	23,162	-	23,162
Interest expense	(3,674)	-	(3,674)
Total non-operating revenue (expenses)	<u>29,955</u>	<u>4,211</u>	<u>34,166</u>
Income before transfers	351,800	2,245	354,045
Transfers in	7,629	-	7,629
Transfers out	(88,206)	-	(88,206)
Change in net position	271,223	2,245	273,468
Total net position - beginning	<u>7,492,187</u>	<u>57,136</u>	<u>7,549,323</u>
Total net position - ending	<u>\$ 7,763,410</u>	<u>\$ 59,381</u>	<u>\$ 7,822,791</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, 2020

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

	<u>Sanitation</u>	<u>TEFA</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,420,490	\$ 14,885	\$ 2,435,375
Payments to suppliers	(734,990)	(9,999)	(744,989)
Payments to employees	(984,408)	(6,852)	(991,260)
Receipts (payments) from other funds	(245,000)	-	(245,000)
Net cash provided by (used in) operating activities	<u>456,092</u>	<u>(1,966)</u>	<u>454,126</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	-	-
Transfers to other funds	(88,206)	-	(88,206)
Net cash provided by (used in) noncapital financing activities	<u>(88,206)</u>	<u>-</u>	<u>(88,206)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(359,675)	-	(359,675)
Principal paid on debt	(55,459)	(2,015,000)	(2,070,459)
Collection of capital lease purchase receivable	-	2,045,429	2,045,429
Interest and fiscal agent fees paid on debt	(3,674)	(27,392)	(31,066)
Net cash provided by (used in) capital and related financing activities	<u>(418,808)</u>	<u>3,037</u>	<u>(415,771)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	242,891	-	242,891
Interest and dividends	10,467	4,211	14,678
Net cash provided by investing activities	<u>253,358</u>	<u>4,211</u>	<u>257,569</u>
Net increase in cash and cash equivalents	202,436	5,282	207,718
Balances - beginning of year	<u>1,894,824</u>	<u>137,487</u>	<u>2,032,311</u>
Balances - end of year	<u>\$ 2,097,260</u>	<u>\$ 142,769</u>	<u>\$ 2,240,029</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 2,097,260	\$ 8,799	\$ 2,106,059
Restricted cash and cash equivalents - current	-	133,970	133,970
Total cash and cash equivalents, end of year	<u>\$ 2,097,260</u>	<u>\$ 142,769</u>	<u>\$ 2,240,029</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 321,845	\$ (1,966)	\$ 319,879
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	364,420	-	364,420
Amortization expense	-	-	-
Other non-operating revenues	23,162	-	23,162
Change in assets and liabilities:			
Due to other funds	(245,000)	-	(245,000)
Accounts receivable	(1,596)	-	(1,596)
Net OPEB asset	(9,898)	-	(9,898)
Accrued payroll payable	(9,014)	-	(9,014)
Accounts payable	19,755	-	19,755
Net Pension liability	(21,111)	-	(21,111)
Pension and OPEB deferrals	14,313	-	14,313
Accrued compensated absences	(784)	-	(784)
Net cash provided by (used in) operating activities	<u>\$ 456,092</u>	<u>\$ (1,966)</u>	<u>\$ 454,126</u>
Noncash activities:			
Contributed capital assets	<u>\$ 7,629</u>	<u>\$ -</u>	<u>\$ 7,629</u>

See accompanying notes to the basic financial statements.

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COMBINING DISCRETELY PRESENTED COMPONENT UNITS

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Discretely Presented Component Units Statement of Net Position - June 30, 2020

	Discretely Presented Component Units			
	Tahlequah Hospital Authority	TPWA	TRDA	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 25,966,532	\$ 5,284,529	\$ 956,037	\$ 32,207,098
Investments	21,703,384	-	-	21,703,384
Restricted:				
Cash and cash equivalents	-	9,088,610	-	9,088,610
Accounts Receivable, net	32,349,340	2,290,550	-	34,639,890
Other receivables	527,479	-	-	527,479
Inventories	3,112,651	1,328,577	-	4,441,228
Prepaid Expenses	1,819,368	-	-	1,819,368
Total current assets	<u>85,478,754</u>	<u>17,992,266</u>	<u>956,037</u>	<u>104,427,057</u>
Non-current assets:				
Capital Assets:				
Other capital assets, net of accumulated depreciation	44,970,920	45,171,714	1,070,699	91,213,333
Other assets	1,863,185	-	-	1,863,185
Total non-current assets	<u>46,834,105</u>	<u>45,171,714</u>	<u>1,070,699</u>	<u>93,076,518</u>
Total assets	<u>132,312,859</u>	<u>63,163,980</u>	<u>2,026,736</u>	<u>197,503,575</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to derivative	1,685,673	-	-	1,685,673
	<u>1,685,673</u>	<u>-</u>	<u>-</u>	<u>1,685,673</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	13,770,378	2,078,905	-	15,849,283
Payable to City of Tahlequah	-	204,924	-	204,924
Other accrued expenses	1,685,673	-	-	1,685,673
Unearned revenue	602,697	-	-	602,697
Deposits subject to refund	-	1,682,667	-	1,682,667
Capital lease obligation	338,604	65,426	-	404,030
Notes payable	4,086,416	155,927	20,000	4,262,343
Revenue bonds payable	-	580,000	-	580,000
Compensated absences	-	219,194	-	219,194
Total current liabilities	<u>20,483,768</u>	<u>4,987,043</u>	<u>20,000</u>	<u>25,490,811</u>
Non-current liabilities:				
Capital lease obligation	2,272,404	60,054	-	2,332,458
Notes payable	42,430,406	5,555,338	23,333	48,009,077
Revenue bonds payable	-	12,094,000	-	12,094,000
Total non-current liabilities	<u>44,702,810</u>	<u>17,709,392</u>	<u>23,333</u>	<u>62,435,535</u>
Total liabilities	<u>65,186,578</u>	<u>22,696,435</u>	<u>43,333</u>	<u>87,926,346</u>
NET POSITION				
Net investment in capital assets	15,461,117	26,660,969	1,027,366	43,149,452
Restricted for debt service	-	2,645,489	-	2,645,489
Unrestricted	53,350,837	11,161,087	956,037	65,467,961
Total net position	<u>\$ 68,811,954</u>	<u>\$ 40,467,545</u>	<u>\$ 1,983,403</u>	<u>\$ 111,262,902</u>

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Discretely Presented Component Units Statement of Revenues, Expenses, and Changes in Net Position – Fiscal Year Ended June 30, 2020

	Discretely Presented Component Units			
	Tahlequah Hospital Authority	TPWA	TRDA	Total
REVENUES				
Charges for services:				
Electric	\$ -	\$ 15,547,590	\$ -	\$ 15,547,590
Water	-	4,221,566	-	4,221,566
Sewer	-	2,986,195	-	2,986,195
Penalties	105,243,855	-	-	105,243,855
Rental Income	-	-	96,062	96,062
Miscellaneous	-	31,232	-	31,232
Total operating revenues	<u>105,243,855</u>	<u>22,786,583</u>	<u>96,062</u>	<u>128,126,500</u>
OPERATING EXPENSES				
Administration	-	2,374,735	-	2,374,735
Water	-	3,071,052	-	3,071,052
Wastewater/Sewer	-	1,953,861	-	1,953,861
Electric	-	11,347,232	-	11,347,232
Industrial	-	-	66,853	66,853
Hospital	114,203,903	-	-	114,203,903
Depreciation expense	4,458,691	2,344,669	42,428	6,845,788
Payment to City of Tahlequah	-	1,460,532	-	1,460,532
Amortization expense	1,864	-	-	1,864
Total Operating Expenses	<u>118,664,458</u>	<u>22,552,081</u>	<u>109,281</u>	<u>141,325,820</u>
Operating income (loss)	<u>(13,420,603)</u>	<u>234,502</u>	<u>(13,219)</u>	<u>(13,199,320)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	3,865,936	179,383	11,376	4,056,695
Gain (loss) on capital asset disposal	(3,646)	-	-	(3,646)
Miscellaneous revenue	13,163,017	-	4,000	13,167,017
Interest expense	(1,348,083)	(613,749)	-	(1,961,832)
Total non-operating revenue (expenses)	<u>15,677,224</u>	<u>(434,366)</u>	<u>15,376</u>	<u>15,258,234</u>
Net income (loss)	<u>2,256,621</u>	<u>(199,864)</u>	<u>2,157</u>	<u>2,058,914</u>
Capital contributions	-	61,000	-	61,000
Change in net position	2,256,621	(138,864)	2,157	2,119,914
Total net position - beginning, restated	66,555,333	40,606,409	1,981,246	109,142,988
Total net position - ending	<u>\$ 68,811,954</u>	<u>\$ 40,467,545</u>	<u>\$ 1,983,403</u>	<u>\$ 111,262,902</u>

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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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.

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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

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- 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

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.

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.

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

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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. Fair value is based on quoted market price.

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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 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

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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.

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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.

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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, 2020, 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			\$ 9,696,104
Certificates of Deposit			1,690,102
			<u>11,386,206</u>
Investments:			
US Treasury Notes		Level I	\$ 2,434,523
Federated Hermes Treasury Obligations	AAA	Level II	5,816,631
			<u>8,251,154</u>
Total deposits and investments			<u><u>\$ 19,637,360</u></u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 6,300,293
Restricted cash and cash equivalents			8,785,403
Investments			1,690,102
Noncurrent restricted cash and cash equivalents			2,861,562
			<u><u>\$ 19,637,360</u></u>

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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, 2020, 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, 2020, the City's investments consisted of \$2,434,523 in US Treasury notes and \$5,816,631 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, 2020, the City had no concentration of credit risk as defined above.

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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, 2020 are as follows:

<u>Type of Restricted Assets</u>	Cash including time deposits	
	Governmental Activities	Business-Type Activities
Sales Tax - TPFA	\$ 3,261,841	\$ -
Trust Account - Bond A TPFA	523,550	-
Trust Account - Bond B TPFA	9	-
Trust Account - Improvement Fund TPFA	4,913,638	-
Trust Account- Reserve TPFA	379,434	-
Trust Account - TEFA	-	133,970
Reserve Account TPFA	2,434,523	-
	<u>\$ 11,512,995</u>	<u>\$ 133,970</u>

Reconciliation of Statmenet of Net Position:

Restricted Cash & Cash Equivalents - current	\$ 8,651,433	\$ 133,970
Restricted Cash & Cash Equivalents - noncurrent	2,861,562	-
	<u>\$ 11,512,995</u>	<u>\$ 133,970</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	-	\$ 35,711,881
Money Market Accounts	N/A	Level 1	41,629
Time deposits, due within one year	N/A	-	5,776,120
			<u>41,529,630</u>
Investments:			
Domestic Fixed Income	Baa1-Aa2	Level II	\$ 2,883,056
International Fixed Income	Baa2-Aa3	Level II	202,904
Domestic equities	N/A	Level I	8,973,034
international equities	N/A	Level I	1,826,447
Investment in joint venture	N/A	Equity Method	5,885,212
Assets under deferred compensation agri	N/A	N/A	602,697
Investments in captive insurance contra	N/A	N/A	1,096,112
			<u>21,469,462</u>
Total deposits and investments			<u>\$ 62,999,092</u>

Reconciliation to Statement of Net Position:

CU Cash and cash equivalents	32,207,098
CU Restricted cash and cash equivalents	9,088,610
CU investments	21,703,384
	<u>\$ 62,999,092</u>

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

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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	\$ 60,127	-	\$ 60,127
Hotel/motel tax receivable	12,840	-	12,840
Other receivables	12,515	-	12,515
Court fines	3,229,373	(3,064,992)	164,381
Total Governmental Activities	\$ 3,314,855	\$ (3,064,992)	\$ 249,863
Business-Type Activities:			
Education	\$ 8,451,487	\$ -	\$ 8,451,487
From component unit	204,924	-	204,924
Total Business-Type Activities	\$ 8,656,411	\$ -	\$ 8,656,411

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	\$ 19,838,115
Provider relief funds	5,000,000
Related parties	1,568,488
Utility receivable	2,290,550
Other	5,942,737
Total Discretely Presented Component Units	\$ 34,639,890

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.

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For the year ended June 30, 2020, capital assets balances changed as follows:

	Balance at July 1, 2019	Additions	Disposals	Interfund Transfers In (Out)	Balance at June 30, 2020
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,592,460	\$ 289,664	\$ 120,289	\$ -	\$ 3,761,835
Construction in progress	1,051,656	633,568	521,964	-	1,163,260
Total capital assets not being depreciated	<u>4,644,116</u>	<u>923,232</u>	<u>642,253</u>	<u>-</u>	<u>4,925,095</u>
Other capital assets:					
Buildings	10,781,084	7,101	-	-	10,788,185
Infrastructure	33,620,520	867,015	77,837	-	34,409,698
Machinery, furniture and equipment	12,681,585	190,198	217,062	(119,812)	12,534,909
Total other capital assets at historical cost	<u>57,083,189</u>	<u>1,064,314</u>	<u>294,899</u>	<u>(119,812)</u>	<u>57,732,792</u>
Less accumulated depreciation for:					
Buildings	4,114,090	287,572	-	-	4,401,662
Improvements	-	-	-	-	-
Infrastructure	16,114,644	1,914,562	-	-	18,029,206
Machinery, furniture and equipment	7,677,026	687,463	64,261	(112,183)	8,188,045
Total accumulated depreciation	<u>27,905,760</u>	<u>2,889,597</u>	<u>64,261</u>	<u>(112,183)</u>	<u>30,618,913</u>
Other capital assets, net	<u>29,177,429</u>	<u>(1,825,283)</u>	<u>230,638</u>	<u>(7,629)</u>	<u>27,113,879</u>
Governmental activities capital assets, net	<u>\$ 33,821,545</u>	<u>\$ (902,051)</u>	<u>\$ 872,891</u>	<u>\$ (7,629)</u>	<u>\$ 32,038,974</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	4,216,060	345,955	-	119,812	4,681,827
Infrastructure	989,560	13,720	-	-	1,003,280
Total other capital assets at historical cost	<u>7,441,068</u>	<u>359,675</u>	<u>-</u>	<u>119,812</u>	<u>7,920,555</u>
Less accumulated depreciation for:					
Buildings	279,144	44,073	-	-	323,217
Machinery, furniture and equipment	1,853,820	273,120	-	112,183	2,239,123
Infrastructure	185,422	47,227	-	-	232,649
Total accumulated depreciation	<u>2,318,386</u>	<u>364,420</u>	<u>-</u>	<u>112,183</u>	<u>2,794,989</u>
Other capital assets, net	<u>5,122,682</u>	<u>(4,745)</u>	<u>-</u>	<u>7,629</u>	<u>5,125,566</u>
Business-type activities capital assets, net	<u>\$ 5,198,782</u>	<u>\$ (4,745)</u>	<u>\$ -</u>	<u>\$ 7,629</u>	<u>\$ 5,201,666</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	\$ 1,207,480	Sanitation	<u>\$ 364,420</u>
Public safety	438,589		
Highways and streets	481,973		
Culture and recreation	456,320		
Cemetery	18,001		
Airport	287,234		
	<u>\$ 2,889,597</u>		

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Discretely Presented Component Units:

For the year ended June 30, 2020, capital assets balances for the combined discretely presented component units which includes the THA, TPWA and TRDA changed as follows:

	(Restated) Balance at July 1, 2019	Additions	Transfers and Disposals	Balance at June 30, 2020
Discretely Presented Component Units:				
Capital assets not being depreciated:				
Land	\$ 3,561,343	\$ -	\$ -	\$ 3,561,343
Construction in progress	7,072,850	4,700,811	(3,903,062)	7,870,599
Total capital assets not being depreciated	<u>10,634,193</u>	<u>4,700,811</u>	<u>(3,903,062)</u>	<u>11,431,942</u>
Other capital assets:				
Buildings	53,276,376	389,820	(6,752)	53,659,444
Improvements	935,689	-	-	935,689
Infrastructure	70,422,019	-	11,983	70,434,002
Machinery, furniture and equipment	37,570,648	3,211,879	3,629,280	44,411,807
Total other capital assets at historical cost	<u>162,204,732</u>	<u>3,601,699</u>	<u>3,634,511</u>	<u>169,440,942</u>
Less accumulated depreciation for:				
Buildings	(18,523,662)	(1,605,891)	3,939	(20,125,615)
Improvements	(625,766)	(31,500)	-	(657,265)
Infrastructure	(36,298,587)	(1,830,762)	-	(38,129,349)
Machinery, furniture and equipment	(27,584,597)	(3,377,635)	214,910	(30,747,322)
Total accumulated depreciation	<u>(83,032,612)</u>	<u>(6,845,788)</u>	<u>218,849</u>	<u>(89,659,551)</u>
Other capital assets, net	<u>79,172,120</u>	<u>10,447,487</u>	<u>3,415,662</u>	<u>79,781,391</u>
Discretely presented component units capital assets, net	<u>\$ 89,806,313</u>	<u>\$ 15,148,298</u>	<u>\$ (487,400)</u>	<u>\$ 91,213,333</u>

5. Debt and Debt Service Requirements

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

Type of Debt	Restated Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
Revenue bonds payable	\$ 18,130,150	\$ -	\$ 1,350,000	\$ 16,780,150	\$ 1,455,000
Capital leases payable	368,614	-	158,286	210,328	135,455
Accrued compensated absences	471,867	13,016	-	484,883	48,488
Total Governmental Activities	<u>\$ 18,970,631</u>	<u>\$ 13,016</u>	<u>\$ 1,508,286</u>	<u>\$ 17,475,361</u>	<u>\$ 1,638,943</u>
Business-Type Activities:					
Revenue bonds payable	\$ 10,380,000	\$ -	\$ 2,015,000	\$ 8,365,000	\$ 2,165,000
Capital lease payable	165,893	-	55,459	110,434	56,931
Accrued compensated absences	27,943	-	7,846	20,097	2,010
Total Business-Type Activities	<u>10,573,836</u>	<u>-</u>	<u>2,078,305</u>	<u>8,495,531</u>	<u>2,223,941</u>
Total Long-Term Debt	<u>\$ 29,544,467</u>	<u>\$ 13,016</u>	<u>\$ 3,586,591</u>	<u>\$ 25,970,892</u>	<u>\$ 3,862,884</u>

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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 \$ 8,140,000

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 \$ 16,660,000

Current portion	\$ 1,455,000
Noncurrent portion	<u>15,325,150</u>
	\$ 16,780,150
Less: Premium on bonds	<u>(120,150)</u>
Total Revenue Bonds Payable	<u>\$ 16,660,000</u>

Capital Leases Payable:

City of Tahlequah

\$160,709 lease with BancFirst for the purchase of a 2017 Ford Police Interceptor SUV, issued January 2018 with an interest rate of 2.125%, maturing December 2020. \$ 27,532

\$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. 96,650

\$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. 86,146

Total Capital Leases Payable \$ 210,328

Current portion	\$ 135,455
Noncurrent portion	<u>74,873</u>
Total Capital Leases Payable	<u>\$ 210,328</u>

Accrued Compensated Absences:

Current portion	\$ 48,488
Noncurrent portion	<u>436,395</u>
Total Accrued Compensated Absences	<u>\$ 484,883</u>

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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

	\$ 8,365,000
Current portion	\$ 2,165,000
Noncurrent portion	6,200,000
Total Revenue Bonds Payable (TEFA)	\$ 8,365,000

Capital Lease Payable:

Sanitation

\$224,368 lease with Armstrong Bank for the purchase of a 2018 Case Waste Handler, issued May 2018 with an interest rate of 2.157%, maturing May 2022.

	\$ 110,434
Total Capital Leases Payable	\$ 110,434
Current portion	\$ 56,931
Noncurrent portion	53,503
Total Capital Leases Payable	\$ 110,434

Accrued Compensated Absences:

	\$ 2,010
Current portion	\$ 2,010
Noncurrent portion	18,087
Total Accrued Compensated Absences	\$ 20,097

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
2021	1,455,000	521,494	2021	135,455	4,922
2022	1,535,000	481,753	2022	67,179	1,288
2023	1,615,000	443,381	2023	7,694	33
2024	1,720,000	385,219	2024	-	-
2024	1,815,000	333,619	2025	-	-
2026-2028	8,520,000	1,251,497	2026-2028	-	-
Totals	\$ 16,660,000	\$ 3,416,963	Totals	\$ 210,328	\$ 6,243

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<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>		<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Revenue Bonds Payable</u>			<u>Capital Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2021	\$ 2,165,000	\$ 431,621	2021	\$ 56,931	\$ 2,202
2022	2,320,000	302,600	2022	53,503	701
2023	3,880,000	117,370	2023	-	-
2024	-	-	2024	-	-
Totals	<u>\$ 8,365,000</u>	<u>\$ 851,591</u>	Totals	<u>\$ 110,434</u>	<u>\$ 2,903</u>

Discretely Presented Component Units:

For the year ended June 30, 2020, 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</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Component Unit:					
Notes Payable (direct borrowings)	\$ 43,168,030	\$ 24,083,543	\$ 14,980,153	\$ 52,271,420	\$ 4,262,343
Capital lease payable	310,364	2,912,607	486,483	2,736,488	404,030
Revenue bonds payable	1,935,000	12,850,000	2,111,000	12,674,000	580,000
Accrued compensated absences	219,194	-	-	219,194	219,194
Total Governmental Activities	<u>\$ 45,632,588</u>	<u>\$ 39,846,150</u>	<u>\$ 17,577,636</u>	<u>\$ 67,901,102</u>	<u>\$ 5,465,567</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)

\$ 5,073,627

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

463,388

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

174,250

Total Notes Payable (TPWA)	<u>\$ 5,711,265</u>
Current portion	\$ 155,927
Noncurrent portion	5,555,338
Total Note Payable (TPWA)	<u>\$ 5,711,265</u>

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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,	\$	43,333
Total Notes Payable (TRDA)	\$	<u>43,333</u>
Current portion	\$	20,000
Noncurrent portion		<u>23,333</u>
Total Note Payable (TRDA)	\$	<u>43,333</u>

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	\$	13,204,379
4.75% note payable, due in monthly installments of \$3,925 including interest, through January 2027, secured by property		422,170
4.1% note payable, due in monthly installments of \$4,268 including interest, through April 2024, secured by land		181,364
4.1% note payable, due in monthly installments of \$6,431 including interest, through April 2024, secured by land		273,252
4.0% note payable, due in monthly installments of \$4,878 including interest, through December 2028, secured by land		422,743
2.99% note payable, due in monthly installments of \$9,606 including interest, through February 2022, secured by associated equipment		187,180
4.5% note payable, due in monthly installments of \$29,359 including interest, through December 2031, secured by property		3,147,446
5.0% note payable, due in monthly installments of \$5,876 including interest, through August 2033, secured by building		678,011
3.92% note payable up to \$7,400,000, due in monthly installments of \$44,531 including interest, through September 2021, secured by building		6,914,402

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2.75% note payable, due in monthly installments of \$10,258 including interest, through July 2023, secured by equipment	363,495
3.2% note payable, due in monthly installments of \$5,426 including interest, through July 2021, secured by property and equipment	68,861
3.85% note payable, due in monthly installments of \$7,875 including interest, through March 2029, secured by property and equipment	700,999
0.00%, CMS Advance Payment Program	19,952,520

	Total Notes Payable (THA)	\$ 46,516,822
	Current portion	\$ 4,086,416
	Noncurrent portion	42,430,406
	Total Note Payable (THA)	\$ 46,516,822

CMS Advance Payment Program

The Tahlequah Hospital Authority obtained a line of credit up to \$10,000,000. The unpaid principal and accrued interest are due July 2020 with an interest rate of 3.95%. The line of credit is collateralized by cash and cash equivalents and investments. During 2020, the Authority had advances of \$9,000,000 which the Authority paid in April 2020. The outstanding balance at June 30, 2020 was \$0.

The Authority received \$19,952,520 from the Medicare Advance Payment Program. The amount will be recouped through the Medicare claims processed beginning 365 days after the date of issuance of the advanced payments. This recoupment process will continue until the balance of the advanced payments has been recouped or 29 months from the date that the advanced payments were issued, at which point any remaining unpaid balance is due. The advanced payments balance is non-interest bearing through the 29-month repayment period.

Capital Leases Payable:

Tahlequah Public Works Authority

\$83,828 capital lease obligation for the purchase of a truck, matures July 2020 with stated interest of 1.8%	1,460
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\$311,841 capital lease obligation for the purchase of a vacuum truck, matures May 2022 with stated interest of 2.39%	124,020
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	Total Capital Leases Payable (TPWA)	\$ 125,480
	Current portion	\$ 65,426
	Noncurrent portion	60,054
	Total Capital Leases Payable (TPWA)	\$ 125,480

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Tahlequah Hospital Authority

Capital lease obligation with imputed interest of 0%, with a maturity date of April 2021, collateralized by equipment	\$ 25,500
Capital lease obligation with imputed interest of 0%, with a maturity date of January 2029, collateralized by equipment	2,585,508
Total Capital Leases Payable (THAA)	\$ 2,611,008

Current portion	\$ 338,604
Noncurrent portion	2,272,404
Total Capital Leases Payable (THA)	\$ 2,611,008

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.	\$ 12,674,000
Total revenue bonds payable, net	12,674,000

Current portion	\$ 580,000
Noncurrent portion	12,094,000
Total Revenue Bonds Payable (TPWA)	\$ 12,674,000

	<u>Discretely Presented Component Units</u>			<u>Discretely Presented Component Units</u>	
<u>Year Ending June 30,</u>	Notes Payable (direct borrowings)		<u>Year Ending June 30,</u>	Capital Lease Payable	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2021	\$ 1,961,766	\$ 1,261,629	2021	\$ 404,030	\$ 4,211
2022	8,408,306	991,242	2022	373,158	2,267
2023	1,738,609	858,260	2023	313,104	-
2024	1,817,175	786,595	2024	313,104	-
2025	1,646,265	715,194	2025	313,104	-
2026-2030	12,484,664	1,908,323	2026-2030	1,019,988	-
2031-2035	2,009,054	494,914	2031-2035	-	-
2036-2040	1,517,281	238,406	2036-2040	-	-
2041-2044	735,780	25,172	2041-2044	-	-
Totals	\$ 32,318,900	\$ 7,279,735	Totals	\$ 2,736,488	\$ 6,478

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Discretely Presented Component Units

<u>Year Ending June 30,</u>	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 580,000	\$ 332,045
2022	596,000	316,569
2023	612,000	300,668
2024	628,000	284,345
2025	644,000	267,597
2026-2030	3,478,000	1,071,665
2031-2035	3,958,000	582,625
2036-2040	2,178,000	87,275
	<u>\$ 12,674,000</u>	<u>\$ 3,242,789</u>

Discretely Presented Component Units

<u>Year Ending June 30,</u>	<u>CMS Advance Payment Program</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,300,577	\$ -
2022	11,502,885	-
2023	6,149,058	-
	<u>\$ 19,952,520</u>	<u>\$ -</u>

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 \$20,076,963. Pledged sales taxes received in the current year were \$2,583,472. Debt service payments of \$2,058,324 for the current fiscal year were 79.7% 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, 2020 were as follows:

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<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
Restricted Sales Tax II Fund	TPFA	\$ 2,583,547	Restricted Sales Tax
Sanitation Fund	General Fund	47,600	Self-Insured Health
Stormwater Management Fund	General Fund	11,510	Self-Insured Health
Cemetery Care Fund	General Fund	1,886	Self-Insured Health
Capital Improvement Fund	General Fund	17,187	Self-Insured Health
Street & Alley Fund	General Fund	12,686	Self-Insured Health
Hotel/Motel Fund	General Fund	3,531	Administrative fee
Sanitation Fund	General Fund	40,606	transfer of capital assets
General Fund	Sanitation	7,629	transfer of capital assets
Total		<u>\$ 2,726,182</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,718,553	\$ (2,630,347)	\$ 88,206
Proprietary Funds	7,629	(88,206)	(80,577)
	<u>\$ 2,726,182</u>	<u>\$ (2,718,553)</u>	<u>7,629</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ 88,206
Transfer of governmental activity asset to business-type activity	(7,629)
Transfers - internal activity	<u>\$ 80,577</u>

Balances:

Interfund receivable and payables at June 30, 2020 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	384,876	Restricted Sales Tax
General Fund	Sanitation	245,000	Operating
Total		<u>\$ 632,471</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 387,471	\$ (632,471)	\$ (245,000)
Proprietary Funds	245,000	-	245,000
Total	<u>\$ 632,471</u>	<u>\$ (632,471)</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

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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>2020</u>	<u>2019</u>	<u>Interest Paid</u>
15,000,000	13,204,379	13,969,041	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 \$1,685,673 and \$637,715 at June 30, 2020 and 2019 and was included in noncurrent liabilities.

Credit Risk

The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. As of June 30, 2020 and 2019, 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.

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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.

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. In addition, several funds and activities were reclassified to more appropriately present financial activity in conformity with generally accepted accounting principles (GAAP).

	Restricted Sales Tax Fund II	Total Governmental Activities	Sanitation Fund	Total Business Type Activities
Beginning Balance per previous audit	\$ 2,577,503	\$ 11,396,007	\$ 30,155,808	\$ 7,287,263
Prior period adjustments:				
Understated accounts payable/Cash	(193,063)	-	(193,063)	-
Overstated accounts receivable	-	(209,296)	-	-
Understated accounts receivable	-	-	204,924	204,924
Total prior period adjustments:	(193,063)	(209,296)	(402,359)	204,924
Restated Beginning Fund Balance	\$ 2,384,440	\$ 11,186,711	\$ 29,753,449	\$ 7,492,187

	Cash	Accounts Receivable	Prepaid Expenses	Capital Assets, net	Accounts Payable	Compensated Absences	Net Position
Beginning balances, as previously reported as of June 30, 2019	\$14,852,888	\$3,189,592	\$ -	\$43,461,561	\$1,266,433	\$ 496,352	\$42,282,117
Adjustments to correct unbilled accounts receivable and allowance for doubtful accounts	-	(1,066,169)	-	-	-	-	(1,066,169)
Correct capital assets and related depreciation for items capitalized in incorrect period and incorrect depreciation amounts	(153,756)	-	-	89,819	1,105,262	-	(1,169,199)
Write off accrued sick leave balances	-	-	-	-	-	(277,158)	277,158
Establish prepaid expenses for insurance payments	-	-	279,093	-	-	-	279,093
Beginning balances, as restated, as of June 30, 2019	<u>\$14,699,132</u>	<u>\$2,123,423</u>	<u>\$279,093</u>	<u>\$43,551,380</u>	<u>\$2,371,695</u>	<u>\$ 219,194</u>	<u>\$40,603,000</u>

TPWA Net Position, Restated	\$ 40,603,000
City, Light & Water Net Position	<u>3,409</u>
	<u>\$ 40,606,409</u>

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10. 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 Asset:			
Police	\$ 36,168	\$ -	\$ 36,168
Total	<u>\$ 36,168</u>	<u>\$ -</u>	<u>\$ 36,168</u>
Net Pension Liability:			
Firefighters	\$ 2,853,812	\$ -	\$ 2,853,812
OPERS	200,411	50,101	250,512
Total	<u>\$ 3,054,223</u>	<u>\$ 50,101</u>	<u>\$ 3,104,324</u>
Deferred Outflows of Resources:			
OPERS	\$ 418,478	\$ 106,515	\$ 524,993
Police	707,264	-	707,264
Firefighters	795,011	-	795,011
Total	<u>\$ 1,920,753</u>	<u>\$ 106,515</u>	<u>\$ 2,027,268</u>
Deferred Inflows of Resources:			
OPERS	\$ 109,503	\$ 29,652	\$ 139,155
Police	206,444	-	206,444
Firefighters	340,024	-	340,024
Total	<u>\$ 655,971</u>	<u>\$ 29,652</u>	<u>\$ 685,623</u>
Pension Expense:			
OPERS	\$ 361,193	\$ 89,708	\$ 450,901
Police	428,503	-	428,503
Firefighters	532,778	-	532,778
Total	<u>\$ 1,322,474</u>	<u>\$ 89,708</u>	<u>\$ 1,412,182</u>

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:

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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 \$123,860. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$203,484 (modified-accrual); these on-behalf payments did not meet the criteria of a special funding situation. For full-accrual reporting the amount of on-behalf payments made were \$274,669.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$2,853,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was 0.270078%.

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For the year ended June 30, 2020, the City recognized pension expense of \$532,778. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 477,870	\$ 58,048
Changes of assumptions	-	73,313
Net difference between projected and actual earnings on pension plan investments	-	206,583
Changes in proportion	193,237	-
City contributions during measurement date	44	2,080
City contributions subsequent to the measurement date	123,860	-
Total	\$ 795,011	\$ 340,024

The \$123,860 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 164,441
2022	47,369
2023	91,261
2024	36,373
2025	(8,317)
Total	\$ 331,127

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	4.90%
Domestic equity	47%	7.09%
International equity	15%	9.19%
Real estate	10%	7.99%
Other assets	8%	5.57%

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

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

	<u>1% Decrease 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
Employers' net pension liability	\$ 3,685,087	\$ 2,853,812	\$ 1,941,012

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.

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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 \$252,530. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$232,575 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 \$224,121. These on-behalf payments did not meet the criteria of a special funding situation.

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Pension Liabilities (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported an asset of \$36,168 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was 0.56655%.

For the year ended June 30, 2020, the City recognized pension expense of \$428,503. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,706	\$ 170,767
Changes of assumptions	92,353	-
Net difference between projected and actual earnings on pension plan investments	330,509	-
Changes in proportion	8,603	19,286
City contributions during measurement date	1,563	16,391
City contributions subsequent to the measurement date	252,530	-
Total	\$ 707,264	\$ 206,444

The \$252,530 reported as deferred outflows of resources related to pensions resulting from ty contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 154,393
2022	(54,585)
2023	45,472
2024	102,340
2025	670
	\$ 248,290

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

- Inflation: 2.75%
- Salary increases: 3.5% to 12% average, including inflation

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

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

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

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

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

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

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

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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)	\$ 1,540,761	\$ (36,168)	\$(1,369,482)

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.

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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.

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

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Supplemental Health Insurance program; see Note 10. Contributions to the pension plan from the City were \$494,202.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$250,512 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was 0.188089%.

For the year ended June 30, 2020, the City recognized pension expense of \$450,901. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 58,949
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	75,588
Changes in proportion	23,563	2,209
City contributions during measurement date	7,228	2,409
City contributions subsequent to the measurement date	494,202	-
Total	\$ 524,993	\$ 139,155

The \$494,202 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 32,915
2022	(171,252)
2023	(7,755)
2024	37,728
	\$ (108,364)

Actuarial Assumptions- The total pension liability as of June 30, 2020, was determined based on an actuarial valuation prepared as of July 1, 2019, using the following actuarial assumptions:

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- Investment return – 7.00% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.5% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5% 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, 2019, 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 April 13, 2017.

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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	3.8%
U.S. Small Cap Equity	6.0%	4.9%
Non-US Equity	24.0%	9.2%
U.S. Fixed Income	32.0%	1.4%
Total	100.0%	

Discount Rate- The discount rate used to measure the total pension liability was 7.00%. 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 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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

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	1% Decrease Rate 6.00%	Current Discount Rate 7.00%	1% Increase Rate 8.00%
Net Pension Liability (Asset)	\$ 2,265,023	\$ 250,512	\$ (1,457,408)

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 \$1,201.

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2020, the City reported an asset of \$73,118 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019. 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 participating employers as of June 30, 2019. Based upon this information, the City’s proportion was .188087%.

For the year ended June 30, 2020, the City recognized OPEB expense of \$2,494. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 59,415
Changes of assumptions	10,987	-
Net difference between projected and actual earnings on OPEB plan investments	-	7,900
Changes in proportion	4,917	274
City contributions during to the measurement date	932	163
City contributions subsequent to the measurement date	35,209	-
Total	<u>\$ 52,045</u>	<u>\$ 67,752</u>

The \$35,209 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability 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:

2021	\$ (14,821)
2022	(14,821)
2023	(9,009)
2024	(6,631)
2025	(5,634)
Thereafter	-
	<u>\$ (50,916)</u>

Actuarial Assumptions- The total OPEB liability as of June 30, 2020, was determined based on an actuarial valuation prepared as if June 30, 2019 using the following actuarial assumptions:

- Investment return – 7.00% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.5% per year including inflation
- Mortality rates – active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5%
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2019, 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 April 13, 2017.

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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, 2019, are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	3.80%
U.S. Small Cap Equity	6.0%	4.90%
Non-US Equity	24.0%	9.20%
US Fixed	32.0%	1.40%
TOTAL	100.0%	

Discount Rate- A single discount rate of 7.00% was used to measure the total OPEB liability as of June 30, 2019. 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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability (Asset)	\$ (11,549)	\$ (73,118)	\$ (182,370)

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 2,913,358	\$ 2,913,358	\$ 2,120,206	\$ (793,152)
Resources (Inflows):				
Taxes	5,657,000	7,017,000	7,172,836	155,836
Intergovernmental	1,250,000	1,250,000	939,837	(310,163)
Charges for services	373,500	373,500	344,593	(28,907)
Fines and forfeitures	573,500	573,500	315,627	(257,873)
Licenses and permits	118,050	118,050	126,766	8,716
Miscellaneous	156,500	229,500	546,422	316,922
Interest	60,000	60,000	89,459	29,459
Transfers in	-	-	150,582	150,582
Total Resources (Inflows)	<u>8,188,550</u>	<u>9,621,550</u>	<u>9,686,122</u>	<u>64,572</u>
Amounts available for appropriation	<u>11,101,908</u>	<u>12,534,908</u>	<u>11,806,328</u>	<u>(728,580)</u>
Charges to Appropriations (Outflows):				
Managerial	2,766,145	2,837,552	2,231,952	605,600
City treasurer	14,523	14,523	12,994	1,529
City clerk	69,986	69,986	64,169	5,817
Municipal court	176,909	176,909	183,650	(6,741)
Police	3,601,726	3,601,726	3,087,603	514,123
Fire	1,448,902	1,448,902	1,402,273	46,629
Emergency management	153,429	153,429	94,917	58,512
Highways and streets	1,724,730	1,474,730	1,141,723	333,007
Maintenance	243,288	243,288	226,393	16,895
Culture, tourism and recreation	1,496,949	1,507,949	1,211,853	296,096
Cemetery	309,971	309,971	260,322	49,649
Parks	11,000	-	-	-
Airport	205,039	205,039	137,259	67,780
Library	35,000	35,000	20,848	14,152
Transfers out	401,793	284,019	106,638	177,381
Total Charges to Appropriations	<u>12,659,390</u>	<u>12,363,023</u>	<u>10,182,594</u>	<u>2,180,429</u>
Ending Budgetary Fund Balance	<u>\$ (1,557,482)</u>	<u>\$ 171,885</u>	<u>\$ 1,623,734</u>	<u>\$ 1,451,849</u>

See accompanying notes to budgetary comparison schedules.

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Budgetary Comparison Schedule (Budgetary Basis) – Restricted Sales Tax Fund II – Fiscal Year Ended June 30, 2020

	RESTRICTED SALES TAX FUND II			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ (7,062)	\$ (7,062)
Resources (Inflows):				
Taxes	2,250,000	2,250,000	2,509,562	259,562
Total Revenue	2,250,000	2,250,000	2,509,562	259,562
Amounts available for appropriation	\$ 2,250,000	\$ 2,250,000	\$ 2,502,500	\$ 252,500
Charges to Appropriations (Outflows):				
Transfer out	\$ 2,250,000	\$ 2,250,000	\$ 2,509,637	\$ (259,637)
Total Charges to Appropriations	2,250,000	2,250,000	2,509,637	(259,637)
Ending Budgetary Fund Balance	\$ -	\$ -	\$ (7,137)	\$ (7,137)

See accompanying notes to budgetary comparison schedules.

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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	\$ 9,686,122
Less: budgetary expenses and transfers	<u>(10,182,594)</u>
Net Change to Budgetary Fund Balance	(496,472)
Change in revenue accruals	712,311
Change in expenditure accruals	(236,234)
General Fund sub-accounts changes in balance	<u>977,463</u>
Change in Fund Balance- Modified Accrual	<u><u>\$ 957,068</u></u>

Restricted Sales Tax Fund II:	
Total budgetary revenues and transfers	\$ 2,509,562
Less: budgetary expenses and transfers	<u>(2,509,637)</u>
Net Change to Budgetary Fund Balance	(75)
Change in revenue accruals	73,910
Change in expenditure accruals	<u>(73,910)</u>
Change in Fund Balance- Modified Accrual	<u><u>\$ (75)</u></u>

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**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>
City's proportion of the net pension liability	0.223900%	0.246298%	0.254001%	0.260579%	0.271829%	0.270078%
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
City's covered-employee payroll	\$ 608,050	\$ 640,287	\$ 666,324	\$ 695,000	\$ 742,841	\$ 837,221
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	379%	408%	466%	472%	405%	341%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%

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

Notes to Schedule:

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contribution	\$ 95,544	\$ 94,212	\$ 99,469	\$103,693	\$117,211	\$123,860
Contributions in relation to the statutorily 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>
Contribution deficiency (excess)	<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
Contributions as a percentage of covered-employee payroll	14.92%	14.14%	14.31%	13.96%	14.00%	14.00%

Notes to Schedule:

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

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Schedules of Required Supplementary Information

SCHEDULE OF THE CITY 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>
City's proportion of the net pension liability (asset)	0.4099%	0.4372%	0.4457%	0.4819%	0.5211%	0.5666%
City's proportionate share of the net pension liability (asset)	\$ (138,025)	\$ 17,826	\$ 682,581	\$ 17,826	\$ (248,236)	\$ (36,168)
City's covered-employee payroll	\$1,186,670	\$1,083,246	\$1,235,769	\$1,314,515	\$1,413,115	\$1,851,608
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.63%	1.65%	55.24%	1.36%	17.57%	1.95%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%

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

Notes to Schedule:

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorially required contribution	\$ 140,822	\$ 160,650	\$ 170,887	\$ 183,705	\$ 240,709	\$ 252,530
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>
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
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Notes to Schedule:

Only six 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, 2020**

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

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

Notes to Schedule:

Only six 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 7.25% to 7.5%.

** 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>
Contractually required contribution	\$ 452,102	\$ 466,051	\$ 460,049	\$ 515,543	\$ 491,250	\$ 494,202
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>
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
Contributions as a percentage of covered-employee payroll	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%

Notes to Schedule:

Only six 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, 2020

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)

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

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

Notes to Schedule:

Only the current and prior two 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, 2020

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>
Contractually required contribution	\$ 35,633	\$ 36,205	\$ 1,201
Contributions in relation to the contractually required contribution	<u>35,633</u>	<u>36,205</u>	<u>1,201</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,124,503	\$ 2,977,273	\$ 2,996,376
Contributions as a percentage of covered payroll	1.14%	1.22%	0.04%

Notes to Schedule:

Only the current and prior two 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, 2020

OTHER SUPPLEMENTARY INFORMATION

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

Combining Balance Sheet – General Fund Accounts – June 30, 2020

	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 Tax Grant (355)	Safe Routes To School (387)	Tahlequah Best Grant (388)	FBI - EDOVCTF (392)	PAPI-FAA Grant (393)
ASSETS														
Cash and cash equivalents	\$ 849	\$ 2,651	\$ -	\$ 20,713	\$ -	\$ 1,221,265	\$ -	\$ (182)	\$ 182	\$ -	\$ 217,025	\$ -	\$ -	\$ -
Investments	1,065,581	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	51,218	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	227,085	-	-	-	-	-	-	855	-	-	-	-	-	-
Taxes receivable, net	1,176,037	-	-	-	-	-	-	-	-	-	-	-	-	-
Court fines receivable, net	164,381	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	71,821	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 2,756,972</u>	<u>\$ 2,651</u>	<u>\$ -</u>	<u>\$ 20,713</u>	<u>\$ -</u>	<u>\$ 1,221,265</u>	<u>\$ -</u>	<u>\$ 673</u>	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ 217,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable	\$ 254,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,061	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	259,049	-	-	-	-	-	-	3,763	-	-	217,025	-	-	-
Payable to other governments	1,448	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	142,297	-	-	-	-	-	-	-	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>657,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,763</u>	<u>5,061</u>	<u>-</u>	<u>217,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:														
Restricted for:														
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned to:														
Public safety	-	2,651	-	-	-	-	-	-	-	-	-	-	-	-
CDBG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Brookside restoration	-	-	-	20,713	-	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	2,099,811	-	-	-	-	1,221,265	-	(3,090)	(4,879)	-	-	-	-	-
Total fund balances	<u>2,099,811</u>	<u>2,651</u>	<u>-</u>	<u>20,713</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>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,756,972</u>	<u>\$ 2,651</u>	<u>\$ -</u>	<u>\$ 20,713</u>	<u>\$ -</u>	<u>\$ 1,221,265</u>	<u>\$ -</u>	<u>\$ 673</u>	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ 217,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Combining Balance Sheet – General Fund Accounts – June 30, 2020, (Continued)

	CDBG 16 (395)	Safe Oklahoma Grant (396)	TIDE 8 (397)	Department of Justice TFO-OT (398)	Safe Trails Grant (399)	JAG-LLE Fund (402)	Walmart Grant Fund (403)	CDBG 17 Fund (404)	PAPI-FAA Grant Fund (405)	Safe Ok Grant Fund (406)	JAG-LLE 2019 (407)	Mission Park Trails Fund (408)	Bullet Proof Vest 2018 Fund (409)	OCDETF Officer OT Grant Fund (411)	Total General Fund Accounts
ASSETS															
Cash and cash equivalents	\$ -	\$ 2,441	\$ 367	\$ -	\$ 2,946	\$ -	\$ 4,000	\$ (84,241)	\$ 3,115	\$ 13,288	\$ -	\$ (21,764)	\$ (990)	\$ (7,135)	\$ 1,374,630
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,065,581
Due from other governments	-	-	-	-	702	-	-	85,456	9,373	-	-	-	-	7,135	153,884
Due from other funds	-	-	11,169	-	1,574	-	-	-	-	-	-	-	855	-	241,538
Taxes receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,176,037
Court fines receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	164,381
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71,821
Total assets	\$ -	\$ 2,441	\$ 11,536	\$ -	\$ 5,222	\$ -	\$ 4,000	\$ 1,215	\$ 12,488	\$ 13,288	\$ -	\$ (21,764)	\$ (135)	\$ -	\$ 4,247,772
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,328
Due to other funds	-	2,429	-	-	6,670	-	-	-	-	-	-	-	-	-	488,936
Payable to other governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,448
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	7,135	149,432
Other accrued expenses	-	-	-	-	-	-	-	-	-	120	-	-	-	-	120
Total liabilities	-	2,429	-	-	6,670	-	-	-	6,900	120	-	-	-	7,135	906,264
Fund balances:															
Restricted for:															
Public safety	-	-	-	-	-	-	4,000	-	-	13,168	-	-	-	-	17,168
Assigned to:															
Public safety	-	12	11,536	-	-	-	-	-	-	-	-	-	-	-	14,199
CDBG	-	-	-	-	-	-	-	1,215	-	-	-	-	-	-	1,215
Brookside restoration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,713
Airport	-	-	-	-	-	-	-	-	5,588	-	-	-	-	-	5,588
Unassigned (deficit)	-	-	-	-	(1,448)	-	-	-	-	-	-	(21,764)	(135)	(7,135)	3,262,625
Total fund balances	-	12	11,536	-	(1,448)	-	4,000	1,215	5,588	13,168	-	(21,764)	(135)	(7,135)	3,341,508
Total liabilities and fund balances	\$ -	\$ 2,441	\$ 11,536	\$ -	\$ 5,222	\$ -	\$ 4,000	\$ 1,215	\$ 12,488	\$ 13,288	\$ -	\$ (21,764)	\$ (135)	\$ -	\$ 4,247,772

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

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Fiscal Year Ended June 30, 2020

	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)	PAPI-FAA Grant (393)
REVENUES														
Taxes	\$ 7,396,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and fines	326,360	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	130,314	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	971,895	-	-	-	-	1,221,265	-	-	237,552	-	11,558	-	-	-
Charges for services	345,072	-	-	4,890	-	-	-	-	-	-	-	-	-	-
Investment earnings	120,530	-	-	-	-	-	-	-	-	2	-	-	-	-
Miscellaneous	809,856	600	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>10,100,158</u>	<u>600</u>	<u>-</u>	<u>4,890</u>	<u>-</u>	<u>1,221,265</u>	<u>-</u>	<u>-</u>	<u>237,552</u>	<u>2</u>	<u>11,558</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES														
Current:														
General government	1,957,610	-	-	-	-	-	-	-	-	-	-	-	-	-
City Treasurer	12,992	-	-	-	-	-	-	-	-	-	-	-	-	-
City Clerk	62,941	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Court	178,512	-	-	-	-	-	-	-	-	-	-	-	-	-
Police	3,189,911	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	1,531,323	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Management	86,380	-	-	-	-	-	-	-	423,768	-	2,170	-	-	-
Highways and streets	996,409	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	222,230	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture, tourism and recreation	1,181,163	-	-	1,538	-	-	-	-	-	-	-	-	-	-
Cemetery	254,592	-	-	-	-	-	-	-	-	-	-	-	-	-
Airport	131,277	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	20,848	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	158,286	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other charges	9,796	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	203,702	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>10,197,972</u>	<u>-</u>	<u>-</u>	<u>1,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,768</u>	<u>-</u>	<u>2,170</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(97,814)</u>	<u>600</u>	<u>-</u>	<u>3,352</u>	<u>-</u>	<u>1,221,265</u>	<u>-</u>	<u>-</u>	<u>(186,216)</u>	<u>2</u>	<u>9,388</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)														
Transfer in	135,006	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in- Intra account	163,269	-	-	-	-	-	7,196	-	93,018	-	-	4,980	-	-
Transfers out- Intra account	(220,856)	-	(71)	(374)	(321)	-	-	-	(11,313)	(511)	-	-	-	(10,478)
Total other financing sources (uses)	<u>77,419</u>	<u>-</u>	<u>(71)</u>	<u>(374)</u>	<u>(321)</u>	<u>-</u>	<u>7,196</u>	<u>-</u>	<u>81,705</u>	<u>(511)</u>	<u>-</u>	<u>4,980</u>	<u>-</u>	<u>(10,478)</u>
Revenues and other sources over (under) expenditures and other uses	<u>(20,395)</u>	<u>600</u>	<u>(71)</u>	<u>2,978</u>	<u>(321)</u>	<u>1,221,265</u>	<u>7,196</u>	<u>-</u>	<u>(104,511)</u>	<u>(509)</u>	<u>9,388</u>	<u>4,980</u>	<u>-</u>	<u>(10,478)</u>
Fund balances - beginning, restated	2,120,206	2,051	71	17,735	321	-	(7,196)	(3,090)	99,632	509	(9,388)	(4,980)	-	10,478
Fund balances - ending	<u>\$ 2,099,811</u>	<u>\$ 2,651</u>	<u>\$ -</u>	<u>\$ 20,713</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>	<u>\$ -</u>

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

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Fiscal Year Ended June 30, 2020, (Continued)

	CDBG 16 (395)	Safe Oklahoma Grant (396)	TIDE 8 (397)	Department of Justice TFO-OT (398)	Safe Trails Grant (399)	JAG-LLE Fund (402)	Walmart Grant Fund (403)	CDBG 17 Fund (404)	PAPI-FAA Grant Fund (405)	Safe Ok Grant Fund (406)	JAG-LLE 2019 (407)	Mission Park Trails Fund (408)	Bullet Proof Vest 2018 Fund (409)	OCDEF Officer OT Grant Fund (411)	Total General Fund Accounts
REVENUES															
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,396,131
Fees and fines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	326,360
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,314
Intergovernmental	-	-	9,781	-	7,427	9,998	-	85,456	105,763	15,000	10,000	240,000	1,995	-	2,927,690
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	349,962
Investment earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120,532
Miscellaneous	-	-	-	-	-	-	4,000	-	-	-	-	25,000	-	-	839,456
Total revenues	-	-	9,781	-	7,427	9,998	4,000	85,456	105,763	15,000	10,000	265,000	1,995	-	12,090,445
EXPENDITURES															
Current:															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,957,610
City Treasurer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,992
City Clerk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,941
Municipal Court	-	-	-	-	-	-	-	-	-	-	-	-	-	-	178,512
Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,189,911
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,531,323
Emergency Management	-	11,055	5,412	-	8,498	9,998	-	-	-	1,832	-	-	2,130	7,135	558,378
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	996,409
Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	222,230
Culture, tourism and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,182,701
Cemetery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	254,592
Airport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131,277
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,848
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	158,286
Interest and other charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,796
Capital Outlay	-	-	-	-	-	-	-	188,036	112,075	-	10,000	286,764	-	-	800,577
Total Expenditures	-	11,055	5,412	-	8,498	9,998	-	188,036	112,075	1,832	10,000	286,764	2,130	7,135	11,268,383
Revenues over (under) expenditures	-	(11,055)	4,369	-	(1,071)	-	4,000	(102,580)	(6,312)	13,168	-	(21,764)	(135)	(7,135)	822,062
OTHER FINANCING SOURCES (USES)															
Transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135,006
Transfers in- Intra account	-	-	10,766	-	-	-	-	103,795	11,900	-	-	-	-	-	394,924
Transfers out- Intra account	(150,000)	-	-	(1,000)	-	-	-	-	-	-	-	-	-	-	(394,924)
Total other financing sources (uses)	(150,000)	-	10,766	(1,000)	-	-	-	103,795	11,900	-	-	-	-	-	135,006
Revenues and other sources over (under) expenditures and other uses	(150,000)	(11,055)	15,135	(1,000)	(1,071)	-	4,000	1,215	5,588	13,168	-	(21,764)	(135)	(7,135)	957,068
Fund balances - beginning, restated	150,000	11,067	(3,599)	1,000	(377)	-	-	-	-	-	-	-	-	-	2,384,440
Fund balances - ending	\$ -	\$ 12	\$ 11,536	\$ -	\$ (1,448)	\$ -	\$ 4,000	\$ 1,215	\$ 5,588	\$ 13,168	\$ -	\$ (21,764)	\$ (135)	\$ (7,135)	\$ 3,341,508

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

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

	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)	Streets & Sidewalks Fund (223)	Total-Other Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 681,829	\$ 89,184	\$ 146,353	\$ 554,475	\$ 792,867	\$ -	\$ 554,996	\$ 2,819,704
Investments	-	-	-	-	496,737	-	-	496,737
Interest receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Due from other funds	2,595	-	-	-	-	-	-	2,595
Taxes receivable, net	29,798	-	12,840	-	-	-	256,584	299,222
Court fines receivable, net	-	-	-	-	-	-	-	-
Ambulance receivable, net	-	-	-	-	-	-	-	-
Utilities receivable, net	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Deposits with insurance pool	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	<u>\$ 714,222</u>	<u>\$ 89,184</u>	<u>\$ 159,193</u>	<u>\$ 554,475</u>	<u>\$ 1,289,604</u>	<u>\$ -</u>	<u>\$ 811,580</u>	<u>\$ 3,618,258</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 33,114	\$ -	\$ -	\$ 88	\$ 2,817	\$ -	\$ -	\$ 36,019
Due to other funds	-	-	-	-	-	79	-	79
Deferred revenue	14,803	-	-	-	-	-	-	14,803
Total liabilities	<u>47,917</u>	<u>-</u>	<u>-</u>	<u>88</u>	<u>2,817</u>	<u>79</u>	<u>-</u>	<u>50,901</u>
Fund balances:								
Restricted for:								
Cemetery	-	89,184	-	-	-	-	-	89,184
Streets	156,799	-	-	-	-	-	811,580	968,379
Stormwater	-	-	-	114,821	-	-	-	114,821
Tourism	-	-	17,504	-	-	-	-	17,504
Assigned to:								
Capital Improvements	-	-	-	-	1,286,787	-	-	1,286,787
Stormwater	-	-	-	439,566	-	-	-	439,566
Streets	509,506	-	-	-	-	-	-	509,506
Tourism	-	-	141,689	-	-	-	-	141,689
Unassigned (deficit)	-	-	-	-	-	(79)	-	(79)
Total fund balances	<u>666,305</u>	<u>89,184</u>	<u>159,193</u>	<u>554,387</u>	<u>1,286,787</u>	<u>(79)</u>	<u>811,580</u>	<u>3,567,357</u>
Total liabilities and fund balances	<u>\$ 714,222</u>	<u>\$ 89,184</u>	<u>\$ 159,193</u>	<u>\$ 554,475</u>	<u>\$ 1,289,604</u>	<u>\$ -</u>	<u>\$ 811,580</u>	<u>\$ 3,618,258</u>

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

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

	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)	Streets & Sidewalks Fund (223)	Total-Other Governmental Funds
REVENUES								
Taxes	\$ 131,989	\$ -	\$ 132,056	\$ -	\$ -	\$ 484,718	\$ 811,337	\$ 1,560,100
Charges for services	-	4,969	-	205,594	-	-	-	210,563
Investment earnings	-	-	-	-	13,775	-	243	14,018
Miscellaneous	-	-	-	200	2,475	-	-	2,675
Donations	-	8	-	-	-	-	-	8
Total revenues	<u>131,989</u>	<u>4,977</u>	<u>132,056</u>	<u>205,794</u>	<u>16,250</u>	<u>484,718</u>	<u>811,580</u>	<u>1,787,364</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Highways and streets	34,943	-	-	-	-	-	-	34,943
Stormwater	-	-	-	74,663	-	-	-	74,663
Culture, tourism and recreation	-	-	151,527	-	-	-	-	151,527
Administrative	-	-	-	-	-	484,768	-	484,768
Principal	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-
Capital Outlay	40,337	3,340	629	4,600	309,729	-	-	358,635
Total Expenditures	<u>75,280</u>	<u>3,340</u>	<u>152,156</u>	<u>79,263</u>	<u>309,729</u>	<u>484,768</u>	<u>-</u>	<u>1,104,536</u>
Revenues over (under) expenditures	<u>56,709</u>	<u>1,637</u>	<u>(20,100)</u>	<u>126,531</u>	<u>(293,479)</u>	<u>(50)</u>	<u>811,580</u>	<u>682,828</u>
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt	-	-	-	-	-	-	-	-
Transfers out	(12,686)	(1,886)	(3,531)	(11,510)	(17,187)	-	-	(46,800)
Total other financing sources (uses)	<u>(12,686)</u>	<u>(1,886)</u>	<u>(3,531)</u>	<u>(11,510)</u>	<u>(17,187)</u>	<u>-</u>	<u>-</u>	<u>(46,800)</u>
Revenues and other sources over (under) expenditures and other uses	44,023	(249)	(23,631)	115,021	(310,666)	(50)	811,580	636,028
Fund balances - beginning, restated	622,282	89,433	182,824	439,366	1,597,453	(29)	-	2,931,329
Fund balances - ending	<u>\$ 666,305</u>	<u>\$ 89,184</u>	<u>\$ 159,193</u>	<u>\$ 554,387</u>	<u>\$ 1,286,787</u>	<u>\$ (79)</u>	<u>\$ 811,580</u>	<u>\$ 3,567,357</u>

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

INTERNAL CONTROL AND COMPLIANCE INFORMATION

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

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

To the Honorable Mayor and Members of the City Council
City of 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 10, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Arledge & Associates, P.C.

May 10, 2021

Findings Required to be Reported by *Government Auditing Standards*

A. Internal Controls over Financial Reporting

Finding: 2020-001 – Proper Design and Implementation of the Financial Reporting Close Process (Carryover Finding)

Criteria: The City should maintain a system of internal controls that ensures financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) in a timely manner and that ensures the City complies with applicable laws, regulations, contracts, and grant agreements.

Condition: 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.

Cause and Effect: At the beginning of the year ended June 30, 2020, the City’s previous management did not record an accounts receivable amount from the Tahlequah Public Works Authority. Since this was recorded on a cash basis, the City did not have effective monitoring controls for receivables owed by the TPWA. The City also had several restatements that impacted the beginning balance of net position that affected the following opinion units:

- The restatement of the opening fund balance of the General Fund due to unrecorded accounts payable for \$193,063.
- The restatement of the opening fund balance of the Restricted Sales Tax Fund II related to an overstated accounts receivable in the prior year of \$209,296.
- The restatement of the opening net position of the Sanitation fund related to understated accounts receivable of \$204,924.

Recommendation: The City’s governing body and senior management have been evaluating the City’s internal controls related to financial reporting to ensure that the finance department is producing accurate financial reports that can enable the governing body to exercise appropriate oversight of the City’s financial activities in a timely manner. The issues identified in the above finding were already in the process of being resolved at the close of the year ending June 30, 2020. We recommend that management continue to review issues and implement effective controls when those issues are identified.

Management Response and Corrective Action Plan: We agree with your findings and recommendations. The City of Tahlequah has made great progress in a short period of time. Significant changes in personnel and the resignation of the City Treasurer since the Mayor took office have resulted in greater oversight responsibility to address the underlying core issues. 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.

B. Compliance Findings

There are no findings requiring reporting under this section.

CITY OF TAHLEQUAH, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2020

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>
2019-001	During the year ended June 30, 2019, the City did not have the necessary personnel resources to maintain appropriate internal controls and processes to ensure accurate and timely financial reporting. In addition, the City did not maintain appropriate oversight of existing controls to prevent erroneous financial reporting. The City had several restatements that impacted the beginning balance of net position that affected the following opinion units:	Partially Corrected	Financial Statements are now a routine part of the monthly City Council agenda presented by the newly appointed City Treasurer. Year-end financial statements had entries related to accounts receivable and restatements of opening balances. The Mayor and Interim City Administrator's competencies in accounting lend assistance in addressing the culture changes required to meet adequate internal controls.

B. Compliance Findings

<u>Reference</u>	<u>Finding</u>	<u>Status</u>	<u>Corrective Action Plan or Other Explanation</u>
2019-002	Internal control processes were not adequately designed to ensure the State Auditor and Inspector Form 2643 was filed with the state auditor within the required time frame.	Fully Corrected	The new City Treasurer has become actively involved in the oversight of the finance department. His attendance in weekly meetings helps ensure this report and others are submitted in accordance with state statutes.

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

A. Internal Control

There are no findings requiring reporting under this section.

B. Compliance Findings

There are no findings requiring reporting under this section.