

CITY OF  
TAHLEQUAH, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

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

**City of Tahlequah, Oklahoma**  
**June 30, 2018**

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# ***AUDIT REPORT***

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Tahlequah, Oklahoma

***Report on Financial Statements***

I 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, 2018, 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***

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of Tahlequah Hospital Authority, Tahlequah Public Works Authority and City Light and Water Department (Tahlequah), which represents 100 percent of the assets, net positions, and revenues of those discretely presented component units. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included in Tahlequah Hospital Authority, Tahlequah Public Works Authority and City Light and Water Department (Tahlequah), is based solely on the report of the other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, based on my 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension exhibits with the related notes 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tahlequah's basic financial statements.

The accompanying supplementary information as listed in the Table of Contents are the responsibility of management and were derived from and relates 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 my opinion, the supplementary information section 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*, I have also issued my report dated May 31, 2019 on my consideration of the City of Tahlequah's internal control over financial reporting and on my 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 my 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.



Michael Green, CPA  
May 31, 2019

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2018. Please read it in conjunction with the City's financial statements. All discretely presented component units which issued separate financial reports are disclosed in Note I to the financial statements.

### FINANCIAL HIGHLIGHTS

- As reported on the statement of Net Position, Net Position increased by \$95,987.

**The following highlights relate to the General Fund:**

- Overall General Fund revenues of \$9,835,803 fell below budget projections by \$ 512,826.
- Collections of the 2% sales tax in the General Fund fell below budget projections by \$ 141,572. Total 2% sales tax revenue was \$ 5,828,427, which was an decrease over last fiscal year in the amount of \$20,395 or approximately .034%. Sales Tax accounted for 59% of this year's total revenues for the general fund.
- Transfers from City Light & Water are the General Fund's second largest source of revenue. This year's transfer of \$ 1,311,366 accounted for 13.3% of total revenues, and was an decrease from last year by \$ 12,956.
- Use tax collections were above budget projections by \$ 22,713 and were up by \$ 38,756 from the previous year.
- Northeast Public Facilities Authority made a transfer in the amount of \$ 2,940 which was below the budgeted amount by \$ 1,625 for this fiscal year.
- Revenue from permits fell below this year's budget projection by \$ 36,853 and the revenue decreased \$ 25,804 from last year's collections.
- Sales of Aviation Gasoline and Jet Fuel were below budget by a total of \$ 67,372.
- Revenues from the City Golf Course decreased this year by \$ 5,340.
- Municipal Court Fines, Fees, Costs and Forfeitures fell below projections in the amount of \$ 61,155, a total of \$ 622,864 was collected. This amount is \$ 72,257 more than the previous year. The City has continued the contract with American Municipal Services to collect warrants and old fines. Through the services of this company several thousand dollars have been received that would not have been collected otherwise.
- Interest income was above budget projections by \$ 11,092. The revenues from interest rose from the previous year in the amount of \$ 7,797. Current funds invested as of June 30, 2018 are \$ 2,930,766. With \$ 3,700,518 being held in the general operating account for daily operations.
- The cost of fuel stayed below estimated budget costs. A total of \$ 182,675 was budgeted, and \$ 167,541 was spent. The amount spent for fuel is a decrease over the previous year by \$288.
- Employee health insurance costs are for administration of our health plan, along with the costs of re-insurance for claims exceeding \$ 30,000 per employee and a stop-loss carrier. The City continues to be on a partially self-funded insurance plan. Funds available for the payment of claims (under the specific limit of \$30,000) fell from \$ 358,295 on June 30, 2017 to \$ 316,168 on June 30, 2018. Employees were still required to pay \$25.00 per month for their health insurance.

- Transfers of \$ 0 were made to the Capital Improvement Fund from the General Fund for reserves to purchase equipment and for capital projects.
- Transfer of \$ 20,000 from general funds was made to Tahlequah Industrial Authority to meet debt requirements.
- Transfers of match funds for grants were \$10,583.
- A transfer was made to the Cops-In-Schools fund in the amount of \$ 161,970 for salary and fringe benefits for two school resource officers.
- All departments within the General Fund were under projected budget expenditures. Expenditures exceeded Revenues by a total of \$ 367,971 which resulted in a decrease in fund balance.
- **Street and Alley Revenues** of \$ 140,570 exceeded expenditures of \$ 51,279 for an increased fund balance of \$ 89,291.
- **Hotel Motel Revenues** of \$ 130,551 exceeded expenditures of \$ 104,248 for an increased fund balance of \$ 26,303.
- **Cemetery Care Fund Revenues** of \$ 5,754 exceeded expenditures of \$ 0 for an increased fund balance of \$ 5,754.
- **Solid Waste Services Department-** Revenues of \$ 2,214,644 exceeded expenditures of \$1,975,075 for an increased fund balance of \$ 430,274. Sanitation receipts from Tahlequah Public Works exceeded budget expectations in the amount of \$ 71,700. Transfer station fees were above budget by \$239,569.
- **Storm water Management Fund Revenues** of \$ 206,405 exceeded expenditures of \$ 122,302 for an increased fund balance of \$ 84,102.
- **Brookside Restoration Fund Revenues** of \$ 4,745 exceeded expenditures of \$ 3,892 for an increased fund balance of \$ 853.
- **School Resource Officer Expense Fund** No expenditures were made from the fund maintaining a fund balance of \$321.
- **Capital Improvement Fund** received transfers from the General Fund in the amount of \$ 0 for various reserves for equipment and capital projects. Total Lease-Purchase Payments, including interest of \$ 26,161 were made. \$ 282,573 was spent from this fund for the purchase of equipment and capital projects.
- **Tahlequah Police Canine Fund Revenues** of \$ 11,575 exceeded expenditures of \$ 5,362 for an increased fund balance of \$ 6,213.
- **Tahlequah Police Dare Fund Revenues** of \$ 2 exceeded expenditures of \$ 0 leaving a fund balance of \$ 71.
- **The Restricted Sales & Use Tax Fund** was established to account for an earmarked one-half of one percent (.5%) sales and use tax that was approved by the voters at a special election held on August 7, 2009. The new tax was effective on October 1, 2009 and will end on September 30, 2019 or at such a time as the indebtedness issued pursuant to the tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Works for payment on the indebtedness. Funds are to be used for Tahlequah Public Schools construction fund in an amount of \$ 3,200,000 and the City of Tahlequah for public improvements in the amount of \$ 4,800,000. Funds were received in December 2009. Total receipts from earmarked sales and use tax were \$ 1,516,750 and total transferred to Tahlequah Public Works was \$1,516,750.
- **Winter Wonderland Fund** was established to account for the funds received from skate fee revenues in the amount of \$ 32,399. After operating expenses of 43,229 were paid this fund ended with a balance of \$ 10,457.



- **The Restricted Sales & Use Tax Fund II** was established to account for earmarked three-quarters of one percent (.75%) sales and use tax that was approved by the voters at a special election held on January 8, 2013. The new tax was effective on April 1, 2013 and is to end on or before April 1, 2028 or at such time as the indebtedness issued pursuant to the excise tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Facilities Authority for payment on the indebtedness. Funds are to be used by the City of Tahlequah for public improvements in the amount of \$ 21,112,339. Funds were received beginning in June 2013. Total receipts from the ¾ cent earmarked sales and use tax were \$ 2,275,125 and transfers to Tahlequah Public Facilities Authority were \$ 2,275,125.
- **The Bond Improvement Fund II** was established to account for the funds which were received from the above bond issue in the amount of \$ 21,116,265 which included interest and dividends. These funds are to be used for public improvements which include Northeastern State University Event Center, Fire Engine and Equipment, Police Technology, Call out Sirens, Traffic and Pedestrian Safety, Sports Complex-Phase II, Phoenix Park Renovations, Greenbelt Development, CNG Truck Conversion, Swimming Pool, City Library, New Armory on Highway 51 (Remodel for Police Department and Emergency Management) and various Street improvements. A total of \$ 1,827,652 was expended this year.
- **Cops in School Retention Fund** is for the purpose of accounting for the expenses of providing four School Resource Officers for the Tahlequah Public School System. The expense, including salaries and fringe benefits, of four officers was paid by The City of Tahlequah in the amount of \$ 259,787. The four officers were funded by a transfer from the general fund of the City in the amount of \$ 166,971 and funds received from Tahlequah Public Schools in the amount of 92,194 which resulted in a decrease in net assets of \$ 622.
- **Relocate and Rehabilitate Taxiway Grant** fund has been kept open in anticipation of receipt of an award from the Oklahoma Aeronautics Commission. The funds are interest which has accrued on the match funds that were on the previous grant. OAC requires a separate fund and banking account and checks for their grants.
- **Community Development Block Grants** No amounts were received or expended from the CDBG funds for the current year.
- **TSET Grant** award from the State of Oklahoma Tobacco Settlement Endowment Trust in the amount of \$ 92,000 was received in 2015 there was no match required by the City of Tahlequah. All remaining funds of \$ 6,425 were expenditures 2018 leaving a fund balance of \$ 0.
- **Safe Routes to School Grant (SRTS)** recorded expenditures of \$ 6,540 in the current year which resulted in a negative fund balance this grant was approved by the State of Oklahoma Department of Transportation. This is a 100% reimbursable grant in the amount of \$217,025; of that amount \$ 197,025 is to be spent on infrastructure and \$ 20,000 as an educational component for non-infrastructure. All funds were spent in the prior year.
- **Tahlequah BEST (T-BEST) Grant 15** is an agreement entered into between Tahlequah Public Schools and Tahlequah Police Department with an award amount of \$6,000.00 to provide officers to enforce and prevent underage drinking \$ 2,413 was spent and \$0 was reimbursed.
- **PAPI-FAA Grant Funds** is a Grant an award to make repairs and renovations to the city airport \$ 126,732 was spent and \$ 105,833 was reimbursed and the City transferred \$10,583 in match funds.

## USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirement of the Governmental Accounting Standards Board (GASB) Statement No.34. The report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the city as a whole and present a longer-view of the City's finances. Fund financial statements, for governmental activities, tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

### **Reporting the City as a Whole**

#### ***The City's Reporting Entity Presentation***

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

The primary government includes the following legal entity:

- The City of Tahlequah

The component unit presentation includes the following legal entities:

- Tahlequah Public Works Authority
- Tahlequah Hospital Authority
- Tahlequah Industrial Authority
- Tahlequah Educational Facilities Authority
- Tahlequah Public Facilities Authority
- City Light and Water Department (Tahlequah)

### ***The Government-Wide Statement of Net Position and Statement of Activities***

Our financial analysis of the City as a whole begins on page 14. The government-wide financial statements are presented on pages 14 and 15. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer that question. These statements include all of the City's assets and liabilities resulting from the use of the modified accrual basis of accounting.

These two statements report the City's net position and changes in them. You can think of the City's net position-the difference between assets and liabilities- as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base and the condition of the City's streets, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

*Governmental activities.* Most of the City's basic services are reported here, including the police, fire, general administration (managerial), streets, parks, cemetery, airport, maintenance and civil emergency management. Sales taxes, franchise fees, fines and forfeitures, licenses and permits, charges for services and transfers from City Light and Water finance most of these activities. State and federal grants also help to finance these activities.

*Business-type activities.* The City charges a fee to customers to help in covering all or most of the cost of certain services it provides. The City's solid waste system is reported here.

*Component unit activities.*

- Tahlequah Public Works Authority is a public trust created to provide utility services to the citizens of Tahlequah, Oklahoma and the surrounding community. The City is the beneficiary of the trust and the excess funds it generates.
- Tahlequah Hospital Authority is a public trust created to provide medical facilities to the Tahlequah metro area. The City of Tahlequah is the beneficiary of the trust and will receive all residual trust funds and assets upon termination of the trust.
- Tahlequah Industrial Authority is a public trust created to stimulate industry in the Tahlequah metro area through the creation of an industrial park. Land and infrastructure improvements are owned in trust by the City.
- Tahlequah Educational Facilities Authority is a public trust created to promote, finance and develop projects, facilities and services pertaining to educational institutions and the furtherance of educational opportunities; to expend all funds coming into the hands of the Trustees as revenue or otherwise for the payment of any indebtedness incurred by the Trustees for the purposes specified. The City receives no direct benefit or monies from the trust's activities. Upon the termination of this trust, the Trustees shall proceed to wind up

the affairs of this Trust, and after payments of all debts, expenses and obligations out of the monies and distribute the residue of the money and properties of the Trust Estate to the Beneficiary, the City of Tahlequah.

- Tahlequah Public Facilities Authority is a public trust created to stimulate public growth and development; to promote the public well being of the Beneficiary by improving available resources, increasing meaningful job opportunities, promoting entrepreneurship and capital investment, while maintaining the Beneficiary's quality of life. The Beneficiary of the Trust is the City of Tahlequah. Upon the termination of this trust, the Trustees shall proceed to wind up the affairs of this Trust, and after payments of all debts, expenses and obligations out of the monies and distribute the residue of the money and properties of the Trust Estate to the Beneficiary.
- City Light and Water Development was originally the Municipal Utility Board of Tahlequah. When Tahlequah Public Works was established, this board continued as a legal entity to pay director's fees, legal fees, and municipal lighting expenses. Funds are transferred to this entity from TPWA to pay the above expenses with the balance reverting to the City of Tahlequah General Fund.

### **Reporting the City's Most Significant Funds**

#### ***The Fund Financial Statements***

Our analysis of the City's major funds begins on page 16. The fund financial statements begin on page 16 and 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, the City Council establishes certain other funds, like the Tahlequah Public School Tax Fund, 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 such as the grant from the Federal Aviation Administration. The City's three kinds of funds—*governmental, proprietary and fiduciary*—use different accounting approaches.

**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 balances left at year end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements. The City considers the General Fund, the Capital Improvement Fund and the Restricted Sales & Use Tax Fund I and Restricted Sales & Use Tax Fund II to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled non-major funds.

**Proprietary funds-**When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the City's proprietary (enterprise) fund financial statement is essentially the same as the business-type activities we report in the government-wide statements, but the fund statements provide more detail and additional information, such as cash flows. The City has one enterprise fund-the Solid Waste Services Fund.

**Fiduciary funds-** are used to account for assets that are held in a trustee or fiduciary capacity such as assets held per trust agreements and similar arrangements. The City is the trustee, or fiduciary, for the Municipal Court Bond Fund and Municipal Court CLEET Fund. It is also the trustee for the Cemetery Care Fund, in which 12.5% of all cemetery lot sales, opening and closings are placed in accordance with the laws of the State of Oklahoma. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

### **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 from 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 the particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the City's taxpayers. It also identified how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even it restricted for a specific purpose.

## **A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the General Fund Budget at various times. For the year ended June 30, 2018, General Fund expenditures were \$1,788,556 below final budgeted amounts, and General Fund revenues were \$549,980 below final budgeted amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2018, the City had \$36 million invested in capital assets, net of depreciation, including land, buildings, improvements, machinery, equipment, autos, infrastructure, computers and software, office equipment, furniture and work in progress.

This year's more significant capital assets additions included:

Skate Park	\$ 349,750
Infrastructure Streets	\$27,951,108
2018 F250 Truck	\$ 37,769
2017 F150 4X4 Truck	\$ 26,623
Six Ford Interceptor/W Equipment	\$ 160,707
2019 Freightliner Truck	\$ 118,751

### SOLID WASTE SERVICES FUND-ENTERPRISE FUND

2017 Case Skid Steer	\$ 38,859
2018 Waste Handler	\$ 224,368
2019 Western Star Truck	\$ 169,532

### Long-Term Debt

The City of Tahlequah entered into a lease purchase agreement with BancFirst in October 2<sup>nd</sup> 2017 to purchase three 2017 Police Interceptor in the amount of \$160,709. Payments are due monthly in the amount of \$4,648 for 36 months at an interest rate of 2.125%. The balance outstanding as of June 30, 2018 was \$134,739.

The City of Tahlequah entered into a lease purchase agreement with BancFirst in February 2016 to purchase a Case580SN Loader Backhoe in the amount of \$84,583. Payments are due monthly in the amount of \$2,427 for 36 months at an interest rate of 2.06%. The balance outstanding as of June 30, 2018 was \$19,266.

The City of Tahlequah entered into a lease purchase agreement with BancFirst in July 2013 to purchase a 2011 Case 721f Waste Handler in the amount of \$248,770. Payments are due monthly in the amount of \$4,495 for 60 months at an interest rate of 3.20%. The balance outstanding as of June 30, 2018 was \$17,836.

The City of Tahlequah entered into a lease purchase agreement with BancFirst in April 2017 to purchase a 2017 Western Star Truck in the amount of \$72,783. Payments are due monthly in the amount of \$3,117 for 24 months at an interest rate of 2.50%. The balance outstanding as of June 30, 2018 was \$33,851.

The City of Tahlequah entered into a lease purchase agreement with Armstrong Bank in June 2018 to purchase a 2018 721g Waste Handler in the amount of \$224,368. Payments are due monthly in the amount of \$4,928 for 48 months at an interest rate of 2.57%. The balance outstanding as of June 30, 2018 was \$219,937.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGT AND RATES**

For the upcoming fiscal year ending June 30, 2018, the City's budget is fairly consistent with this year.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Director at 111 S. Cherokee, Tahlequah, Oklahoma or telephone at (918)456-0651.

## ***BASIC FINANCIAL STATEMENTS***



**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,778,264	\$ 3,958,666	\$ 7,736,930	\$ 11,398,546
Restricted Cash	-	-	-	10,139,402
Investments	2,930,766	11,257,501	14,188,267	184,896
Due From Other Funds	257,037	-	930,522	-
Accounts Receivable	930,522	234,151	491,188	30,695,106
Current portion of deferred revenue	-	2,316,300	2,316,300	-
Inventory and Supplies	-	-	-	3,860,130
Capital Assets (page 29)	56,600,973	6,945,375	63,546,348	88,195,287
Accumulated Depreciation	(24,851,403)	(1,847,816)	(26,699,219)	(842,012)
Other noncurrent assets	-	10,037,245	10,037,245	24,409,203
<i>Total Assets</i>	<u>39,646,159</u>	<u>32,901,422</u>	<u>72,547,581</u>	<u>168,040,558</u>
<b>Deferred outflows of resources:</b>				
Deferred amounts related to pensions	2,696,752	-	2,696,752	-
Deferred amounts related to OPEB	50,877	-	50,877	-
<i>Total Deferred Outflows</i>	<u>2,747,629</u>	<u>-</u>	<u>2,747,629</u>	<u>-</u>
<i>Total Assets and Deferred Inflows</i>	<u>\$ 42,393,788</u>	<u>\$ 32,901,422</u>	<u>\$ 75,295,210</u>	<u>\$ 168,040,558</u>
<b>LIABILITIES</b>				
Due to Other Funds	\$ 257,037	\$ -	\$ 257,037	\$ -
Long-Term Liabilities (Note 8):				
Due Within One Year	81,243	3,270,730	3,351,973	3,604,948
Due in More Than One Year	72,762	165,894	238,656	42,744,381
Due to TPWA	134,851	-	134,851	-
Due to TPFA	202,277	-	202,277	-
Accounts Payable	346,652	8,819	316,180	11,107,859
Accrued Expenses	307,361	202,033	548,685	1,797,708
Accrued Compensated Absences	133,551	-	133,551	3,699,432
Bond / Cleet Deposits Payable	29,240	28,526,367	28,555,607	-
Net OPEB liability	18,716	-	18,716	-
Net pension liability	4,197,892	-	4,197,892	-
<i>Total Liabilities</i>	<u>5,781,582</u>	<u>32,173,843</u>	<u>37,955,425</u>	<u>62,954,328</u>
<b>Deferred inflows of resources:</b>				
Deferred amounts related to pensions	1,213,087	-	1,213,087	-
Deferred amounts related to OPEB	43,266	-	43,266	-
<i>Total Deferred Outflows</i>	<u>1,256,353</u>	<u>-</u>	<u>1,256,353</u>	<u>-</u>
<b>NET POSITION</b>				
Invested in Capital Assets	31,595,565	6,673,751	38,269,316	44,389,632
Restricted for Statutory Requirements	-	-	-	-
Restricted for External Contracts	-	55,112	55,112	3,917,884
Unrestricted	3,760,288	(6,001,284)	(2,240,996)	56,217,408
Noncontrolling Interest in Joint Ventures	-	-	-	561,306
<i>Total Net Position</i>	<u>35,355,853</u>	<u>727,579</u>	<u>36,083,432</u>	<u>105,086,230</u>
<i>Total Liabilities, Deferred Outflows and Net Position</i>	<u>\$ 42,393,788</u>	<u>\$ 32,901,422</u>	<u>\$ 75,295,210</u>	<u>\$ 168,040,558</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Program Revenues				Net (Expense)Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Subsidies	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>FUNCTIONS/PROGRAMS</b>								
<b>Primary Government:</b>								
General Government	\$ 3,898,599	\$ -	\$ -	\$ -	\$ (3,898,599)	\$ -	\$ (3,898,599)	\$ -
Public Safety	4,881,939	622,865	-	-	(4,259,074)	-	(4,259,074)	-
Public Services	1,930,899	676,339	125,833	-	(1,128,727)	-	(1,128,727)	-
Culture and Recreation	1,648,362	70,772	-	-	(1,577,590)	-	(1,577,590)	-
<i>Total Governmental Activities</i>	<u>12,359,799</u>	<u>1,369,976</u>	<u>125,833</u>	<u>-</u>	<u>(10,863,990)</u>	<u>-</u>	<u>(10,863,990)</u>	<u>-</u>
<b>Business Type Activities:</b>								
Sanitation	1,975,075	2,258,865	-	-	-	283,790	283,790	-
TPFA	2,359,359	2,305,494	-	-	-	(53,865)	(53,865)	-
TEFA	22,011	27,639	-	-	-	5,628	5,628	-
<i>Total Business-Type Activities</i>	<u>4,356,445</u>	<u>4,591,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,553</u>	<u>235,553</u>	<u>-</u>
<b>Total Primary Government</b>	<u>16,716,244</u>	<u>5,961,974</u>	<u>125,833</u>	<u>-</u>	<u>(10,863,990)</u>	<u>235,553</u>	<u>(10,628,437)</u>	<u>-</u>
<b>Component Units:</b>								
Tahlequah Hospital Authority	109,184,707	108,592,042	-	-	-	-	-	(592,665)
Tahlequah Industrial Authority	118,696	84,700	-	-	-	-	-	(33,996)
Tahlequah Public Works/City light & Water	21,964,772	24,020,048	-	-	-	-	-	2,055,276
	<u>\$ 131,268,175</u>	<u>\$ 132,696,790</u>	<u>\$ -</u>	<u>\$ -</u>				<u>1,428,615</u>
<b>General Revenues:</b>								
Tax Revenue					6,805,831	-	6,805,831	-
Investment Income					69,894	3,706	73,600	781,390
Other					237,709	-	237,709	465,651
Gain (Loss) on disposal of asset					-	(47,927)	(47,927)	-
Transfers - Internal Activity					3,846,543	-	3,846,543	(593,458)
Total General Revenues and Transfers					<u>10,959,977</u>	<u>(44,221)</u>	<u>10,915,756</u>	<u>653,583</u>
Change in Net Position					95,987	191,332	287,319	2,082,198
Net Position - Beginning					35,259,866	536,247	35,796,113	103,004,032
Net Assets - Ending					<u>\$ 35,355,853</u>	<u>\$ 727,579</u>	<u>\$ 36,083,432</u>	<u>\$ 105,086,230</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 868,797	\$ 1,298,352	\$ 1,611,115	\$ 3,778,264
Investments	2,390,766	540,000	-	2,930,766
Accounts Receivable	914,950	-	15,572	930,522
Due from Other Funds	257,037	-	-	257,037
	<b>Total Assets</b>	<b>\$ 1,838,352</b>	<b>\$ 1,626,687</b>	<b>\$ 7,896,589</b>
<b>LIABILITIES:</b>				
Accrued Expenses	344,382	-	2,270	346,652
Accounts Payable	303,230	-	4,131	307,361
Bond / Cleet Deposits Payable	29,240	-	-	29,240
Payable to TPWA	134,851	-	-	134,851
Payable to TPFA	202,277	-	-	202,277
Due to Other Funds	-	-	257,037	257,037
	<b>Total Liabilities</b>	<b>-</b>	<b>263,438</b>	<b>1,277,418</b>
<b>Fund Balance:</b>				
Unassigned	3,417,570	1,838,352	1,363,249	6,619,171
Assigned	-	-	-	-
	<b>Total Net Position:</b>	<b>1,838,352</b>	<b>1,363,249</b>	<b>6,619,171</b>
	<b>Total Liabilities and Net Position</b>	<b>\$ 1,838,352</b>	<b>\$ 1,626,687</b>	

**Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position:**

Amounts reported in the Statement of Net Position are different because some assets and liabilities, including pension obligations, are applicable to future periods and, are not reported in the funds:

Accrued Compensated Absences	(133,551)
Net Pension liability measurement date June 30, 2017	(4,197,892)
Net OPEB liability measurement date June 30, 2017	(18,716)
Long term debt	(154,005)
Capital assets Used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$24,851,403	31,749,570
Deferred outflows of resources related to OPEB	50,877
Deferred inflows of resources related to OPEB	(43,266)
Deferred outflows of resources related to pensions	2,696,752
Deferred inflows of resources related to pensions	(1,213,087)
Net Assets of Governmental Activities	<b>\$ 35,355,853</b>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<i>Revenues:</i>				
Taxes	\$ 6,537,210	\$ -	\$ 268,621	\$ 6,805,831
Charges for Services	338,275	-	338,064	676,339
Fines and Forfeitures	622,865	-	-	622,865
Licenses and Permits	69,647	-	1,125	70,772
Investment Income	66,092	3,801	1	69,894
Miscellaneous	216,535	-	21,174	237,709
Grants and Subsidies	-	-	125,833	125,833
Total Revenues	<u>7,850,624</u>	<u>3,801</u>	<u>754,818</u>	<u>8,609,243</u>
<i>Expenditures:</i>				
General Government:				
Managerial	1,953,698	-	-	1,953,698
City Clerk	61,474	-	-	61,474
City Treasurer	14,113	-	-	14,113
City Attorney	2,214	-	-	2,214
Municipal Judge	156,656	-	-	156,656
Maintenance	231,892	-	126,194	358,086
Hotel/Motel	-	-	104,248	104,248
Public Safety:				
Law Enforcement	2,699,024	-	322,412	3,021,436
Fire	1,205,918	-	2,270	1,208,188
Emergency Management	90,437	-	-	90,437
Public Services:				
Cemetery	257,926	-	-	257,926
Streets	993,295	-	51,279	1,044,574
Airport	188,104	-	126,731	314,835
Culture and Recreation:				
Parks and Recreation	1,207,981	-	43,229	1,251,210
Library	25,134	-	-	25,134
Capital Outlay	<u>2,705,394</u>	<u>308,734</u>	<u>-</u>	<u>3,014,128</u>
Total Expenditures	<u>11,793,260</u>	<u>308,734</u>	<u>776,363</u>	<u>12,878,357</u>
<i>Excess (deficiency) of</i>				
Revenues Over Expenditures	(3,942,636)	(304,933)	(21,545)	(4,269,114)
<i>Other Financing Sources (Uses)</i>				
Transfers In	3,853,718	-	206,023	4,059,741
Transfers Out	(213,198)	-	-	(213,198)
Total Other Financing Sources (Uses)	<u>3,640,520</u>	<u>-</u>	<u>206,023</u>	<u>3,846,543</u>
<i>Net Change in Fund Balance</i>	<u>(302,116)</u>	<u>(304,933)</u>	<u>184,478</u>	<u>(422,571)</u>
<i>Fund Balances - Beginning</i>	<u>3,719,686</u>	<u>2,143,285</u>	<u>1,178,771</u>	<u>7,041,742</u>
<i>Fund Balances - Ending</i>	<u>\$ 3,417,570</u>	<u>\$ 1,838,352</u>	<u>\$ 1,363,249</u>	<u>\$ 6,619,171</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds	\$ (422,571)
Amounts reported for governmental activities in the statement of activities are different because:	
Government-wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements reported pension contributions as expenditures.	(17,668)
Government-wide Statement of Activities report the cost of OPEB benefits earned net of employee contributions is reported as an element of OPEB expense. The fund financial statements reported OPEB contributions as expenditures.	(11,105)
Repayment of principal debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position:	
Repayment of principal	62,275
Governmental funds report outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciated expenses. This is the amount by which capital outlays exceeded depreciation net of gain/loss on disposal of assets in the current period.	515,255
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in:	
Accrued compensated absences	(30,199)
 Change in Net Assets - Statement of Activities	 <u><u>\$ 95,987</u></u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Sanitation</u>	<u>TPFA</u>	<u>TEFA</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,786,271	\$ 2,141,801	\$ 30,594	\$ 3,958,666
Investments	362,500	10,788,458	106,543	11,257,501
Taxes receivable	-	202,277	-	202,277
Accounts Receivable	19,879	11,995	-	31,874
Current portion of receivable on capital lease	-	-	2,316,300	2,316,300
<i>Total Current Assets</i>	<u>2,168,650</u>	<u>13,144,531</u>	<u>2,453,437</u>	<u>17,766,618</u>
Noncurrent assets:				
Land and construction in progress	76,100	-	-	76,100
Other capital assets	6,869,275	-	-	6,869,275
Accumulated Depreciation	(1,847,816)	-	-	(1,847,816)
Noncurrent portion of receivable on capital lease	-	-	10,037,245	10,037,245
<i>Total Noncurrent Assets</i>	<u>5,097,559</u>	<u>-</u>	<u>10,037,245</u>	<u>15,134,804</u>
<i>Total Assets and Deferred Inflows</i>	<u>\$ 7,266,209</u>	<u>\$ 13,144,531</u>	<u>\$ 12,490,682</u>	<u>\$ 32,901,422</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accrued payroll	\$ 26,305	\$ -	\$ -	\$ 26,305
Accounts Payable	-	3,977	4,842	8,819
Accrued Interest Payable	-	-	175,728	175,728
Current portion of capital lease payable	105,730	-	-	105,730
Current portion of bonds payable	-	1,290,000	1,875,000	3,165,000
<i>Total Current Liabilities</i>	<u>132,035</u>	<u>1,293,977</u>	<u>2,055,570</u>	<u>3,481,582</u>
Noncurrent Liabilities:				
Deferred revenue on capital lease purchase	-	-	-	-
Capital lease purchase payable	165,894	-	-	165,894
Bonds Payable	-	18,146,367	10,380,000	28,526,367
<i>Total Noncurrent Assets</i>	<u>165,894</u>	<u>18,146,367</u>	<u>10,380,000</u>	<u>28,692,261</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,673,751	-	-	6,673,751
Restricted	-	-	55,112	55,112
Unrestricted	294,529	(6,295,813)	-	(6,001,284)
<i>Total Net Position</i>	<u>6,968,280</u>	<u>(6,295,813)</u>	<u>55,112</u>	<u>727,579</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 7,266,209</u>	<u>\$ 13,144,531</u>	<u>\$ 12,490,682</u>	<u>\$ 32,901,422</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2018**

	<u>Sanitation</u>	<u>TPFA</u>	<u>TEFA</u>	<u>Total</u>
<b>Operating Revenues</b>				
Sanitation	\$ 1,358,479	\$ -	\$ -	\$ 1,358,479
Transfers Station fees	875,320	-	-	875,320
TPFA/TEFA revenue	-	2,305,494	27,639	2,333,133
Miscellaneous operating revenue	25,066	-	-	25,066
<i>Total Operating Revenue</i>	<u>2,258,865</u>	<u>2,305,494</u>	<u>27,639</u>	<u>4,591,998</u>
<b>Operating Expenses</b>				
Salaries and employee benefits	999,101	-	-	999,101
Materials and supplies	686,809	-	-	686,809
TPFA/TEFA expenses	-	17,912	18,200	36,112
Depreciation	285,829	-	-	285,829
<i>Total Operating Expenses</i>	<u>1,971,739</u>	<u>17,912</u>	<u>18,200</u>	<u>2,007,851</u>
<i>Operating Income</i>	287,126	2,287,582	9,439	2,584,147
<b>Non-Operating Revenues (Expenses)</b>				
TPFA/TEFA expenses	-	(2,341,447)	(3,811)	(2,345,258)
Interest Income	3,706	-	-	3,706
Gain (Loss) on disposal of assets	(47,927)	-	-	(47,927)
Interest Expense	(3,336)	-	-	(3,336)
<i>Total Non-Operating Expenses</i>	<u>(47,557)</u>	<u>(2,341,447)</u>	<u>(3,811)</u>	<u>(2,392,815)</u>
<i>Net Income (Loss) Before Transfers</i>	239,569	(53,865)	5,628	191,332
<b>Transfers</b>	-	-	-	-
<b>Change in Net Position</b>	239,569	(53,865)	5,628	191,332
<b>Beginning Net Position</b>	<u>6,728,711</u>	<u>(6,241,948)</u>	<u>49,484</u>	<u>536,247</u>
<b>Ending Net Position</b>	<u>\$ 6,968,280</u>	<u>\$ (6,295,813)</u>	<u>\$ 55,112</u>	<u>\$ 727,579</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Sanitation</u>	<u>TPFA</u>	<u>TEFA</u>	<u>Total</u>
<b><i>Cash flows from operating activities</i></b>				
Receipts from customers	\$ 2,257,179	\$ 9,047	\$ 27,639	\$ 2,293,865
Other operating cash receipts	-	2,275,125	-	2,275,125
Payments to or on behalf of employees	(999,101)	(7,960)	(9,156)	(1,016,217)
Payments to suppliers	<u>(687,951)</u>	<u>(6,766)</u>	<u>(4,500)</u>	<u>(699,217)</u>
<i>Net cash provided (used) by operations</i>	570,127	2,269,446	13,983	2,853,556
<b><i>Cash flows from non-capital financing activities</i></b>				
TPFA/TEFA non financing activities	-	<u>(192,872)</u>	<u>(12,328)</u>	<u>(205,200)</u>
<i>Net cash provided (used) by non capital financing activities</i>	-	(192,872)	(12,328)	(205,200)
<b><i>Cash flows from capital and related financing activities</i></b>				
TPFA/TEFA capital and financing activities	-	(1,689,737)	(3,811)	(1,693,548)
Purchase of capital assets net of retirement	(450,244)	-	-	(450,244)
Interest on Capital Lease	(3,336)	-	-	(3,336)
Cash used by capital leasing activity	<u>131,439</u>	-	-	<u>131,439</u>
<i>Net cash provided (used) by operations</i>	<u>(322,141)</u>	<u>(1,689,737)</u>	<u>(3,811)</u>	<u>(2,015,689)</u>
<b><i>Cash flows from investing activities</i></b>				
Interest Income	3,706	-	-	3,706
Gain (Loss) on disposal of assets	<u>(47,927)</u>	-	-	<u>(47,927)</u>
<i>Net cash provided (used) by investing activities</i>	<u>(44,221)</u>	-	-	<u>(44,221)</u>
<b><i>Net increase (decrease) in cash and cash equivalents</i></b>	203,765	386,837	(2,156)	588,446
<b><i>Beginning cash and cash equivalents</i></b>	<u>1,582,506</u>	<u>1,754,964</u>	<u>32,750</u>	<u>3,370,220</u>
<b><i>Ending cash and cash equivalents</i></b>	<u><u>1,786,271</u></u>	<u><u>2,141,801</u></u>	<u><u>30,594</u></u>	<u><u>3,958,666</u></u>
Operating income	287,126	2,287,582	9,439	2,584,147
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	285,829	-	-	285,829
(Increase) decrease in accounts receivable	(1,686)	(21,322)	-	(23,008)
Increase (decrease) in accrued expenses	<u>(1,142)</u>	<u>3,186</u>	<u>4,544</u>	<u>6,588</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 570,127</u></u>	<u><u>\$ 2,269,446</u></u>	<u><u>\$ 13,983</u></u>	<u><u>\$ 2,853,556</u></u>

The accompanying notes and auditor's report are an integral part of these financial statements.



## ***NOTES TO FINANCIAL STATEMENTS***

*City of Tahlequah, Oklahoma*  
*Notes to the Basic Financial Statements*  
*June 30, 2018*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Tahlequah, Oklahoma (oversight unit) conform to the accounting principles generally accepted in the United States of America for state and local governments.

**A. REPORTING ENTITY**

The City of Tahlequah was incorporated on June 9, 1908, under the laws and constitution of the State of Oklahoma. On June 18, 1940, a voter approved charter was established.

The City Council, an elected five member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to the City of Tahlequah within the jurisdiction of the City. The City receives funding from local, state, and federal government sources; and must comply with the requirements of these funding source entities. However, the City of Tahlequah is not included in any government “reporting entity” as defined in Section 2100, Codification of Government Accounting and Financial Reporting Standards, since the Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The City provides various services, and consists of many different activities and smaller accounting entities. These include a community hospital, economic loan program, industrial park, police force, firefighting and prevention force, sewage treatment plant, water treatment plant, storm water drainage system, traffic control system, street lighting, street maintenance force (including construction, repair, and snow and ice removal), a parks and recreation system, rubbish collection and recycling service, and a staff to provide the necessary support to these service providers. All are responsible to the citizens of Tahlequah, and are therefore included within the reporting entity.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in the evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence

**City of Tahlequah, Oklahoma**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following potential component units are included in the City's reporting entity as aggregate discretely presented component units.

**Tahlequah Public Works Authority**

The Tahlequah Public Works Authority is a public trust created to provide utility services to the citizens of Tahlequah, Oklahoma, and the surrounding community. The City of Tahlequah is the beneficiary of the trust and the excess funds the trust generates. Audited financial statements for this component unit can be obtained at its general offices located at 103 North College. During the 2017-2018 fiscal year, the TPWA transferred \$1,311,366 (cash basis) to the City of Tahlequah through the City Light and Water Department.

**City Light and Water Department (Tahlequah)**

This department originally began as the Municipal Utility Board of Tahlequah. The Tahlequah City charter, adopted in 1940, set up this board to operate all utilities. When the Tahlequah Public Works Authority (TPWA) was established, this board continued, as a legal entity, to pay director fees, legal fees, and municipal lighting expenses. Funds are transferred to this entity from TPWA to pay the above expenses with the balance reverting to the City of Tahlequah General Fund. Audited financial statements for this component unit can be obtained at its general offices located at 103 North College.

**Tahlequah Hospital Authority**

The Tahlequah Hospital Authority is a public trust created on June 3, 1974, to provide medical facilities to the Tahlequah metro area. The City of Tahlequah, Oklahoma, is the beneficiary of the trust and will receive all residual trust funds and assets upon termination of the trust. Audited financial statements for this component unit can be obtained at its general offices located at 1400 East Downing.

**Tahlequah Industrial Authority**

The Tahlequah Industrial Authority is a public trust created to stimulate industry in the Tahlequah metro area through the creation of an industrial park. Land and infrastructure improvements are owned in the trust by the City of Tahlequah, Oklahoma. Audited financial statements for this component unit can be obtained at the City of Tahlequah's City Hall.

**Tahlequah Redevelopment Authority**

The Tahlequah Redevelopment Authority is a public trust created to provide zero profit financing to local business interests. The City of Tahlequah, Oklahoma, receives no direct benefit or monies from the trust's activities. The Authority had no activity during the fiscal year.

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*Northeastern Oklahoma Public Facilities Authority*

The Northeastern Oklahoma Public Facilities Authority is not a component unit of the City of Tahlequah. According to GASB Statements No. 14, the Primary Government (City of Tahlequah) must have financial accountability for a component unit, appoint a voting majority of the component unit's board, impose its will, be a financial benefit or burden, be fiscally dependent and/or be able to designate management. This entity does not fall under this criteria. The City of Tahlequah is merely a beneficiary of this public trust.

Based upon the application of these same criteria discussed above, the following potential component units are included in the City's reporting entity as blended component units, and are incorporated into the financial statement of the primary government.

*Tahlequah Educational Facilities Authority (TEFA)*

The Tahlequah Educational Facilities Authority is a public trust created to assist the City of Tahlequah in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefits of the City of Tahlequah in order to lessen the burdens on government and to stimulate educational growth and development; to promote the educational well being by improving available resources, increasing meaningful job opportunities, promoting entrepreneurship and capital investment, while maintaining quality of life; to inventory educational services, facilities, and resources; and to promote, stimulate, encourage, and finance the growth and development of education of the City of Tahlequah as a whole, all in order to achieve maximum utilization of the human, economic, recreational, natural resources and tourist attractions within the City of Tahlequah.

*Tahlequah Public Facilities Authority (TPFA)*

The Tahlequah Public Facilities Authority is a public trust created to assist the City of Tahlequah in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefits of the City of Tahlequah in order to lessen the burdens on government and to stimulate public growth and development; to promote public well being by improving available resources, increasing meaningful job opportunities, promoting entrepreneurship and capital investment, while maintaining quality of life; to inventory public services, facilities, and resources; and to promote, stimulate, encourage, and finance the growth and development of the City of Tahlequah as a whole, all in order to achieve maximum utilization of the human, economic, recreational, natural resources and tourist attractions within the City of Tahlequah.

**B. FUND ACCOUNTING**

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

*City of Tahlequah, Oklahoma*  
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Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate “fund types.” The City utilizes two fund categories and five fund types.

**Governmental Fund Types**

Governmental funds are used to account for all or most of government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds).

General Funds- The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include sales taxes and charges for services (i.e. refuse revenues). Expenditures include all cost associated with the daily operations of the City except for programs specially funded for building repairs and maintenance and construction.

Special Revenue Fund- Special Revenue Funds are to account for the proceeds of specific revenue sources or grants (other than special assessments or expendable trusts) that are legally restricted to expenditures for special funds.

Capital Project Fund- Capital Project Funds are used to account for the acquisitions of capital facilities being financed from intergovernmental revenues or transfers from funds other than those recorded in proprietary funds.

**Proprietary Fund Types**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds).

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms “nonexpendable” and “expendable” refer to whether or not the City is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent and do not involve measurements of results of operations.

Expendable Trust Funds- These funds account for assets received and expended by the City as trustee and are reported as governmental funds in the financial statements. These funds include:

Cemetery Care – A trust established to account for the portion of cemetery lot sales designated for perpetual care and capital improvements of the cemetery.

**City of Tahlequah, Oklahoma**  
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**Brookside Restoration Fund** – A trust fund established to account for public donations and city contributions towards the restoration of the historic Brookside House.

**Agency Funds**- These funds are used to account for assets held by the City as a custodial trustee, and do not involve measurement of results of operations. These funds include the Municipal Court Bonds, and are reported as a liability in the general fund.

Cash in Escrow	6/30/2018
Court Bonds	\$ 22,506
CLEET Accounts	6,734
	\$ 29,240

**Government- Wide Statement**

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical costs or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003 governmental funds’ infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transaction is recorded as an expense in the Statement of Activities under general government, with the accumulated depreciation reflected in the Statement of Net Assets. 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 assets is as follows:

Buildings	10-50 years
Improvements	5-10 years
Machinery, furniture, and equipment	5-20 years
Automobiles	5-20 years
Infrastructure	5-50 years

**Fund Financial Statements**

In the fund financial statements, capital assets arising from cash transactions acquired for use in the governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

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**C. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets.

Taxpayer assessed income, gross receipts, and sales tax are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Revenue Recognition**

In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current period or soon enough thereafter to be used to pay obligations of the current period): taxes, services, investment earnings and fines and forfeitures. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

**Expenditure Recognition**

The measurement focus governmental fund accounting is on decreased in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred.

**Reservation of Fund Equity**

Fund balances are reserved for encumbrances as further explained in Note 1-D.

**Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources has not been reported as an expenditure or fund liability of the governmental fund that will pay it. Rights to receive sick pay benefits have not been reported in the general long-term debt account group. This practice differs from accounting principles generally accepted in the United States of America. In accordance with provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The amount of vacation and compensatory time susceptible to accrual in accordance with SFAS No. 43, has been reflected as a liability in the Statement of Net Position.

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**D. ENCUMBRANCES**

Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed purchase orders in process are completed. Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable

Requirement for All Budgeted Funds

For day to day management control expenditures plus encumbrances may not exceed budget at the expenditure type level of each cost center. The Council may transfer unencumbered appropriations within programs within funds. Appropriation control is by program within a fund. Council may, by ordinance, transfer amounts among programs within and between funds.

Unassigned Fund Balance

Fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

**E. REVENUES, EXPENDITURES, AND INTERFUND TRANSACTIONS**

Tax Revenues

Tax revenues include sales, alcohol, use, gross receipts, cable TV fees, and franchise fees.

Licenses and Permits

Revenues including building and sign permits, inspection fees, animal shelter fees, zoning fees, and occupational licenses.

Charges for Services

Primary revenues consist of transfer station fees; cemetery lot sales; cemetery openings and closings; airport, golf course, and pool income from operations.

Fines and Forfeitures

The revenues are generated from the administration of the police department as cases are adjudicated through the City's court system. They primarily consist of bond forfeitures.

Intergovernmental Programs

This revenue, reported in the General Fund, results from transfers from component units that are shown as such on the component unit's financial statement. The Special Revenue Fund accounts for grants and entitlements in this category.

Miscellaneous Revenue

This revenue account is all other revenue collected by the City.



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**Expenditures**

Expenditures have been classified by the following five service areas provided to the citizens of the City. The specific departments which are contained within each service area are also identified. All departmental capital expenditures are included in the capital outlay classifications.

<u>General Government</u>	<u>Public Safety</u>	<u>Public Services</u>
Managerial	Building Inspector	Street Dept
City Clerk	Civil Defense	Animal Shelter
City Treasurer	Fire Dept	City Airport
City Attorney	Law Enforcement	Cemetery
Municipal Judge		
Maintenance Dept	<u>Cultural &amp; Recreation</u>	<u>Capital Outlay</u>
Fringe Benefits	Library	Consists of all capital
Purchasing	Parks Dept	Expenditures for all Depts

**Interfund Transactions**

Loans to funds are properly classified as due to and due from amounts, and transactions which constitute reimbursements to a fund appropriately cancel the original transactions. Expenditures initially made with loaned funds are properly classified within the fund (see Note 3). All other interfund transfers are reported as operating transfers. Operating transfers are identified as other financing sources (uses) in the financial statements.

**Investments**

Investments on hand at June 30, 2018, consist of the following.

**Investments-Governmental Funds**

Number-Type	Maturity	Interest Rate	Carrying Amount	Market Value
<b>Governmental Funds: General Fund</b>				
FHL Bank	3/12/2021	3.625%	\$ 198,424	\$ 198,424
Various CDs-Variou banks	Various	Various	\$ 2,192,342	\$ 2,192,342
		Total	\$ 2,390,766	\$ 2,390,766
 <b>Governmental Funds: Capital Improvement Fund</b>				
Various CDs-Edward Jones	Various	Various	\$ 540,000	\$ 540,000
<b>Total Investments-Governmental Funds</b>			<b>\$ 2,930,766</b>	<b>\$ 2,930,766</b>

**City of Tahlequah, Oklahoma**  
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**Investments-Proprietary Funds**

Number-Type	Maturity	Interest Rate	Carrying Amount	Market Value
<b>Proprietary Funds: Sanitation</b>				
Various CDs-Edward Jones	Various	Various	\$ 362,500	\$ 362,500
<b>Proprietary Funds: Tahlequah Public Facilities Authority (TPFA)</b>				
BancFirst, OKC	Various		\$ 10,788,458	\$ 10,788,458
<b>Proprietary Funds: Tahlequah Educational Facilities Authority (TEFA)</b>				
BancFirst, OKC	Various	Various	\$ 106,543	\$ 106,543
<b>Total Investments-Proprietary Funds</b>			<b>\$ 11,257,501</b>	<b>\$ 11,257,501</b>

The City's bank balance in all depository accounts, excluding investments, was \$7,689,184 at June 30, 2018.

At June 30, 2018 all cash deposits and certificates of deposits were either FDIC insured or covered by collateral pledged by the banks trust department.

**F. ASSETS, LIABILITIES AND NET POSITION**

**Cash and Cash Equivalents**

Pooled cash and investments – a “pooled cash” concept is used in maintaining the cash and investment account in the accounting records. Under this method all cash is pooled for investment purposes, and each fund has equity in the pooled amount.

**Inventories**

The value of consumable inventories at June 30, 2018, is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

**Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2018 was as follows:

**City of Tahlequah, Oklahoma**  
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**F. ASSETS, LIABILITIES AND NET POSITION**

**Capital Assets and Property, Plant, and Equipment**

Capital asset activity for governmental activities for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital Assets not being Depreciated				
Land	\$ 3,283,400	\$ 124,811	\$ -	\$ 3,408,211
Construction in Progress	2,812,724	2,160,895	3,403,608	1,570,011
Capital Assets being Depreciated				
Automobiles and Trucks	4,396,832	252,524	257,264	4,392,092
Buildings and Building Improvements	10,856,626	48,861	131,843	10,773,644
Infrastructure	26,672,228	3,206,826	-	29,879,054
Computers and Office Equipment	1,012,185	75,139	-	1,087,324
Machinery and Equipment	5,165,873	535,220	210,456	5,490,637
Total Capital Assets being Depreciated	48,103,744	4,118,570	599,563	51,622,751
Total Capital Assets	54,199,868	6,404,276	4,003,171	56,600,973
Less Accumulated Depreciation	22,823,315	2,436,598	408,510	24,851,403
Governmental Activities, Capital Assets, Net	<u>\$ 31,376,553</u>	<u>\$ 3,967,678</u>	<u>\$ 3,594,661</u>	<u>\$ 31,749,570</u>

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

General Government	\$ 1,189,138
Public Safety	561,878
Public Services	313,564
Culture and Recreation	372,018
Total Depreciation from Governmental Activities	<u>\$ 2,436,598</u>

**Capital Assets and Property, Plant, and Equipment**

Capital asset activity for business-type activities for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital Assets, not being Depreciated				
Land	\$ 76,100	\$ -	\$ -	\$ 76,100
Construction in Progress	-	-	-	-
Total Capital Assets not being Depreciated	76,100	-	-	76,100
Capital Assets being Depreciated				
Other Capital Assets	6,637,875	498,170	266,770	6,869,275
Total Capital Assets	6,713,975	498,170	266,770	6,945,375
Less Accumulated Depreciation	1,780,830	285,828	218,842	1,847,816
Business-Type Activities, Capital Assets, Net	<u>\$ 4,933,145</u>	<u>\$ 212,342</u>	<u>\$ 47,928</u>	<u>\$ 5,097,559</u>

**City of Tahlequah, Oklahoma**  
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**NOTE 2: CASH AND INVESTMENTS**

The City's investment policies are governed by city charter and state statute. Permissible investments include direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, and bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

Deposits

The City's cash deposits at June 30, 2018 are categorized to give an indication of the level of risk assumed by the City at year end as follows:

Deposit Categories of Credit Risk

- (A) Insured and collateralized with securities held by the City or by its agent in the City's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- (C) Uncollateralized.

Category:	A	B	C	Bank Balance	Carrying Amount
Cash/Cash Equivalents	\$ 7,236,930	\$ 500,000	-	\$ 7,736,930	\$ 7,736,930

**NOTE 3: INTERFUND RECEIVABLES AND PAYABLES**

Short term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. The interfund receivable or payables at June 30, 2018 were as follows:

Governmental General Fund-due from Others	\$ 257,037
Tahlequah Best Grant	(2,500)
Bullet Proof Vest Special Revenue-due to General Fund	(3,764)
TIDE Grant-due to General Fund	(14,200)
SRTS Grant-due to General Fund	(217,025)
FBI Grant-due to General Fund	(17,548)
Others-due to General Fund	(2,000)
NET	<u>\$ -</u>

**NOTE 4: GENERAL LONG TERM DEBT**

The City's long-term debt is described below, segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. General long term debt consists of lease purchase agreements.

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**Long Term Debt – Governmental Funds**

The City of Tahlequah entered into a lease purchase agreement with BancFirst in October 2<sup>nd</sup> 2017 to purchase three 2017 Police Interceptor in the amount of \$160,709. Payments are due monthly in the amount of \$4,648 for 36 months at an interest rate of 2.125%. The balance outstanding as of June 30, 2018 was \$134,739.

The City of Tahlequah entered into a lease purchase agreement with BancFirst in February 2016 to purchase a Case580SN Loader Backhoe in the amount of \$84,583. Payments are due monthly in the amount of \$2,427 for 36 months at an interest rate of 2.06%. The balance outstanding as of June 30, 2018 was \$19,266.

The following is a summary of the long term debt transactions of the City for the year ended June 30, 2018:

**Outstanding Long-Term Debt Payable from Government Activities:**

	Balance			Balance
	June 30, 2017	Additions	Retirements	June 30, 2018
Capitalized Lease Obligations	\$ 53,052	\$ 160,709	\$ 59,756	\$ 154,005
Total	\$ 53,052	\$ 160,709	\$ 59,756	\$ 154,005

Maturities of long-term outstanding debt for Governmental activities as of June 30, 2018 is as follows:

June 30	Principal Interest	
2019	\$ 81,243	\$ 2,820
2020	54,373	1,038
2021	18,389	83
Total	\$ 154,005	\$ 3,941

**Long Term Debt – Proprietary Funds**

The City of Tahlequah entered into a lease purchase agreement with BancFirst in July 2013 to purchase a 2011 Case 721f Waste Handler in the amount of \$248,770. Payments are due monthly in the amount of \$4,495 for 60 months at an interest rate of 3.20%. The balance outstanding as of June 30, 2018 was \$17,836.

The City of Tahlequah entered into a lease purchase agreement with BancFirst in April 2017 to purchase a 2017 Western Star Truck in the amount of \$72,783. Payments are due monthly in the amount of \$3,117 for 24 months at an interest rate of 2.50%. The balance outstanding as of June 30, 2018 was \$33,851.

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The City of Tahlequah entered into a lease purchase agreement with Armstrong Bank in June 2018 to purchase a 2018 721g Waste Handler in the amount of \$224,368. Payments are due monthly in the amount of \$4,928 for 48 months at an interest rate of 2.57%. The balance outstanding as of June 30, 2018 was \$219,937.

Long-term debt for business-type activities for the year ended June 30, 2018 was as follows:

**Outstanding Long-Term Debt Payable from Sanitation:**

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Capitalized Lease Obligations	\$ 140,186	\$ 224,368	\$ 92,930	\$ 271,624
<b>Total</b>	<b>\$ 140,186</b>	<b>\$ 224,368</b>	<b>\$ 92,930</b>	<b>\$ 271,624</b>

Maturities of long-term outstanding debt for Sanitation as of June 30, 2018 was as follows:

June 30		Principal	Interest
2019	\$	105,730	\$ 3,673
2020	\$	55,460	
2021		56,931	2,202
2022		53,503	701
<b>Total</b>	<b>\$</b>	<b>271,624</b>	<b>\$ 2,903</b>

Maturities of other long-term outstanding debt for Proprietary Funds as of June 30, 2018 was as follows:

**Outstanding Long-Term Debt Payable from TEFA:**

June 30, 2018	Principal	Interest
2020	2,015,000	547,691
2021	2,165,000	431,621
2022	2,320,000	302,600
2023	3,880,000	117,370
<b>Total</b>	<b>\$ 10,380,000</b>	<b>\$ 1,399,282</b>

**Outstanding Long-Term Debt Payable from TPFA:**

June 30, 2018	Principal	Interest
2020	\$ 1,350,000	\$ 588,994
2021	1,455,000	521,494
2022	1,535,000	481,753
2023	1,615,000	443,381
2024	1,720,000	385,219
2025-2028	10,335,000	1,585,116
<b>Total</b>	<b>\$ 18,010,000</b>	<b>\$ 4,005,957</b>

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**NOTE 5: OTHER POST EMPLOYMENT BENEFITS**

**Plan description** - The City 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](http://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 EGID.

**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 12; 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 \$28,971.

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - At June 30, 2018, the City reported a liability of \$18,716 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017," and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net OPEB liability 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, 2017. Based upon this information, the City's proportion was 0.16340273% percent.

For the year ended June 30, 2018, the City recognized OPEB expense of \$0. At June 30, 2018, 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
Difference between expected and actual experience	\$ -	\$ 23,070
Change in assumptions	15,244	-
Net difference between projected and actual earnings on pension plan investments	-	20,196
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City Contributions during measurement date	-	-
City Contributions subsequent to the measurement date	35,633	-
Total	\$ 50,877	\$ 43,266

The \$35,633 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, 2019. 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:

2019	\$ (6,512)
2020	\$ (6,512)
2021	\$ (6,512)
2022	\$ (6,512)
2023	\$ (1,463)
Thereafter	\$ (512)
	<u>\$ (28,022)</u>

**Actuarial Assumptions-** The total OPEB liability as of June 30, 2017, was determined based on an actuarial valuation prepared as if June 30, 2017 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, 2017, 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, 2017, are summarized in the following table:

	<u>Long term Expected Real Rate of Return</u>
US Large Cap Equity	5.30%
US Small Cap Equity	5.60%
US Fixed	0.70%
International Stock	5.60%
Emerging Markets Stock	6.40%
TIPS	0.70%
Rate Anticipation	1.50%

**Discount Rate-** A single discount rate of 7.00% was used to measure the total OPEB liability as of June 30, 2017. 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 to Changes in the Discount Rate-**The following presents the net OPEB liability of the employer calculated using the discount rate of 7.00%, as well as what the Plan's net OPEB 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:

	<u>Current Discount</u>		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Employer's Net Pension Liability/(Asset) \$	73,927	\$ 18,716	\$ (28,750)

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

*City of Tahlequah, Oklahoma*  
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**NOTE 6: EMPLOYMENT RETIREMENT SYSTEM**

**Employees and Plans**

The City participates in three employee pension systems, they are:

- Oklahoma Firefighters Pension and Retirement Plan
- Oklahoma Police Pension and Retirement Plan
- Oklahoma Public Employees Retirement System

**Oklahoma Firefighters Pension and Retirement System**

**Plan description** - The City of Tahlequah, as the employer, participates in the Oklahoma Firefighters Pension and Retirement – a cost sharing, multiple employer, defined benefit plan administered by the Oklahoma Firefighters Pension and Retirement System (FPRS). Title II of the Oklahoma State Statues 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 the Plan’s administrative web site.

**Benefits provided** - FPRS provides retirement, disability and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 50% of the employee’s final average compensation times the employee’s years of service. Final average compensation is defined as the average of the highest 30 consecutive months of the last 60 months or participating service. For volunteer firefighters, the monthly pension benefits for normal retirement is \$150.60 per month.

Benefits for members hired after November 1, 2013 are determined as 2.5% of the employee’s final average compensation. Final average compensation is defined as the average of the highest 30 consecutive months of the last 60 months or participating service. 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 benefits for firefighters with less than 20 years of services is equal to 50% of the 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 opposed to 30 months. For volunteer firefighters, the not in the line of duty disability is also limited to those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, 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 member electing the vested benefit.

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**Contributions-** The contribution requirements of the Plan are at an established rate determined by Oklahoma Statutes and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$110,414 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an Amount of \$0 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures and Change 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 \$229,658. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-** At June 30, 2018 the City reported a net pension liability of \$3,277,365 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension 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, 2017. Based on this information, the City's proportion was .260579%.

For the year ended June 30, 2018, the City recognized pension expenses of \$362,225. At June 30, 2018 the City reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 437,800	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	292,069	383,399
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City Contributions during measurement date	-	-
City Contributions subsequent to the measurement date	110,414	-
Total	\$ 840,283	\$ 383,399

\$110,414 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year end June 30, 2019. Any amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**City of Tahlequah, Oklahoma**  
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Year Ended June 30:	
2019	\$ 126,946
2020	\$ 94,943
2021	\$ 9,180
2022	\$ 73,458
2023	\$ 16,405
Thereafter	<u>25,538</u>
	<u>\$ 346,470</u>

**Actuarial Assumptions-** The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurements:

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

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

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

The long-term expected rate return on pension plan investments was determined using a building block method in which best estimates range of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing 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 including the pension plan’s target asset allocations as of June 30, 2015, are summarized in the following:

	<u>Long term Expected Real Rate of Return</u>
Fixed Income	4.38%
Domestic Equity	7.72%
International Equity	9.70%
Real Estate	9.96%
Other Assets	5.75%

**Discount Rate-** The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from

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employers will assume the State of Oklahoma will continue contributing 36% of the insurance premiums, 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 percent point lower (6.5%) or 1 percent point higher (8.5%) than the current rate:

	<u>Current Discount</u>		
	1% Decrease 6.50%	Rate 7.50%	1% Increase 8.50%
Employer's Net Pension Liability/(Asset)	\$ 4,299,421	\$ 3,277,364	\$ 2,411,193

**Pension plan fiduciary net position-** Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial of the FPRS, which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Oklahoma Police Pension and Retirement system**

**Plan description-** The City 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 II of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

**Benefits provided-** OPPRS provides retirement, disability and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participant’s contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect to 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

**City of Tahlequah, Oklahoma**  
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years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participant's 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 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 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 the pension benefit.

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 member electing the vested benefit.

**Contributions-** The contributions requirement 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% of their annual pay. Participating cities are required to contribute 13% of the employee's annual pay. Contributions to the pension plan from the City were \$183,705. The State of Oklahoma made on behalf contributions to OPPRS in an amount \$0 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$164,733. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-** At June 30, 2018, the City reported a liability of \$37,069 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon the information, the City's proportion was .4819%.

For the year ended June 30, 2018, the City recognized pension expense of \$226,389. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,862	\$ 224,108
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	723,690	447,592
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City Contributions during measurement date		
City Contributions subsequent to the measurement date	183,705	-
Total	\$ 909,257	\$ 671,700

\$183,705 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year end June 30, 2019. Any amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	\$ 136,261
2020	\$ 63,213
2021	\$ (111,294)
2022	\$ (25,468)
2023	\$ (8,860)
Thereafter	-
	<u>\$ 53,852</u>

**Actuarial Assumptions-** The total pension liability was determined by an actuarial valuation as of July 1, 2015 using the following actuarial assumptions applied to all prior period included in the measurements:

Inflation	3%
Salary increases	4.5% to 17% average, including inflation
Investment rate of return	7.5% net of pension plan investment expense

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each

**City of Tahlequah, Oklahoma**  
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major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

	<u>Long term Expected Real Rate of Return</u>
Fixed Income	5.53%
Domestic Equity	7.42%
International Equity	9.74%
Real Estate	7.23%
Other Assets	10.58%

**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 rate determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premiums 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 plan 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 percent point lower (6.5%) or 1 percent higher (8.5%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.00%	7.00%	8.00%
Employer's Net Pension Liability/(Asset)	\$ 1,252,791	\$ 37,068	\$ 989,794

**Pension plan fiduciary net position-** Detailed information about the detailed plan’s fiduciary net position is available in the separately issued financial report of the OPFR, which can be found at [www.ok.gov/OPFRS](http://www.ok.gov/OPFRS).



*City of Tahlequah, Oklahoma*  
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**Oklahoma Public Employees Retirement System**

**Plan Description** - The City contributes to the Oklahoma Public Employees Retirement Plan (the plan), a cost-sharing, multiple employer, public employees retirement system administered by the Oklahoma Public Employees Retirement System (OPERS). The plan provides retirement, disability and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 74 of the Oklahoma Statutes, Section 901-943, as amended, assigns the authority. Annual financial report that includes financial statements and required supplementary information for the Plan may be obtained from OPERS or from their website: [www.opers.ok.gov/](http://www.opers.ok.gov/).

**Benefits provided**- Members qualify for full retirement benefits at their specified normal retirement age or, for any person who becomes 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 age 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 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.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at the age of 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.

Disability retirement benefits are available to members having eight years of credited service whose disability status has been certified as being within one year of 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.

**Contributions**- Plan members and the City are required to contribute at a rate set by statute. The contribution requirements of plan members and the City are established and may be amended by the legislation of the State of Oklahoma. The contribution rate for the City is 16.5% and the employee's contribution rate is 3.5%. Contributions by the City amount to \$515,543 for the fiscal year ended June 30, 2018.

**City of Tahlequah, Oklahoma**  
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**June 30, 2018**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-** At June 30, 2018 the City reported a liability of approximately \$883,458 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the employer contributing entity's percentage of the total employer contributions for the year ended June 30, 2017. Based on this information, the City's proportion was .1634027%.

For the year ended June 30, 2018, the City recognized pension expense of \$360,398. At June 30, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 392,203	\$ -
Change in assumptions		-
Net difference between projected and actual earnings on pension plan investments	39,466	157,988
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City Contributions during measurement date		
City Contributions subsequent to the measurement date	515,543	-
Total	\$ 947,212	\$ 157,988

\$515,543 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year end June 30, 2019. Any amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	\$ 256,382
2020	\$ 62,847
2021	\$ (141,079)
2022	\$ 95,531
2023	\$ -
Thereafter	-
	\$ 273,681

**City of Tahlequah, Oklahoma**  
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**Actuarial Assumptions-** The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions applied to all prior period included in the measurements.

Actuarial cost method	Entry age normal Inflation
Inflation	3%
Salary increases	4.5% to 8.4%, including inflation
Investment rate of return	7.5% net of pension plan investment expense

Mortality rates were based on the RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using Scale AA (disabled members were set forward 15 years).

The long term expected rate of return on pension plan investments were determined using a long-normal distributions 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 are summarized in the following table:

	Long term Expected Real Rate of Return
US Large Cap Equity	3.80%
US Small Cap Equity	4.90%
Non US Equity	9.20%
US Fixed	1.40%

**Discount Rate-** The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2114 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 to Changes in the Discount Rate-**The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage lower (6.5%) or one percentage point higher (8.5%) than the current rate:

**City of Tahlequah, Oklahoma**  
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**June 30, 2018**

	<u>1% Decrease</u>	<u>Current Discount</u> Rate	<u>1% Increase</u>
	6.50%	7.50%	8.50%
Employer's Net Pension Liability/(Asset)	\$ 2,611,098	\$ 883,458	\$ (579,447)

**Pension plan fiduciary net position-** Detailed information about the Plan's fiduciary net position is available in the separately issued OPERS financial report.

**NOTE 7: RISK MANAGEMENT**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**Pending Litigation**

The City is a party to various legal proceedings which involve civil tort claims against the City. It is the opinion of legal counselors that the result of an unfavorable outcome is not great. Legal counsel also asserts that the City of Tahlequah has limits of liability under the Oklahoma Tort Claims Act. The City also has sufficient insurance coverage and/or tort immunity in effect to protect the City from any material loss or liability due to pending claims or litigation.

A listing of all court cases filed against the City of Tahlequah and their status can be found at the website [www.odcr.com](http://www.odcr.com).

**NOTE 8: USE OF ESTIMATES**

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**NOTE 10: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the audit report, which is the date the financials were available to be issued.

**NOTE 11: RESTATEMENT OF BEGINNING NET ASSETS**

Net position of the Government-Wide Governmental Activities financial statements has been restated to reflect a correction in deferred outflows related to pension benefits the adjustment resulted in an increase in net assets of \$ 646,367.

***REQUIRED SUPPLEMENTARY INFORMATION***

**City of Tahlequah, Oklahoma**  
**Schedule of Federal Awards**  
**June30, 2018**

Title	Grantor/Pass-Through Grantor/Program					
	CFDA NUMBER	AWARD AMOUNT	BALANCE 6/30/2017	AWARDED (CLOSED)	Current Year Expenditures	Balance 6/30/2018
<b><u>FEDERAL AWARDS</u></b>						
<u>U.S. Department of Justice</u>						
Bullet Proof Vest	16.607	\$ -	\$ 1,105	\$ -	\$ 1,710	\$ 2,815
<u>U.S. Department of Transportation</u>						
PAPI-FAA GRANT	20.106	\$ 105,833	\$ -	\$ 105,833	\$ 105,833	\$ -
<u>Pass Through the State of Oklahoma</u>						
TIDE VIII	20.600	\$ 4,850	\$ 2,167	\$ 4,850	\$ 2,683	\$ -
Safe Oklahoma Grant	20.000	\$ 20,000	\$ -	\$ 20,000	\$ 20,000	\$ -
Sub-Total Pass Through State of OK		\$ 24,850	\$ 2,167	\$ 24,850	\$ 22,683	\$ -
Total Federal and State Awards			\$ 3,272	\$ 130,683	\$ 130,226	\$ 2,815

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Taxes	\$ 6,638,000	\$ 6,638,000	\$ 6,496,323	\$ (141,677)
Licenses and Permits:	106,500	106,500	69,647	(36,853)
Charges for Services	453,500	453,500	338,275	(115,225)
Fines and Forfeitures	684,020	684,020	622,865	(61,155)
Miscellaneous	276,764	276,764	282,627	5,863
Intergovernmental Revenue:	2,189,845	2,189,845	2,026,066	(163,779)
Total Resources	<u>10,348,629</u>	<u>10,348,629</u>	<u>9,835,803</u>	<u>(512,826)</u>
<b>Transfers:</b>				
Refunds of income	-	-	-	-
Transfers to from funds	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Amounts available for appropriation</b>	<u>10,348,629</u>	<u>10,348,629</u>	<u>9,835,803</u>	<u>(512,826)</u>
<b>Charges to Appropriations (Outflows):</b>				
Managerial:	3,228,675	3,228,675	2,504,517	724,158
City Clerk:	63,146	63,146	61,417	1,729
City Treasurer:	14,525	14,525	14,097	428
City Attorney:	2,057	2,057	2,057	-
Municipal Judge:	166,043	166,043	156,477	9,566
Cemetery:	319,402	319,402	257,508	61,894
Emergency Management:	163,430	163,430	136,195	27,235
Fire Department:	1,293,963	1,293,963	1,292,438	1,525
Law Enforcement:	2,892,979	2,892,979	2,830,401	62,578
City Airport:	190,512	190,512	188,104	2,408
Street:	1,570,525	1,570,525	1,176,910	393,615
Library:	29,500	29,500	25,134	4,366
Parks:	670,978	670,978	650,705	20,273
Maintenance:	236,802	236,802	231,819	4,983
Recreation:	796,009	796,009	597,666	198,343
Transfers Out	317,010	317,010	30,583	286,427
Total Charges to Appropriations	<u>11,955,556</u>	<u>11,955,556</u>	<u>10,156,028</u>	<u>1,799,528</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ (1,606,927)</u>	<u>\$ (1,606,927)</u>	<u>\$ (320,225)</u>	<u>\$ (1,286,702)</u>
<b>Adjustments to Reconcile Budget to Statement of Revenues Expenditures, and Changes In Fund Balance:</b>				
Accrued Tax Revenue 06/30/17			\$ (836,118)	
Accrued Tax Revenue 06/30/18			861,360	
Accrued Payroll 06/30/17			58,784	
Accrued Payroll 06/30/18			<u>(65,917)</u>	
<b>Net Change In Fund Balance</b>			<u>\$ (302,116)</u>	

The accompanying notes and auditor's report are an integral part of these financial statements.

*City of Tahlequah, Oklahoma*  
*Notes to the Budgetary Comparison*  
*Schedule June 30, 2018*

**BUDGETS AND BUDGETARY ACCOUNTING**

Under state law the Mayor submits an annual budget to the council for consideration and approval no later than June 30. Such budget is based on expected cash expenditures by program within a fund and estimated cash receipts by source for all funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

A proposed budget is submitted to the City Council for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments.

Prior to July 1, the budget is legally enacted by the City Council through passage of an ordinance.

Any revisions that alter the total expenditures of any department generally must be approved by the City Council. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations ordinance.

Formal budgetary integration is employed as a management control device during the year to the following funds:

- General Fund
- Hotel/Motel Fund
- Street and Alley Fund
- Cemetery Care Fund
- Capital Improvement Fund
- Brookside Restoration Fund

Annual budgets are legally adopted for the General Fund, Street and Alley Fund, Hotel/Motel Fund, Cemetery Care Fund, Brookside Restoration Fund, and Capital Improvement Fund. The budget of expenditures and encumbrances for these funds cannot exceed the estimated revenues. Budgetary control is maintained by department and by the following categories of expenditures: personal services, material and supplies, other services and charges, transfers and capital outlay. A comparison of budget to actual for the General Fund has been presented.



**City of Tahlequah, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-Fiduciary Funds**  
**June 30, 2018**

	Restricted Sales	
	Tax Fund	
<b>Revenues</b>		
Sales Tax	\$ 3,642,760	
Use Tax	149,115	
Total Revenues	3,791,875	
<b>Other Financing Sources/(Uses)</b>		
Transfers to other funds	3,791,875	
Total Other Financing Sources/(Uses)	3,791,875	
Net Change in Fund Balance		-
Fund Balance-Beginning		-
Fund Balance-Ending	\$	-

The accompanying notes and auditor's report are an integral part of these financial statements.

**City of Tahlequah, Oklahoma**  
**Required Supplementary Information on Pension Plan Funding**  
**for the Year Ended June 30, 2018**

**Schedule of the City of Tahlequah's Proportionate Share of the Net Pension Liability:  
Oklahoma Firefighters Pension and Retirement System**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's proportion of the net liability	0.260579%	0.254001%	0.246298%	0.223900%
City's proportionate share of the net liability	\$3,277,365	\$3,103,156	\$2,614,231	\$2,302,349
City's covered employee payroll	\$742,841	\$695,000	\$666,324	\$640,287
City's proportionate share of the net pension liability as a percentage of its covered employee liability	441.19%	446.50%	392.34%	359.58%
Plan fiduciary net position as a percentage of total pension liability	66.61%	64.87%	68.27%	68.12%

**Schedule of the City of Tahlequah's Pension Contributions:  
Oklahoma Firefighters Pension and Retirement System**

Statutorily required contributions	\$103,693	\$99,469	\$94,212	\$95,544
Contributions in relation to the statutorily required contribution	\$103,693	\$99,469	\$94,212	\$95,544
Contribution deficiency/(excess)	\$0	\$0	\$0	\$0
City's covered employee payroll	\$742,841	\$695,000	\$666,324	\$640,287
Contributions as a percentage of covered employee payroll	13.96%	14.31%	14.14%	14.90%

Note: Only the current and three prior fiscal years is presented because 10 year data is not yet available.

The accompanying notes and auditor's report are an integral part of these financial statements.

**City of Tahlequah, Oklahoma**  
**Required Supplementary Information on Pension Plan Funding**  
**for the Year Ended June 30, 2018**

**Schedule of the City of Tahlequah's Proportionate Share of the Net Pension Liability:  
Oklahoma Police Pension and Retirement System**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's proportion of the net liability	0.481900%	0.445700%	0.437200%	0.409900%
City's proportionate share of the net liability	\$37,069	\$682,581	\$17,826	(\$138,025)
City's covered employee payroll	\$1,441,512	\$1,354,583	\$1,291,082	\$1,212,688
City's proportionate share of the net pension liability as a percentage of its covered employee liability	2.57%	51.67%	1.38%	-11.38%
Plan fiduciary net position as a percentage of total pens	99.68%	93.50%	55.55%	101.53%

**Schedule of the City of Tahlequah's Pension Contributions:  
Oklahoma Police Pension and Retirement System**

Statutorily required contributions	\$186,820	\$170,887	\$160,650	\$140,822
Contributions in relation to the statutorily required contribution	\$186,820	\$170,877	\$160,650	\$140,822
Contribution deficiency/(excess)	\$0	\$0	\$0	\$0
City's covered employee payroll	\$1,441,512	\$1,354,583	\$1,291,082	\$1,216,888
Contributions as a percentage of covered employee payroll	12.96%	12.61%	12.44%	11.60%

Note: Only the current and three prior fiscal years is presented because 10 year data is not yet available.

The accompanying notes and auditor's report are an integral part of these financial statements.

**City of Tahlequah, Oklahoma**  
**Required Supplementary Information on Pension Plan Funding**  
**for the Year Ended June 30, 2018**

**Schedule of the City of Tahlequah's Proportionate Share of the Net Pension Liability:**  
**Oklahoma Public Employee Retirement System**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's proportion of the net liability	0.163403%	0.155200%	0.159781%	0.151690%
City's proportionate share of the net liability	\$883,458	\$1,539,943	\$574,704	\$278,448
City's covered employee payroll	\$2,926,231	\$2,807,528	\$2,786,642	\$2,616,023
City's proportionate share of the net pension liability as a percentage of its covered employee liability	30.19%	54.85%	20.62%	10.64%
Plan fiduciary net position as a percentage of total pension liability	94.28%	89.48%	96.00%	97.90%
<b>Schedule of the City of Tahlequah's Pension Contributions:</b> <b>Oklahoma Public Employee Retirement System</b>				
Statutorily required contributions	\$439,548	\$460,049	\$466,051	\$452,102
Contributions in relation to the statutorily required contribution	\$439,548	\$460,049	\$466,051	\$452,102
Contribution deficiency/(excess)	\$0	\$0	\$0	\$0
City's covered employee payroll	\$2,926,231	\$2,807,528	\$2,786,642	\$2,616,023
Contributions as a percentage of covered employee payroll	15.02%	16.38%	16.72%	17.30%

Note: Only the current and three prior fiscal years is presented because 10 year data is not yet available.

The accompanying notes and auditor's report are an integral part of these financial statements.

**City of Tahlequah, Oklahoma**  
**Required Supplementary Information on Pension Plan Funding**  
**for the Year Ended June 30, 2018**

**Schedule of the City of Tahlequah's Proportionate Share of the Net OPEB Liability:  
Oklahoma Public Employee Retirement System**

	<b>June 30, 2018</b>
City's proportion of the net liability	0.163403%
City's proportionate share of the net liability	\$18,716
City's covered employee payroll	\$2,935,458
City's proportionate share of the net pension liability as a percentage of its covered employee liability	0.64%
Plan fiduciary net position as a percentage of total pension liability	96.50%

**Schedule of the City of Tahlequah's Pension Contributions:  
Oklahoma Public Employee Retirement System**

Statutorily required contributions	\$35,633
Contributions in relation to the statutorily required con:	\$35,633
Contribution deficiency/(excess)	\$0
City's covered employee payroll	\$2,935,458
Contributions as a percentage of covered employee payroll	1.21%

Note: Only the current fiscal year is presented because 10 year data is not yet available.

The accompanying notes and auditor's report are an integral part of these financial statements.

## ***OTHER REPORTS***

**MICHAEL W. GREEN**  
***Certified Public Accountant***  
827 West Locust Street  
Stilwell, Ok. 74960  
(918) 696-6298

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*

The Honorable Mayor and City Council  
City of Tahlequah, Oklahoma

I 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated May 31, 2019. My report was modified to include a reference to other auditors. Other auditors audited the financial statements of Tahlequah Hospital Authority, Tahlequah Public Works Authority and City Light and Water Department (Tahlequah) as described in my report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be material weaknesses listed as item 2018-1.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2018-1.

***City of Tahlequah's Response to Findings***

The City's response to the findings identified in my audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

***Purpose of this Report***

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



Michael Green, CPA  
May 31, 2019



## SCHEDULE OF FINDINGS AND RESPONSES

2018-1:

*Condition and Criteria:* The State of Oklahoma requires an annual audit report within six months of the year end. The financial statements were not available to audit until several months after this deadline.

*Effect:* The City was in violation of this state requirement. This also creates potential problems with funding sources and could create a situation where management decisions are not made based on relevant financial information.

*Cause:* There does not appear to be adequate controls or procedures in place to cause the financial statements to be completed on a timely basis.

*Auditor's Recommendation:* The financial statements for the City are complex. It is important to have adequate training and support for the staff. If an outside firm is contracted to assist in the preparation of the financial statements, the City should have a policy or agreement in place that will require the work to be done in a time frame that will allow the audit to be completed by the due date. I believe a draft of the financial statements could be completed by the end of October each year if the records are in good shape.

*Views of Responsible Officials and Planned Corrective Actions:* The City of Tahlequah continues to formulate plans, and is striving, to implement the above recommendations.