

# **CITY OF CHECOTAH, OKLAHOMA**

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

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

# **THE CITY OF CHECOTAH, OKLAHOMA**

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

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

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

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## **INDEPENDENT AUDITORS' REPORT**

To the Users of the City of Checotah, Oklahoma, Annual Financial Report

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1(B); this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Units**

Management has not included the Heartland Heritage Center Authority (HHCA) in the City's financial statements. Accounting principles generally accepted in the United States require the HHCA to be presented as an aggregate discretely presented component unit. The omission of the HHCA had no impact on the governmental activities, the business-type activities, each major fund, or the aggregate remaining fund information of the City as of or for the year ended June 30, 2020.

### **Adverse Opinion on Aggregate Discretely Presented Component Units**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the City's aggregate discretely presented component units as of June 30, 2020, or the changes in financial position or cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1(B).

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units Checotah Recreational Authority and Checotah Industrial Development Authority, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1(B).

### **Basis of Accounting**

We draw attention to Note 1(B) of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Other Matters**

#### *Report on Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis, budgetary comparison information, and other information, such as the non-major governmental funds combining statements—modified cash basis, the general fund combining accounts schedules—modified cash basis, the enterprise fund combining accounts schedules—modified cash basis, the schedule of expenditures of federal awards—modified cash basis, the schedule of expenditures of state awards—modified cash basis, and the schedule of debt service coverage requirement are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The management's discussion and analysis on pages 9 through 15, and the budgetary comparison information on pages 41 through 42 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on such information.

The non-major governmental funds combining statements—modified cash basis, the general fund combining accounts schedules—modified cash basis, the enterprise fund combining accounts schedules—modified cash basis, the schedule of expenditures of federal awards—modified cash basis, the schedule of expenditures of state awards—modified cash basis, and the schedule of debt service coverage requirement are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Continued)



**INDEPENDENT AUDITORS' REPORT, CONTINUED**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Finlay + Cook, PLLC

Shawnee, Oklahoma  
December 8, 2020

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

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The management of the City of Checotah is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2020. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position decreased by \$225,622, and the assets of the City exceed its liabilities at June 30, 2020, by \$9,009,873 (net position). Of this amount, \$4,220,350 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2020, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$6,909,243.
- At the end of fiscal year 2020, unassigned fund balance on a modified cash basis for the General Fund was \$2,694,601 or 68.3% of General Fund revenues.

### **ABOUT THE CITY**

The City of Checotah is an incorporated municipality with a population of approximately 3,400 located in McIntosh County in southeastern Oklahoma. The City is an Aldermanic form of government that provides for three branches of government:

- Legislative – the City Council is an eight-member governing body elected by the citizens at large
- Executive – the Mayor is the Chief Executive Officer and is elected by the citizens
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, cemetery, streets and public works, culture and recreation, utility services including water, wastewater, and economic development activities.

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

With the exceptions noted below, this annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity consists of the following separate legal entities.

- **The City of Checotah** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities

- **The Checotah Public Works Authority (CPWA)** – that operates the water and wastewater services of the City – blended as a proprietary fund - *considered part of the primary government presentation for reporting purposes*
- **The Checotah Recreational Authority (CRA)** – that promotes and provides financing for projects or facilities relating to the development of recreation and/or tourism within and near the jurisdictional boundaries of the City – *reported as a discretely presented component unit*
- **The Checotah Industrial Development Authority (CIDA)** – that provides financing to businesses for the purpose of acquiring facilities for industrial or manufacturing, in or near the City – *reported as a discretely presented component unit*
- **The Heartland Heritage Center Authority (HHCA)** – that promotes and provides financing opportunities to stimulate economic growth, development and well-being in or near the City – *would normally be reported as a discretely presented component unit but is excluded from this report*
- **The Checotah Educational Facilities Authority (CEFA)** – that promotes, finances, and develops projects or facilities relating to the development of educational institutions within the City – *would normally be reported as a discretely presented component unit, but is currently inactive*

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

With the exceptions noted above, the financial statements of the reporting entity presented herein include all of the activities of the City of Checotah (the “City”), the Checotah Public Works Authority (the “Authority”), the Checotah Recreational Authority (CRA), and the Checotah Industrial Development Authority (CIDA). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, in addition to a separate presentation for the discretely presented component units.

The government-wide financial statements present the complete financial picture of the City as applicable to the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

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

### ***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions with selected modifications.

In the Statement of Net Position and the Statement of Activities, we divide the City's primary government into three kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water and wastewater utilities are reported as business-type activities. *Discretely component units*- Accounts for activities of the City's reporting entity that do not meet the criteria for blending, and includes the Checotah Recreational Authority and the Checotah Industrial Development Authority.

## **Reporting the City's Most Significant Funds - Fund Financial Statements**

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

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City utilizes two kinds of funds - *governmental and proprietary*.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

*Proprietary funds* - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. The City's proprietary fund is the Checotah Public Works Authority that accounts for the operation of the water and wastewater activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-39 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the Ambulance Fund, a federal and state award schedule, combining and individual fund financial statements and schedules, and a debt service coverage schedule.

**THE CITY AS A WHOLE**

For the year ended June 30, 2020, net position on a modified cash basis for the governmental and business-type activities decreased \$225,622.

**Net Position (Modified Cash Basis)**  
**June 30, 2020**

	Governmental Activities	Business-type Activities	Total
Beginning net position	\$ 6,931,101	\$ 2,304,394	\$ 9,235,495
Change in net position	(21,858)	(203,764)	(225,622)
<b>Ending net position</b>	<b>\$ 6,909,243</b>	<b>\$ 2,100,630</b>	<b>\$ 9,009,873</b>

Following is a summary of net position reported on a modified cash basis for the City of Checotah primary government.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	
	Assets	\$ 6,916,417	\$ 6,933,309	\$ 2,189,642	\$ 2,373,383	\$ 9,106,059	
<b>Total assets</b>	6,916,417	6,933,309	2,189,642	2,373,383	9,106,059	9,306,692	-2.2%
Liabilities	7,174	2,208	89,012	68,989	96,186	71,197	35.1%
<b>Total liabilities</b>	7,174	2,208	89,012	68,989	96,186	71,197	35.1%
Net position:							
Restricted	4,130,675	4,372,559	658,848	636,965	4,789,523	5,009,524	-4.4%
Unrestricted	2,778,568	2,558,542	1,441,782	1,667,429	4,220,350	4,225,971	-0.1%
<b>Total net position</b>	<b>\$ 6,909,243</b>	<b>\$ 6,931,101</b>	<b>\$ 2,100,630</b>	<b>\$ 2,304,394</b>	<b>\$ 9,009,873</b>	<b>\$ 9,235,495</b>	-2.4%

A portion of the City's net position, \$4,789,523, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,220,350, may be used to meet the government's ongoing needs.

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

**Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30, 2020**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	
<b>Revenues:</b>							
Program revenues:							
Charges for Services	\$ 602,319	\$ 550,671	\$ 1,568,781	\$ 1,641,795	\$ 2,171,100	\$ 2,192,466	-1.0%
Grants & Contributions	6,642	5,370	-	-	6,642	5,370	23.7%
Capital Grants & Contributions	-	51,239	488,986	89,156	488,986	140,395	248.3%
Payment from CIDA	6,712	-	-	-	6,712	-	100.0%
General Revenues:							
Sales Tax	4,565,126	4,373,607	-	-	4,565,126	4,373,607	4.4%
Other Taxes	123,475	131,000	-	-	123,475	131,000	-5.7%
Other General Revenues	252,325	244,001	17,343	13,459	269,668	257,460	4.7%
<b>Total Revenues</b>	<b>5,556,599</b>	<b>5,355,888</b>	<b>2,075,110</b>	<b>1,744,410</b>	<b>7,631,709</b>	<b>7,100,298</b>	<b>7.5%</b>
<b>Program Expenses:</b>							
General Government	\$ 399,423	\$ 410,323	-	-	399,423	410,323	-2.7%
Public Safety	1,855,873	1,722,570	-	-	1,855,873	1,722,570	7.7%
Streets and Facilities Maintenance	809,063	1,065,745	-	-	809,063	1,065,745	-24.1%
Culture and Recreation	268	53,334	-	-	268	53,334	-99.5%
Recreation (Payment to CRA)	3,059	-	-	-	3,059	-	100.0%
Industrial development (Payment to CIDA)	19,975	17,958	-	-	19,975	17,958	11.2%
Water	-	-	4,116,347	2,677,456	4,116,347	2,677,456	53.7%
Sewer	-	-	653,323	601,190	653,323	601,190	8.7%
<b>Total Expenses</b>	<b>3,087,661</b>	<b>3,269,930</b>	<b>4,769,670</b>	<b>3,278,646</b>	<b>7,857,331</b>	<b>6,548,576</b>	<b>20.0%</b>
Excess (Deficiency)	2,468,938	2,085,958	(2,694,560)	(1,534,236)	(225,622)	551,722	-140.9%
Net Transfers	(2,490,796)	(1,601,151)	2,490,796	1,601,151	-	-	-
<b>Change in Net Position</b>	<b>\$ (21,858)</b>	<b>\$ 484,807</b>	<b>\$ (203,764)</b>	<b>\$ 66,915</b>	<b>\$ (225,622)</b>	<b>\$ 551,722</b>	<b>-140.9%</b>
Beginning Net Position	6,931,101	6,446,294	2,304,394	2,237,479	9,235,495	8,683,773	6.4%
<b>Ending Net Position</b>	<b>\$ 6,909,243</b>	<b>\$ 6,931,101</b>	<b>\$ 2,100,630</b>	<b>\$ 2,304,394</b>	<b>\$ 9,009,873</b>	<b>\$ 9,235,495</b>	<b>-2.4%</b>

**Governmental Activities**

The City's governmental activities had a decrease in net position of \$21,858. The decrease is due in part to an increase in transfers out related to the grant matching costs for the water intake structure project.

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2020	2019		2020	2019	
General government	\$ 399	\$ 410	-3%	\$ (379)	\$ (348)	9%
Public safety	1,856	1,723	8%	(1,303)	(1,222)	7%
Streets and facilities maintenance	809	1,066	-24%	(780)	(1,031)	-24%
Culture and recreation	-	53	-100%	6	(44)	-114%
Recreation (Payment to CRA)	3	-	100%	(3)	-	100%
Industrial development (Payment to CIDA)	20	18	11%	(20)	(18)	11%
<b>Total</b>	<b>\$ 3,087</b>	<b>\$ 3,271</b>	<b>-6%</b>	<b>\$ (2,479)</b>	<b>\$ (2,663)</b>	<b>-7%</b>

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

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**Business-type Activities**

The business-type activities had a decrease in net position of \$203,764. This decrease is primarily due to an increase in water expenses related to the water intake structure project.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2020	2019		2020	2019	
	Water	\$ 4,116		\$2,677	54%	
Wastewater	653	601	9%	(336)	(264)	27%
<b>Total</b>	<b>\$ 4,769</b>	<b>\$3,278</b>	45%	<b>\$ (2,712)</b>	<b>\$ (1,548)</b>	75%

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

As the City completed its 2020 fiscal year, the governmental funds reported a combined fund balance of \$6,909,243. For the year ended June 30, 2020, the General Fund's total fund balance increased by \$200,610 to \$2,696,913 or 68.4% of annual revenues.

**Budgetary Highlights**

For the year ended June 30, 2020, the General Fund reported actual budgetary basis revenues over final estimates by \$452,698 or a 7.1% positive variance. General Fund actual expenditures were under final appropriations by \$164,103 or a 2.4% positive variance.

The Ambulance Fund reported actual budgetary basis revenues over final estimates by \$130,470, a 27.8% positive variance for the year ended June 30, 2020. Ambulance Fund actual expenditures were under final appropriations by \$1,716, a 0.3% positive variance.

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

One of the primary responsibilities of City management is to prepare and submit in the City Council an annual budget for the upcoming year that is balanced, meets the needs and expectations of the City, and is appropriate to the economic conditions of the City. This management is committed to the fiduciary responsibility that we have in managing public resources.

The fact that the City has an aging infrastructure, and, as there are more government issued unfunded mandates, leads the City to look at its' priorities and budget accordingly. The water dock project will be completed in fall of 2020. New City Hall will be completed in the FY 2020-2021.

The FY 2019-2020 sales tax remained steady. The City is optimistic that the sales tax will remain consistent for the FY 2020-2021.

Other information that will affect future economic factors and rates includes:

- The City increased the water and sewer rates effective July 1, 2020.

The current economic slowdown that began in early March 2020 related to the effects of the Coronavirus will certainly have some kind of financial impact on the City's financial position and activities. However, the City plans to respond with appropriate actions once the depth and length of the slowdown and its impact on the City have been determined.

### **Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 414 W. Gentry, Checotah, Oklahoma 74426-2444 or telephone at 918-473-5411.



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

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

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

**Statement of Net Position (Modified Cash Basis) – June 30, 2020**

	Governmental Activities	Business-type Activities	Total	Component Units	
				Checotah Recreational Authority	Checotah Industrial Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,564,473	\$ 1,965,594	\$ 8,530,067	\$ 3,246	\$ 194,355
Investments	551,075	-	551,075	-	186,497
Deposits with insurance pool	24,917	-	24,917	-	-
Internal Balances	(224,048)	224,048	-	-	-
Total Assets	<u>6,916,417</u>	<u>2,189,642</u>	<u>9,106,059</u>	<u>3,246</u>	<u>380,852</u>
<b>LIABILITIES</b>					
Due to bondholders	6,940	-	6,940	-	-
Due to governmental agencies	234	-	234	-	-
Long-term liabilities:					
Due within one year - utility deposits	-	17,802	17,802	-	-
Due in more than one year - utility deposits	-	71,210	71,210	-	-
Total liabilities	<u>7,174</u>	<u>89,012</u>	<u>96,186</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Restricted for:					
Public safety	343,419	-	343,419	-	-
Capital improvements	3,747,330	-	3,747,330	-	-
Cemetery	39,926	-	39,926	-	-
Debt service	-	658,848	658,848	-	-
Unrestricted	<u>2,778,568</u>	<u>1,441,782</u>	<u>4,220,350</u>	<u>3,246</u>	<u>380,852</u>
Total net position	<u>\$ 6,909,243</u>	<u>\$ 2,100,630</u>	<u>\$ 9,009,873</u>	<u>\$ 3,246</u>	<u>\$ 380,852</u>

See accompanying notes to the basic financial statements.

**CITY OF CHECOTAH, OKLAHOMA**  
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**Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2020**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Checotah Recreational Authority	Checotah Industrial Development Authority
<b>Primary government</b>									
Governmental Activities									
General Government	\$ 399,423	\$ 20,471	\$ -	\$ -	\$ (378,952)	\$ -	\$ (378,952)	\$ -	\$ -
Public Safety	1,855,873	546,024	6,642	-	(1,303,207)	-	(1,303,207)	-	-
Streets and facilities maintenance	809,063	29,404	-	-	(779,659)	-	(779,659)	-	-
Culture and Recreation	288	6,420	-	-	6,152	-	6,152	-	-
Recreation (Payment to CRA)	3,059	-	-	-	(3,059)	-	(3,059)	-	-
Industrial development (Payment to CIDA)	19,975	-	-	-	(19,975)	-	(19,975)	-	-
Total governmental activities	<u>3,087,661</u>	<u>602,319</u>	<u>6,642</u>	<u>-</u>	<u>(2,478,700)</u>	<u>-</u>	<u>(2,478,700)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water	4,116,347	1,250,978	-	488,986	-	(2,376,383)	(2,376,383)	-	-
Wastewater	653,323	317,803	-	-	-	(335,520)	(335,520)	-	-
Total business-type activities	<u>4,769,670</u>	<u>1,568,781</u>	<u>-</u>	<u>488,986</u>	<u>-</u>	<u>(2,711,903)</u>	<u>(2,711,903)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>7,857,331</u>	<u>2,171,100</u>	<u>6,642</u>	<u>488,986</u>	<u>(2,478,700)</u>	<u>(2,711,903)</u>	<u>(5,190,603)</u>	<u>-</u>	<u>-</u>
<b>Component Unit</b>									
Checotah Recreational Authority	48,752	20,359	6,481	-	-	-	-	(21,912)	-
Checotah Industrial Development Authority	51,801	22,950	-	-	-	-	-	-	(28,851)
Total component units	<u>100,553</u>	<u>43,309</u>	<u>6,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,912)</u>	<u>(28,851)</u>
<b>General revenues:</b>									
Taxes:									
Sales and use taxes					\$ 4,565,126	\$ -	\$ 4,565,126	-	-
Franchise taxes and public service taxes					123,475	-	123,475	-	-
Intergovernmental revenue not restricted to specific programs					155,498	-	155,498	-	-
Unrestricted investment earnings					46,863	10,605	57,468	48	3,930
Miscellaneous					49,964	6,738	56,702	-	-
Payments received from primary government					-	-	-	3,059	19,975
Payments received from component unit - CIDA					6,712	-	6,712	-	-
Transfers					(2,490,796)	2,490,796	-	-	-
Total general revenues and transfers					<u>2,456,842</u>	<u>2,508,139</u>	<u>4,964,981</u>	<u>3,107</u>	<u>23,905</u>
Change in net position					<u>(21,858)</u>	<u>(203,764)</u>	<u>(225,622)</u>	<u>(18,805)</u>	<u>(4,946)</u>
Net position - beginning					6,931,101	2,304,394	9,235,495	22,051	385,798
Net position - ending					<u>\$ 6,909,243</u>	<u>\$ 2,100,630</u>	<u>\$ 9,009,873</u>	<u>\$ 3,246</u>	<u>\$ 380,852</u>

See accompanying notes to the basic financial statements.

**CITY OF CHECOTAH, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF CHECOTAH, OKLAHOMA**  
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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2020**

	<u>General Fund</u>	<u>Restricted Sales Tax</u>	<u>Capital Improvement Fund</u>	<u>Ambulance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,566,690	\$ 1,887,419	\$ 1,741,697	\$ 334,939	\$ 33,728	\$ 6,564,473
Investments	110,000	426,075	-	-	15,000	551,075
Due from other funds	2,480	-	-	-	-	2,480
Deposits with insurance pool	24,917	-	-	-	-	24,917
Total assets	<u>2,704,087</u>	<u>2,313,494</u>	<u>1,741,697</u>	<u>334,939</u>	<u>48,728</u>	<u>7,142,945</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	-	226,528	-	-	-	226,528
Due to bondholders	6,940	-	-	-	-	6,940
Payable to other governments	234	-	-	-	-	234
Total liabilities	<u>7,174</u>	<u>226,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,702</u>
Fund balances:						
Restricted for:						
Public Safety	-	-	-	334,939	8,480	343,419
Capital Improvements	-	2,005,870	1,741,460	-	-	3,747,330
Cemetery	-	-	-	-	39,926	39,926
Assigned to:						
Public Safety	2,312	-	-	-	-	2,312
Cemetery	-	-	-	-	322	322
Capital Improvements	-	81,096	237	-	-	81,333
Unassigned	2,694,601	-	-	-	-	2,694,601
Total fund balances	<u>2,696,913</u>	<u>2,086,966</u>	<u>1,741,697</u>	<u>334,939</u>	<u>48,728</u>	<u>6,909,243</u>
Total liabilities and fund balances	<u>\$ 2,704,087</u>	<u>\$ 2,313,494</u>	<u>\$ 1,741,697</u>	<u>\$ 334,939</u>	<u>\$ 48,728</u>	<u>\$ 7,142,945</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Restricted Sales Tax</u>	<u>Capital Improvement Fund</u>	<u>Ambulance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 3,599,618	\$ 1,088,983	\$ -	\$ -	\$ -	\$ 4,688,601
Intergovernmental	160,190	-	-	-	-	160,190
Licenses and permits	18,467	-	-	-	-	18,467
Charges for services	32,513	-	-	490,446	5,315	528,274
Fees and fines	50,199	-	-	-	2,556	52,755
Investment earnings	27,447	19,416	-	-	-	46,863
Miscellaneous	54,737	-	-	-	-	54,737
Total revenues	<u>3,943,171</u>	<u>1,108,399</u>	<u>-</u>	<u>490,446</u>	<u>7,871</u>	<u>5,549,887</u>
<b>EXPENDITURES</b>						
Current:						
General Government:						
Managerial	94,332	-	-	-	-	94,332
City Clerk	3,229	-	-	-	-	3,229
Attorney	25,833	-	-	-	-	25,833
General Government	169,515	-	712	-	-	170,227
City Treasurer	22,416	-	-	-	-	22,416
Property	-	7,000	-	-	-	7,000
Code Enforcement	70,714	-	-	-	-	70,714
Public Safety:						
Police	842,758	-	-	-	3,057	845,815
Municipal Court	16,936	-	-	-	-	16,936
Emergency Services	64,094	-	-	-	-	64,094
Ambulance	-	-	269,600	463,911	-	733,511
Fire	21,105	-	-	-	-	21,105
Animal Shelter	12,774	-	-	-	-	12,774
Maintenance	673,193	-	-	-	-	673,193
Culture and recreation	268	-	-	-	-	268
Cemetery	-	-	-	-	2,400	2,400
Capital Outlay	66,453	112,931	154,051	30,244	300	363,979
Total Expenditures	<u>2,083,620</u>	<u>119,931</u>	<u>424,363</u>	<u>494,155</u>	<u>5,757</u>	<u>3,127,826</u>
Excess (deficiency) of revenues over expenditures	<u>1,859,551</u>	<u>988,468</u>	<u>(424,363)</u>	<u>(3,709)</u>	<u>2,114</u>	<u>2,422,061</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,881,965	-	1,088,983	108,601	-	4,079,549
Transfers out	(4,520,931)	(1,026,666)	(955,896)	-	-	(6,503,493)
Transfers out - component unit	(19,975)	-	-	-	-	(19,975)
Total other financing sources and uses	<u>(1,658,941)</u>	<u>(1,026,666)</u>	<u>133,087</u>	<u>108,601</u>	<u>-</u>	<u>(2,443,919)</u>
Net change in fund balances	200,610	(38,198)	(291,276)	104,892	2,114	(21,858)
Fund balances - beginning	2,496,303	2,125,164	2,032,973	230,047	46,614	6,931,101
Fund balances - ending	<u>\$ 2,696,913</u>	<u>\$ 2,086,966</u>	<u>\$ 1,741,697</u>	<u>\$ 334,939</u>	<u>\$ 48,728</u>	<u>\$ 6,909,243</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

**CITY OF CHECOTAH, OKLAHOMA**  
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**Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2020**

	<b><u>Checotah Public Works Authority Enterprise Fund</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,217,734
Restricted:	
Cash and cash equivalents	694,532
Due from other funds	226,528
Total current assets	<u>2,138,794</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	53,328
Total non-current assets	<u>53,328</u>
Total assets	<u>2,192,122</u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Due to other funds	2,480
Deposits subject to refund	17,802
Total current liabilities	<u>20,282</u>
Non-current liabilities:	
Deposits subject to refund	71,210
Total non-current liabilities	<u>71,210</u>
Total liabilities	<u>91,492</u>
 <b>NET POSITION</b>	
Restricted for debt service	658,848
Unrestricted	1,441,782
Total net position	<u>\$ 2,100,630</u>

See accompanying notes to the basic financial statements.



**CITY OF CHECOTAH, OKLAHOMA**  
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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2020**

	<b><u>Checotah Public Works Authority Enterprise Fund</u></b>
<b>REVENUES</b>	
Water	\$ 1,214,951
Wastewater	308,707
Fees, taps and penalties	37,973
Miscellaneous	7,150
<b>Total operating revenues</b>	<b><u>1,568,781</u></b>
<b>OPERATING EXPENSES</b>	
Administration	562,837
Water	3,065,838
Wastewater	334,182
Total Operating Expenses	<u>3,962,857</u>
Operating income (loss)	<u>(2,394,076)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	10,605
Miscellaneous revenue	6,738
Debt service:	
Principal retirement	(654,972)
Interest expense	(84,989)
Total non-operating revenue (expenses)	<u>(722,618)</u>
Income (loss) before contributions and transfers	<u>(3,116,694)</u>
Capital contributions - grant	488,986
Transfers in	4,805,909
Transfers out	<u>(2,381,965)</u>
Change in net position	<u>(203,764)</u>
Total net position - beginning	2,304,394
Total net position - ending	<b><u>\$ 2,100,630</u></b>

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2020**

	<b>Checotah Public Works Authority Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,575,519
Payments to suppliers	(2,944,795)
Payments to employees	(1,018,062)
Receipts of customer meter deposits	36,045
Refunds of customer meter deposits	(16,022)
Interfund receipts/payments	(223,612)
<b>Net cash provided by (used in) operating activities</b>	<b><u>(2,590,927)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	4,805,909
Transfers to other funds	(2,381,965)
<b>Net cash provided by noncapital financing activities</b>	<b><u>2,423,944</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on debt	(654,972)
Capital contribution - grant	488,986
Interest and fiscal agent fees paid on debt	(84,989)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>(250,975)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of investments	6,000
Interest and dividends	10,605
<b>Net cash provided by investing activities</b>	<b><u>16,605</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(401,353)</b>
<b>Balances - beginning of year</b>	<b><u>2,366,947</u></b>
<b>Balances - end of year</b>	<b><u>\$ 1,965,594</u></b>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	1,217,734
Restricted cash and cash equivalents - current	694,532
Restricted cash and cash equivalents - noncurrent	53,328
<b>Total cash and cash equivalents, end of year</b>	<b><u>1,965,594</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ (2,394,076)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Miscellaneous revenue	6,738
Change in assets and liabilities:	
Due from other funds	(226,092)
Due to other funds	2,480
Deposits subject to refund	20,023
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ (2,590,927)</u></b>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

## **1. Summary of Significant Accounting Policies**

### **A. Financial Reporting Entity**

The City's financial reporting entity consists of the primary government (including one blended component unit) and four discretely-presented component units as follows.

- **The City of Checotah** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities, governed by the City Council
- **The Checotah Public Works Authority (CPWA)** – that operates the water and wastewater services of the City governed by the City Council members as trustees– blended as a proprietary fund - *considered part of the primary government presentation for reporting purposes*
- **The Checotah Recreational Authority (CRA)** – that promotes and provides financing for projects or facilities relating to the development of recreation and/or tourism within and near the jurisdictional boundaries of the City governed by separate trustees appointed by the City Council – *reported as a discretely presented component unit*
- **The Checotah Industrial Development Authority (CIDA)** – that provides financing to businesses for the purpose of acquiring facilities for industrial or manufacturing, in or near the City - *reported as a discretely presented component unit*
- **The Heartland Heritage Center Authority (HHCA)** – that promotes and provides financing to stimulate economic growth, development and well-being in or near the City governed by separate trustees appointed by the City Council – *would normally be reported as a discretely presented component unit but is excluded from this report*
- **The Checotah Educational Facilities Authority (CEFA)** – that promotes, finances, and develops projects or facilities relating to the development of educational institutions within the City – *would normally be reported as a discretely presented component unit, but is currently inactive*

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Council Statement No. 14, *The Financial Reporting Entity*, as amended by Statement 61, except for the exclusion of the Heartland Heritage Center Authority as discussed above. That entity has been excluded from the City's reporting entity in this financial report due to the timing of the City's release of its audited financial statements.

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

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

- General government: License and permits, rents and royalties
- Public safety: Fine revenue, operating and capital grants
- Streets and facilities maintenance: Gas excise taxes, commercial vehicle taxes and cemetery lot sales
- Culture and recreation: Operating and capital grants

Business-type activities are also reported on a modified cash basis.

*Governmental Funds:*

The City's governmental funds are comprised of the following:

**Major Funds:**

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Restricted Sales Tax Fund – a capital project fund that accounts for a one-cent sales tax legally restricted for street improvements, sewer improvements and utility equipment.
- Capital Improvement – a capital project fund that accounts for funds designated for capital outlay and debt service on capital related debt and other city services deemed necessary by City Council.
- Ambulance Fund – a special revenue fund that accounts for revenue collected from ambulance service provided by the City of Checotah.

**Non-Major Funds (Reported as Other Governmental Funds):**

*Special Revenue Funds:*

- Police Training Fund - accounts for \$10 per police fine collected for police training.

*Capital Project Fund:*

- Cemetery Care Fund - accounts for 12.5 percent of cemetery revenue restricted by State law for cemetery capital improvements.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

*Proprietary Fund:*

The City's proprietary fund is comprised of the following:

*Enterprise Fund:*

- Checotah Public Works Authority – accounts for the operation of the water and wastewater activities.

The proprietary fund is also reported on a modified cash basis.

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

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Capital Assets and Depreciation**

Due to the use of the modified cash basis of accounting, as described in Note 1.B., capital assets and related depreciation are not reported in the financial statements.

**E. Long-Term Debt**

Due to the use of the modified cash basis of accounting, as described in Note 1.B., long-term debt obligations are not reported in the financial statements. However, the amount of long-term debt issued and outstanding at the end of the fiscal year is reported as a commitment in Note 9.

**F. Compensated Absences**

As a result of the use of the modified cash basis of accounting, as described in Note 1.B., liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due to employees upon termination is reported as a commitment in Note 9.

**G. Fund Balances and Net Position**

*Net Position:*

Net position is displayed in two components:

- a. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net position* - All other net position that does not meet the definition of “restricted”.

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

*Fund Statements:*

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

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

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

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

**H. Internal and Interfund Balances and Transfers**

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

**2. Deposits and Investments**

For the year ended June 30, 2020, the City recognized \$57,468 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City’s deposits are in demand and short-term time deposits.

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

<u>Primary Government</u>	<b>Carrying Value</b>	<b>Credit Rating</b>
Deposits:		
Petty cash	800	
Demand deposits	8,475,939	
Time deposits - certificates of deposit	551,075	
Investments:		
Open-ended Money Market Mutual Funds - Goldman Sachs Financial Square	53,328	Aaa
<b>Total Deposits and Investments</b>	<u>\$ 9,081,142</u>	
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents	\$ 8,530,067	
Investments	551,075	
	<u>\$ 9,081,142</u>	
 <u>Component Unit</u>		
Checotah Recreational Authority:		
Demand deposits	<u>\$ 3,246</u>	
Checotah Industrial Development Authority:		
Demand deposits	\$ 194,355	
Investments	186,497	
	<u>\$ 380,852</u>	

*Custody Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty’s trust, department or agent, but not in the government’s name.

At June 30, 2020, all the City’s deposits were fully collateralized and thus not exposed to custody credit risk.



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*Investment Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

At June 30, 2020, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

*Investment Credit Risk*

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

As of June 30, 2020, the City's investments consisted of \$53,328 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of Aaa as rated by Moody's.

*Concentration of Investment Credit Risk*

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

At June 30, 2020, the City had no concentration of credit risk as defined above.

*Restricted cash and Investments* – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or capital asset construction purposes. The restricted assets as of June 30, 2020 are as follows:

<u>Type of Restricted Assets</u>	Current Cash and Cash <u>Equivalents</u>	Non-Current Cash and Cash <u>Equivalents</u>
Utility Deposits	89,012	\$ -
2012 Refunding Bond Trust Accounts	37,346	53,328
Asset Replacement Account	522,482	-
Loan Reserve Account	45,692	-
Total Restricted Assets	<u>\$ 694,532</u>	<u>\$ 53,328</u>

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**3. Sales Tax Revenue**

Sales tax revenue represents a 4 cent local tax on each dollar of taxable sales within the City, of which 3 cents is voter-restricted for debt service on CPWA debt and capital improvements in accordance with a City ordinance. Three cents of the sales tax is received and recorded in the General Fund and then transferred to the CPWA for debt service. The unused sales tax is then transferred back to the General Fund. One cent is received and recorded in the Restricted Sales Tax Fund per Ordinance 497 passed by voters effective on and after May 1, 1996.

**4. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**5. Customer Deposits**

Refundable customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable.

	<u>\$ 89,012</u>
Current portion	\$ 17,802
Non-current portion	<u>71,210</u>
Total Customer Deposits	<u>\$ 89,012</u>

**6. Internal Balances and Transfers between Funds and Legal Entities**

Balances:

Interfund balances between activities at June 30, 2020, were as follows:

Due From	Due To	Amount	Nature of Balance
Capital Improvement Fund	Intake Structure Program	\$ 226,528	Expenses paid on behalf of other fund
Checotah Public Works Authority	General Fund	2,480	Deposit made to wrong account
Total		<u>\$ 229,008</u>	
<b>Reconciliation to Fund Financial Statements:</b>			
	Due From	Due To	Net Internal Balances
Governmental Funds	\$ 2,480	\$ (226,528)	\$ (224,048)
Proprietary Funds	226,528	(2,480)	224,048
Total	<u>\$ 229,008</u>	<u>\$ (229,008)</u>	<u>\$ -</u>

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2020, were as follows:

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<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Capital Improvement Fund	\$ 1,088,983	Sales tax transfer
General Fund	Checotah Public Works Authority	3,431,948	Sales tax pledge
Capital Improvement Fund	General Fund	500,000	Operational subsidy
Checotah Public Works Authority	General Fund	2,177,965	Sales tax transfer- return of sales tax
Checotah Public Works Authority	General Fund	204,000	Operational subsidy
Restricted Sales Tax Fund	Checotah Public Works Authority	204,000	Operational subsidy
Restricted Sales Tax Fund	Checotah Public Works Authority	376,601	Subsidy for debt service
Restricted Sales Tax Fund	Intake Structure Program	446,065	Grant matching costs
Capital Improvement Fund	Intake Structure Program	347,295	Grant matching costs
Capital Improvement Fund	Ambulance Fund	108,601	Budgeted transfer to offset the Ambulance Cash Acct
		<u>\$ 8,885,458</u>	

**Reconciliation:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 4,079,549	\$ (6,503,493)	\$ (2,423,944)
Proprietary Funds	4,805,909	(2,381,965)	2,423,944
Total	<u>\$ 8,885,458</u>	<u>\$ (8,885,458)</u>	<u>\$ -</u>

**Reconciliation to Statement of Activities:**

	<u>Net Transfers</u>
Net Transfers	\$ 2,423,944
Business-type activities from governmental funds	66,852
Total Transfers - Internal Activity	<u>\$ 2,490,796</u>

## 7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

## 8. Pension Plan Participation

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

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF-DBP) – an agent multiple-employer defined benefit plan

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**OFPRS:**

*Plan Summary Information.* The City of Checotah, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 6601 Broadway Extension, Suite 100, Oklahoma City, OK 73116.

*Funding Policy.* OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2018	\$1,020	\$1,020
2019	\$ 960	\$ 960
2020	\$ 960	\$ 960

**OPPRS:**

*Plan Summary Information.* The City of Checotah, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS  
1001 N.W. 63<sup>rd</sup> St., Suite 305  
Oklahoma City, OK 73116-7335

*Funding Policy.* The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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The OPPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2018	\$41,301	\$41,301
2019	\$44,130	\$44,130
2020	\$42,922	\$42,922

***OMRF Defined Benefit Plan:***

The City contributes to the City of Checotah Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

Eligibility Factors, Contribution Methods and Benefit Provisions

<b>Provision</b>	<b>OMRF Plan</b>
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	3.75% of covered payroll (City elected to stay at 7.18%)
-Employee Rate	1.26% of earnings
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement with 10 years of service -Marital death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	1.5% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

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Contribution Information

Fiscal Year	Required Contribution	Amount Contributed
2018	\$43,388	\$92,992
2019	\$43,013	\$100,723
2020	\$51,564	\$98,805

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 1001 N.W. 63<sup>rd</sup> Street, Suite 260, Oklahoma City, Oklahoma, 73116.

**9. Commitments and Contingencies**

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

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

<u>Type of Debt</u>	<u>Balance Due July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Due June 30, 2020</u>	<u>Amount Due Within One Year</u>
<i>Business-Type Activities:</i>					
Notes Payable - Direct borrowings	\$ 3,398,390	\$ -	\$ 389,972	\$ 3,008,418	\$ 391,959
Revenue Bonds Payable	1,715,000	-	265,000	1,450,000	275,000
<b>Total Business-Type Activities</b>	<b>\$ 5,113,390</b>	<b>\$ -</b>	<b>\$ 654,972</b>	<b>\$ 4,458,418</b>	<b>\$ 666,959</b>

*Governmental activities* had no long-term debt payable from taxes and other general revenues at June 30, 2020.

*Business-type activities* long-term debt payable from net revenues generated by the utility revenue and pledged sales tax include the following:

*Checotah Public Works Authority:*

*Notes Payable – Direct borrowing:*

2007 Series Interim Construction Drinking Water SRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$5,360,000, secured by utility revenues and pledged sales tax, payable in semi-annual installments, interest rate at 3.69%, final maturity September 15, 2028. In the event of default on this note, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of the principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the note agreement; 5) increase the interest rate to 14% on the defaulted payments.

\$2,050,038

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USDA Loan payable – direct borrowing, original issue amount of \$1,231,800, secured by utility revenues and pledged sales tax revenue and all existing or future purchased tangible assets of the Systems, payable in monthly installments of \$3,905, interest rate at 2.25%, final maturity December 28, 2047. In the event of default, the lender may: 1) declare loan immediately due and payable; 2) enter premises and take possession of collateral; and 3) exercise any sale or other rights accorded by law.

		<u>958,380</u>
Total Notes Payable		<u>\$3,008,418</u>
Current portion		\$ 391,959
Non-current portion		<u>2,616,459</u>
Total Notes Payable		<u>\$3,008,418</u>

*Revenue Bonds Payable- Direct placement:*

2012B Utility System Refunding Revenue Bonds, original issue amount of \$2,930,000, dated August 31, 2012, issued by the Checotah Public Works Authority, secured by utility revenue and pledged sales tax, principal maturing annually ranging from \$230,000 to \$305,000, interest payable semiannually with rates from 3.0%, final maturity May 1, 2025. In the event of default on this note, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of the principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the note agreement.

		<u>\$1,450,000</u>
Current portion		\$ 275,000
Non-current portion		<u>1,175,000</u>
Total Revenue Bonds Payable		<u>\$1,450,000</u>

Long-term debt service requirements to maturity are as follows:

Year Ended June 30,	<u>Business-Type Activities</u>			
	<u>Notes Payable-</u>		<u>Revenue Bonds Payable -</u>	
	<u>Direct Borrowing</u>		<u>Direct Placement</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	391,959	31,096	275,000	41,475
2022	393,973	28,681	280,000	33,150
2023	396,053	26,247	290,000	24,675
2024	398,179	23,790	300,000	15,900
2025	400,424	21,312	305,000	6,900
2026-2030	352,840	85,201	-	-
2031-2035	167,450	67,850	-	-
2036-2040	187,368	46,932	-	-
2041-2045	209,657	24,642	-	-
2046-2048	110,515	3,146	-	-
Total	<u>\$ 3,008,418</u>	<u>\$ 358,897</u>	<u>\$ 1,450,000</u>	<u>\$ 122,100</u>

**Pledge of Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has pledged three cents (or 75%) of future sales tax revenues and net utility revenues to repay the \$2,930,000 of the 2012B Utility System Refunding Revenue Bonds and \$5,360,000 of the OWRB 2007 Series Interim Construction Drinking Water SRF Promissory Note. Proceeds from the bonds and note provided financing for capital assets. The bonds and note are payable from pledged sales tax revenues, net utility revenues and investment income of the CPWA and are payable through 2025 and 2028, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$3,653,254. Pledged sales taxes and net utility revenues received in the current year were \$3,287,814. Debt service payments of \$693,101 for the current fiscal year were 21.1% of pledged sales taxes and net utility revenues.

*Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2020, is summarized as follows:

- City – accrued compensated absences \$14,361
- CPWA – accrued compensated absences \$11,774

*Litigation:*

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

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



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**SUPPLEMENTARY AND OTHER INFORMATION**

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

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ 416,195	\$ 2,343,701	\$ 1,927,506
<b>Resources (Inflows):</b>				
Taxes	3,238,900	3,238,900	3,390,423	151,523
Intergovernmental	109,500	109,500	160,190	50,690
Charges for services	26,800	26,800	32,513	5,713
Fines and Forfeitures	59,000	59,000	50,199	(8,801)
Licenses and Permits	1,800	1,800	18,467	16,667
Investment Income	6,500	6,500	27,443	20,943
Miscellaneous	10,001	10,001	54,737	44,736
Other Financing Sources - Transfers - Interaccount	-	-	209,195	209,195
Other Financing Sources - Transfers In	2,919,933	2,919,933	2,881,965	(37,968)
<b>Total Resources</b>	<b>6,372,434</b>	<b>6,372,434</b>	<b>6,825,132</b>	<b>452,698</b>
<b>Amounts available for appropriation</b>	<b>6,372,434</b>	<b>6,788,629</b>	<b>9,168,833</b>	<b>2,380,204</b>
<b>Charges to Appropriations (Outflows):</b>				
Managerial	100,400	100,400	94,332	6,068
City Clerk	3,335	3,335	3,229	106
City Attorney	29,200	29,200	25,833	3,367
Municipal Court	18,039	18,039	16,936	1,103
Police	885,425	885,425	847,661	37,764
Fire	29,650	34,292	21,698	12,594
Recreation	5,780	5,780	268	5,512
City Treasurer	30,140	30,140	23,888	6,252
General Government	214,400	214,400	169,515	44,885
Emergency Services	91,768	91,768	89,803	1,965
Maintenance	729,480	729,480	705,469	24,011
Animal Shelter	12,000	13,000	12,774	226
Planning and Zoning	1,500	500	-	500
Code Enforcement	89,450	89,450	72,214	17,236
Other Financing Uses - Transfers Out	4,131,867	4,543,420	4,540,906	2,514
<b>Total Charges to Appropriations</b>	<b>6,372,434</b>	<b>6,788,629</b>	<b>6,624,526</b>	<b>164,103</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,544,307</b>	<b>\$ 2,544,307</b>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:				
Use Tax Account			150,294	
Dare Account			2,312	
<b>Total General Fund Fund Balance</b>			<b>\$ 2,696,913</b>	

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ -	\$ 27,294	\$ 230,047	\$ 202,753
<b>Resources (Inflows):</b>				
Charges for services	349,500	349,500	490,446	140,946
Miscellaneous	1,800	1,800	-	(1,800)
Transfers in	117,277	117,277	108,601	(8,676)
<b>Total Resources</b>	<u>468,577</u>	<u>468,577</u>	<u>599,047</u>	<u>130,470</u>
<b>Amounts available for appropriation</b>	<u>468,577</u>	<u>495,871</u>	<u>829,094</u>	<u>333,223</u>
<b>Charges to appropriations (outflows):</b>				
Public safety	468,577	495,871	494,155	1,716
<b>Total Charges to Appropriations</b>	<u>468,577</u>	<u>495,871</u>	<u>494,155</u>	<u>1,716</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>334,939</u>	<u>\$ 334,939</u>

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements, with the exceptions noted in 3. below.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require City Council approval.
3. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	General Fund
Resources budgetary basis	\$6,825,132
Deduct inter-account transfers in	(209,195)
Deduct transfers in	<u>(2,881,965)</u>
Revenue – modified cash basis (General Fund only)	<u>\$3,733,972</u>
Charges to appropriation budgetary basis	\$6,624,526
Deduct transfers out	(4,520,931)
Deduct transfers out – component unit	<u>(19,975)</u>
Expenditures – modified cash basis (General Fund only)	<u>\$2,083,620</u>

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**NonMajor Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2020**

	<b>Special Revenue Fund</b>	<b>Capital Project Fund</b>	<b>Total Other Governmental Funds</b>
	<b>Police Training Fund</b>	<b>Cemetery Care Fund</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,480	\$ 25,248	\$ 33,728
Investments	-	15,000	15,000
Total assets	8,480	40,248	48,728
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	-	-	-
Total liabilities	-	-	-
 Fund balances:			
Restricted for:			
Public safety	8,480	-	8,480
Cemetery	-	39,926	39,926
Assigned to:			
Cemetery	-	322	322
Total fund balances	8,480	40,248	48,728
Total liabilities and fund balances	\$ 8,480	\$ 40,248	\$ 48,728

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**NonMajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2020**

	<b>Special Revenue Fund</b>	<b>Capital Project Fund</b>	
	<b>Police Training Fund</b>	<b>Cemetery Care Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>			
Charges for services	\$ -	\$ 5,315	\$ 5,315
Fees and fines	2,556	-	2,556
Total revenues	<u>2,556</u>	<u>5,315</u>	<u>7,871</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	3,057	-	3,057
Cemetery	-	2,400	2,400
Capital Outlay	-	300	300
Total Expenditures	<u>3,057</u>	<u>2,700</u>	<u>5,757</u>
Net change in fund balances	(501)	2,615	2,114
Fund balances - beginning	8,981	37,633	46,614
Fund balances - ending	<u>\$ 8,480</u>	<u>\$ 40,248</u>	<u>\$ 48,728</u>

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

**General Fund Accounts Combining Balance Sheet (Modified Cash Basis) – June 30, 2020**

	<u>General Fund</u>	<u>Use Tax Account</u>	<u>Dare Account</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,414,084	\$ 150,294	\$ 2,312	\$ 2,566,690
Investments	110,000	-	-	110,000
Deposits with insurance pool	24,917	-	-	24,917
Due from other funds	2,480	-	-	2,480
Total assets	<u>2,551,481</u>	<u>150,294</u>	<u>2,312</u>	<u>2,704,087</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	-	-	-	-
Due to bondholders	6,940	-	-	6,940
Payable to other governments	234	-	-	234
Total liabilities	<u>7,174</u>	<u>-</u>	<u>-</u>	<u>7,174</u>
 Fund balances:				
Assigned to:				
Public safety	-	-	2,312	2,312
Unassigned	2,544,307	150,294	-	2,694,601
Total fund balances	<u>2,544,307</u>	<u>150,294</u>	<u>2,312</u>	<u>2,696,913</u>
Total liabilities and fund balances	<u>\$ 2,551,481</u>	<u>\$ 150,294</u>	<u>\$ 2,312</u>	<u>\$ 2,704,087</u>

**CITY OF CHECOTAH, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**General Fund Accounts Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Use Tax Account</u>	<u>Dare Account</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes	\$ 3,390,423	\$ 209,195	\$ -	\$ 3,599,618
Intergovernmental	160,190	-	-	160,190
Licenses and permits	18,467	-	-	18,467
Charges for services	32,513	-	-	32,513
Fees and fines	50,199	-	-	50,199
Investment earnings	27,443	-	4	27,447
Miscellaneous	54,737	-	-	54,737
Total revenues	<u>3,733,972</u>	<u>209,195</u>	<u>4</u>	<u>3,943,171</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Managerial	94,332	-	-	94,332
City Clerk	3,229	-	-	3,229
Attorney	25,833	-	-	25,833
General Government	169,515	-	-	169,515
City Treasurer	22,416	-	-	22,416
Code Enforcement	70,714	-	-	70,714
Public Safety:				
Police	842,758	-	-	842,758
Municipal Court	16,936	-	-	16,936
Emergency Services	64,094	-	-	64,094
Fire	21,105	-	-	21,105
Animal Shelter	12,774	-	-	12,774
Maintenance	673,193	-	-	673,193
Culture and recreation	268	-	-	268
Capital Outlay	66,453	-	-	66,453
Total Expenditures	<u>2,083,620</u>	<u>-</u>	<u>-</u>	<u>2,083,620</u>
Excess (deficiency) of revenues over expenditures	<u>1,650,352</u>	<u>209,195</u>	<u>4</u>	<u>1,859,551</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer - interaccount	209,195	(209,195)	-	-
Transfers in	2,881,965	-	-	2,881,965
Transfers out	(4,520,931)	-	-	(4,520,931)
Transfers out - component unit	(19,975)	-	-	(19,975)
Total other financing sources and uses	<u>(1,449,746)</u>	<u>(209,195)</u>	<u>-</u>	<u>(1,658,941)</u>
Net change in fund balances	200,606	-	4	200,610
Fund balances - beginning	2,343,701	150,294	2,308	2,496,303
Fund balances - ending	<u>\$ 2,544,307</u>	<u>\$ 150,294</u>	<u>\$ 2,312</u>	<u>\$ 2,696,913</u>

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

**Enterprise Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) – June 30, 2020**

	<u>CPWA</u>	<u>WW CAPITAL PROJECT</u>	<u>Intake Structure Program</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,722,121	\$ -	\$ (504,387)	\$ 1,217,734
Investments	-	-	-	-
Restricted:				
Cash and cash equivalents	694,532	-	-	694,532
Due from other funds	-	-	226,528	226,528
Total current assets	<u>2,416,653</u>	<u>-</u>	<u>(277,859)</u>	<u>2,138,794</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	53,328	-	-	53,328
Total non-current assets	<u>53,328</u>	<u>-</u>	<u>-</u>	<u>53,328</u>
Total assets	<u>2,469,981</u>	<u>-</u>	<u>(277,859)</u>	<u>2,192,122</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Due to other funds	2,480	-	-	2,480
Deposits subject to refund	17,802	-	-	17,802
Total current liabilities	<u>20,282</u>	<u>-</u>	<u>-</u>	<u>20,282</u>
Non-current liabilities:				
Deposits subject to refund	71,210	-	-	71,210
Total non-current liabilities	<u>71,210</u>	<u>-</u>	<u>-</u>	<u>71,210</u>
Total liabilities	<u>91,492</u>	<u>-</u>	<u>-</u>	<u>91,492</u>
<b>NET POSITION</b>				
Restricted for debt service	658,848	-	-	658,848
Unrestricted	1,719,641	-	(277,859)	1,441,782
Total net position	<u>\$ 2,378,489</u>	<u>\$ -</u>	<u>\$ (277,859)</u>	<u>\$ 2,100,630</u>



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

**Enterprise Fund Accounts Combining Schedule of Revenues, Expenditures and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2020**

	<u>CPWA</u>	<u>WW CAPITAL PROJECT</u>	<u>Intake Structure Program</u>	<u>Total</u>
<b>REVENUES</b>				
Charges for services:				
Water	\$ 1,214,951	\$ -	\$ -	\$ 1,214,951
Wastewater	308,707	-	-	308,707
Penalties	37,973	-	-	37,973
Miscellaneous	7,150	-	-	7,150
Total operating revenues	<u>1,568,781</u>	<u>-</u>	<u>-</u>	<u>1,568,781</u>
<b>OPERATING EXPENSES</b>				
Administration	562,837	-	-	562,837
Water	1,440,177	-	1,625,661	3,065,838
Wastewater	334,182	-	-	334,182
Total Operating Expenses	<u>2,337,196</u>	<u>-</u>	<u>1,625,661</u>	<u>3,962,857</u>
Operating income (loss)	<u>(768,415)</u>	<u>-</u>	<u>(1,625,661)</u>	<u>(2,394,076)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	10,605	-	-	10,605
Miscellaneous revenue	6,738	-	-	6,738
Debt service:				
Principal retirement	(654,972)	-	-	(654,972)
Interest expense	(84,989)	-	-	(84,989)
Total non-operating revenue (expenses)	<u>(722,618)</u>	<u>-</u>	<u>-</u>	<u>(722,618)</u>
Income (loss) before contributions and transfers	<u>(1,491,033)</u>	<u>-</u>	<u>(1,625,661)</u>	<u>(3,116,694)</u>
Capital contributions - grant	800	-	488,186	488,986
Transfers in	4,012,549	-	793,360	4,805,909
Transfers out	(2,381,965)	-	-	(2,381,965)
Interaccount Transfers in	-	-	66,256	66,256
Interaccount Transfers out	-	(66,256)	-	(66,256)
Change in net position	<u>140,351</u>	<u>(66,256)</u>	<u>(277,859)</u>	<u>(203,764)</u>
Total net position - beginning	<u>2,238,138</u>	<u>66,256</u>	<u>-</u>	<u>2,304,394</u>
Total net position - ending	<u>\$ 2,378,489</u>	<u>\$ -</u>	<u>\$ (277,859)</u>	<u>\$ 2,100,630</u>

**CITY OF CHECOTAH, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2020**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
<b>FEDERAL ASSISTANCE:</b>				
<u>US DEPT OF HEALTH AND HUMAN SERVICES - INDIAN HEALTH SERVICE</u>				
Sanitation Facilities Construction Program	93.445		\$ 163,342	\$ 163,342
<u>US DEPT OF TRANSPORTATION</u>				
Passed through the Oklahoma Department of Transportation:				
Highway Planning and Construction	20.205	STP-172B (362) UT-WL	640	640
<u>US DEPT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Department of Commerce:				
Raw Water Intake Structure	14.228	17289 CDBG 18	450,000	324,844
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 613,982</u>	<u>\$ 488,826</u>

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal/State Grantor/Pass through agency Grantor/Program Title	Agency or Pass Thru Number	Program or Award Amount	Contract Expenditures
<b>STATE AWARDS:</b>			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Operational Fire Grant	N/A	\$ 4,642	\$ 4,642
<u>OKLAHOMA DEPARTMENT OF TRANSPORTATION:</u>			
Highway Planning and Construction	N/A	160	160
<b>TOTAL STATE AWARDS</b>		<u>\$ 4,802</u>	<u>\$ 4,802</u>

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

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**Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2020**

	<b>2012B Refunding Revenue Bonds and 2007 OWRB DWSRF</b>
GROSS REVENUE AVAILABLE:	
Pledged operating revenues (water and sewer)	\$1,523,658
Investment income	10,605
Sales tax appropriated and transferred from the City General Fund	3,431,948
Total Gross Revenue Available	4,966,211
OPERATING EXPENDITURES:	
Total Operating Expenditures	1,678,397
Net Revenue Available for Debt Service	\$3,287,814
Maximum Debt Service on all Obligations Payable From Revenues of the System	\$697,266 (1)
Computed Coverage	472%
Coverage Requirement	125%

(1) Even though 2012B Refunding Revenue Bonds requires average annual debt service for current fiscal year and the 2007 OWRB DWSRF Loan payable is required at maximum, the coverage shown is maximum on all the debts, thus covering annual debt service as well.

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

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**INTERNAL CONTROL AND COMPLIANCE**

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

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

To the Users of the City of Checotah, Oklahoma, Annual Financial Report

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Checotah Recreational Authority and Checotah Industrial Development Authority, each major fund, and the aggregate remaining fund information of the City of Checotah, Oklahoma (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2020. Our report includes an explanatory paragraph which noted that the financial statements were prepared on the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States. Our report also includes a paragraph which disclaims an opinion on management's discussion and analysis and budgetary comparison information. In addition, our report includes a paragraph which renders an adverse opinion on the aggregate discretely presented component units due to the exclusion of the Heartland Heritage Center Authority.

**Internal Control Over Financial Reporting**

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

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

(Continued)

**INDEPENDENT AUDITORS' 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, CONTINUED**

**Internal Control Over Financial Reporting, Continued**

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Finley + Cook, PLLC*

Shawnee, Oklahoma  
December 8, 2020

**CITY OF CHECOTAH, OKLAHOMA**

**SCHEDULE OF FINDINGS AND RESPONSES**

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*Year Ended June 30, 2020*

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**None noted.**