

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
The Cherokee County Health Services Council
Tahlequah, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, of Cherokee County Health Services Council, which comprise the balance sheet as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Cherokee County Health Services Council's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Cherokee County Health Services Council as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cherokee County Health Services Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cherokee County Health Services Council's ability to continue as a going concern for twelve months beyond the financial statement date.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cherokee County Health Services Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cherokee County Health Services Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that We identified during the audit.

Other Information

Cherokee County Health Services Council has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherokee County Health Services Council's basic financial statements. The budgetary comparison is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditure of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The budgetary comparison and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, We have also issued our report dated July 15, 2024 on our consideration of the Council'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 solely 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 the effectiveness of the Council's 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 Council's internal control over financial reporting and compliance.

Ralph Osborn, CPA LLP

Ralph Osborn, CPA LLP
Bristow, Oklahoma
July 15, 2024

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental <u>Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 313,417
Receivable from TSET	<u>45,403</u>
Total current assets	<u>358,820</u>
Property and Equipment	
Capital Assets,	
Net of Accumulated Depreciation	<u>44,502</u>
Total assets	<u>403,322</u>
LIABILITIES	
Current liabilities:	
Accounts payable	13,094
Payroll liabilities	8,943
Deferred revenue	-
Lease payable current	<u>8,495</u>
Total current liabilities	<u>30,532</u>
Non-Current liabilities:	
Lease payable non-current	<u>39,667</u>
Total non-current liabilities	<u>39,667</u>
Total liabilities	<u>70,199</u>
NET POSITION	
Invested in Capital Assets,	
Net of Related Debt	(3,660)
Unassigned	<u>336,783</u>
Total net position	<u><u>\$ 333,123</u></u>

The accompanying notes are an integral part of this statement.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenue			
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				<u>Total</u>
Function/Programs					
Governmental activities					
Health Services	\$1,291,217	\$1,274,392	\$ 201,294	\$ -	\$ 184,469
Total governmental activities	<u>1,291,217</u>	<u>1,274,392</u>	<u>201,294</u>	<u>-</u>	<u>184,469</u>
Total government	<u>\$1,291,217</u>	<u>\$1,274,392</u>	<u>\$ 201,294</u>	<u>\$ -</u>	<u>\$ 184,469</u>

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	\$ 184,469
General revenues	
Interest	<u>339</u>
Total general revenues	<u>339</u>
Change in net position	184,808
Net position - beginning	<u>148,315</u>
Net position - ending	<u>\$ 333,123</u>

The accompanying notes are an integral part of this statement.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$ 313,417
Receivable from TSET Grant	<u>45,403</u>

TOTAL ASSETS	<u>\$ 358,820</u>
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LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 13,094
Payroll liabilities	8,943
Deferred revenue	<u>-</u>

Total current liabilities	<u>22,037</u>
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TOTAL LIABILITIES	<u>22,037</u>
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FUND BALANCES

Unassigned	<u>336,783</u>
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TOTAL FUND BALANCES	336,783
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RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET POSITION

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

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds.

Capital assets	53,402	
Accumulated depreciation	<u>(8,900)</u>	<u>44,502</u>

Certain long-term liabilities are not due and payable
from current financial resources and, therefore, are not
reported in the funds:

Lease purchase payable	<u>(48,162)</u>
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Total net position	<u>\$ 333,123</u>
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The accompanying notes are an integral part of this statement.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
 TAHLEQUAH, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Grant Revenue	\$ 158,313
Grant Revenue - Indirect	-
HRSA Grant	1,011,005
TSET Reimbursement	201,294
Other Revenue	24,718
Other Grants	45,500
RHF Transformative Grant	34,856
Interest	<u>339</u>
Total revenue	<u>1,476,025</u>
 Expenditures	
Current	
Evaluator	80,578
Accounting and auditing	4,257
Conferences and education	7,922
Miscellaneous	164,176
Office management	30,513
Rent	15,300
Health	54,333
Coalition	15,500
Small equipment	200
Salaries, taxes, and benefits	693,373
Supplies and postage	64,510
Telephone and utilities	3,638
Travel and lodging	48,844
Website	2,636
Contractual	19,485
Grant expenses	73,392
Depreciation	<u>8,900</u>
Total expenditures	<u>1,287,557</u>
 Net change in fund balances	 188,468
 Fund balances, beginning	 <u>148,315</u>
 Fund balances, ending	 <u><u>\$ 336,783</u></u>

The accompanying notes are an integral part of this statement.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net changes in fund balances - total governmental funds \$ 188,468

Amounts reported for governmental activities in
the statement of activities are different because:

Capital outlays to purchase or build capital assets
are reported in governmental funds as expenditures.
However, for governmental activities those costs
are shown in the combined statement of net position
and allocated over their estimated useful lives as
annual depreciation in the statement of activities.
This is the amount by which capital outlay exceeds
depreciation outlay in the period.

Depreciation expense	(8,900)	
Capital outlay	<u>53,402</u>	44,502

Long-term liabilities are not due and payable
in the current period and therefore are not
reported as liabilities in the fund. Long-term
liabilities at year end consist of:

Lease proceeds	(53,402)	
Principal payments	<u>5,240</u>	<u>(48,162)</u>

Change in net assets \$ 184,808

The accompanying notes are an integral part of this statement.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
COUNCIL
FOR THE YEAR ENDED JUNE 30, 2023

	Original	Final		Variance with
	Budget	Budget	Actual	Final Budget
				Positive
				(Negative)
Revenues				
Grant Revenue	\$ 154,789	\$ 154,789	\$ 158,313	\$ 3,524
Grant Revenue - Indirect	-	-	-	-
Rentals	-	-	-	-
HRSA Grant	1,000,000	1,000,000	1,011,005	11,005
TSET Reimbursement	201,294	201,294	201,294	-
Community Partner Revenue	-	-	-	-
Other Revenue	-	-	24,718	24,718
Other Grants	-	-	45,500	45,500
RHF Transformative Grant	25,000	25,000	34,856	9,856
Interest	-	-	339	339
Total Revenues	<u>1,381,083</u>	<u>1,381,083</u>	<u>1,476,025</u>	<u>94,942</u>
Expenses				
Evaluator	83,973	83,973	80,578	3,395
Accounting	6,200	6,200	4,257	1,943
Conferences/education	-	-	7,922	(7,922)
Dues and memberships	3,800	3,800	-	3,800
Insurance	1,400	1,400	-	1,400
Meeting expenses	2,400	2,400	-	2,400
Miscellaneous	139,664	139,664	164,176	(24,512)
Office manager	-	-	30,513	(30,513)
Rent	3,000	3,000	15,300	(12,300)
Health	15,230	15,230	54,333	(39,103)
Coalition	-	-	15,500	(15,500)
Printing	-	-	-	-
Small equipment	-	-	200	(200)
Salaries, taxes, and benefits	651,320	651,320	693,373	(42,053)
Supplies and postage	50,846	50,846	64,510	(13,664)
Telephone and utilities	2,700	2,700	3,638	(938)
Travel and lodging	36,655	36,655	48,844	(12,189)
Website	-	-	2,636	(2,636)
Contractual	312,300	312,300	19,485	292,815
Grant expenses	-	-	73,392	(73,392)
Depreciation	-	-	8,900	(8,900)
Total Expenditures	<u>1,309,488</u>	<u>1,309,488</u>	<u>1,287,557</u>	<u>21,931</u>
Net Income				
before transfers	71,595	71,595	188,468	116,873
Transfer In/(Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	71,595	71,595	188,468	116,873
Beginning Cash Balance	<u>148,315</u>	<u>148,315</u>	<u>148,315</u>	<u>-</u>
Ending Cash Balance	<u>\$ 219,910</u>	<u>\$ 219,910</u>	<u>\$ 336,783</u>	<u>\$ (116,873)</u>

The accompanying notes are an integral part of this statement.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - Basis of Presentation

The Cherokee County Health Services Council (the "Council") was created by an interlocal cooperative agreement between The Cherokee Nation (the "Nation"), Northeastern State University (the "University"), the Tahlequah Hospital Authority (the "Authority"), and the Board of County Commissioners of Cherokee County Oklahoma (the "County") on February 25, 1999 under the provisions of 74 O.S. 1981, § 1004, Oklahoma Statutes. The primary purpose of the Council is to create an organization capable of performing comprehensive long and short range health planning for Cherokee County, seek resources, both public and private, to implement health plans and services for the citizens of Cherokee County, disburse funds to appropriate entities or directly operate programs and services that will enhance the health status of Cherokee County citizens, insure community participation by creating a Health Coalition that is representative of the community, act as a clearinghouse for health related matters, and within resources, assist the health care industry of Cherokee County through feasibility studies, health and health related studies, and help facilitate community health education.

The Council is governed by a five member board of trustees appointed in the following manner:

- (1) The Authority shall appoint the Chairman, or his/her designee, of the Tahlequah Hospital Authority.
- (2) The University shall appoint the Dean, or his/her designee, of the College of Optometry.
- (3) The Nation shall appoint the Director, or his/her designee, of The Cherokee Nation Health Division.
- (4) The County shall appoint a member to the Board, said member should have experience or expertise in the health field.
- (5) The four members of the Board appointed by the Authorizing Organizations of the Council shall appoint one additional member to the Board.

The four Authorizing Organizations are entitled to receive the residue of the trust estate upon termination of the trust. The Authorizing Organizations do not have any authority, power, or right to control or direct the actions of the trustees or to transact any business for the Council. The Council is otherwise independent of the Authorizing Organizations.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Council as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Council general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Council's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Council are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus and Basis of Accounting

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

The financial statements of the Council are prepared in accordance with generally accepted accounting principles (GAAP). The Council's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Council's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Council considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Major revenue sources susceptible to accrual include: sales taxes, intergovernmental revenues, and investment income. In general, other revenues and expenses are recognized when cash is received.

FUND TYPES AND MAJOR FUNDS

The Council is a special purpose governmental unit. It reports a general fund and a Tobacco Settlement Endowment Trust (TSET) fund.

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets
- 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
- Unrestricted net position - All other net position that does not meet the definition of restricted or net investment in capital assets

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned.

Budget

The Council adopts a budget annually.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled if not used. Any cancelled encumbrances are added to fund balance.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. The Council has not maintained inventory records, however, the value of inventory on hand at June 30, 2023 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Capital Assets, Depreciation, and Amortization

The Council's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Council maintains infrastructure assets records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-60

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

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

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Council will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Council, and are held by counterparty or the counterparty's trust department but not in the name of the Council. The Council's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2023, all of the Councils deposits and investments were either covered by federal deposit insurance or were fully collateralized.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Deposits

The Council had deposits at financial institutions with a carrying amount of approximately \$313,417 at June 30, 2023. The bank balance of the deposits at June 30, 2023 was approximately \$338,655.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Council did not have fixed income securities at June 30, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Council's interest rate risk. As of June 30, 2023, the Council's deposits consisted of demand deposits.

NOTE C - RECEIVABLES

The Council reported receivable from TSET of \$45,403. This amount was received in July 2023 for June 2023 expenses.

NOTE D - DEFERRED REVENUE

The Council reported deferred revenue of \$0. The grant funds were given up front before any expenses were incurred. None of the grants had a specific time they had to spent.

NOTE E - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

Property and equipment consists of the following:

Building	\$	-
Vehicles		53,402
Accumulated Depreciation		(8,900)
Net	\$	<u>44,502</u>

NOTE F - CHANGES IN LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the Council for the year ended June 30, 2023:

	Capital Lease Obligation	Total
Balance, July 1, 2022	\$ -	\$ -
Additions	53,402	53,402
Retirements	(5,240)	(5,240)
Balance, June 30, 2023	<u>\$ 48,162</u>	<u>\$ 48,162</u>

NOTE G - LEASE OBLIGATIONS

The Council entered into a lease agreement as lessee for financing the acquisition of equipment. The lease agreement qualify as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
TAHLEQUAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year ending June 30</u>	<u>Vehicle</u>	<u>Total</u>
2024	\$ 8,981	\$ 8,981
2025	8,981	8,981
2026	<u>32,503</u>	<u>32,503</u>
Total minimum lease payments	50,466	50,466
Less: Amount representing interest	<u>2,304</u>	<u>2,304</u>
Present value of future minimum lease payments	<u>\$ 48,162</u>	<u>\$ 48,162</u>

NOTE H - RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Council carries commercial insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE I - SUBSEQUENT EVENTS

The Council has considered subsequent events through July 15, 2024, the date which the financial statements were available for release. The Organization is not aware of any items which need to be disclosed during that period.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA#</u>	<u>Grantor's Number</u>	<u>Approved Amount</u>	<u>Expenditures*</u>
U.S. Department of Health and Human Services Direct Programs				
HRSA-RCORP	93.912	6GA1RH39545-01-01	\$ 337,070	\$ 288,020
HRSA-RCORP DELAWARE	93.912	6GA1RH45961-01-01	329,233	167,885
HRSA=RCORP BEHAVIORAL HEALTH	93.912	1G28RH46264-01-00	<u>500,000</u>	<u>207,892</u>
Total Rural Communities Opioid Response Implementation Cluster			<u>1,166,303</u>	<u>663,797</u>
Passed through Substance Abuse and Mental Health Service Admin				
SAMHSA Native Connections	93.243		<u>20,000</u>	<u>23,225</u>
Total Substance Abuse and Mental Health Service Admin			<u>20,000</u>	<u>23,225</u>
Passed through Corporation for National and Community Service				
AMERICORPS	94.013	18SVWOK001	<u>55,000</u>	<u>87,996</u>
Total Corporation for National and Community Service			<u>55,000</u>	<u>87,996</u>
Passed through Centers for Disease Control				
Strengthening Public Health	93.421	6NU38OT000288-04-02	<u>99,789</u>	<u>85,236</u>
Total Centers for Disease Control			<u>99,789</u>	<u>85,236</u>
Passed through Administration for Community Living				
Caring 4 Tahlequah	93.734	90CSSG0045-01-00	<u>96,738</u>	<u>105,096</u>
Total Administration for Community Living			<u>96,738</u>	<u>105,096</u>
Total U.S. Dept. Of Health and Human Services			<u>1,437,830</u>	<u>965,349</u>
Total Expenditures of Federal Awards			<u>\$1,437,830</u>	<u>\$ 965,349</u>

Note 1 - * Represents federal share of expenditures only.

Note 2 - This schedule is prepared using the accrual basis of accounting described in
Note 1.

Note 3 - The Organization has elected not to use the 10% de minimis indirect cost rate as
allowed under Uniform Guidance.

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

To the Honorable Members of the Board of Trustees
The Cherokee County Health Services Council
Tahlequah, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherokee County Health Services Council, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Cherokee County Health Services Council's basic financial statements and have issued our report thereon dated July 15, 2024, which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, We considered Cherokee County Health Services Council'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 Cherokee County Health Services Council's internal control. Accordingly, We do not express an opinion of the effectiveness of Cherokee County Health Services Council's internal control.

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

Our consideration of internal control over financial reporting 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 Cherokee County Health Services Council, Oklahoma'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 did not disclosed any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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

Sincerely,

Ralph Osborn, CPA LLP

Ralph Osborn, CPA LLP
Bristow, Oklahoma
July 15, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
Cherokee County Health Services Council
Tahlequah, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Cherokee County Health Services Council, Oklahoma (Organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Cherokee County Health Services Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Report on Internal Control Over Compliance

Management of Cherokee County Health Services Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, We considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, We do not express an opinion on the effectiveness of Cherokee County Health Services Council's internal control over compliance.

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

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

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

Ralph Osborn, CPA LLP

Ralph Osborn, CPA LLP
Bristow, Oklahoma
July 15, 2024

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency identified that is not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified? ☐ Yes ☒ No

Significant deficiency identified that is not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance to major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance

☐ Yes ☒ No

Programs tested as Major Programs

CFDA Number(s)

Name of Federal Program or Cluster

93.912

Rural Communities Opioid Response Implementation

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II - Financial Statement Findings

There were no findings noted.

THE CHEROKEE COUNTY HEALTH SERVICES COUNCIL
STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

There were no findings or questioned costs reported in the audit for the year ended June 30, 2022.