

THE CITY OF CHECOTAH, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Financial Statements.....	5-7
Management's Discussion and Analysis – Other Information.....	9-15
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis).....	17
Statement of Activities (Modified Cash Basis).....	18
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	20
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	21
Proprietary Fund Financial Statements:	
Statement of Net Position (Modified Cash Basis)	23
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	24
Statement of Cash Flows (Modified Cash Basis).....	25
Footnotes to the Basic Financial Statements	27-39
Supplementary and Other Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Modified Cash Basis) – General Fund.....	41
Budgetary Comparison Schedule (Modified Cash Basis) – Ambulance Fund.....	42
Footnotes to Budgetary Comparison Schedules.....	42
Combining Non-Major Governmental Fund Statements	
Combining Balance Sheet (Modified Cash Basis).....	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (MCB).....	44
Combining General Fund Account Schedules	
Combining Balance Sheet (Modified Cash Basis).....	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (MCB).....	46
Combining Enterprise Fund Account Schedules	
Combining Schedule of Net Position (Modified Cash Basis).....	47
Combining Schedule of Revenues, Expenses and Changes in Net Position (MCB).....	48

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

TABLE OF CONTENTS

Federal and State Awards Information

Schedule of Expenditures of Federal Awards (Modified Cash Basis).....	49
Schedule of Expenditures of State Awards (Modified Cash Basis).....	49

Internal Control and Compliance Information

Independent Auditor's Report on Internal Control and Compliance Over Financial Reporting in Accordance with Government Auditing Standards.....	52-53
Schedule of Findings and Responses.....	54-57



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Checotah, Oklahoma (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2023 or the changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Basis for Adverse and Unmodified Opinions

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 the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

Management has not included the Heartland Heritage Center Authority (HHCA) in the City's financial statements. The modified cash basis of accounting requires HHCA to be presented as a discretely presented component unit.

HSPG & ASSOCIATES, PC

5400 N Grand Blvd, Suite 330 • Oklahoma City, Oklahoma 73112 • Phone: 405.844.9995 • Fax: 405.844.9975

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 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 of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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.

Auditor's Responsibilities 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 opinions. 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 generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 City'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 City'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 Matters

Supplemental 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 accompanying supplemental combining schedules – modified cash basis and federal and state awards information – modified cash basis, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and the federal and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2024, 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 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 City'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 City's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

October 7, 2024

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF CHECOTAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

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, 2023. 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 increased by \$93,892, and the assets of the City exceed its liabilities at June 30, 2023, by \$12,095,311 (net position). Of this amount, \$6,251,031 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2023, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$9,253,835.
- At the end of fiscal year 2023, unassigned fund balance on a modified cash basis for the General Fund was \$3,449,924 or 67.7% 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, with additional columns and rows reporting the activity of the discretely presented component units. 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,

CITY OF CHECOTAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

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.

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.

CITY OF CHECOTAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

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, 2023, net position on a modified cash basis for the governmental and business-type activities increased \$93,892.

Net Position (Modified Cash Basis)

June 30, 2023

	Governmental Activities	Business-type Activities	Total
Beginning net position	\$ 9,524,160	\$ 2,477,259	\$ 12,001,419
Change in net position	(270,325)	364,217	93,892
Ending net position	\$ 9,253,835	\$ 2,841,476	\$ 12,095,311

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
	2023	2022	2023	2022	2023	2022	
Assets	\$ 9,261,207	\$ 9,528,766	\$ 2,970,941	\$ 2,597,711	\$ 12,232,148	\$ 12,126,477	0.9%
Total assets	9,261,207	9,528,766	2,970,941	2,597,711	12,232,148	12,126,477	0.9%
Liabilities	7,372	3,608	129,465	120,452	136,837	124,060	10.3%
Total liabilities	7,372	3,608	129,465	120,452	136,837	124,060	10.3%
Net position:							
Restricted	5,658,846	5,461,861	185,434	503,111	5,844,280	5,964,972	-2.0%
Unrestricted	3,594,989	4,062,299	2,656,042	1,974,148	6,251,031	6,036,447	3.6%
Total net position	\$ 9,253,835	\$ 9,524,160	\$ 2,841,476	\$ 2,477,259	\$ 12,095,311	\$ 12,001,419	0.8%

A portion of the City's net position, \$5,844,280, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6,251,031, 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, 2023

Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2023

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2023	2022	2023	2022	2023	2022	
Revenues:							
Program revenues:							
Charges for Services	\$ 720,235	\$ 644,253	\$ 1,700,866	\$ 1,628,148	\$ 2,421,101	\$ 2,272,401	6.5%
Grants & Contributions	38,349	36,709	-	-	38,349	36,709	4.5%
Capital Grants & Contributions	-	4,990	776,202	90,200	776,202	95,190	715.4%
General Revenues:							
Sales Tax	5,507,798	5,459,556	-	-	5,507,798	5,459,556	0.9%
Other Taxes	142,876	132,542	-	-	142,876	132,542	7.8%
Other General Revenues	618,010	557,716	49,472	39,560	667,482	597,276	11.8%
Total Revenues	7,027,268	6,835,766	2,526,540	1,757,908	9,553,808	8,593,674	11.2%
Program Expenses:							
General Government	\$ 648,054	\$ 527,337	-	-	648,054	527,337	22.9%
Public Safety	2,746,833	1,983,810	-	-	2,746,833	1,983,810	38.5%
Streets and Facilities Maintenance	1,759,966	1,102,410	-	-	1,759,966	1,102,410	59.6%
Culture and Recreation	1,225	5,024	-	-	1,225	5,024	-75.6%
Industrial development (Payment to CIDA)	17,738	60,889	-	-	17,738	60,889	-70.9%
Water	-	-	2,692,238	2,500,366	2,692,238	2,500,366	7.7%
Sewer	-	-	1,593,862	960,718	1,593,862	960,718	65.9%
Total Expenses	5,173,816	3,679,470	4,286,100	3,461,084	9,459,916	7,140,554	32.5%
Excess (Deficiency)	1,853,452	3,156,296	(1,759,560)	(1,703,176)	93,892	1,453,120	-93.5%
Net Transfers	(2,123,777)	(1,694,534)	2,123,777	1,694,534	-	-	-
Change in Net Position	\$ (270,325)	\$ 1,461,762	\$ 364,217	\$ (8,642)	\$ 93,892	\$ 1,453,120	-93.5%
Beginning Net Position	9,524,160	8,062,398	2,477,259	2,485,901	12,001,419	10,548,299	13.8%
Ending Net Position	\$ 9,253,835	\$ 9,524,160	\$ 2,841,476	\$ 2,477,259	\$ 12,095,311	\$ 12,001,419	0.8%

Governmental Activities

The City's governmental activities had a decrease in net position of \$270,325. The decrease is due in part to non-significant increases in sales tax and other general revenue and an increase in public safety and street and facilities maintenance expenses.

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2023	2022		2023	2022	
General government	\$ 648	\$ 527	23%	\$ (628)	\$ (513)	23%
Public safety	2,747	1,984	38%	(2,087)	(1,391)	50%
Streets and facilities maintenance	1,760	1,102	60%	(1,692)	(1,032)	64%
Culture and recreation	1	5	-76%	10	4	151%
Industrial development (Payment to CIDA)	18	61	-71%	(18)	(61)	-71%
Total	\$ 5,174	\$ 3,679	41%	\$ (4,415)	\$ (2,993)	48%

CITY OF CHECOTAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

Business-type Activities

The business-type activities had an increase in net position of \$364,217. This increase is primarily due to an increase in capital grants and contributions as well as interfund transfers.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Water	\$ 2,692	\$ 2,500	8%	\$ (579)	\$ (1,161)	-50%
Wastewater	<u>1,594</u>	<u>961</u>	66%	<u>(1,230)</u>	<u>(582)</u>	111%
Total	<u>\$ 4,286</u>	<u>\$ 3,461</u>	24%	<u>\$ (1,809)</u>	<u>\$ (1,743)</u>	4%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2023 fiscal year, the governmental funds reported a combined fund balance of \$9,253,835. For the year ended June 30, 2023, the General Fund's total fund balance decreased by \$776,639 to \$3,452,241 or 67.7% of annual revenues.

Budgetary Highlights

For the year ended June 30, 2023, the General Fund reported actual budgetary basis r over final estimates by \$846,672 or a 11.5% positive variance. General Fund actual expenditures were over final appropriations by \$116,260 or a 1.3% negative variance.

The Ambulance Fund reported actual budgetary basis revenues over final estimates by \$249,123, a 48.1% positive variance for the year ended June 30, 2023. Ambulance Fund actual expenditures were over final appropriations by \$93,420, an 12.7% negative 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 City of Checotah is looking to replace an 8" water line and a clearwell over the course of the next 4 years.

The FY 2022-2023 sales tax remained steady, and the City will be more aggressive with the numbers in the 2023-2024 budget.

CITY OF CHECOTAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

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

- The City will continue significant capital expenditures next fiscal year for several ongoing water system improvement projects.

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 200 N. Broadway, 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, 2023

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Net Position (Modified Cash Basis) – June 30, 2023

	Governmental Activities	Business-type Activities	Total	Component Units	
				Checotah Recreational Authority	Checotah Industrial Development Authority
ASSETS					
Cash and cash equivalents	\$ 8,662,146	\$ 2,711,893	\$ 11,374,039	\$ 6,715	\$ 262,070
Investments	678,299	-	678,299	-	191,838
Deposits with insurance pool	179,810	-	179,810	-	-
Internal Balances	(259,048)	259,048	-	-	-
Total Assets	<u>9,261,207</u>	<u>2,970,941</u>	<u>12,232,148</u>	<u>6,715</u>	<u>453,908</u>
LIABILITIES					
Due to CIDA	1,711	-	1,711	-	-
Due to bondholders	4,980	-	4,980	-	-
Due to governmental agencies	681	-	681	-	-
Long-term liabilities:					
Due within one year - utility deposits	-	25,783	25,783	-	-
Due in more than one year - utility deposits	-	103,682	103,682	-	-
Total liabilities	<u>7,372</u>	<u>129,465</u>	<u>136,837</u>	<u>-</u>	<u>-</u>
NET POSITION					
Restricted for:					
Public safety	319,589	-	319,589	-	-
Capital improvements	5,279,953	-	5,279,953	-	-
Cemetery	59,304	-	59,304	-	-
Debt service	-	185,434	185,434	-	-
Unrestricted	3,594,989	2,656,042	6,251,031	6,715	453,908
Total net position	<u>\$ 9,253,835</u>	<u>\$ 2,841,476</u>	<u>\$ 12,095,311</u>	<u>\$ 6,715</u>	<u>\$ 453,908</u>

See accompanying notes to the basic financial statements.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2023

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
Primary government									
Governmental Activities									
General Government	\$ 648,054	\$ 19,306	\$ 506	\$ -	\$ (628,242)	\$ -	\$ (628,242)	\$ -	\$ -
Public Safety	2,746,833	649,428	10,553	-	(2,086,852)	-	(2,086,852)	-	-
Streets and facilities maintenance	1,759,966	40,201	27,290	-	(1,692,475)	-	(1,692,475)	-	-
Culture and Recreation	1,225	11,300	-	-	10,075	-	10,075	-	-
Industrial development (Payment to CIDA)	17,738	-	-	-	(17,738)	-	(17,738)	-	-
Total governmental activities	5,173,816	720,235	38,349	-	(4,415,232)	-	(4,415,232)	-	-
Business-type activities:									
Water	2,692,238	1,336,901	-	776,202	-	(579,135)	(579,135)	-	-
Wastewater	1,593,862	363,965	-	-	-	(1,229,897)	(1,229,897)	-	-
Total business-type activities	4,286,100	1,700,866	-	776,202	-	(1,809,032)	(1,809,032)	-	-
Total primary government	\$ 9,459,916	\$ 2,421,101	\$ 38,349	\$ 776,202	(4,415,232)	(1,809,032)	(6,224,264)		
Component Unit									
Checotah Recreational Authority	\$ 31,677	\$ 16,836	\$ 7,393	\$ -				(7,448)	-
Checotah Industrial Development Authority	21,303	61,000	-	-				-	39,697
Total component units	\$ 52,980	\$ 77,836	\$ 7,393	\$ -				(7,448)	39,697
General revenues:									
Taxes:									
Sales and use taxes					5,507,798	-	5,507,798	-	-
Franchise taxes and public service taxes					142,876	-	142,876	-	-
Intergovernmental revenue not restricted to specific programs					406,990	-	406,990	-	-
Unrestricted investment earnings					122,393	38,465	160,858	31	5,832
Miscellaneous					88,627	11,007	99,634	-	500
Payments received from primary government					-	-	-	-	17,738
Transfers					(2,123,777)	2,123,777	-	-	-
Total general revenues and transfers					4,144,907	2,173,249	6,318,156	31	24,070
Change in net position					(270,325)	364,217	93,892	(7,417)	63,767
Net position - beginning					9,524,160	2,477,259	12,001,419	14,132	390,141
Net position - ending					\$ 9,253,835	\$ 2,841,476	\$ 12,095,311	\$ 6,715	\$ 453,908

See accompanying notes to the basic financial statements.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2023

	<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>
ASSETS						
Cash and cash equivalents	\$ 3,197,032	\$ 2,793,210	\$ 2,307,269	\$ 306,111	\$ 58,524	\$ 8,662,146
Investments	113,160	550,139	-	-	15,000	678,299
Due from other funds	2,900	-	-	-	-	2,900
Deposits with insurance pool	179,810	-	-	-	-	179,810
Total assets	<u>\$ 3,492,902</u>	<u>\$ 3,343,349</u>	<u>\$ 2,307,269</u>	<u>\$ 306,111</u>	<u>\$ 73,524</u>	<u>\$ 9,523,155</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ 35,000	\$ 226,528	\$ -	\$ 420	\$ -	\$ 261,948
Due to CIDA	-	1,711	-	-	-	1,711
Due to bondholders	4,980	-	-	-	-	4,980
Payable to other governments	681	-	-	-	-	681
Total liabilities	<u>40,661</u>	<u>228,239</u>	<u>-</u>	<u>420</u>	<u>-</u>	<u>269,320</u>
Fund balances:						
Restricted for:						
Public Safety	-	-	-	305,691	13,898	319,589
Capital Improvements	-	2,972,921	2,307,032	-	-	5,279,953
Cemetery	-	-	-	-	59,304	59,304
Assigned to:						
Public Safety	2,317	-	-	-	-	2,317
Cemetery	-	-	-	-	322	322
Capital Improvements	-	142,189	237	-	-	142,426
Unassigned	3,449,924	-	-	-	-	3,449,924
Total fund balances	<u>3,452,241</u>	<u>3,115,110</u>	<u>2,307,269</u>	<u>305,691</u>	<u>73,524</u>	<u>9,253,835</u>
Total liabilities and fund balances	<u>\$ 3,492,902</u>	<u>\$ 3,343,349</u>	<u>\$ 2,307,269</u>	<u>\$ 306,111</u>	<u>\$ 73,524</u>	<u>\$ 9,523,155</u>

See accompanying notes to the basic financial statements.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2023

	<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>
REVENUES						
Taxes	\$ 4,353,676	\$ 1,296,998	\$ -	\$ -	\$ -	\$ 5,650,674
Intergovernmental	444,839	-	-	-	-	444,839
Licenses and permits	17,607	-	-	-	-	17,607
Charges for services	50,257	-	-	580,016	8,943	639,216
Fees and fines	66,312	-	-	-	2,172	68,484
Investment earnings	83,343	39,050	-	-	-	122,393
Miscellaneous	83,748	-	-	307	-	84,055
Total revenues	<u>5,099,782</u>	<u>1,336,048</u>	<u>-</u>	<u>580,323</u>	<u>11,115</u>	<u>7,027,268</u>
EXPENDITURES						
Current:						
General Government:						
Managerial	116,705	-	-	-	-	116,705
City Clerk	2,806	-	-	-	-	2,806
Attorney	29,217	-	-	-	-	29,217
General Government	189,920	-	-	-	-	189,920
City Treasurer	3,213	-	-	-	-	3,213
Planning & Zoning	59	-	-	-	-	59
Property	-	7,050	-	-	-	7,050
Code Enforcement	86,594	-	-	-	-	86,594
Public Safety:						
Police	828,455	-	-	-	1,110	829,565
Municipal Court	18,022	-	-	-	-	18,022
Emergency Services	82,147	-	-	-	-	82,147
Ambulance	-	-	129,723	827,348	-	957,071
Fire	27,596	-	-	-	-	27,596
Animal Shelter	13,480	-	-	-	-	13,480
Maintenance	729,031	-	-	-	-	729,031
Cemetery	-	-	-	-	1,879	1,879
Capital Outlay	1,359,582	474,639	398,379	-	2,605	2,235,205
Total Expenditures	<u>3,486,827</u>	<u>481,689</u>	<u>528,102</u>	<u>827,348</u>	<u>5,594</u>	<u>5,329,560</u>
Excess (deficiency) of revenues over expenditures	<u>1,612,955</u>	<u>854,359</u>	<u>(528,102)</u>	<u>(247,025)</u>	<u>5,521</u>	<u>1,697,708</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	3,093,996	-	1,296,998	186,500	-	4,577,494
Transfers out	(5,465,852)	(375,437)	(686,500)	-	-	(6,527,789)
Transfers out - component unit	(17,738)	-	-	-	-	(17,738)
Total other financing sources and uses	<u>(2,389,594)</u>	<u>(375,437)</u>	<u>610,498</u>	<u>186,500</u>	<u>-</u>	<u>(1,968,033)</u>
Net change in fund balances	(776,639)	478,922	82,396	(60,525)	5,521	(270,325)
Fund balances - beginning	4,228,880	2,636,188	2,224,873	366,216	68,003	9,524,160
Fund balances - ending	<u>\$ 3,452,241</u>	<u>\$ 3,115,110</u>	<u>\$ 2,307,269</u>	<u>\$ 305,691</u>	<u>\$ 73,524</u>	<u>\$ 9,253,835</u>

See accompanying notes to the basic financial statements.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2023

	<u>Checotah Public Works Authority Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,397,544
Restricted:	
Cash and cash equivalents	242,647
Due from other funds	261,528
Total current assets	<u>2,901,719</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	<u>71,702</u>
Total non-current assets	<u>71,702</u>
Total assets	<u>2,973,421</u>
 LIABILITIES	
Current Liabilities:	
Due to other funds	2,480
Deposits subject to refund	25,783
Total current liabilities	<u>28,263</u>
Non-current liabilities:	
Deposits subject to refund	<u>103,682</u>
Total non-current liabilities	<u>103,682</u>
Total liabilities	<u>131,945</u>
 NET POSITION	
Restricted for debt service	185,434
Unrestricted	2,656,042
Total net position	<u>\$ 2,841,476</u>

See accompanying notes to the basic financial statements.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2023

	Checotah Public Works Authority Enterprise Fund
REVENUES	
Water	\$ 1,309,919
Wastewater	353,396
Fees, taps and penalties	31,597
Miscellaneous	5,954
Total operating revenues	<u>1,700,866</u>
OPERATING EXPENSES	
Administration	495,949
Water	1,584,782
Wastewater	407,795
Total Operating Expenses	<u>2,488,526</u>
Operating income (loss)	<u>(787,660)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	38,465
Miscellaneous revenue	11,007
Debt proceeds	713,895
Debt service:	
Principal retirement	(1,578,002)
Interest expense	(46,090)
Total non-operating revenue (expenses)	<u>(860,725)</u>
Income (loss) before contributions and transfers	<u>(1,648,385)</u>
Capital contributions - grant	62,307
Transfers in	4,544,291
Transfers out	<u>(2,593,996)</u>
Change in net position	364,217
Total net position - beginning	<u>2,477,259</u>
Total net position - ending	<u>\$ 2,841,476</u>

See accompanying notes to the basic financial statements.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2023

	Checotah Public Works Authority Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,711,873
Payments to suppliers	(1,448,037)
Payments to employees	(1,040,489)
Receipts of customer meter deposits	60,090
Refunds of customer meter deposits	(51,077)
Interfund receipts/payments	(35,000)
Net cash provided by (used in) operating activities	<u>(802,640)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	4,544,291
Transfers to other funds	(2,593,996)
Net cash provided by noncapital financing activities	<u>1,950,295</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from debt	713,895
Principal paid on debt	(1,578,002)
Capital contribution - grant	62,307
Interest and fiscal agent fees paid on debt	(46,090)
Net cash provided by (used in) capital and related financing activities	<u>(847,890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	38,465
Net cash provided by investing activities	<u>38,465</u>
Net increase in cash and cash equivalents	338,230
Balances - beginning of year	<u>2,373,663</u>
Balances - end of year	<u>\$ 2,711,893</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 2,397,544
Restricted cash and cash equivalents - current	242,647
Restricted cash and cash equivalents - noncurrent	71,702
Total cash and cash equivalents, end of year	<u>\$ 2,711,893</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (787,660)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Miscellaneous revenue	11,007
Change in assets and liabilities:	
Deposits subject to refund	9,013
Net cash provided by (used in) operating activities	<u>\$ (802,640)</u>

See accompanying notes to the basic financial statements.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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, 2023, the City recognized \$160,858 of investment income. Most of the City's deposits are in demand and short-term time deposits.

At June 30, 2023, the primary government held the following deposits and investments:

<u>Primary Government</u>	<u>Carrying Value</u>	
Deposits:		
Petty cash	800	
Demand deposits	11,301,537	
Time deposits - certificates of deposit	678,299	
		Credit Rating
Investments:		
Open-ended Money Market Mutual Funds - Goldman Sachs Financial Square	71,702	Aaa
Total Deposits and Investments	<u>\$ 12,052,338</u>	
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 11,374,039	
Investments	678,299	
	<u>\$ 12,052,338</u>	
 <u>Component Unit</u>		
Checotah Recreational Authority:		
Demand deposits	<u>\$ 6,715</u>	
Checotah Industrial Development Authority:		
Demand deposits	\$ 262,070	
Investments	191,838	
	<u>\$ 453,908</u>	

Custodial 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, 2023, the city was not exposed to custodial credit risk.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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, 2023, 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, 2023, the City's investments consisted of \$71,702 of money market open-ended mutual funds 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, 2023, 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, 2023 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Non-Current Cash and Cash Equivalents</u>
Utility Deposits	\$ 128,915	\$ -
2012 Refunding Bond Trust Accounts	37,700	55,416
2022 Refunding Bond Trust Accounts	-	16,286
Asset Replacement Account	16,024	-
Loan Reserve Account	60,008	-
Total Restricted Assets	<u>\$ 242,647</u>	<u>\$ 71,702</u>

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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>\$ 129,465</u>
Current portion	\$ 25,783
Non-current portion	<u>103,682</u>
Total Customer Deposits	<u>\$ 129,465</u>

6. Internal Balances and Transfers between Funds and Legal Entities

Balances:

Interfund balances between activities at June 30, 2023, were as follows:

Due From	Due To	Amount	Nature of Balance
Restricted Sales Tax Fund	Intake Structure Program	\$ 226,528	Expenses paid on behalf of other fund
Ambulance Fund	General Fund	420	Payroll related
Checotah Public Works Authority	General Fund	2,480	Deposit made to wrong account
General Fund	Checotah Public Works Authority	<u>35,000</u>	Grant revenue posted to wrong account
Total		<u>\$ 264,428</u>	

Reconciliation to Fund Financial Statements:			
	Due From	Due To	Net Internal Balances
Governmental Funds	\$ 2,900	\$ (261,948)	\$ (259,048)
Proprietary Funds	261,528	(2,480)	259,048
Total	<u>\$ 264,428</u>	<u>\$ (264,428)</u>	<u>\$ -</u>

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2023, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Capital Improvement Fund	\$ 1,296,998	Sales tax transfer
General Fund	Checotah Public Works Authority	3,890,995	Sales tax pledge
Checotah Public Works Authority	General Fund	2,593,996	Sales tax transfer- return of sales tax
Capital Improvement Fund	General Fund	500,000	Operational subsidy
Restricted Sales Tax Fund	Checotah Public Works Authority	375,437	Subsidy for debt service
General Fund	Intake Structure Program	277,859	Transfer of cash to partially clear deficit
Capital Improvement Fund	Ambulance Fund	186,500	Budgeted transfer to offset the Ambulance Cash Account
		<u>\$ 9,121,785</u>	

Reconciliation:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 4,577,494	\$ (6,527,789)	\$ (1,950,295)
Proprietary Funds	4,544,291	(2,593,996)	1,950,295
Total	<u>\$ 9,121,785</u>	<u>\$ (9,121,785)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

	<u>Net Transfers</u>
Net Transfers	\$ 1,950,295
Business-type activities from governmental funds	173,482
Total Transfers - Internal Activity	<u>\$ 2,123,777</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 (OKMRF-DBP) – an agent multiple-employer defined benefit plan

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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>
2021	\$ 840	\$ 840
2022	\$ 900	\$ 900
2023	\$ 840	\$ 840

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. 63rd 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.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

The OPPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2021	\$42,391	\$42,391
2022	\$41,951	\$41,951
2023	\$42,817	\$42,817

OKMRF 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 OKMRF 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

Provision	OMRF Plan
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	4.77% of covered payroll (City elected to stay at 7.94%)
-Employee Rate	3.75% 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.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Contribution Information

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2021	\$55,408	\$101,815
2022	\$69,966	\$107,480
2023	\$82,823	\$137,925

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

9. Commitments and Contingencies

Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2023, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance Due July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Due June 30, 2023</u>	<u>Amount Due Within One Year</u>
Business-Type Activities:					
Notes Payable - Direct borrowings	\$ 2,222,487	\$ 149,895	\$ 1,425,896	\$ 946,486	\$ 370,837
Revenue Bonds Payable	895,000	564,000	302,000	1,157,000	331,000
Total Business-Type Activities	<u>\$ 3,117,487</u>	<u>\$ 713,895</u>	<u>\$ 1,727,896</u>	<u>\$ 2,103,486</u>	<u>\$ 701,837</u>

Governmental activities had no long-term debt payable from taxes and other general revenues at June 30, 2023.

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.

\$946,486

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Current portion	\$ 370,837
Non-current portion	<u>575,479</u>
Total Notes Payable	\$ <u>946,486</u>

Revenue Bonds Payable- Direct placements:

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. \$ 605,000

2022B Utility System Refunding Revenue Bonds, original issue amount of \$564,000, dated October 13, 2022, issued by the Checotah Public Works Authority, secured by utility revenue and pledged sales tax, principal maturing annually ranging from \$12,000 to \$163,000, interest payable semiannually with rates from 2.89%, final maturity September 1, 2026. 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. 552,000
\$ 1,157,000

Current portion	\$ 331,000
Non-current portion	<u>826,000</u>
Total Revenue Bonds Payable	\$ <u>1,157,000</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, the \$564,000 of the 2022B Utility System Refunding Revenue Bonds, and the \$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, 2026 and 2028, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$2,178,219. Pledged sales taxes and net utility revenues received in the current year were \$3,818,823. Debt service payments of \$711,389 for the current fiscal year were 18.6% of pledged sales taxes and net utility revenues.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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, 2023, is summarized as follows:

- City – accrued compensated absences \$17,617
- CPWA – accrued compensated absences \$10,603

Loan Forgiveness:

The City received \$149,895 in loan proceeds related to the OWRB DWSRF loan ORF-23-0055-DW. This entire amount was forgiven during the fiscal year.

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. 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.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

SUPPLEMENTARY AND OTHER INFORMATION

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 865,175	\$ 1,507,057	\$ 4,076,269	\$ 2,569,212
Resources (Inflows):				
Taxes	3,880,000	3,880,000	4,033,871	153,871
Intergovernmental	137,000	137,000	444,839	307,839
Charges for services	27,000	27,000	50,257	23,257
Fines and Forfeitures	32,000	32,000	66,312	34,312
Licenses and Permits	5,000	5,000	17,607	12,607
Investment Income	9,000	9,000	83,337	74,337
Miscellaneous	7,100	7,100	83,748	76,648
Other Financing Sources - Transfers - Interaccount	-	-	319,805	319,805
Other Financing Sources - Transfers In	3,250,000	3,250,000	3,093,996	(156,004)
Total Resources	7,347,100	7,347,100	8,193,772	846,672
Amounts available for appropriation	8,212,275	8,854,157	12,270,041	3,415,884
Charges to Appropriations (Outflows):				
Managerial	147,895	147,895	123,400	24,495
City Clerk	3,635	3,635	2,806	829
City Attorney	35,090	35,090	29,217	5,873
Municipal Court	26,579	26,579	18,022	8,557
Police	877,285	877,285	837,543	39,742
Fire	45,600	801,533	797,581	3,952
Recreation	5,780	3,780	-	3,780
City Treasurer	3,558	3,558	3,213	345
General Government	211,100	211,100	189,920	21,180
Emergency Services	96,965	129,844	122,026	7,818
Maintenance	771,508	1,301,750	1,262,966	38,784
Animal Shelter	12,000	14,000	13,480	520
Planning and Zoning	1,250	1,250	59	1,191
Code Enforcement	108,865	108,865	86,594	22,271
Other Financing Uses - Transfers Out	5,000,000	5,187,993	5,483,590	(295,597)
Total Charges to Appropriations	7,347,110	8,854,157	8,970,417	(116,260)
Ending Budgetary Fund Balance	\$ 865,165	\$ -	3,299,624	\$ 3,299,624
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:				
Use Tax Account			150,294	
Dare Account			2,323	
Total General Fund Fund Balance			\$ 3,452,241	

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2023 (Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 150,000	\$ -	\$ 366,216	\$ 366,216
Resources (Inflows):				
Charges for services	851,724	431,200	580,016	148,816
Miscellaneous	500	-	307	307
Transfers in	86,500	86,500	186,500	100,000
Total Resources	<u>938,724</u>	<u>517,700</u>	<u>766,823</u>	<u>249,123</u>
Amounts available for appropriation	<u>1,088,724</u>	<u>517,700</u>	<u>1,133,039</u>	<u>615,339</u>
Charges to appropriations (outflows):				
Public safety	938,724	733,928	827,348	(93,420)
Total Charges to Appropriations	<u>938,724</u>	<u>733,928</u>	<u>827,348</u>	<u>(93,420)</u>
Ending Budgetary Fund Balance	<u>\$ 150,000</u>	<u>\$ (216,228)</u>	<u>305,691</u>	<u>\$ 521,919</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.

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

NonMajor Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2023

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Police Training Fund</u>	<u>Cemetery Care Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 13,898	\$ 44,626	\$ 58,524
Investments	-	15,000	15,000
Total assets	<u>\$ 13,898</u>	<u>\$ 59,626</u>	<u>\$ 73,524</u>
 LIABILITIES AND FUND BALANCES			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:			
Restricted for:			
Public safety	13,898	-	13,898
Cemetery	-	59,304	59,304
Assigned to:			
Cemetery	-	322	322
Total fund balances	<u>13,898</u>	<u>59,626</u>	<u>73,524</u>
Total liabilities and fund balances	<u>\$ 13,898</u>	<u>\$ 59,626</u>	<u>\$ 73,524</u>

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

NonMajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2023

	Special Revenue Fund	Capital Project Fund	
	Police Training Fund	Cemetery Care Fund	Total-Other Governmental Funds
REVENUES			
Charges for services	\$ -	\$ 8,943	\$ 8,943
Fees and fines	2,172	-	2,172
Total revenues	<u>2,172</u>	<u>8,943</u>	<u>11,115</u>
EXPENDITURES			
Current:			
Public Safety	1,110	-	1,110
Cemetery	-	1,879	1,879
Capital Outlay	-	2,605	2,605
Total Expenditures	<u>1,110</u>	<u>4,484</u>	<u>5,594</u>
Net change in fund balances	1,062	4,459	5,521
Fund balances - beginning	12,836	55,167	68,003
Fund balances - ending	<u>\$ 13,898</u>	<u>\$ 59,626</u>	<u>\$ 73,524</u>

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

General Fund Accounts Combining Balance Sheet (Modified Cash Basis) – June 30, 2023

	<u>General Fund</u>	<u>Use Tax Account</u>	<u>Dare Account</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,044,415	\$ 150,294	\$ 2,323	\$ 3,197,032
Investments	113,160	-	-	113,160
Deposits with insurance pool	179,810	-	-	179,810
Due from other funds	2,900	-	-	2,900
Total assets	<u>\$ 3,340,285</u>	<u>\$ 150,294</u>	<u>\$ 2,323</u>	<u>\$ 3,492,902</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 35,000	\$ -	\$ -	\$ 35,000
Due to bondholders	4,980	-	-	4,980
Payable to other governments	681	-	-	681
Total liabilities	<u>40,661</u>	<u>-</u>	<u>-</u>	<u>40,661</u>
Fund balances:				
Assigned to:				
Public safety	-	-	2,317	2,317
Unassigned	3,299,624	150,294	6	3,449,924
Total fund balances	<u>3,299,624</u>	<u>150,294</u>	<u>2,323</u>	<u>3,452,241</u>
Total liabilities and fund balances	<u>\$ 3,340,285</u>	<u>\$ 150,294</u>	<u>\$ 2,323</u>	<u>\$ 3,492,902</u>

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

General Fund Accounts Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2023

	General Fund	Use Tax Account	Dare Account	Total
REVENUES				
Taxes	\$ 4,033,871	\$ 319,805	\$ -	\$ 4,353,676
Intergovernmental	444,839	-	-	444,839
Licenses and permits	17,607	-	-	17,607
Charges for services	50,257	-	-	50,257
Fees and fines	66,312	-	-	66,312
Investment earnings	83,337	-	6	83,343
Miscellaneous	83,748	-	-	83,748
Total revenues	<u>4,779,971</u>	<u>319,805</u>	<u>6</u>	<u>5,099,782</u>
EXPENDITURES				
Current:				
General Government:				
Managerial	116,705	-	-	116,705
City Clerk	2,806	-	-	2,806
Attorney	29,217	-	-	29,217
General Government	189,920	-	-	189,920
City Treasurer	3,213	-	-	3,213
Planning & Zoning	59	-	-	59
Code Enforcement	86,594	-	-	86,594
Public Safety:				
Police	828,455	-	-	828,455
Municipal Court	18,022	-	-	18,022
Emergency Services	82,147	-	-	82,147
Fire	27,596	-	-	27,596
Animal Shelter	13,480	-	-	13,480
Maintenance	729,031	-	-	729,031
Capital Outlay	1,359,582	-	-	1,359,582
Total Expenditures	<u>3,486,827</u>	<u>-</u>	<u>-</u>	<u>3,486,827</u>
Excess (deficiency) of revenues over expenditures	<u>1,293,144</u>	<u>319,805</u>	<u>6</u>	<u>1,612,955</u>
OTHER FINANCING SOURCES (USES)				
Transfer - interaccount	319,805	(319,805)	-	-
Transfers in	3,093,996	-	-	3,093,996
Transfers out	(5,465,852)	-	-	(5,465,852)
Transfers out - component unit	(17,738)	-	-	(17,738)
Total other financing sources and uses	<u>(2,069,789)</u>	<u>(319,805)</u>	<u>-</u>	<u>(2,389,594)</u>
Net change in fund balances	(776,645)	-	6	(776,639)
Fund balances - beginning	4,076,269	150,294	2,317	4,228,880
Fund balances - ending	<u>\$ 3,299,624</u>	<u>\$ 150,294</u>	<u>\$ 2,323</u>	<u>\$ 3,452,241</u>

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Enterprise Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) – June 30, 2023

	<u>CPWA</u>	<u>Intake Structure</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,624,072	\$ (226,528)	\$ 2,397,544
Restricted:			
Cash and cash equivalents	242,647	-	242,647
Due from other funds	35,000	226,528	261,528
Total current assets	<u>2,901,719</u>	<u>-</u>	<u>2,901,719</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	71,702	-	71,702
Total non-current assets	<u>71,702</u>	<u>-</u>	<u>71,702</u>
Total assets	<u>2,973,421</u>	<u>-</u>	<u>2,973,421</u>
LIABILITIES			
Current Liabilities:			
Due to other funds	2,480	-	2,480
Deposits subject to refund	25,783	-	25,783
Total current liabilities	<u>28,263</u>	<u>-</u>	<u>28,263</u>
Non-current liabilities:			
Deposits subject to refund	103,682	-	103,682
Total non-current liabilities	<u>103,682</u>	<u>-</u>	<u>103,682</u>
Total liabilities	<u>131,945</u>	<u>-</u>	<u>131,945</u>
NET POSITION			
Restricted for debt service	185,434	-	185,434
Unrestricted (deficit)	2,656,042	-	2,656,042
Total net position	<u>\$ 2,841,476</u>	<u>\$ -</u>	<u>\$ 2,841,476</u>

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Enterprise Fund Accounts Combining Schedule of Revenues, Expenditures and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2023

	<u>CPWA</u>	<u>Intake Structure Program</u>	<u>Total</u>
REVENUES			
Charges for services:			
Water	\$ 1,309,919	\$ -	\$ 1,309,919
Wastewater	353,396	-	353,396
Penalties	31,597	-	31,597
Miscellaneous	5,954	-	5,954
Total operating revenues	<u>1,700,866</u>	<u>-</u>	<u>1,700,866</u>
OPERATING EXPENSES			
Administration	495,949	-	495,949
Water	1,584,782	-	1,584,782
Wastewater	407,795	-	407,795
Total Operating Expenses	<u>2,488,526</u>	<u>-</u>	<u>2,488,526</u>
Operating income (loss)	<u>(787,660)</u>	<u>-</u>	<u>(787,660)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	38,465	-	38,465
Miscellaneous revenue	11,007	-	11,007
Debt proceeds	713,895	-	713,895
Debt service:			
Principal retirement	(1,578,002)	-	(1,578,002)
Interest expense	(46,090)	-	(46,090)
Miscellaneous expenses	-	-	-
Total non-operating revenue (expenses)	<u>(860,725)</u>	<u>-</u>	<u>(860,725)</u>
Income (loss) before contributions and transfers	<u>(1,648,385)</u>	<u>-</u>	<u>(1,648,385)</u>
Capital contributions - grant	62,307	-	62,307
Transfers in	4,266,432	277,859	4,544,291
Transfers out	<u>(2,593,996)</u>	<u>-</u>	<u>(2,593,996)</u>
Change in net position	86,358	277,859	364,217
Total net position - beginning	2,755,118	(277,859)	2,477,259
Total net position - ending	<u>\$ 2,841,476</u>	<u>\$ -</u>	<u>\$ 2,841,476</u>

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2023

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal AL Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>US DEPT OF HOMELAND SECURITY</u>				
Pass through the Oklahoma Department of Emergency Management:				
FEMA PW 4587 DR-OK	97.036	4587 DR-OK	\$ 506	\$ 506
<u>US DEPT OF TRANSPORTATION</u>				
Passed through the Oklahoma Department of Transportation:				
STP-172B(362) UT-WL - Agreement #1	20.205	STP-246C(038)UT	\$ 21,846	\$ 22,582
<u>U.S DEPT OF TREASURY:</u>				
Passed through the Office of Management and Enterprise Services::				
American Rescue Plan Act	21.027		\$ 543,120	\$ 543,120
TOTAL FEDERAL ASSISTANCE			\$ 565,472	\$ 566,208

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Federal/State Grantor/Pass through agency Grantor/Program Title	Agency or Pass Thru Number	Program or Award Amount	Contract Expenditures
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Operational Fire Grant	N/A	\$ 10,053	\$ 10,053
REAP 2022 Grant	2022 REAP Fund 4904	35,000	35,000
<u>OKLAHOMA DEPARTMENT OF TRANSPORTATION:</u>			
STP-172B(362) UT-WL - Agreement #1	STP-246C(038)UT	5,461	5,461
TOTAL STATE AWARDS		\$ 50,514	\$ 50,514

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

INTERNAL CONTROL AND COMPLIANCE

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

THIS PAGE INTENTIONALLY LEFT BLANK



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Checotah, Oklahoma (the “City”), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated October 7, 2024. Our report included an emphasis-of-a-matter paragraph related to the City’s use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Additionally, our report included a paragraph rendering an adverse opinion on the aggregate discretely presented component units due to the exclusion of the Heartland Heritage Center Authority.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-003 through 2023-008 to be significant deficiencies.

HSPG & ASSOCIATES, PC

5400 N Grand Blvd, Suite 330 • Oklahoma City, Oklahoma 73112 • Phone: 405.844.9995 • Fax: 405.844.9975

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-003 through 2023-006.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

HSPG & Associates, P.C.

October 7, 2024

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023

Material Weaknesses

Finding 2023-001; Segregation of Duties

Criteria: Controls should properly segregate duties so that a single employee does not have access to both the physical asset and the related accounting records or to all phases of a transaction.

Condition: Controls were not adequately segregated to prevent employees from having incompatible duties.

Cause: Due to the City's small staff size, certain duties are performed by personnel that would often be segregated to other personnel were a larger staff size available.

Effect: Unauthorized transactions may occur and not be detected due to employees performing incompatible duties.

Recommendation: Management should remain aware of the risk of any incompatible duties and attempt to compensate for that risk with increased oversight to the extent feasible.

Views of Responsive Officials of Auditee: The City is taking measures to ensure the segregation of duties are spread across with many checks and balances.

Finding 2023-002; Financial Reporting

Criteria: The City's governance should provide sufficient oversight to ensure that its legally separate entities are able to produce timely audited financial statements for inclusion in the City's annual audited financial statements.

Condition: Heartland Heritage Center Authority (the "Authority"), a legally separate organization required to be included in the City's audited financial statements, has not been included in the City's annual financial statements.

Cause: The Authority did not obtain an independent audit on its financial statements.

Effect: We were not able to express an unmodified opinion over the City's discretely presented component units.

Recommendation: We recommend that either the Authority produce audited financial statements or that the Authority be restructured so that inclusion in the City's financial report is not required.

Views of Responsive Officials of Auditee: City Council will determine whether the Authority will cut ties with the City or come back to be included in the City audit.

Significant Deficiencies

Finding 2023-003; Purchase Orders

Criteria: State statutes require that municipalities encumber, or ensure sufficient budget is available, prior to incurring an obligation related to the purchase of goods or services.

Condition: During our testwork, we noted multiple instances of obligations incurred prior to encumbrance. Additionally, we noted instances of purchase orders missing required signatures. We also noted instances of obligations incurred prior to approval by the City Council. Finally, we noted that one invoice totaling \$4,625 was paid twice. The City subsequently requested reimbursement from the vendor after being notified of the results of our audit procedures.

Cause: The City does not have proper procedures and controls in place to ensure compliance with state statutes over purchasing.

Effect: The City could overspend its approved budget or improper payments could occur, whether by error or fraud, and not be detected on a timely basis.

Recommendation: We recommend that the City review its procedures to ensure compliance with state statutes over purchasing.

Views of Responsive Officials and Planned Corrective Action: The accounts payable clerk will ensure all requisitions and purchase orders are properly signed. Our mayor and finance administrator will ensure department heads obtain a P.O. before purchases. Accounts payable will be diligent in making sure invoices are paid in a timely and accurate manner, as well as double check vendors to ensure overpayment does not occur.

Finding 2023-004; Related Parties

Criteria: State statutes do not permit the City to contract with a member of the governing body.

Condition: During the year, we noted payments totaling approximately \$12,000 were made to a business affiliated with a trustee of the Checotah Industrial Development Authority ("CIDA"). Trustees of CIDA are appointed by the City Council.

Cause: Controls were not sufficient to ensure all related party activities were identified. Additionally, some confusion exists as to whether this provision applies to trustees of organizations related to the City.

Effect: The City could expend funds in violation of state law.

Recommendation: We recommend that the City identify and track related party activity to ensure compliance with state law.

Views of Responsive Officials and Planned Corrective Action: The City will alter its procedures to ensure it complies with state statutes.

Finding 2023-005; Budget Appropriations

Criteria: Pursuant to state statutes expenditures at the legal level of control may not exceed the approved budget.

Condition: Expenditures exceed appropriations by approximately \$93,000 in the Ambulance Fund. Additionally, General fund transfers out exceeded appropriations by approximately \$295,000.

Cause: Controls were not sufficient to ensure that budgeted amounts were sufficiently monitored, particularly at year-end.

Effect: The City was non-compliant with state statutes.

Recommendation: We recommend that the City review its controls to ensure compliance with its approved budgets.

Views of Responsive Officials and Planned Corrective Action: The EMS director, finance administrator, mayor and City Council will be more mindful of the EMS budget. The finance administrator will ensure sufficient budget is available for sales tax transfers to prevent exceeding of appropriations.

Finding 2023-006; Minutes of Meetings

Criteria: Controls should be sufficient to ensure that minutes of meetings of the governing body are accurately recorded and maintained. Additionally, documents approved by the governing body should also be appropriately recorded and maintained. Finally, state statutes require meeting agendas be posted in advance of all City Council meetings.

Condition: We were able to obtain minutes for all City Council meetings. However, we noted that minutes were not centrally stored, but rather had to be retrieved from multiple sources. Additionally, we noted that the specific payments charged to the restricted sales tax fund and approved by the City Council were not included in the minutes. Lastly, we were unable to determine the date of posting the agenda to ensure compliance with state statutes.

Cause: Controls were not sufficient to ensure compliance with state statutes.

Effect: The City has not consistently followed the provisions of relevant state statutes.

Recommendation: We recommend that the City strengthen controls to ensure that state statutes are followed.

Views of Responsive Officials and Planned Corrective Action: All minutes and agendas are retained in the office of the Deputy City Clerk, as well on the City of Checotah website. Deputy City Clerk will ensure that all items are placed on the agenda and that all items are reflected properly in the minutes. At the time of the audit, the Deputy City Clerk was out on medical leave, therefore requiring more than one person to pull information.

Finding 2023-007; Outstanding Checks

Criteria: Controls should be sufficient to ensure that stale outstanding checks are investigated and resolved.

Condition: During our testwork we noted that outstanding checks greater than two years old totaled approximately \$38,000.

Cause: Controls were not sufficient to ensure stale checks were appropriately identified and resolved.

Effect: The City does not have a formal policy regarding the disposition of stale checks.

Recommendation: We recommend that the City develop and implement controls to ensure stale checks are resolved in a timely manner.

Views of Responsive Officials and Planned Corrective Action: Finance Administrator is waiting for direction from City Attorney to clear the older checks.

Finding 2023-008; Water Usage

Criteria: Processes should be sufficient to ensure that the City's utility billings, particularly water and by extension, wastewater, are accurate.

Condition: Based on our testwork, it does not appear that procedures are in place to track or compare water produced by the City (in gallons) to water sales (in gallons) to the City's customers.

Cause: The City's controls are not sufficient to ensure that water sales, based on water produced, are reasonable and complete.

Effect: The City cannot reasonably verify or corroborate that the correct volume of water is being billed to its customers.

Recommendation: We recommend that the City develop procedures to ensure that water sales are consistent with water production.

Views of Responsive Officials of Auditee: Utility Director will coordinate with the water plant to compare billed amounts of water to amount of water produced.