



**CITY OF
CHECOTAH,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

THE CITY OF CHECOTAH, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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**CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units Checotah Recreational Authority and Checotah Industrial Development Authority, each major fund, and the aggregate remaining fund information of the City of Checotah, Oklahoma (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1(B); this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

Management has not included the Heartland Heritage Center Authority (HHCA) in the City's financial statements. Accounting principles generally accepted in the United States require the HHCA to be presented as an aggregate discretely presented component unit. The omission of the HHCA had no impact on the governmental activities, the business-type activities, each major fund, or the aggregate remaining fund information of the City as of or for the year ended June 30, 2021.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the City's aggregate discretely presented component units as of June 30, 2021, or the changes in financial position or cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1(B).

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units Checotah Recreational Authority and Checotah Industrial Development Authority, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1(B).

Basis of Accounting

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

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Report on Supplementary and Other Information

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

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

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

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
December 13, 2021

CITY OF CHECOTAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

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, 2021. 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 \$1,538,426, and the assets of the City exceed its liabilities at June 30, 2021, by \$10,548,299 (net position). Of this amount, \$5,202,453 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2021, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$8,062,398.
- At the end of fiscal year 2021, unassigned fund balance on a modified cash basis for the General Fund was \$3,341,873 or 69.1% 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, 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, 2021

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, 2021, net position on a modified cash basis for the governmental and business-type activities increased \$1,538,426.

Net Position (Modified Cash Basis)
June 30, 2021

| | Governmental Activities | Business-type Activities | Total |
|----------------------------|------------------------------------|-------------------------------------|----------------------|
| Beginning net position | \$ 6,909,243 | \$ 2,100,630 | \$ 9,009,873 |
| Change in net position | 1,153,155 | 385,271 | 1,538,426 |
| Ending net position | \$ 8,062,398 | \$ 2,485,901 | \$ 10,548,299 |

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 |
|---------------------------|--------------------------------|---------------------|-------------------------------------|---------------------|----------------------|---------------------|--|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| | Assets | \$ 8,066,006 | \$ 6,916,417 | \$ 2,590,370 | \$ 2,189,642 | \$ 10,656,376 | |
| Total assets | 8,066,006 | 6,916,417 | 2,590,370 | 2,189,642 | 10,656,376 | 9,106,059 | 17.0% |
| Liabilities | 3,608 | 7,174 | 104,469 | 89,012 | 108,077 | 96,186 | 12.4% |
| Total liabilities | 3,608 | 7,174 | 104,469 | 89,012 | 108,077 | 96,186 | 12.4% |
| Net position: | | | | | | | |
| Restricted | 4,625,342 | 4,372,559 | 720,504 | 636,965 | 5,345,846 | 5,009,524 | 6.7% |
| Unrestricted | 3,437,056 | 2,536,684 | 1,765,397 | 1,463,665 | 5,202,453 | 4,000,349 | 30.0% |
| Total net position | \$ 8,062,398 | \$ 6,909,243 | \$ 2,485,901 | \$ 2,100,630 | \$ 10,548,299 | \$ 9,009,873 | 17.1% |

A portion of the City's net position, \$5,345,846, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,202,453, 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, 2021

Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2021

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|---------------------|-------------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for Services | \$ 632,230 | \$ 602,319 | \$ 1,727,817 | \$ 1,568,781 | \$ 2,360,047 | \$ 2,171,100 | 8.7% |
| Grants & Contributions | 266,815 | 6,642 | - | - | 266,815 | 6,642 | 3917.1% |
| Capital Grants & Contributions | 100,000 | - | 103,425 | 488,986 | 203,425 | 488,986 | -58.4% |
| Payment from CIDA | - | 6,712 | - | - | - | 6,712 | 100.0% |
| General Revenues: | | | | | | | |
| Sales Tax | 5,183,491 | 4,565,126 | - | - | 5,183,491 | 4,565,126 | 13.5% |
| Other Taxes | 122,932 | 123,475 | - | - | 122,932 | 123,475 | -0.4% |
| Other General Revenues | 296,465 | 252,325 | 11,844 | 17,343 | 308,309 | 269,668 | 14.3% |
| Total Revenues | 6,601,933 | 5,556,599 | 1,843,086 | 2,075,110 | 8,445,019 | 7,631,709 | 10.7% |
| Program Expenses: | | | | | | | |
| General Government | \$ 838,364 | \$ 399,423 | - | - | 838,364 | 399,423 | 109.9% |
| Public Safety | 1,788,383 | 1,855,873 | - | - | 1,788,383 | 1,855,873 | -3.6% |
| Streets and Facilities Maintenance | 972,466 | 809,063 | - | - | 972,466 | 809,063 | 20.2% |
| Culture and Recreation | 24,397 | 268 | - | - | 24,397 | 268 | 9003.4% |
| Recreation (Payment to CRA) | - | 3,059 | - | - | - | 3,059 | 100.0% |
| Industrial development (Payment to CIDA) | 23,004 | 19,975 | - | - | 23,004 | 19,975 | 15.2% |
| Water | - | - | 2,561,625 | 4,116,347 | 2,561,625 | 4,116,347 | -37.8% |
| Sewer | - | - | 698,354 | 653,323 | 698,354 | 653,323 | 6.9% |
| Total Expenses | 3,646,614 | 3,087,661 | 3,259,979 | 4,769,670 | 6,906,593 | 7,857,331 | -12.1% |
| Excess (Deficiency) | 2,955,319 | 2,468,938 | (1,416,893) | (2,694,560) | 1,538,426 | (225,622) | -781.9% |
| Net Transfers | (1,802,164) | (2,490,796) | 1,802,164 | 2,490,796 | - | - | - |
| Change in Net Position | \$ 1,153,155 | \$ (21,858) | \$ 385,271 | \$ (203,764) | \$ 1,538,426 | \$ (225,622) | -781.9% |
| Beginning Net Position | 6,909,243 | 6,931,101 | 2,100,630 | 2,304,394 | 9,009,873 | 9,235,495 | -2.4% |
| Ending Net Position | \$ 8,062,398 | \$ 6,909,243 | \$ 2,485,901 | \$ 2,100,630 | \$ 10,548,299 | \$ 9,009,873 | 17.1% |

Governmental Activities

The City's governmental activities had an increase in net position of \$1,153,155. The increase is due in part to a \$618,365 increase in sales tax in the current year and an increase in grants and contributions.

| | Total Expense of Services | | % Inc. (Dec.) | Net Revenue (Expense) of Services | | % Inc. (Dec.) |
|--|---------------------------|-----------------|---------------|-----------------------------------|-------------------|---------------|
| | 2021 | 2020 | | 2021 | 2020 | |
| General government | \$ 838 | \$ 399 | 110% | \$ (732) | \$ (379) | 93% |
| Public safety | 1,788 | 1,856 | -4% | (955) | (1,303) | -27% |
| Streets and facilities maintenance | 972 | 809 | 20% | (920) | (780) | 18% |
| Culture and recreation | 24 | 0 | 9003% | (18) | 6 | -386% |
| Recreation (Payment to CRA) | - | 3 | 100% | - | (3) | 100% |
| Industrial development (Payment to CIDA) | 23 | 20 | 15% | (23) | (20) | 15% |
| Total | \$ 3,647 | \$ 3,087 | 18% | \$ (2,648) | \$ (2,479) | 7% |

CITY OF CHECOTAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

Business-type Activities

The business-type activities had an increase in net position of \$385,271. This increase is primarily due to a decrease in water expenses this year that were related to the water intake structure project in the prior year.

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

| | Total Expense of Services | | % Inc. Dec. | Net Revenue (Expense) of Services | | % Inc. Dec. |
|--------------|------------------------------|----------------|----------------|---|-------------------|----------------|
| | 2021 | 2020 | | 2021 | 2020 | |
| | Water | \$ 2,562 | | \$4,116 | -38% | |
| Wastewater | 698 | 653 | 7% | (318) | (336) | -5% |
| Total | \$ 3,260 | \$4,769 | -32% | \$ (1,429) | \$ (2,712) | -47% |

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2021 fiscal year, the governmental funds reported a combined fund balance of \$8,062,398. For the year ended June 30, 2021, the General Fund's total fund balance increased by \$647,276 to \$3,344,189 or 69.2% of annual revenues.

Budgetary Highlights

For the year ended June 30, 2021, the General Fund reported actual budgetary basis revenues over final estimates by \$1,643,878 or a 25.8% positive variance. General Fund actual expenditures were under final appropriations by \$141,683 or a 1.9% positive variance.

The Ambulance Fund reported actual budgetary basis revenues over final estimates by \$102,712, a 19.9% positive variance for the year ended June 30, 2021. Ambulance Fund actual expenditures were under final appropriations by \$47,548, an 8.1% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

CITY OF CHECOTAH, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

The FY 2020-2021 sales tax remained steady, and the City will be more aggressive with the numbers in the 2021-2022 budget. The City is optimistic that sales tax remains steady through FY 2021-2022.

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

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

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, 2021**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Statement of Net Position (Modified Cash Basis) – June 30, 2021

| | Governmental Activities | Business-type Activities | Total | Component Units | |
|--|----------------------------|-----------------------------|----------------------|---------------------------------------|--|
| | | | | Checotah Recreational Authority | Checotah Industrial Development Authority |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 7,432,308 | \$ 2,366,322 | \$ 9,798,630 | \$ 13,869 | \$ 195,445 |
| Investments | 783,022 | - | 783,022 | - | 188,536 |
| Deposits with insurance pool | 74,724 | - | 74,724 | - | - |
| Internal Balances | (224,048) | 224,048 | - | - | - |
| Total Assets | <u>8,066,006</u> | <u>2,590,370</u> | <u>10,656,376</u> | <u>13,869</u> | <u>383,981</u> |
| LIABILITIES | | | | | |
| Due to bondholders | 2,950 | - | 2,950 | - | - |
| Due to governmental agencies | 658 | - | 658 | - | - |
| Long-term liabilities: | | | | | |
| Due within one year - utility deposits | - | 20,894 | 20,894 | - | - |
| Due in more than one year - utility deposits | - | 83,575 | 83,575 | - | - |
| Total liabilities | <u>3,608</u> | <u>104,469</u> | <u>108,077</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | | | |
| Restricted for: | | | | | |
| Public safety | 427,715 | - | 427,715 | - | - |
| Capital improvements | 4,149,115 | - | 4,149,115 | - | - |
| Cemetery | 48,512 | - | 48,512 | - | - |
| Debt service | - | 720,504 | 720,504 | - | - |
| Unrestricted | 3,437,056 | 1,765,397 | 5,202,453 | 13,869 | 383,981 |
| Total net position | <u>\$ 8,062,398</u> | <u>\$ 2,485,901</u> | <u>\$ 10,548,299</u> | <u>\$ 13,869</u> | <u>\$ 383,981</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, 2021

Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2021

| 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 | \$ 838,364 | \$ 16,409 | \$ - | \$ 90,000 | \$ (731,955) | \$ - | \$ (731,955) | \$ - | \$ - |
| Public Safety | 1,788,383 | 556,822 | 266,815 | 10,000 | (954,746) | - | (954,746) | - | - |
| Streets and facilities maintenance | 972,466 | 52,199 | - | - | (920,267) | - | (920,267) | - | - |
| Culture and Recreation | 24,397 | 6,800 | - | - | (17,597) | - | (17,597) | - | - |
| Industrial development (Payment to CIDA) | 23,004 | - | - | - | (23,004) | - | (23,004) | - | - |
| Total governmental activities | <u>3,646,614</u> | <u>632,230</u> | <u>266,815</u> | <u>100,000</u> | <u>(2,647,569)</u> | <u>-</u> | <u>(2,647,569)</u> | <u>-</u> | <u>-</u> |
| Business-type activities: | | | | | | | | | |
| Water | 2,561,625 | 1,347,722 | - | 103,425 | - | (1,110,478) | (1,110,478) | - | - |
| Wastewater | 698,354 | 380,095 | - | - | - | (318,259) | (318,259) | - | - |
| Total business-type activities | <u>3,259,979</u> | <u>1,727,817</u> | <u>-</u> | <u>103,425</u> | <u>-</u> | <u>(1,428,737)</u> | <u>(1,428,737)</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>6,906,593</u> | <u>2,360,047</u> | <u>266,815</u> | <u>203,425</u> | <u>(2,647,569)</u> | <u>(1,428,737)</u> | <u>(4,076,306)</u> | <u>-</u> | <u>-</u> |
| Component Unit | | | | | | | | | |
| Checotah Recreational Authority | 20,866 | 24,292 | 7,176 | - | - | - | - | 10,602 | - |
| Checotah Industrial Development Authority | 63,252 | 40,850 | - | - | - | - | - | - | (22,402) |
| Total component units | <u>84,118</u> | <u>65,142</u> | <u>7,176</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,602</u> | <u>(22,402)</u> |
| General revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Sales and use taxes | | | | | \$ 5,183,491 | \$ - | \$ 5,183,491 | - | - |
| Franchise taxes and public service taxes | | | | | 122,932 | - | 122,932 | - | - |
| Intergovernmental revenue not restricted to specific programs | | | | | 168,943 | - | 168,943 | - | - |
| Unrestricted investment earnings | | | | | 31,957 | 6,853 | 38,810 | 21 | 2,527 |
| Miscellaneous | | | | | 95,565 | 4,991 | 100,556 | - | - |
| Payments received from primary government | | | | | - | - | - | - | 23,004 |
| Transfers | | | | | (1,802,164) | 1,802,164 | - | - | - |
| Total general revenues and transfers | | | | | <u>3,900,724</u> | <u>1,814,008</u> | <u>5,614,732</u> | <u>21</u> | <u>25,531</u> |
| Change in net position | | | | | 1,153,155 | 385,271 | 1,538,426 | 10,623 | 3,129 |
| Net position - beginning | | | | | 6,909,243 | 2,100,630 | 9,009,873 | 3,246 | 380,852 |
| Net position - ending | | | | | <u>\$ 8,062,398</u> | <u>\$ 2,485,901</u> | <u>\$ 10,548,299</u> | <u>\$ 13,869</u> | <u>\$ 383,981</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, 2021**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2021

| | <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 | \$ 3,159,671 | \$ 1,811,988 | \$ 1,999,098 | \$ 415,776 | \$ 45,775 | \$ 7,432,308 |
| Investments | 110,920 | 657,102 | - | - | 15,000 | 783,022 |
| Due from other funds | 2,482 | - | - | - | - | 2,482 |
| Deposits with insurance pool | 74,724 | - | - | - | - | 74,724 |
| Total assets | <u>3,347,797</u> | <u>2,469,090</u> | <u>1,999,098</u> | <u>415,776</u> | <u>60,775</u> | <u>8,292,536</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Due to other funds | - | 226,528 | - | 2 | - | 226,530 |
| Due to bondholders | 2,950 | - | - | - | - | 2,950 |
| Payable to other governments | 658 | - | - | - | - | 658 |
| Total liabilities | <u>3,608</u> | <u>226,528</u> | <u>-</u> | <u>2</u> | <u>-</u> | <u>230,138</u> |
| Fund balances: | | | | | | |
| Restricted for: | | | | | | |
| Public Safety | - | - | - | 415,774 | 11,941 | 427,715 |
| Capital Improvements | - | 2,150,254 | 1,998,861 | - | - | 4,149,115 |
| Cemetery | - | - | - | - | 48,512 | 48,512 |
| Assigned to: | | | | | | |
| Public Safety | 2,316 | - | - | - | - | 2,316 |
| Cemetery | - | - | - | - | 322 | 322 |
| Capital Improvements | - | 92,308 | 237 | - | - | 92,545 |
| Unassigned | 3,341,873 | - | - | - | - | 3,341,873 |
| Total fund balances | <u>3,344,189</u> | <u>2,242,562</u> | <u>1,999,098</u> | <u>415,774</u> | <u>60,775</u> | <u>8,062,398</u> |
| Total liabilities and fund balances | <u>\$ 3,347,797</u> | <u>\$ 2,469,090</u> | <u>\$ 1,999,098</u> | <u>\$ 415,776</u> | <u>\$ 60,775</u> | <u>\$ 8,292,536</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, 2021

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2021

| | <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 | \$ 4,072,232 | \$ 1,234,191 | \$ - | \$ - | \$ - | \$ 5,306,423 |
| Intergovernmental | 517,509 | - | - | 19,426 | - | 536,935 |
| Licenses and permits | 14,913 | - | - | - | - | 14,913 |
| Charges for services | 49,141 | - | - | 481,486 | 12,854 | 543,481 |
| Fees and fines | 67,241 | - | - | - | 3,831 | 71,072 |
| Investment earnings | 20,745 | 11,212 | - | - | - | 31,957 |
| Miscellaneous | 94,152 | - | - | 3,000 | - | 97,152 |
| Total revenues | <u>4,835,933</u> | <u>1,245,403</u> | <u>-</u> | <u>503,912</u> | <u>16,685</u> | <u>6,601,933</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Managerial | 96,198 | - | - | - | - | 96,198 |
| City Clerk | 3,113 | - | - | - | - | 3,113 |
| Attorney | 26,948 | - | - | - | - | 26,948 |
| General Government | 173,109 | - | - | - | - | 173,109 |
| City Treasurer | 20,326 | - | - | - | - | 20,326 |
| Planning & Zoning | 78 | - | - | - | - | 78 |
| Property | - | 7,050 | - | - | - | 7,050 |
| Code Enforcement | 64,851 | - | - | - | - | 64,851 |
| Public Safety: | | | | | | |
| Police | 838,861 | - | - | - | 370 | 839,231 |
| Municipal Court | 17,650 | - | - | - | - | 17,650 |
| Emergency Services | 69,899 | - | - | - | - | 69,899 |
| Ambulance | - | - | 241,737 | 471,287 | - | 713,024 |
| Fire | 17,777 | - | - | - | - | 17,777 |
| Animal Shelter | 11,293 | - | - | - | - | 11,293 |
| Maintenance | 665,383 | - | - | - | - | 665,383 |
| Culture and recreation | 464 | - | - | - | - | 464 |
| Cemetery | - | - | - | - | 2,112 | 2,112 |
| Capital Outlay | 395,321 | 502,563 | 120,053 | 66,790 | 2,156 | 1,086,883 |
| Total Expenditures | <u>2,401,271</u> | <u>509,613</u> | <u>361,790</u> | <u>538,077</u> | <u>4,638</u> | <u>3,815,389</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,434,662</u> | <u>735,790</u> | <u>(361,790)</u> | <u>(34,165)</u> | <u>12,047</u> | <u>2,786,544</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 3,172,383 | - | 1,234,191 | 115,000 | - | 4,521,574 |
| Transfers out | (4,936,765) | (580,194) | (615,000) | - | - | (6,131,959) |
| Transfers out - component unit | (23,004) | - | - | - | - | (23,004) |
| Total other financing sources and uses | <u>(1,787,386)</u> | <u>(580,194)</u> | <u>619,191</u> | <u>115,000</u> | <u>-</u> | <u>(1,633,389)</u> |
| Net change in fund balances | 647,276 | 155,596 | 257,401 | 80,835 | 12,047 | 1,153,155 |
| Fund balances - beginning | 2,696,913 | 2,086,966 | 1,741,697 | 334,939 | 48,728 | 6,909,243 |
| Fund balances - ending | <u>\$ 3,344,189</u> | <u>\$ 2,242,562</u> | <u>\$ 1,999,098</u> | <u>\$ 415,774</u> | <u>\$ 60,775</u> | <u>\$ 8,062,398</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, 2021**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2021

| | <u>Checotah Public Works Authority Enterprise Fund</u> |
|-------------------------------|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,541,349 |
| Restricted: | |
| Cash and cash equivalents | 772,249 |
| Due from other funds | 226,528 |
| Total current assets | <u>2,540,126</u> |
| Non-current assets: | |
| Restricted: | |
| Cash and cash equivalents | 52,724 |
| Total non-current assets | <u>52,724</u> |
| Total assets | <u>2,592,850</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Due to other funds | 2,480 |
| Deposits subject to refund | 20,894 |
| Total current liabilities | <u>23,374</u> |
| Non-current liabilities: | |
| Deposits subject to refund | 83,575 |
| Total non-current liabilities | <u>83,575</u> |
| Total liabilities | <u>106,949</u> |
| NET POSITION | |
| Restricted for debt service | 720,504 |
| Unrestricted | 1,765,397 |
| Total net position | <u>\$ 2,485,901</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, 2021

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2021

| | <u>Checotah Public Works Authority Enterprise Fund</u> |
|--|---|
| REVENUES | |
| Water | \$ 1,312,577 |
| Wastewater | 370,089 |
| Fees, taps and penalties | 37,375 |
| Miscellaneous | 7,776 |
| Total operating revenues | <u>1,727,817</u> |
| OPERATING EXPENSES | |
| Administration | 508,994 |
| Water | 1,422,259 |
| Wastewater | 395,418 |
| Total Operating Expenses | <u>2,326,671</u> |
| Operating income (loss) | <u>(598,854)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Interest and investment revenue | 6,853 |
| Miscellaneous revenue | 4,991 |
| Debt service: | |
| Principal retirement | (666,959) |
| Interest expense | (74,570) |
| Total non-operating revenue (expenses) | <u>(729,685)</u> |
| Income (loss) before contributions and transfers | <u>(1,328,539)</u> |
| Capital contributions - grant | 103,425 |
| Transfers in | 4,282,768 |
| Transfers out | <u>(2,672,383)</u> |
| Change in net position | 385,271 |
| Total net position - beginning | <u>2,100,630</u> |
| Total net position - ending | <u>\$ 2,485,901</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, 2021

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2021

| | Checotah Public Works Authority Enterprise Fund |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 1,732,808 |
| Payments to suppliers | (1,299,820) |
| Payments to employees | (1,026,851) |
| Receipts of customer meter deposits | 36,975 |
| Refunds of customer meter deposits | (21,518) |
| Net cash provided by (used in) operating activities | <u>(578,406)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from other funds | 4,282,768 |
| Transfers to other funds | (2,672,383) |
| Net cash provided by noncapital financing activities | <u>1,610,385</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Principal paid on debt | (666,959) |
| Capital contribution - grant | 103,425 |
| Interest and fiscal agent fees paid on debt | (74,570) |
| Net cash provided by (used in) capital and related financing activities | <u>(638,104)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends | 6,853 |
| Net cash provided by investing activities | <u>6,853</u> |
| Net increase in cash and cash equivalents | 400,728 |
| Balances - beginning of year | <u>1,965,594</u> |
| Balances - end of year | <u>\$ 2,366,322</u> |
| Reconciliation to Statement of Net Position: | |
| Cash and cash equivalents | 1,541,349 |
| Restricted cash and cash equivalents - current | 772,249 |
| Restricted cash and cash equivalents - noncurrent | 52,724 |
| Total cash and cash equivalents, end of year | <u>2,366,322</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | |
| Operating income (loss) | \$ (598,854) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| Miscellaneous revenue | 4,991 |
| Change in assets and liabilities: | |
| Deposits subject to refund | 15,457 |
| Net cash provided by (used in) operating activities | <u>\$ (578,406)</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, 2021**

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, 2021

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, 2021, the City recognized \$38,810 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City’s deposits are in demand and short-term time deposits.

At June 30, 2021, the primary government held the following deposits and investments:

| <u>Primary Government</u> | Carrying Value | Credit Rating |
|---|---------------------------|--------------------------|
| Deposits: | | |
| Petty cash | 800 | |
| Demand deposits | 9,745,106 | |
| Time deposits - certificates of deposit | 783,022 | |
| Investments: | | |
| Open-ended Money Market Mutual Funds - Goldman Sachs Financial Square | 52,724 | Aaa |
| Total Deposits and Investments | <u>\$ 10,581,652</u> | |
| Reconciliation to Statement of Net Position: | | |
| Cash and cash equivalents | \$ 9,798,630 | |
| Investments | 783,022 | |
| | <u>\$ 10,581,652</u> | |
| <u>Component Unit</u> | | |
| Checotah Recreational Authority: | | |
| Demand deposits | <u>\$ 13,869</u> | |
| Checotah Industrial Development Authority: | | |
| Demand deposits | \$ 195,445 | |
| Investments | 188,536 | |
| | <u>\$ 383,981</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, 2021, the city was under-collateralized at People’s National Bank by \$1,687,660.

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Investment Interest Rate Risk

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

At June 30, 2021, 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, 2021, the City’s investments consisted of \$52,724 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of Aaa as rated by Moody’s.

Concentration of Investment Credit Risk

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

At June 30, 2021, 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, 2021 are as follows:

| <u>Type of Restricted Assets</u> | Current Cash and Cash Equivalents | Non-Current Cash and Cash Equivalents |
|------------------------------------|---|---|
| Utility Deposits | 104,469 | \$ - |
| 2012 Refunding Bond Trust Accounts | 37,470 | 52,724 |
| Asset Replacement Account | 579,860 | - |
| Loan Reserve Account | 50,450 | - |
| Total Restricted Assets | \$ 772,249 | \$ 52,724 |

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3. Sales Tax Revenue

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

4. Property Tax Levy

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

5. Customer Deposits

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

| | |
|-------------------------|-------------------|
| | <u>\$ 104,469</u> |
| Current portion | \$ 20,894 |
| Non-current portion | <u>83,575</u> |
| Total Customer Deposits | <u>\$ 104,469</u> |

6. Internal Balances and Transfers between Funds and Legal Entities

Balances:

Interfund balances between activities at June 30, 2021, were as follows:

| Due From | Due To | Amount | Nature of Balance |
|---|--------------------------|---------------------|---------------------------------------|
| Capital Improvement Fund | Intake Structure Program | \$ 226,528 | Expenses paid on behalf of other fund |
| Ambulance Fund | General Fund | 2 | Payroll related |
| Checotah Public Works Authority | General Fund | 2,480 | Deposit made to wrong account |
| Total | | <u>\$ 229,010</u> | |
| Reconciliation to Fund Financial Statements: | | | |
| | Due From | Due To | Net Internal Balances |
| Governmental Funds | \$ 2,482 | \$ (226,530) | \$ (224,048) |
| Proprietary Funds | 226,528 | (2,480) | 224,048 |
| Total | <u>\$ 229,010</u> | <u>\$ (229,010)</u> | <u>\$ -</u> |

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2021, were as follows:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> | <u>Nature of Transfer</u> |
|---------------------------------|---------------------------------|---------------------|--|
| General Fund | Capital Improvement Fund | \$ 1,234,191 | Sales tax transfer |
| General Fund | Checotah Public Works Authority | 3,702,574 | Sales tax pledge |
| Checotah Public Works Authority | General Fund | 2,468,383 | Sales tax transfer- return of sales tax |
| Checotah Public Works Authority | General Fund | 204,000 | Operational subsidy |
| Capital Improvement Fund | General Fund | 500,000 | Operational subsidy |
| Restricted Sales Tax Fund | Checotah Public Works Authority | 204,000 | Operational subsidy |
| Restricted Sales Tax Fund | Checotah Public Works Authority | 376,194 | Subsidy for debt service |
| Capital Improvement Fund | Ambulance Fund | 115,000 | Budgeted transfer to offset the Ambulance Cash Account |
| | | <u>\$ 8,804,342</u> | |

Reconciliation:

| | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Net Transfers</u> |
|--------------------|---------------------|-----------------------|----------------------|
| Governmental Funds | \$ 4,521,574 | \$ (6,131,959) | \$ (1,610,385) |
| Proprietary Funds | 4,282,768 | (2,672,383) | 1,610,385 |
| Total | <u>\$ 8,804,342</u> | <u>\$ (8,804,342)</u> | <u>\$ -</u> |

Reconciliation to Statement of Activities:

| | <u>Net Transfers</u> |
|--|----------------------|
| Net Transfers | \$ 1,610,385 |
| Business-type activities from governmental funds | 191,779 |
| Total Transfers - Internal Activity | <u>\$ 1,802,164</u> |

7. Risk Management

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

8. Pension Plan Participation

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

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

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OFPRS:

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

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

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

The OFPRS contributions are as follows:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|--------------------|------------------------------|---------------------------|
| 2019 | \$ 960 | \$ 960 |
| 2020 | \$ 960 | \$ 960 |
| 2021 | \$ 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.

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The OPPRS contributions are as follows:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|--------------------|------------------------------|---------------------------|
| 2019 | \$44,130 | \$44,130 |
| 2020 | \$42,922 | \$42,922 |
| 2021 | \$42,391 | \$42,391 |

OMRF Defined Benefit Plan:

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

Eligibility Factors, Contribution Methods and Benefit Provisions

| 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 | 3.91% of covered payroll (City elected to stay at 7.18%) |
| -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. |

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Contribution Information

| Fiscal Year | Required Contribution | Amount Contributed |
|-------------|--------------------------|-----------------------|
| 2019 | \$43,013 | \$100,723 |
| 2020 | \$27,638 | \$98,805 |
| 2021 | \$55,408 | \$101,815 |

OMRF 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, 2021, the reporting entity's long-term debt changed as follows:

| <u>Type of Debt</u> | <u>Balance Due July 1, 2020</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance Due June 30, 2021</u> | <u>Amount Due Within One Year</u> |
|---------------------------------------|-------------------------------------|------------------|-------------------|--------------------------------------|---------------------------------------|
| <i>Business-Type Activities:</i> | | | | | |
| Notes Payable - Direct borrowings | \$ 3,008,418 | \$ - | \$ 391,959 | \$ 2,616,459 | \$ 393,973 |
| Revenue Bonds Payable | 1,450,000 | - | 275,000 | 1,175,000 | 280,000 |
| Total Business-Type Activities | \$ 4,458,418 | \$ - | \$ 666,959 | \$ 3,791,459 | \$ 673,973 |

Governmental activities had no long-term debt payable from taxes and other general revenues at June 30, 2021.

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.

\$1,683,637

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

Total Notes Payable 932,822
\$2,616,459

Current portion \$ 393,973
Non-current portion 2,222,486
Total Notes Payable \$2,616,459

Revenue Bonds Payable- Direct placement:

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

\$1,175,000
\$1,175,000

Current portion \$ 280,000
Non-current portion 895,000
Total Revenue Bonds Payable \$1,175,000

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

| Year Ended June 30, | <u>Business-Type Activities</u> | | | |
|------------------------|---------------------------------|-------------------|--------------------------------|------------------|
| | <u>Notes Payable-</u> | | <u>Revenue Bonds Payable -</u> | |
| | <u>Direct Borrowing</u> | | <u>Direct Placement</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2022 | 393,973 | 28,681 | 280,000 | 33,150 |
| 2023 | 396,053 | 26,247 | 290,000 | 24,675 |
| 2024 | 398,179 | 23,790 | 300,000 | 15,900 |
| 2025 | 400,424 | 21,312 | 305,000 | 6,900 |
| 2026 | 231,790 | 18,811 | | |
| 2027-2031 | 153,052 | 82,248 | - | - |
| 2032-2036 | 171,256 | 63,044 | - | - |
| 2037-2041 | 191,628 | 42,672 | - | - |
| 2042-2046 | 214,424 | 19,876 | - | - |
| 2047-2048 | 65,681 | 1,120 | - | - |
| Total | <u>\$ 2,616,460</u> | <u>\$ 327,801</u> | <u>\$ 1,175,000</u> | <u>\$ 80,625</u> |

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged three cents (or 75%) of future sales tax revenues and net utility revenues to repay the \$2,930,000 of the 2012B Utility System Refunding Revenue Bonds and \$5,360,000 of the OWRB 2007 Series Interim Construction Drinking Water SRF Promissory Note. Proceeds from the bonds and note provided financing for capital assets. The bonds and note are payable from pledged sales tax revenues, net utility revenues and investment income of the CPWA and are payable through 2025 and 2028, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$2,944,261. Pledged sales taxes and net utility revenues received in the current year were \$3,704,139. Debt service payments of \$423,054 for the current fiscal year were 11.4% of pledged sales taxes and net utility revenues.

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2021, is summarized as follows:

- City – accrued compensated absences \$12,403
- CPWA – accrued compensated absences \$12,596

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.

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SUPPLEMENTARY AND OTHER INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2021

| | GENERAL FUND | | | |
|--|-------------------|------------------|---------------------|-------------------------------------|
| | Budgeted Amounts | | Actual Amounts | Final Budget Positive (Negative) |
| | Original | Final | | |
| Beginning Budgetary Fund Balance: | \$ 773,845 | \$ 1,138,289 | \$ 2,544,307 | \$ 1,406,018 |
| Resources (Inflows): | | | | |
| Taxes | 3,223,900 | 3,223,900 | 3,825,507 | 601,607 |
| Intergovernmental | 118,000 | 118,000 | 517,509 | 399,509 |
| Charges for services | 27,000 | 27,000 | 49,141 | 22,141 |
| Fines and Forfeitures | 50,000 | 50,000 | 67,241 | 17,241 |
| Licenses and Permits | 1,800 | 1,800 | 14,913 | 13,113 |
| Investment Income | 7,500 | 7,500 | 20,741 | 13,241 |
| Miscellaneous | 13,301 | 13,301 | 94,152 | 80,851 |
| Other Financing Sources - Transfers - Interaccount | - | - | 246,725 | 246,725 |
| Other Financing Sources - Transfers In | 2,922,933 | 2,922,933 | 3,172,383 | 249,450 |
| Total Resources | 6,364,434 | 6,364,434 | 8,008,312 | 1,643,878 |
| Amounts available for appropriation | 7,138,279 | 7,502,723 | 10,552,619 | 3,049,896 |
| Charges to Appropriations (Outflows): | | | | |
| Managerial | 101,475 | 101,475 | 96,198 | 5,277 |
| City Clerk | 3,335 | 3,335 | 3,113 | 222 |
| City Attorney | 29,700 | 29,700 | 26,948 | 2,752 |
| Municipal Court | 17,539 | 17,539 | 17,650 | (111) |
| Police | 867,018 | 867,018 | 847,378 | 19,640 |
| Fire | 45,800 | 50,626 | 36,400 | 14,226 |
| Recreation | 5,780 | 5,780 | 464 | 5,316 |
| City Treasurer | 26,940 | 26,940 | 20,326 | 6,614 |
| General Government | 206,800 | 331,156 | 297,196 | 33,960 |
| Emergency Services | 90,580 | 90,580 | 76,628 | 13,952 |
| Maintenance | 731,580 | 935,788 | 892,549 | 43,239 |
| Animal Shelter | 12,000 | 12,000 | 11,293 | 707 |
| Planning and Zoning | 1,250 | 1,250 | 78 | 1,172 |
| Code Enforcement | 92,770 | 92,770 | 75,050 | 17,720 |
| Other Financing Uses - Transfers Out | 4,131,867 | 4,936,766 | 4,959,769 | (23,003) |
| Total Charges to Appropriations | 6,364,434 | 7,502,723 | 7,361,040 | 141,683 |
| Ending Budgetary Fund Balance | \$ 773,845 | \$ - | \$ 3,191,579 | \$ 3,191,579 |
| Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance: | | | | |
| Use Tax Account | | | 150,294 | |
| Dare Account | | | 2,316 | |
| Total General Fund Fund Balance | | | \$ 3,344,189 | |

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2021 (Continued)

| | AMBULANCE FUND | | | |
|--|------------------|----------------|-------------------|-------------------------------------|
| | Budgeted Amounts | | Actual Amounts | Final Budget Positive (Negative) |
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ 50,000 | \$ 69,425 | \$ 334,939 | \$ 265,514 |
| Resources (Inflows): | | | | |
| Charges for services | 401,000 | 401,000 | 481,486 | 80,486 |
| intergovernmental | - | - | 19,426 | 19,426 |
| Miscellaneous | 200 | 200 | 3,000 | 2,800 |
| Transfers in | 115,000 | 115,000 | 115,000 | - |
| Total Resources | <u>516,200</u> | <u>516,200</u> | <u>618,912</u> | <u>102,712</u> |
| Amounts available for appropriation | <u>566,200</u> | <u>585,625</u> | <u>953,851</u> | <u>368,226</u> |
| Charges to appropriations (outflows): | | | | |
| Public safety | 566,200 | 585,625 | 538,077 | 47,548 |
| Total Charges to Appropriations | <u>566,200</u> | <u>585,625</u> | <u>538,077</u> | <u>47,548</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>415,774</u> | <u>\$ 415,774</u> |

Footnotes to Budgetary Comparison Schedules:

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

| | General Fund |
|--|--------------------|
| Resources budgetary basis | \$8,008,312 |
| Deduct inter-account transfers in | (246,725) |
| Deduct transfers in | <u>(3,172,383)</u> |
| Revenue – modified cash basis (General Fund only) | <u>\$4,589,204</u> |
| Charges to appropriation budgetary basis | \$7,361,040 |
| Deduct transfers out | (4,936,765) |
| Deduct transfers out – component unit | <u>(23,004)</u> |
| Expenditures – modified cash basis (General Fund only) | <u>\$2,401,271</u> |

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NonMajor Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2021

| | Special Revenue Fund | Capital Project Fund | Total Other Governmental Funds |
|--|---------------------------------|---------------------------------|---|
| | Police Training Fund | Cemetery Care Fund | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 11,941 | \$ 33,834 | \$ 45,775 |
| Investments | - | 15,000 | 15,000 |
| Total assets | 11,941 | 48,834 | 60,775 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | - | - | - |
| Total liabilities | - | - | - |
| Fund balances: | | | |
| Restricted for: | | | |
| Public safety | 11,941 | - | 11,941 |
| Cemetery | - | 48,512 | 48,512 |
| Assigned to: | | | |
| Cemetery | - | 322 | 322 |
| Total fund balances | 11,941 | 48,834 | 60,775 |
| Total liabilities and fund balances | \$ 11,941 | \$ 48,834 | \$ 60,775 |

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NonMajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2021

| | Special Revenue Fund | Capital Project Fund | |
|-----------------------------|-------------------------------------|-------------------------------------|---|
| | Police Training Fund | Cemetery Care Fund | Total-Other Governmental Funds |
| REVENUES | | | |
| Charges for services | \$ - | \$ 12,854 | \$ 12,854 |
| Fees and fines | 3,831 | - | 3,831 |
| Total revenues | <u>3,831</u> | <u>12,854</u> | <u>16,685</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public Safety | 370 | - | 370 |
| Cemetery | - | 2,112 | 2,112 |
| Capital Outlay | - | 2,156 | 2,156 |
| Total Expenditures | <u>370</u> | <u>4,268</u> | <u>4,638</u> |
| Net change in fund balances | 3,461 | 8,586 | 12,047 |
| Fund balances - beginning | 8,480 | 40,248 | 48,728 |
| Fund balances - ending | <u>\$ 11,941</u> | <u>\$ 48,834</u> | <u>\$ 60,775</u> |

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General Fund Accounts Combining Balance Sheet (Modified Cash Basis) – June 30, 2021

| | General Fund | Use Tax Account | Dare Account | Total |
|--|-------------------------|----------------------------|-------------------------|--------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,007,061 | \$ 150,294 | \$ 2,316 | \$ 3,159,671 |
| Investments | 110,920 | - | - | 110,920 |
| Deposits with insurance pool | 74,724 | - | - | 74,724 |
| Due from other funds | 2,482 | - | - | 2,482 |
| Total assets | 3,195,187 | 150,294 | 2,316 | 3,347,797 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Due to bondholders | 2,950 | - | - | 2,950 |
| Payable to other governments | 658 | - | - | 658 |
| Total liabilities | 3,608 | - | - | 3,608 |
| Fund balances: | | | | |
| Assigned to: | | | | |
| Public safety | - | - | 2,316 | 2,316 |
| Unassigned | 3,191,579 | 150,294 | - | 3,341,873 |
| Total fund balances | 3,191,579 | 150,294 | 2,316 | 3,344,189 |
| Total liabilities and fund balances | \$ 3,195,187 | \$ 150,294 | \$ 2,316 | \$ 3,347,797 |

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

General Fund Accounts Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2021

| | <u>General Fund</u> | <u>Use Tax Account</u> | <u>Dare Account</u> | <u>Total</u> |
|---|-------------------------|----------------------------|-------------------------|---------------------|
| REVENUES | | | | |
| Taxes | \$ 3,825,507 | \$ 246,725 | \$ - | \$ 4,072,232 |
| Intergovernmental | 517,509 | - | - | 517,509 |
| Licenses and permits | 14,913 | - | - | 14,913 |
| Charges for services | 49,141 | - | - | 49,141 |
| Fees and fines | 67,241 | - | - | 67,241 |
| Investment earnings | 20,741 | - | 4 | 20,745 |
| Miscellaneous | 94,152 | - | - | 94,152 |
| Total revenues | <u>4,589,204</u> | <u>246,725</u> | <u>4</u> | <u>4,835,933</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government: | | | | |
| Managerial | 96,198 | - | - | 96,198 |
| City Clerk | 3,113 | - | - | 3,113 |
| Attorney | 26,948 | - | - | 26,948 |
| General Government | 173,109 | - | - | 173,109 |
| City Treasurer | 20,326 | - | - | 20,326 |
| Planning & Zoning | 78 | - | - | 78 |
| Code Enforcement | 64,851 | - | - | 64,851 |
| Public Safety: | | | | |
| Police | 838,861 | - | - | 838,861 |
| Municipal Court | 17,650 | - | - | 17,650 |
| Emergency Services | 69,899 | - | - | 69,899 |
| Fire | 17,777 | - | - | 17,777 |
| Animal Shelter | 11,293 | - | - | 11,293 |
| Maintenance | 665,383 | - | - | 665,383 |
| Culture and recreation | 464 | - | - | 464 |
| Capital Outlay | 395,321 | - | - | 395,321 |
| Total Expenditures | <u>2,401,271</u> | <u>-</u> | <u>-</u> | <u>2,401,271</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,187,933</u> | <u>246,725</u> | <u>4</u> | <u>2,434,662</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer - interaccount | 246,725 | (246,725) | - | - |
| Transfers in | 3,172,383 | - | - | 3,172,383 |
| Transfers out | (4,936,765) | - | - | (4,936,765) |
| Transfers out - component unit | (23,004) | - | - | (23,004) |
| Total other financing sources and uses | <u>(1,540,661)</u> | <u>(246,725)</u> | <u>-</u> | <u>(1,787,386)</u> |
| Net change in fund balances | 647,272 | - | 4 | 647,276 |
| Fund balances - beginning | 2,544,307 | 150,294 | 2,312 | 2,696,913 |
| Fund balances - ending | <u>\$ 3,191,579</u> | <u>\$ 150,294</u> | <u>\$ 2,316</u> | <u>\$ 3,344,189</u> |

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Enterprise Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) – June 30, 2021

| | <u>CPWA</u> | <u>WW CAPITAL PROJECT</u> | <u>Intake Structure Program</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------------------|---|---------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,045,736 | \$ - | \$ (504,387) | \$ 1,541,349 |
| Restricted: | | | | |
| Cash and cash equivalents | 772,249 | - | - | 772,249 |
| Due from other funds | - | - | 226,528 | 226,528 |
| Total current assets | <u>2,817,985</u> | <u>-</u> | <u>(277,859)</u> | <u>2,540,126</u> |
| Non-current assets: | | | | |
| Restricted: | | | | |
| Cash and cash equivalents | 52,724 | - | - | 52,724 |
| Total non-current assets | <u>52,724</u> | <u>-</u> | <u>-</u> | <u>52,724</u> |
| Total assets | <u>2,870,709</u> | <u>-</u> | <u>(277,859)</u> | <u>2,592,850</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Due to other funds | 2,480 | - | - | 2,480 |
| Deposits subject to refund | 20,894 | - | - | 20,894 |
| Total current liabilities | <u>23,374</u> | <u>-</u> | <u>-</u> | <u>23,374</u> |
| Non-current liabilities: | | | | |
| Deposits subject to refund | 83,575 | - | - | 83,575 |
| Total non-current liabilities | <u>83,575</u> | <u>-</u> | <u>-</u> | <u>83,575</u> |
| Total liabilities | <u>106,949</u> | <u>-</u> | <u>-</u> | <u>106,949</u> |
| NET POSITION | | | | |
| Restricted for debt service | 720,504 | - | - | 720,504 |
| Unrestricted (deficit) | 2,043,256 | - | (277,859) | 1,765,397 |
| Total net position | <u>\$ 2,763,760</u> | <u>\$ -</u> | <u>\$ (277,859)</u> | <u>\$ 2,485,901</u> |

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Enterprise Fund Accounts Combining Schedule of Revenues, Expenditures and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2021

| | <u>CPWA</u> | <u>WW CAPITAL PROJECT</u> | <u>Intake Structure Program</u> | <u>Total</u> |
|--|---------------------|-------------------------------|-------------------------------------|---------------------|
| REVENUES | | | | |
| Charges for services: | | | | |
| Water | \$ 1,312,577 | \$ - | \$ - | \$ 1,312,577 |
| Wastewater | 370,089 | - | - | 370,089 |
| Penalties | 37,375 | - | - | 37,375 |
| Miscellaneous | 7,776 | - | - | 7,776 |
| Total operating revenues | <u>1,727,817</u> | <u>-</u> | <u>-</u> | <u>1,727,817</u> |
| OPERATING EXPENSES | | | | |
| Administration | 508,994 | - | - | 508,994 |
| Water | 1,422,259 | - | - | 1,422,259 |
| Wastewater | 395,418 | - | - | 395,418 |
| Total Operating Expenses | <u>2,326,671</u> | <u>-</u> | <u>-</u> | <u>2,326,671</u> |
| Operating income (loss) | <u>(598,854)</u> | <u>-</u> | <u>-</u> | <u>(598,854)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest and investment revenue | 6,853 | - | - | 6,853 |
| Miscellaneous revenue | 4,991 | - | - | 4,991 |
| Debt service: | | | | |
| Principal retirement | (666,959) | - | - | (666,959) |
| Interest expense | (74,570) | - | - | (74,570) |
| Total non-operating revenue (expenses) | <u>(729,685)</u> | <u>-</u> | <u>-</u> | <u>(729,685)</u> |
| Income (loss) before contributions and transfers | <u>(1,328,539)</u> | <u>-</u> | <u>-</u> | <u>(1,328,539)</u> |
| Capital contributions - grant | 103,425 | - | - | 103,425 |
| Transfers in | 4,282,768 | - | - | 4,282,768 |
| Transfers out | (2,672,383) | - | - | (2,672,383) |
| Change in net position | 385,271 | - | - | 385,271 |
| Total net position - beginning | 2,378,489 | - | (277,859) | 2,100,630 |
| Total net position - ending | <u>\$ 2,763,760</u> | <u>\$ -</u> | <u>\$ (277,859)</u> | <u>\$ 2,485,901</u> |

**CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2021

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| Federal/State Grantor/Pass through agency Grantor/Program Title | Federal LA Number | Agency or Pass Thru Number | Program or Award Amount | Federal Expenditures |
|---|-------------------------|----------------------------------|-------------------------------|-------------------------|
| FEDERAL ASSISTANCE: | | | | |
| <u>US DEPT OF HEALTH AND HUMAN SERVICES - INDIAN HEALTH SERVICE</u> | | | | |
| Sanitation Facilities Construction Program | 93.445 | I.H.S. Project OK 19-V58 | \$ 59,172 | \$ 59,172 |
| <u>US DEPT OF TRANSPORTATION</u> | | | | |
| Passed through the Oklahoma Department of Transportation: STP-172B(362) UT-WL - Agreement #1 | 20.205 | STP-172B(362) UT-WL | 6,602 | 6,602 |
| <u>US DEPT OF HOUSING AND URBAN DEVELOPMENT:</u> | | | | |
| Passed through the Oklahoma Department of Commerce: Raw Water Intake Structure | 14.228 | 17289 CDBG 18 | 450,000 | 36,000 |
| <u>U.S DEPT OF TREASURY:</u> | | | | |
| Passed through the Office of Management and Enterprise Services:: Coronavirus Relief Fund | 21.019 | CARES ACT | \$ 238,563 | \$ 238,563 |
| <u>U.S. DEPT OF JUSTICE:</u> | | | | |
| Passed through District Attorney's Council: JAG - Police Car | 16.017 | JAG-LLE-2019 Checotah CI-00009 | \$ 10,000 | \$ 10,000 |
| TOTAL FEDERAL ASSISTANCE | | | <u>\$ 764,337</u> | <u>\$ 350,337</u> |

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| 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 | \$ 4,826 | \$ 4,826 |
| <u>OKLAHOMA DEPARTMENT OF TRANSPORTATION:</u> | | | |
| STP-172B(362) UT-WL - Agreement #1 | FEMA-1712-DR | 1,651 | 1,651 |
| <u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT:</u> | | | |
| REAP 2020 | 2020 REAP Fund 4904 | 35,000 | 35,000 |
| REAP 2021 | 2021 REAP Fund 4904 | 55,000 | 55,000 |
| TOTAL STATE AWARDS | | <u>\$ 96,477</u> | <u>\$ 96,477</u> |

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2021

| | 2012B Refunding Revenue Bonds and 2007 OWRB DWSRF |
|--|--|
| GROSS REVENUE AVAILABLE: | |
| Pledged operating revenues (water and sewer) | \$1,682,666 |
| Investment income | 6,853 |
| Sales tax appropriated and transferred from the City General Fund | 3,702,574 |
| Total Gross Revenue Available | 5,392,093 |
| OPERATING EXPENDITURES: | |
| Total Operating Expenditures | 1,687,954 |
| Net Revenue Available for Debt Service | \$3,704,139 |
| Maximum Debt Service on all Obligations Payable From Revenues of the System | \$697,266 (1) |
| Computed Coverage | 531% |
| Coverage Requirement | 125% |

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

CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021

INTERNAL CONTROL AND COMPLIANCE

**CITY OF CHECOTAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2021**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units Checotah Recreational Authority and Checotah Industrial Development Authority, each major fund, and the aggregate remaining fund information of the City of Checotah, Oklahoma (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2021. Our report includes an explanatory paragraph which noted that the financial statements were prepared on the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States. Our report also includes a paragraph which disclaims an opinion on management's discussion and analysis and budgetary comparison information. In addition, our report includes a paragraph which renders an adverse opinion on the aggregate discretely presented component units due to the exclusion of the Heartland Heritage Center Authority.

Internal Control Over Financial Reporting

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

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

(Continued)

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

Internal Control Over Financial Reporting, Continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as **Findings 2021-001 and 2021-002** that we consider to be significant deficiencies.

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 **Findings 2021-001 and 2021-002**.

The City's Response to Findings

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

Purpose of this Report

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

Finlay + Cook, PLLC

Shawnee, Oklahoma
December 13, 2021

CITY OF CHECOTAH, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2021

FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Significant Deficiencies

Finding 2021-001: Purchases

Criteria:

The approved City of Checotah and Checotah Public Works Authority Purchasing Policies and Procedures, revised May 14, 2018 require purchases over \$15,000 be presented for review and approval by the City Council. Additionally, the policies and procedures require purchases for capital outlays over \$10,000 to include specifications and require documentation of a minimum of two bids.

Condition:

In conjunction with our testwork on a sample of purchases made during the year ended June 30, 2021, we noted that several of the purchases in our sample were not made in compliance with the City's approved purchasing policies. Purchases over \$15,000 were not presented for review and approval by the City Council for 10 purchases. Purchases for capital outlays over \$10,000 were missing specifications, and for 20 capital outlay purchases over \$10,000, the required minimum of two bids were not documented. Purchases were made without first obtaining a purchase order signed by the mayor or other designated individual for three purchases. Purchases were made and invoices supporting the purchases were not obtained or retained for four purchases. Included in the exceptions were five purchases that were paid with funds from the REAP federal grant.

Cause:

Management of the City did not follow the approved policies and procedures.

Effect:

Without following approved policies and procedures there is an increased risk that errors and fraud related to purchase and payment activities could occur and not be detected within a timely basis.

Recommendation:

The Encumbrance Clerk should present signed purchase orders to the City Council for review and approval, bids should be obtained, and supporting documentation should be retained when required as stated in the City of Checotah and Checotah Public Works Authority Purchasing Policies and Procedures, revised May 14, 2018.

Views of Responsible Officials and Planned Corrective Actions:

The City's management concurs with the auditors' findings and recommendations. The City's management will perform a review of the current operating practices for purchases and will modify as necessary to ensure they are in compliance with the requirements of the approved City of Checotah and Checotah Public Works Authority Purchasing Policies and Procedures. These procedures will be completed by the City's Finance Administrator and its Deputy City Clerk.

CITY OF CHECOTAH, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED

Year Ended June 30, 2021

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, CONTINUED**

Finding 2021-002: Depository Compliance

Criteria:

The City treasurer is required to comply with the State of Oklahoma's Security for Local Public Deposits Act.

Condition:

The City was under-collateralized at People's National Bank (the "Bank") by \$1,687,660 as of June 30, 2021.

Cause:

Management of the City did not obtain collateral from the Bank whose fair value exceeded the amount of uninsured deposits.

Effect:

The City was not in compliance with the State of Oklahoma's Security for Local Public Deposits Act as of June 30, 2021.

Recommendation:

The amount of collateral to be pledged for the security of the City's deposits and securities should be consistent with the provisions of the State of Oklahoma's Security for Local Public Deposits Act. The City Treasurer should verify as appropriate and at least quarterly, that the market value of collateral pledged is sufficient to cover the security and any additional deposits at the institution.

Views of Responsible Officials and Planned Corrective Actions:

The City's management concurs with the auditors' findings and recommendations. The City's management will work with the City's Treasurer and a representative of the Bank to ensure that all of the City's bank deposits are always fully insured or collateralized. This includes determining that any assets pledged by the Bank for the City's bank deposits are qualifying assets as defined in the State of Oklahoma's Security for Local Public Deposits Act. These procedures will be completed by the City's Finance Administrator and its Deputy City Clerk.