

**CITY OF COALGATE, OKLAHOMA
COALGATE, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Coalgate, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coalgate, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Coalgate, Oklahoma's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coalgate, Oklahoma, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

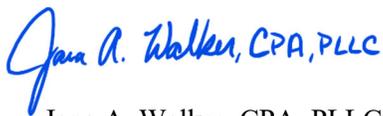
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension schedule on pages 3–10 and 34–35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2021, on our consideration of the City of Coalgate, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Coalgate, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Coalgate, Oklahoma's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
February 18, 2021

Our discussion and analysis of the City of Coalgate's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2020, the assets of the City exceeded its liabilities by \$8,503,992 (net position) compared to \$9,739,483 after prior period adjustment, noting a decrease over prior year.
- The City's total net position is comprised of the following:
 - (1) Net investment in capital assets of \$7,900,399 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$464,125.
 - (3) Unrestricted net position of \$139,468 may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position of governmental activities decreased \$1,005,400 or 15%, and net position of business-type activities decreased \$116,443 or 4%. Refer to discussion below regarding the change in net position. Overall, the health of the City decreased approximately 11% when compared to prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including sewer, water, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and sewer utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the City's compliance with the approved and revised budget for major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position decreased between fiscal years 2019 and 2020, noting a \$1,308,896 or 13% change, prior to a prior period adjustment of (\$287,307) and \$100,254 for governmental and business-type activities, respectively. Refer to discussion of the prior period adjustments in the footnotes to the financial statements. The following table provides a summary of the City's net position at June 30:

	Summary of Net Position							
	Governmental Activities		Business-Type Activities		Total		Change	
	2020	2019*	2020	2019*	2020	2019*	\$	%
Current assets	\$ 303,654	\$ 299,239	\$ 769,726	\$ 686,315	\$ 1,073,380	\$ 985,554	\$ 87,826	9%
Restricted assets	399,348	341,349	129,630	112,878	528,978	454,227	74,751	16%
Capital assets, net	5,744,332	6,167,145	4,172,161	4,325,747	9,916,493	10,492,892	(576,399)	-5%
Total assets	6,447,334	6,807,733	5,071,517	5,124,940	11,518,851	11,932,673	(413,822)	-3%
Deferred outflow of resources	192,465	-	-	-	192,465	-	192,465	100%
Current liabilities	43,209	-	137,551	104,785	180,760	104,785	75,975	73%
Non-current liabilities	934,940	-	1,945,000	2,015,000	2,879,940	2,015,000	864,940	43%
Total liabilities	978,149	-	2,082,551	2,119,785	3,060,700	2,119,785	940,915	44%
Deferred inflow of resources	146,624	-	-	-	146,624	-	146,624	100%
Net position								
Net investment in capital assets	5,741,832	6,167,145	2,158,567	2,250,747	7,900,399	8,417,892	(517,493)	-6%
Restricted	399,348	-	64,777	67,093	464,125	67,093	397,032	592%
Unrestricted	(626,154)	640,588	765,622	687,315	139,468	1,327,903	(1,188,435)	-89%
Total net position	\$ 5,515,026	\$ 6,807,733	\$ 2,988,966	\$ 3,005,155	\$ 8,503,992	\$ 9,812,888	\$ (1,308,896)	-13%

* Prior year report issued by another auditor

The City reported positive balances in net position for both governmental and business-type activities. Total assets for the City decreased with a 3% change, or \$413,822, over prior year. This was in part due to the decrease in net capital assets with depreciation of \$801 thousand reported for the fiscal year, offset with the additions of capital assets of \$215 thousand. Additionally, utility billing and taxes receivables were reported for fiscal year 2020, resulting in an increase of \$83 thousand and \$81 thousand, respectively. The deferred outflows are calculated by a third-party actuary and reported annually by the City in the accrual-basis financials; this analysis was not completed for fiscal year 2019. Overall, the City's total change in pension obligation resulted in a decrease in net position of \$330 thousand.

The City's total liabilities increased 44% when compared to prior year. This is related to the reporting of the City's pension liability in the current year. The pension liability is determined by a third-party actuarial valuation and reported to the City on an annual basis. As noted above, the actuarial valuation was not performed for 2019. During the year the City made regularly scheduled payments on outstanding debt, totaling \$65 thousand for the fiscal year.

Changes in Net Position

For the year ended June 30, 2020, net position of the primary government changed as follows:

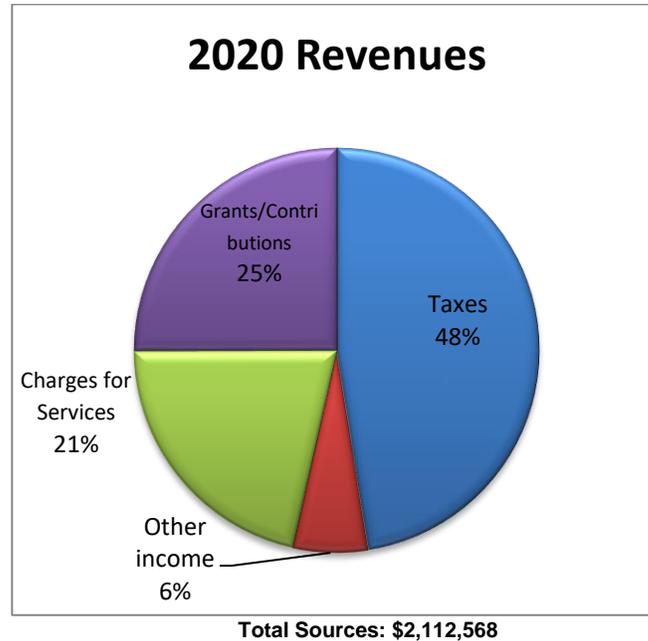
	Summary of Changes in Net Position							
	Governmental		Business-type		Total		Change	
	2020	2019*	2020	2019*	2020	2019*	\$	%
Revenues								
Program revenues	\$ 982,330	\$ 905,554	\$ 936,459	\$ 887,462	\$ 1,918,789	\$ 1,793,016	\$ 125,773	7%
Taxes and other general revenues	799,520	1,777,424	1,844	23,168	801,364	1,800,592	(999,228)	-55%
Total revenues	1,781,850	2,682,978	938,303	910,630	2,720,153	3,593,608	(873,455)	-24%
Expenses								
General government	823,559	940,177	-	-	823,559	940,177	(116,618)	-12%
Public safety and judiciary	892,531	529,538	-	-	892,531	529,538	362,993	69%
Transportation	309,158	205,962	-	-	309,158	205,962	103,196	50%
Cultural, parks, and recreation	69,862	46,503	-	-	69,862	46,503	23,359	50%
Cemetery	5,239	3,386	-	-	5,239	3,386	1,853	55%
Ambulance	669,253	551,812	-	-	669,253	551,812	117,441	21%
Economic development	17,648	416,135	-	-	17,648	416,135	(398,487)	-96%
Water	-	-	715,243	940,857	715,243	940,857	(225,614)	-24%
Sewer	-	-	65,445	54,862	65,445	54,862	10,583	19%
Sanitation	-	-	193,258	215,380	193,258	215,380	(22,122)	-10%
Customer service	-	-	64,116	-	64,116	-	64,116	100%
Industrial development	-	-	16,684	24,037	16,684	24,037	(7,353)	-31%
Total expenses	2,787,250	2,693,513	1,054,746	1,235,136	3,841,996	3,928,649	(86,653)	-2%
Excess (deficiency) before transfers	\$ (1,005,400)	\$ (10,535)	\$ (116,443)	\$ (324,506)	\$ (1,121,843)	\$ (335,041)	\$ (786,802)	235%
Increase (decrease) in net position	\$ (1,005,400)	\$ (10,535)	\$ (116,443)	\$ (324,506)	\$ (1,121,843)	\$ (335,041)	\$ (786,802)	235%

* Prior year report issued by another auditor

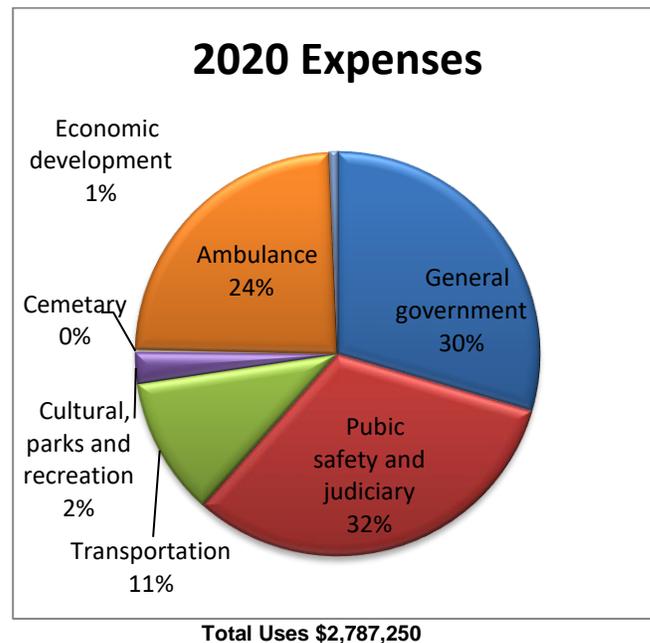
Total revenues for the City decreased 24% when compared to prior year. The decrease is partly due to a change in the pension obligation of the City, which was noted above. Tax revenues also saw a decrease from prior year collections, resulting in a decrease of approximately \$400 thousand. Miscellaneous governmental revenues also declined from prior year (\$193 thousand).

Operating expenses remained consistent between years, noting a 2% or \$86,653 decrease. Expenses shifted between departments, but overall the City maintained a level basis of spending when compared to prior year.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.



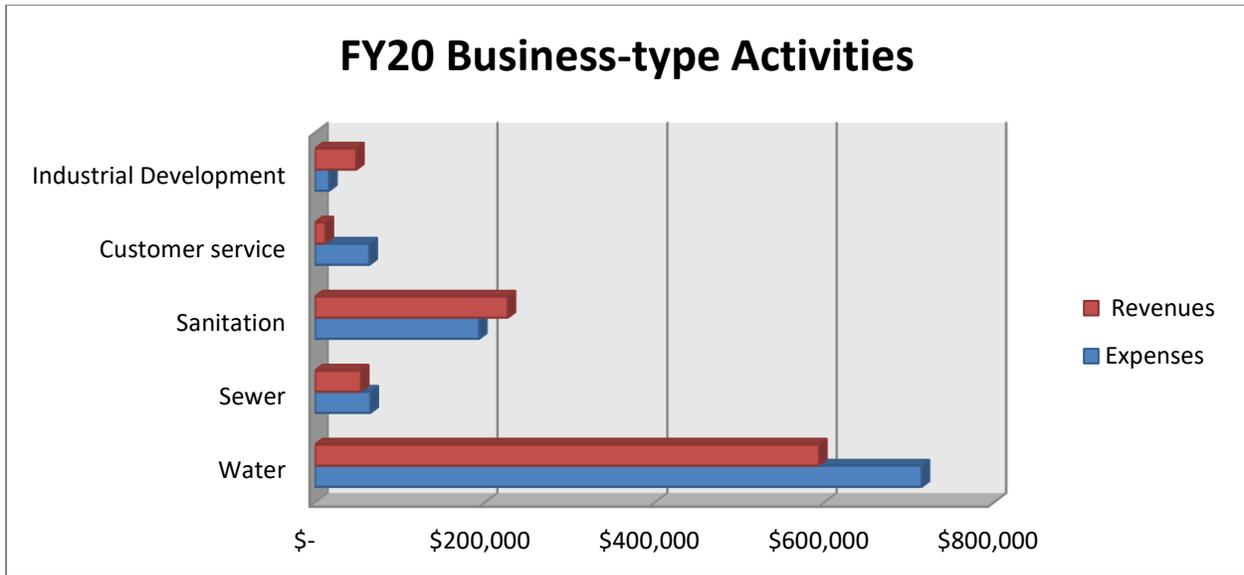
Taxes provided for 48% of the City's governmental revenues in fiscal year 2020. Grants and contributions was the next largest source of revenue at 25%, which includes \$425,000 in revenues per an EMS contract. Other revenues providing for 6% of governmental revenue sources consisted of investment income, royalties, insurance reimbursements and workers compensation escrow funds.



For the year ended June 30, 2020, public safety and judiciary at \$892,531, was the largest operating service department. The next largest operating cost was general government at 30% of the total cost of services for the City government. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues.

It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated, and capital assets are reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, and Water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2020 was \$2,147,180. The General Fund actual expenses for the year totaled \$2,040,312. The General Fund budget did not comply with financial policies approved by the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the City had \$7,900,399 net investment in capital assets, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019*	2020	2019*	2020	2019*
Land and CIP	\$ 467	\$ 467	\$ 143	\$ 139	\$ 610	\$ 606
Buildings	2,354	2,354	189	189	2,543	2,543
Machinery & equipment	2,123	1,945	529	529	2,652	2,474
Utility property & improvements	6,370	6,336	7,780	7,780	14,150	14,116
Total cost	\$ 11,314	\$ 11,102	\$ 8,641	\$ 8,637	\$ 19,955	\$ 19,739
Accumulated depreciation	5,572	4,935	4,471	4,306	10,043	9,241
Total capital assets, net	\$ 5,742	\$ 6,167	\$ 4,170	\$ 4,331	\$ 9,912	\$ 10,498

* Prior year report issued by another auditor

- Significant purchases in fiscal year 2020 included: (2) 2020 Vintage race trailers, (2) 2020 Chevy Silverado trucks, Dodge Charger police pursuit sedan, and street/sidewalk improvements.

Long-Term Debt

At year-end, the City had \$2,879,940 in long-term debt outstanding, detailed below.

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019*	2020	2019*	2020	2019*
Bonds payable	\$ -	\$ -	\$ 2,010,000	\$ 2,075,000	\$ 2,010,000	\$ 2,075,000
Pension obligation	934,940	-	-	-	934,940	-
less current portion	-	-	(65,000)	(60,000)	(65,000)	(60,000)
Total long term debt	\$ 934,940	\$ -	\$ 1,945,000	\$ 2,015,000	\$ 2,879,940	\$ 2,015,000

* Prior year report issued by another auditor

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma State University, Spears School of Business, *Economic Outlook 2020 Summer Update: The Virus Rules* "Oklahoma has experienced dramatic economic fallout from both the business shutdowns associated with the COVID-19 pandemic and the collapse of the energy sector." The City was aware of the economic forecast when we prepared the fiscal year 2021 budget and made proactive changes to expected revenue collections and, correspondingly, expenses for the upcoming year.

The *Economic Outlook* stated "the Oklahoma economy has fared better than the national economy during the second quarter of the year" of calendar year 2020. And "despite dramatic losses in wages and salaries in both the state and nation during the second quarter, personal income exploded because of the massive fiscal stimulus by the federal government". It is further forecasted that "personal income growth is projected to completely reverse course in the third quarter, with further losses projected in the fourth quarter" as a result of the declining stimulus funding.

Next Year's Budget

Management is committed to provide a consistent level of service to citizens while improving the infrastructure and recreation opportunities of the community within the current constraints.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show 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 Coalgate City Hall, 3 South Main Street, Coalgate, Oklahoma, 74538.

City of Coalgate, Oklahoma
Statement of Net Position
June 30, 2020

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 211,935	\$ 635,335	\$ 847,270
Investments	-	50,000	50,000
Accounts receivable (net)	8,041	81,391	89,432
Other receivables	83,678	3,000	86,678
Inventory	-	-	-
Total current assets	<u>303,654</u>	<u>769,726</u>	<u>1,073,380</u>
Restricted assets:			
Cash and cash equivalents	399,348	108,230	507,578
Investments	-	21,400	21,400
Total restricted assets	<u>399,348</u>	<u>129,630</u>	<u>528,978</u>
Noncurrent Assets:			
Other assets	2,500	2,500	5,000
Land and construction in progress	467,393	142,405	609,798
Other capital assets (net of accumulated depreciation)	5,274,439	4,027,256	9,301,695
Total noncurrent assets	<u>5,744,332</u>	<u>4,172,161</u>	<u>9,916,493</u>
Total assets	<u>\$ 6,447,334</u>	<u>\$ 5,071,517</u>	<u>\$ 11,518,851</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>192,465</u>	<u>-</u>	<u>192,465</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 12,156	\$ -	\$ 12,156
Due to other funds	31,053	-	31,053
Accrued salary and vacation payable	-	6,604	6,604
Deferred revenue	-	1,094	1,094
Total current liabilities	<u>43,209</u>	<u>7,698</u>	<u>50,907</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	16,533	16,533
Customer deposits payable	-	48,320	48,320
Bonds payable, current	-	65,000	65,000
Total liabilities payable from restricted assets	<u>-</u>	<u>129,853</u>	<u>129,853</u>
Noncurrent liabilities:			
Bonds payable, non-current	-	1,945,000	1,945,000
Pension liability	934,940	-	934,940
Total noncurrent liabilities	<u>934,940</u>	<u>1,945,000</u>	<u>2,879,940</u>
Total liabilities	<u>978,149</u>	<u>2,082,551</u>	<u>3,060,700</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>146,624</u>	<u>-</u>	<u>146,624</u>
NET POSITION			
Net investment in capital assets	5,741,832	2,158,567	7,900,399
Reserved for restricted purposes	399,348	64,777	464,125
Unrestricted	(626,154)	765,622	139,468
Total net position	<u>\$ 5,515,026</u>	<u>\$ 2,988,966</u>	<u>\$ 8,503,992</u>

City of Coalgate, Oklahoma
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 823,559	\$ 6,400	\$ 5,500	\$ 50,000	\$ (761,659)
Total general government	823,559	6,400	5,500	50,000	(761,659)
Public safety and judiciary:					
Police	360,546	133,487	-	-	(227,059)
Fire	461,922	5,300	32,719	-	(423,903)
Municipal court	70,063	-	-	-	(70,063)
Total public safety and judiciary	892,531	138,787	32,719	-	(721,025)
Transportation:					
Street	309,158	-	15,627	-	(293,531)
Total transportation	309,158	-	15,627	-	(293,531)
Cultural, parks and recreation:					
Park	19,334	3,180	-	-	(16,154)
Swimming pool	50,528	15,346	-	-	(35,182)
Total cultural, parks and recreation	69,862	18,526	-	-	(51,336)
Cemetery:					
Cemetery	5,239	8,171	-	-	2,932
Total cemetery	5,239	8,171	-	-	2,932
Ambulance					
Ambulance	669,253	281,600	425,000	-	37,347
Total ambulance	669,253	281,600	425,000	-	37,347
Economic development:					
Economic development	17,648	-	-	-	(17,648)
Total economic development	17,648	-	-	-	(17,648)
Total governmental activities	2,787,250	453,484	478,846	50,000	(1,804,920)
Business-type activities:					
Utility services:					
Water	715,243	594,188	-	-	(121,055)
Sewer	65,445	54,139	-	-	(11,306)
Sanitation	193,258	227,020	-	-	33,762
Customer service	64,116	12,509	-	-	(51,607)
Industrial development	16,684	48,603	-	-	31,919
Total business-type activities	1,054,746	936,459	-	-	(118,287)
Total	\$ 3,841,996	\$ 1,389,943	\$ 478,846	\$ 50,000	\$ (1,923,207)

City of Coalgate, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2020

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,804,920)	\$ (118,287)	\$ (1,923,207)
General revenues:			
Taxes:			
Sales tax	724,337	-	724,337
Use tax	146,575	-	146,575
Franchise taxes	47,493	-	47,493
Hotel/Motel tax	8,797	-	8,797
Other taxes	76,353	-	76,353
Investment income	342	1,844	2,186
Royalties	23,158	-	23,158
Other income	103,183	-	103,183
Pension change	(330,718)	-	(330,718)
Total general revenues and transfers	<u>799,520</u>	<u>1,844</u>	<u>801,364</u>
Change in net position	(1,005,400)	(116,443)	(1,121,843)
Net position-beginning	6,807,733	3,005,155	9,812,888
Prior period adjustment	(287,307)	100,254	(187,053)
Net position-ending	<u>\$ 5,515,026</u>	<u>\$ 2,988,966</u>	<u>\$ 8,503,992</u>

City of Coalgate, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Capital Improvement Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 211,935	\$ -	\$ -	\$ 211,935
Cash and investments, restricted	6,940	61,117	331,291	399,348
Accounts receivable	8,041	-	-	8,041
Taxes receivable	63,314	19,043	1,321	83,678
Prepaid assets	2,500	-	-	2,500
Total assets	\$ 292,730	\$ 80,160	\$ 332,612	\$ 705,502
LIABILITIES				
Accounts payable	\$ 12,041	\$ -	\$ 115	\$ 12,156
Due to other funds	31,053	-	-	31,053
Total liabilities	43,094	-	115	43,209
FUND BALANCES				
Restricted	6,940	80,160	-	87,100
Committed	-	-	332,497	332,497
Assigned	-	-	-	-
Unassigned	242,696	-	-	242,696
Total fund balances	249,636	80,160	332,497	662,293
Total liabilities and fund balances	\$ 292,730	\$ 80,160	\$ 332,612	\$ 705,502
Total fund balance- total governmental funds				\$ 662,293
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.				
	Land and construction in process	\$ 467,393		
	Capital assets	10,846,363		
	Less: Accumulated depreciation	(5,571,924)		5,741,832
Long-term liabilities are not due and payable in the current period and are not reported in the funds.				
	Net pension related deferred (inflows)	45,841		
	Net pension obligation	(934,940)		(889,099)
Net position of governmental activities				\$ 5,515,026

City of Coalgate, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2020

	General Fund	Capital Improvement Fund	Non-Major Funds	Total Governmental Funds
REVENUES				
Sales tax	\$ 482,891	\$ 241,446	\$ -	\$ 724,337
Use tax	146,575	-	-	146,575
Franchise tax	47,493	-	-	47,493
Hotel/motel tax	-	-	8,797	8,797
Other taxes	76,353	-	-	76,353
Licenses and permits	5,800	-	-	5,800
Rents & royalties	23,758	-	-	23,758
Fines and forfeitures	133,487	-	-	133,487
Charges for services	754,018	-	15,551	769,569
Intergovernmental revenues	-	-	70,269	70,269
Donations	-	-	2,605	2,605
Other revenues	84,922	5,040	13,221	103,183
Interest	265	77	-	342
Total revenues	<u>1,755,562</u>	<u>246,563</u>	<u>110,443</u>	<u>2,112,568</u>
EXPENDITURES				
General government:				
General government	347,778	19,974	-	367,752
Total general government	<u>347,778</u>	<u>19,974</u>	<u>-</u>	<u>367,752</u>
Public safety and judiciary:				
Police	340,466	-	-	340,466
Fire	383,206	-	9,816	393,022
Municipal court	-	-	70,063	70,063
Total public safety and judiciary	<u>723,672</u>	<u>-</u>	<u>79,879</u>	<u>803,551</u>
Transportation:				
Street	274,465	-	13,063	287,528
Total transportation	<u>274,465</u>	<u>-</u>	<u>13,063</u>	<u>287,528</u>
Cultural, parks and recreation:				
Parks	2,281	-	7,951	10,232
Swimming pool	27,928	-	-	27,928
Total cultural, parks and recreation	<u>30,209</u>	<u>-</u>	<u>7,951</u>	<u>38,160</u>
Cemetery:				
General cemetery	-	-	2,893	2,893
Total cemetery	<u>-</u>	<u>-</u>	<u>2,893</u>	<u>2,893</u>
Ambulance:				
Ambulance	632,854	-	-	632,854
Total ambulance	<u>632,854</u>	<u>-</u>	<u>-</u>	<u>632,854</u>
Economic development:				
Economic development	-	-	17,648	17,648
Total economic development	<u>-</u>	<u>-</u>	<u>17,648</u>	<u>17,648</u>
Capital outlay	211,550	-	-	211,550
Total expenditures	<u>2,220,528</u>	<u>19,974</u>	<u>121,434</u>	<u>2,361,936</u>
Excess (deficiency) of revenues over expenditures	<u>(464,966)</u>	<u>226,589</u>	<u>(10,991)</u>	<u>(249,368)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	288,061	11,000	9,937	308,998
Transfers out	(34,157)	(274,841)	-	(308,998)
Total other financing sources and uses	<u>253,904</u>	<u>(263,841)</u>	<u>9,937</u>	<u>-</u>
Net change in fund balances	(211,062)	(37,252)	(1,054)	(249,368)
Fund balances - beginning	299,239	99,538	241,811	640,588
Prior period adjustment	161,459	17,874	91,740	271,073
Fund balances - ending	<u>\$ 249,636</u>	<u>\$ 80,160</u>	<u>\$ 332,497</u>	<u>\$ 662,293</u>

City of Coalgate, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2020

Net change in fund balances - total governmental funds \$ (249,368)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases	211,550	
Depreciation expense	<u>(636,864)</u>	(425,314)

In the statement of activities, the cost of pension benefits earned net of employee contributions are reported as an component of pension expense. The fund financial statements report pension contributions as expenditures.

(330,718)

Change in Net Position of Governmental Activities	<u><u>\$ (1,005,400)</u></u>
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City of Coalgate, Oklahoma
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

	<u>Public Utility Authority</u>	<u>Industrial Development Authority</u>	<u>Line Improvement</u>	<u>Total Enterprise Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 220,046	\$ 189,920	\$ 225,369	\$ 635,335
Investments	50,000	-	-	50,000
Accounts receivable	104,642	-	-	104,642
Allowance for doubtful accounts	(23,251)	-	-	(23,251)
Notes receivable	-	3,000	-	3,000
Inventory	-	-	-	-
Other assets	2,500	-	-	2,500
Total current assets	<u>353,937</u>	<u>192,920</u>	<u>225,369</u>	<u>772,226</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	108,230	-	-	108,230
Investments	21,400	-	-	21,400
Total restricted assets	<u>129,630</u>	<u>-</u>	<u>-</u>	<u>129,630</u>
Noncurrent assets:				
Due from other funds	-	-	-	-
Capital assets (net)	3,848,972	320,689	-	4,169,661
Total noncurrent assets	<u>3,848,972</u>	<u>320,689</u>	<u>-</u>	<u>4,169,661</u>
Total assets	\$ 4,332,539	\$ 513,609	\$ 225,369	\$ 5,071,517
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll liabilities	6,604	-	-	6,604
Deferred revenue	1,094	-	-	1,094
Total current liabilities	<u>7,698</u>	<u>-</u>	<u>-</u>	<u>7,698</u>
Liabilities payable from restricted assets:				
Accrued interest	16,533	-	-	16,533
Customer deposits payable	48,320	-	-	48,320
Bonds payable, current	65,000	-	-	65,000
Total liabilities payable from restricted assets	<u>129,853</u>	<u>-</u>	<u>-</u>	<u>129,853</u>
Noncurrent liabilities:				
Bonds payable, non-current	1,945,000	-	-	1,945,000
Total noncurrent liabilities	<u>1,945,000</u>	<u>-</u>	<u>-</u>	<u>1,945,000</u>
Total liabilities	2,082,551	-	-	2,082,551
NET POSITION				
Net investment in capital assets	1,837,878	320,689	-	2,158,567
Restricted	64,777	-	-	64,777
Unrestricted	<u>347,333</u>	<u>192,920</u>	<u>225,369</u>	<u>765,622</u>
Total net position	\$ 2,249,988	\$ 513,609	\$ 225,369	\$ 2,988,966

City of Coalgate, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2020

	Public Utility Authority	Industrial Development Authority	Line Improvement	Total Enterprise Funds
<u>Operating revenues:</u>				
Charges for services:				
Water charges	\$ 566,781	\$ -	\$ -	\$ 566,781
Sewer charges	54,139	-	-	54,139
Sanitation charges	227,020	-	-	227,020
Penalties	10,908	-	-	10,908
Total charges for services	<u>858,848</u>	<u>-</u>	<u>-</u>	<u>858,848</u>
Lease and rental income	1,601	48,000	-	49,601
Other fees and charges	-	603	27,407	28,010
Total operating revenues	<u>860,449</u>	<u>48,603</u>	<u>27,407</u>	<u>936,459</u>
<u>Operating expenses:</u>				
Personal services	358,617	-	-	358,617
Materials and supplies	66,020	-	21,168	87,188
Purchases for resale	3,825	-	-	3,825
Other services and charges	352,838	16,684	-	369,522
Depreciation	165,094	-	-	165,094
Total operating expenses	<u>946,394</u>	<u>16,684</u>	<u>21,168</u>	<u>984,246</u>
Net operating income	(85,945)	31,919	6,239	(47,787)
<u>Nonoperating revenue (expense):</u>				
Investment income	818	847	179	1,844
Interest expense	(66,456)	-	-	(66,456)
Bad debt	(4,044)	-	-	(4,044)
Total nonoperating revenue (expense)	<u>(69,682)</u>	<u>847</u>	<u>179</u>	<u>(68,656)</u>
Net Income before contributions and transfers	(155,627)	32,766	6,418	(116,443)
Transfers from other funds	3,465	-	5,317	8,782
Transfers to other funds	(5,317)	-	(3,465)	(8,782)
Change in net position	(157,479)	32,766	8,270	(116,443)
Net position-beginning of year	1,968,287	217,081	819,787	3,005,155
Prior period adjustment	439,180	263,762	(602,688)	100,254
Net position-end of year	<u>\$ 2,249,988</u>	<u>\$ 513,609</u>	<u>\$ 225,369</u>	<u>\$ 2,988,966</u>

City of Coalgate, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	Public Utility Authority	Industrial Development Authority	Line Improvement	Total Enterprise Funds
Cash flows from operating activities:				
Receipts from customers/patients	\$ 772,514	\$ 45,603	\$ 28,407	\$ 846,524
Payments to suppliers	(426,218)	(16,684)	(21,168)	(464,070)
Payments to employees	(365,221)	-	-	(365,221)
Net cash provided (used) by operating activities	<u>(18,925)</u>	<u>28,919</u>	<u>7,239</u>	<u>17,233</u>
Cash flows from non-capital financing activities:				
Transfers from other funds	3,465	-	62,361	65,826
Transfers to other funds	219,516	(56,927)	(3,465)	159,124
Receipts from nonoperating income and contributions	-	-	-	-
Net cash provided (used) by non-capital financing activities	<u>222,981</u>	<u>(56,927)</u>	<u>58,896</u>	<u>224,950</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(3,465)	-	-	(3,465)
Proceeds from issuance of debt	-	-	-	-
Principal paid on capital debt	(65,000)	-	-	(65,000)
Interest paid on capital debt	(66,456)	-	-	(66,456)
Net cash provided (used) by capital and related financing activities	<u>(134,921)</u>	<u>-</u>	<u>-</u>	<u>(134,921)</u>
Cash flows from investing activities:				
(Purchase) of investments	-	-	-	-
Investment income	818	847	179	1,844
Net cash provided (used) by investing activities	<u>818</u>	<u>847</u>	<u>179</u>	<u>1,844</u>
Net increase (decrease) in cash and cash equivalents	69,953	(27,161)	66,314	109,106
Cash & cash equivalents, June 30, 2019	258,323	217,081	159,055	634,459
Cash & cash equivalents, June 30, 2020	<u>\$ 328,276</u>	<u>\$ 189,920</u>	<u>\$ 225,369</u>	<u>\$ 743,565</u>
Cash, including time deposits	\$ 220,046	\$ 189,920	\$ 225,369	635,335
Restricted cash, including time deposits	108,230	-	-	108,230
Total cash and cash equivalents, end of year	<u>\$ 328,276</u>	<u>\$ 189,920</u>	<u>\$ 225,369</u>	<u>\$ 743,565</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (85,945)	\$ 31,919	\$ 6,239	\$ (47,787)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	165,094	-	-	165,094
Provision for bad debt	(4,044)	-	-	(4,044)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(81,391)	-	-	(81,391)
(Increase) decrease in notes receivable	-	(3,000)	-	(3,000)
(Increase) decrease in other assets	(2,500)	-	1,000	(1,500)
Increase (decrease) in accounts payable	-	-	-	-
Increase (decrease) in deposits subject to refund	(3,535)	-	-	(3,535)
Increase (decrease) in payroll liabilities	(6,604)	-	-	(6,604)
Total adjustments	67,020	(3,000)	1,000	65,020
Net cash provided (used) by operating activities	<u>\$ (18,925)</u>	<u>\$ 28,919</u>	<u>\$ 7,239</u>	<u>\$ 17,233</u>

**City of Coalgate, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020**

	<u>Street & Alley Fund</u>	<u>Park and Recreation Fund</u>	<u>Cemetery Fund</u>	<u>Hotel Tax Fund</u>	<u>Housing Project Fund</u>	<u>Construction Fund</u>	<u>Rural Fire Fund</u>	<u>Municipal Court Fund</u>	<u>Total Non-Major Funds</u>
ASSETS									
Cash and cash equivalents	\$ 10,423	\$ 109,677	\$ 64,156	\$ 76,549	\$ 3,515	\$ 50,050	\$ 3,458	\$ 13,463	\$ 331,291
Investments	-	-	-	-	-	-	-	-	-
Taxes receivable	1,213	-	-	108	-	-	-	-	1,321
Total assets	<u>\$ 11,636</u>	<u>\$ 109,677</u>	<u>\$ 64,156</u>	<u>\$ 76,657</u>	<u>\$ 3,515</u>	<u>\$ 50,050</u>	<u>\$ 3,458</u>	<u>\$ 13,463</u>	<u>\$ 332,612</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115	\$ 115
Accrued vacation payable	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115</u>	<u>115</u>
FUND BALANCES									
Committed	11,636	109,677	64,156	76,657	3,515	50,050	3,458	13,348	332,497
Total fund balances	<u>11,636</u>	<u>109,677</u>	<u>64,156</u>	<u>76,657</u>	<u>3,515</u>	<u>50,050</u>	<u>3,458</u>	<u>13,348</u>	<u>332,497</u>
Total liabilities and fund balances	<u>\$ 11,636</u>	<u>\$ 109,677</u>	<u>\$ 64,156</u>	<u>\$ 76,657</u>	<u>\$ 3,515</u>	<u>\$ 50,050</u>	<u>\$ 3,458</u>	<u>\$ 13,463</u>	<u>\$ 332,612</u>

City of Coalgate, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2020

	Street & Alley Fund	Park and Recreation Fund	Cemetery Fund	Hotel Tax Fund	Housing Project Fund	Construction Fund	Rural Fire Fund	Municipal Court Fund	Total Non-Major Funds
REVENUES									
Charges for services	\$ -	\$ 2,080	\$ 8,171	\$ -	\$ -	\$ -	\$ 5,300	\$ -	\$ 15,551
Hotel tax	-	-	-	8,797	-	-	-	-	8,797
Intergovernmental	15,627	-	-	-	-	50,000	4,642	-	70,269
Donations	-	-	-	-	-	-	2,605	-	2,605
Miscellaneous	2,630	7,926	-	-	-	-	2,665	-	13,221
Total revenues	<u>18,257</u>	<u>10,006</u>	<u>8,171</u>	<u>8,797</u>	<u>-</u>	<u>50,000</u>	<u>15,212</u>	<u>-</u>	<u>110,443</u>
EXPENDITURES									
Public safety and judiciary:									
Court	-	-	-	-	-	-	-	70,063	70,063
Fire	-	-	-	-	-	-	9,816	-	9,816
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,816</u>	<u>70,063</u>	<u>79,879</u>
Transportation:									
Street	13,063	-	-	-	-	-	-	-	13,063
Total transportation	<u>13,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,063</u>
Cultural, parks and recreation:									
Parks	-	7,951	-	-	-	-	-	-	7,951
General cemetery	-	-	2,893	-	-	-	-	-	2,893
Total cultural, parks and recreation	<u>-</u>	<u>7,951</u>	<u>2,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,844</u>
Economic development:									
Economic development	13,063	-	-	4,585	-	-	-	-	17,648
Total economic development	<u>13,063</u>	<u>-</u>	<u>-</u>	<u>4,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,648</u>
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>26,126</u>	<u>7,951</u>	<u>2,893</u>	<u>4,585</u>	<u>-</u>	<u>-</u>	<u>9,816</u>	<u>70,063</u>	<u>121,434</u>
Excess (deficiency) of revenues over expenditures	<u>(7,869)</u>	<u>2,055</u>	<u>5,278</u>	<u>4,212</u>	<u>-</u>	<u>50,000</u>	<u>5,396</u>	<u>(70,063)</u>	<u>(10,991)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	(13,220)	23,157	9,937
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,220)</u>	<u>23,157</u>	<u>9,937</u>
Net change in fund balances	(7,869)	2,055	5,278	4,212	-	50,000	(7,824)	(46,906)	(1,054)
Fund balances - beginning, restated	19,505	107,622	58,878	72,445	3,515	50	11,282	60,254	333,551
Fund balances - ending	<u>\$ 11,636</u>	<u>\$ 109,677</u>	<u>\$ 64,156</u>	<u>\$ 76,657</u>	<u>\$ 3,515</u>	<u>\$ 50,050</u>	<u>\$ 3,458</u>	<u>\$ 13,348</u>	<u>\$ 332,497</u>

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The City of Coalgate, Oklahoma (the "City") operates under a council-manager form of government with an elected five member Council. The City provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, and sewer), culture and recreation, public improvements, planning and zoning, and general administrative services.

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Coalgate. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

Coalgate Public Works Authority (the "CPWA") – was established January 22, 1963, amended November 29, 1994, under authority of Title 60, Oklahoma Statutes 1091, sections 176-180 to operate the City's water, wastewater, and sanitation services of the City. The City Council serves as the trustees of the CPWA.

Industrial Development Authority (the "IDA") – was established in February 1972 under authority of Title 60, Oklahoma Statutes 1091, sections 176-180 to finance, develop, and operate City owned property in a manner to attract or retain existing businesses or industry.

B. Basis of Presentation

Government-Wide Financial Statements:

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

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

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City has no fiduciary funds.

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

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

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Capital Improvement Fund

The Capital Improvement Funds accounts for the legally restricted sales tax proceeds used for capital improvements of the City of Coalgate in accordance with the 1% allocation approved under Ordinance 404.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
<u>Street & Alley Fund</u>	Accounts for legally restricted gas excise and motor vehicle tax receipts
<u>Park and Recreation Fund</u>	Accounts for activity at the parks and recreations centers
<u>General Cemetery</u>	Accounts for the operations of the City's cemetery
<u>Hotel Tax Fund</u>	Accounts for hotel tax receipts.
<u>Housing Project</u>	Accounts activities of the housing projects. There was no activity during the fiscal year.
<u>Construction Fund</u>	Accounts for construction proceeds.
<u>Rural Fire Fund</u>	Accounts for rural fire activities.
<u>Municipal Court Fund</u>	Accounts for municipal court activities.

The General Fund and the Capital Improvement Fund are considered major funds in accordance with GASB criteria.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprises funds:

FUND	BRIEF DESCRIPTION
<u>Coalgate Public Works Authority</u>	Accounts for the activities of the Authority in providing water, sewer, and solid waste services to the public.
<u>Industrial Development Fund</u>	Accounts for finance, development, and operations of City owned property to attract or retain existing businesses or industry.

The City's Public Works Authority and Industrial Development Authority are considered major funds.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The City Clerk submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for City operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Clerk and must be approved by the Council. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, material and supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval.

Budget Basis of Accounting

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the next fiscal year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The City has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful life of the assets are not capitalized. The City has established a capitalization limit of \$5,000.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|------------------------------------|-------------|
| • Buildings | 40-50 years |
| • Other improvements | 20 years |
| • Machinery, furniture & equipment | 5-20 years |
| • Infrastructure | 20-50 years |

Fund Financial Statement:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as a liability.

Equity Classifications

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

Net investment in capital assets

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets and liabilities, the statement of financial position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

F. Revenues, Expenditures and Expenses

Sales Tax

The City levied a 3% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to the use. The unrestricted portion (2%) is recorded as sales tax revenue within the General Fund; the remaining 1% is restricted and recorded as sales tax revenue in the Capital Improvement ("Sales Tax Fund" per Ordinance 404) fund. The 1% restricted sales tax is to pay debt service on Series 2016 Promissory Note to the Oklahoma Water Resources Board (the "Note"). On a monthly basis, after the monthly debt payment is made, the City may transfer back any unused portion of sales tax to be used for any lawful purpose. This restriction is effective until the Note is paid in full and other future obligations issued on a parity are no longer outstanding.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds, including water, sewer, and sanitation services.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Employees may carry a maximum of 5 days of vacation over to the subsequent year with prior approval by the City Manager. All vacation days in excess of carry-over days are forfeited. Upon termination, an employee in good standing shall receive payment for their unused vacation time. No compensation is paid for unused sick hours. At June 30, 2020, there were no unused vacation hours approved by management.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

A. Deficit Fund Net Position/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The City reported no deficit fund balances or net position for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2020, the City overspend in four department-level categories; however, the total expenses of the City did not exceeded budgeted amounts.

C. Debt Covenants

The long term debt held by the Coalgate Public Works Authority contains a number of covenants which are related to financial matters. The most significant of which is the Debt Service Coverage, whereby, pledged revenues less operating expenses shall provide Net Revenues Available for Debt Service equal to 1.25 times average annual debt service on the respective notes for the Authority. Refer to footnote 3C for discussion of long term debt.

D. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
Gasoline Excise/Commercial Vehicle Tax Cemetery Revenue (12.5%) Sales Tax (1%)	Street and Alley Purposes Cemetery Capital Improvements Debt Service

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit.

CITY OF COALGATE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

<u>Types of Investments</u>	Primary Government			
	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings (1)	Weighted Average Months to Maturity (2)
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 71,400	\$ 71,400	N/A	6.83
Total investments	71,400	71,400		
Total primary government investments	<u>\$ 71,400</u>	<u>\$ 71,400</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

	<u>Business-type Activities</u>
Investments, unrestricted	\$ 50,000
Investments, restricted	21,400
Total investments	<u>\$ 71,400</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2020 follows:

	Primary Government			
	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
<u>Governmental Activities</u>				
Land	\$ 467,393	\$ -	\$ -	\$ 467,393
Machinery, furniture, & equipment	1,945,319	177,257	-	2,122,576
Buildings	2,353,613	-	-	2,353,613
Instructure & improvements	6,335,881	34,293	-	6,370,174
Total	\$ 11,102,206	\$ 211,550	\$ -	\$ 11,313,756
Less accumulated depreciation	4,935,060	636,864	-	5,571,924
Governmental fixed assets, net	<u>\$ 6,167,146</u>	<u>\$ (425,314)</u>	<u>\$ -</u>	<u>\$ 5,741,832</u>

CITY OF COALGATE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2020 follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
<i><u>Business-type Activities</u></i>				
Land	\$ 138,940	\$ -	\$ -	\$ 138,940
Construction in process	-	3,465	-	3,465
Machinery, furniture, & equipment	528,833	-	-	528,833
Buildings	189,000	-	-	189,000
Instructure & improvements	7,780,481	-	-	7,780,481
Total	\$ 8,637,254	\$ 3,465	\$ -	\$ 8,640,719
Less accumulated depreciation	4,305,964	165,094	-	4,471,058
Business-type fixed assets, net	\$ 4,331,290	\$ (161,629)	\$ -	\$ 4,169,661

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Depreciation expense was charged to functions in the statement of activities as follows:

Primary Government			
<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 455,807	Administration	\$ 2,626
Public safety & judiciary	125,378	Water	136,653
Transportation	21,631	Sewer	25,815
Culture, parks and recreation	34,048		
Total depreciation expense	\$ 636,864	Total depreciation expense	\$ 165,094

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2020:

NOTES AND BONDS PAYABLE

Business-Type Activities:

On December 21, 2016, the Coalgate Public Works Authority issued the Oklahoma Water Resources Board, State Loan Program Revenue Bonds, Series 2016A in the amount of \$2,180,000. The note carries a variable interest rate ranging from 2.2% to 3.95%, maturing September 15, 2041. The loan requires monthly payments into a debt service account from which the semi-annual debt service payments are made. The bond refunded the Authority's Utility System Refunding and Capital Improvement Revenue Bonds, Series 2007 dated May 2007. The Note is secured by 1% restricted sales tax revenues (Ordinance 404), as well as water, sewer, and sanitation revenues. \$ 2,010,000

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

<u>Type of Debt</u>	<u>Balance at July 1, 2019</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2020</u>	<u>Due Within One Year</u>
Business-type activities:					
Public Works Authority					
OWRB, Series 2016A	\$ 2,075,000	\$ -	\$ 65,000	\$ 2,010,000	\$ 65,000
Total business-type debt	\$ 2,075,000	\$ -	\$ 65,000	\$ 2,010,000	\$ 65,000

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt held by business-type activities as of June 30, 2020 follow:

Year Ending June 30	Bonds Payable	
	Principal	Interest
2021	\$ 65,000	\$ 65,481
2022	65,000	64,181
2023	70,000	62,481
2024	70,000	60,382
2025	70,000	58,281
2026-2030	395,000	257,781
2031-2035	465,000	190,666
2036-2040	555,000	100,819
2041	255,000	9,656
Totals	<u>\$ 2,010,000</u>	<u>\$ 869,728</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Intercompany balances reported on the Statement of Net Position for the year ended June 30, 2020 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
CAPITAL PROJECTS	\$ 274,841	\$ 11,000
NON-MAJOR FUNDS	13,220	23,157
<i>CAPITAL IMPROVEMENT</i>		
GENERAL FUND	11,000	274,841
NON-MAJOR FUNDS	-	-
<i>NON-MAJOR FUNDS</i>		
GENERAL FUND	23,157	13,220
PUBLIC WORKS AUTHORITY	-	-
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
LINE IMPROVEMENT	3,465	5,317
<i>LINE IMPROVEMENT</i>		
PUBLIC WORKS AUTHORITY	5,317	3,465
	<u>\$ 331,000</u>	<u>\$ 331,000</u>

(4) RETIREMENT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Contribution Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Firefighter’s Pension and Retirement Systems

Plan Description – The City of Coalgate, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee’s final average compensation times the employee’s years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee’s final average compensation times the employee’s years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant’s death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees’ annual pay. Contributions to the pension plan from the City were \$38,306 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$934,940 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City’s proportion of the net pension liability was based on the City’s contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information the City’s proportion was 0.08848%.

For the year ended June 30, 2020, the City recognized pension expense of \$146,764. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF COALGATE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 156,555	\$ 19,017
Changes of assumptions	-	24,018
Net difference between projected and actual earnings on pension plan investments	35,910	103,589
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u><u>\$ 192,465</u></u>	<u><u>\$ 146,624</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	26,094
2021		(3,027)
2022		18,798
2023		7,257
2024		<u>(3,281)</u>
Total	\$	45,841

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability/(asset)	1,207,268	934,940	635,893

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

B. Oklahoma Municipal Retirement Fund – Defined Contribution Plan

The City contributes to a cost-sharing, multiple-employer defined contribution pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. The City contributed \$21,496 to the Plan during the year.

(6) COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. 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.

B. Grant Program Involvement

In the normal course of operations, the City 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. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

(7) PRIOR PERIOD ADJUSTMENT

A prior period adjustment was posted for governmental activities in the amount of (\$287,307) to reflect taxes receivable, capital assets, and pension obligations. The Authority reflects a prior period adjustment of \$100,254 to properly reflect balances of capital assets, interest accrual, and debt outstanding as of June 30, 2020.

City of Coalgate, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Taxes	\$ 956,000	\$ -	\$ 956,000	\$ 753,312	\$ (202,688)
Licenses & permits	4,900	-	4,900	5,800	900
Rents & royalties	39,700	-	39,700	23,758	(15,942)
Fines and forfeitures	76,100	-	76,100	133,487	57,387
Charges for services	826,900	-	826,900	754,018	(72,882)
Interest	230	-	230	265	35
Other revenues	243,350	-	243,350	84,922	(158,428)
Total revenues	<u>2,147,180</u>	<u>-</u>	<u>2,147,180</u>	<u>1,755,562</u>	<u>(391,618)</u>
EXPENDITURES					
General government:					
General government	671,290	-	671,290	347,778	323,512
Total general government	<u>671,290</u>	<u>-</u>	<u>671,290</u>	<u>347,778</u>	<u>323,512</u>
Public safety and judiciary:					
Police	306,170	-	306,170	371,800	(65,630)
Fire	294,250	-	294,250	383,206	(88,956)
Emergency management	3,200	-	3,200	-	3,200
Total public safety and judiciary	<u>603,620</u>	<u>-</u>	<u>603,620</u>	<u>755,006</u>	<u>(151,386)</u>
Transportation:					
Street	257,320	-	257,320	274,465	(17,145)
Airport	5,000	-	5,000	-	5,000
Total transportation	<u>262,320</u>	<u>-</u>	<u>262,320</u>	<u>274,465</u>	<u>(12,145)</u>
Cultural, parks and recreation:					
Parks	2,850	-	2,850	2,281	569
Swimming pool	36,700	-	36,700	27,928	8,772
Total cultural, parks and recreation	<u>39,550</u>	<u>-</u>	<u>39,550</u>	<u>30,209</u>	<u>9,341</u>
Ambulance:					
Ambulance	570,400	-	570,400	632,854	(62,454)
Total ambulance	<u>570,400</u>	<u>-</u>	<u>570,400</u>	<u>632,854</u>	<u>(62,454)</u>
Total expenditures	<u>2,147,180</u>	<u>-</u>	<u>2,147,180</u>	<u>2,040,312</u>	<u>106,868</u>
Revenue over (under) expenditures	-	-	-	(284,750)	(498,486)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	73,688	73,688
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,688</u>	<u>73,688</u>
Revenues and other financing sources over (under) expenditures and other uses	-	-	-	(211,062)	(424,798)
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>169,090</u>	169,090
Fund balance at end of year (Non-GAAP budgetary basis)				\$ (41,972)	<u>\$ (255,708)</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				<u>291,608</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 249,636</u>	

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
June 30, 2020**

	<u>2020*</u>
City's portion of the net pension liability (asset)	0.088480%
City's proportionate share of the net pension liability (asset)	\$ 934,940
City's covered-employee payroll	\$ 261,332
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	358%
Plan fiduciary net position as a percentage of the total pension liability	99.98%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred pre

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan**

	<u>2020*</u>
Contractually required contribution	\$ 38,306
Contributions in relation to the contractually required contribution	<u>(38,306)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 261,332
Contributions as a percentage of covered-employee payroll	14.66%

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

To the City Council
City of Coalgate, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coalgate, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Coalgate, Oklahoma's basic financial statements and have issued our report thereon dated February 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Coalgate, Oklahoma's internal control over financial reporting (internal control) to determine the 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 of Coalgate, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Coalgate, Oklahoma's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-3 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2020-2 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Coalgate, Oklahoma'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-1 and 2020-4.

City of Coalgate, Oklahoma's Response to Findings

City of Coalgate, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Coalgate, Oklahoma'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
February 18, 2021

**CITY OF COALGATE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2020**

FINDING 2020-1 Budgetary Compliance

Condition: For the year ended June 30, 2020, The City was not in compliance with the Municipal Budget Act of 1979 (the “Act”) due to the fact that expenditures exceeded appropriations at the legal level of control.

Criteria: The Act requires the budget to be monitored and budget amendments made so that actual expenditures do not exceed budgeted amounts.

Cause: Budget to actual expenditures were not properly monitored.

Effect or Potential Effect: The City was not in compliance with the requirements of the Act.

Recommendation: We recommend that management implement sufficient monitoring procedures to avoid such items.

Response: The City is aware of the problem and is consulting with a new third-party CPA specialized in governmental accounting to assist in monitoring processes.

FINDING 2020-2 Lack of Segregation of Duties

Condition: The City does not have adequate segregation of duties for internal control over financial accounting and reporting. The same individual is responsible for the daily handling of cash receipts, bank deposits, and recording the information.

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the District’s assets and ensure accurate financial reporting.

Cause: The City’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

Recommendation: Recommend that duties be segregated to the extent possible should consider implementing controls that could mitigate these risks.

Current Status: The City is aware of the problem and is consulting with a new third-party CPA to outsource certain tasks to mitigate the risk.

**CITY OF COALGATE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2020**

FINDING 2020-3 Payroll Policy Procedures

Condition: The City's vacation policy states no carryover without manager approval shall be used. Currently, payroll vacation time is being carried over and utilized without manager approval.

Criteria: The policies that have been signed into effect should be followed.

Cause: Management override of controls

Effect or Potential Effect These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

Recommendation: Recommend that policy procedures be updated to reflect current practices.

Current Status: The City is aware of the problem and is consulting with a new third-party CPA specialized in governmental accounting to assist in monitoring processes.

FINDING 2020-4 Ordinance Compliance

Condition: Ordinance 404 that requires sales tax restrictions is not being followed on the regular basis. Material audit adjustments were necessarily to properly reflect the balances transferred.

Criteria: Signed and certified ordinances should be executed as stated.

Cause: Management override of controls

Effect or Potential Effect These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

Recommendation: Recommend that policy procedures be updated to reflect current practices.

Current Status: The City is aware of the problem and is consulting with a new third-party CPA specialized in governmental accounting to assist in monitoring processes.