

CITY OF  
TAHLEQUAH, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017

**City of Tahlequah, Oklahoma**  
**June 30, 2017**

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# ***AUDIT REPORT***

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Tahlequah, Oklahoma

***Report on Financial Statements***

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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***

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of Tahlequah Hospital Authority, Tahlequah Public Works Authority and City Light and Water Department (Tahlequah), which represents 100 percent of the assets, net positions, and revenues of those discretely presented component units. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included in Tahlequah Hospital Authority, Tahlequah Public Works Authority and City Light and Water Department (Tahlequah), is based solely on the report of the other auditors. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma, as of June 30, 2017, 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 the pension exhibits with the related notes 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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 Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tahlequah's basic financial statements.

The accompanying supplementary information as listed in the Table of Contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 18, 2018 on my consideration of the City of Tahlequah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Michael Green, CPA  
June 18, 2018

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the City of Tahlequah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements. All discretely presented component units which issued separate financial reports are disclosed in Note I to the financial statements.

### FINANCIAL HIGHLIGHTS

- As reported on the statement of Net Position, Net Position increased by \$2,007,071.

**The following highlights relate to the General Fund:**

- Overall General Fund revenues of \$10,519,033 fell below budget projections by \$ 421,061.
- Collections of the 2% sales tax in the General Fund fell below budget projections by \$ 101,177. Total 2% sales tax revenue was \$ 5,848,822, which was an increase over last fiscal year in the amount of \$35,496 or approximately .05%. Sales Tax accounted for 55% of this year's total revenues for the general fund.
- Transfers from City Light & Water are the General Fund's second largest source of revenue. This year's transfer of \$ 1,324,322 accounted for 12.5% of total revenues, and was an increase from last year by \$ 27,280.
- Use tax collections of 2% were below budget projections by \$ 16,042 and were down \$ 5,784 from the previous year.
- Northeast Public Facilities Authority made a transfer in the amount of \$ 80,000 which was the budgeted amount for this fiscal year.
- Revenue from building permits fell below this year's budget projection by \$ 21,162 and the revenue decreased \$ 573 from last year's collections. Revenues from inspection fees came in below budget by \$ 4,211.
- Sales of Aviation Gasoline and Jet Fuel were below budget by a total of \$ 72,660.
- Revenues from the City Golf Course decreased this year by \$ 12,011.
- Municipal Court Fines, Fees, Costs and Forfeitures fell below projections in the amount of \$ 133,412, a total of \$ 550,607 was collected. This amount is \$ 24,167 more than the previous year. The City has continued the contract with American Municipal Services to collect warrants and old fines. Through the services of this company several thousand dollars have been received that would not have been collected otherwise.
- Interest income was below budget projections by \$ 3,295. The revenues from interest rose from the previous year in the amount of \$ 5,223. Current funds invested as of June 30, 2017 are \$ 3,486,446. With \$ 3,288,023 being held in the general operating account for daily operations.
- The cost of fuel stayed below estimated budget costs. A total of \$ 356,940 was budgeted, and \$ 167,253 was spent. The amount spent for fuel is an increase over the previous year by \$31,021.
- Employee health insurance costs are for administration of our health plan, along with the costs of re-insurance for claims exceeding \$ 30,000 per employee and a stop-loss carrier.

The City continues to be on a partially self-funded insurance plan. Funds available for the payment of claims (under the specific limit of \$30,000) fell from \$ 429,773 on June 30, 2016 to \$ 358,925 on June 30, 2017. Employees were still required to pay \$25.00 per month for their health insurance.

- Transfers of \$ 854,267 were made to the Capital Improvement Fund from the General Fund for reserves to purchase equipment and for capital projects.
- Transfer of \$ 20,000 from general funds was made to Tahlequah Industrial Authority to meet debt requirements.
- Transfers of match funds for grants were \$7,252.
- A transfer was made to the Cops-In-Schools fund in the amount of \$ 121,190 for salary and fringe benefits for two school resource officers.
- All departments within the General Fund were under projected budget expenditures. Revenues exceeded expenditures by a total of \$ 351,761 for an increase in fund balance June 30, for a total of \$ 3,719,686.
- **Street and Alley** Revenues of \$ 145,191 exceeded expenditures of \$ 21,162 for an increased fund balance of \$ 124,037.
- **Hotel Motel** Revenues of \$ 132,248 exceeded expenditures of \$ 112,321 for an increased fund balance of \$ 19,927.
- **Cemetery Care Fund** Revenues of \$ 4,443 exceeded expenditures of \$ 0 for an increased fund balance of \$ 4,443.
- **Solid Waste Services Department-** Revenues of \$ 2,214,691 exceeded expenditures of \$ 1,784,418 for an increased fund balance of \$ 430,274. Sanitation receipts from Tahlequah Public Works exceeded budget expectations in the amount of \$ 71,700. Transfer station fees were above budget by \$215,569. Expenditures were at 61% of the year's budget.
- **Storm water Management Fund** Revenues of \$ 206,146 exceeded expenditures of \$ 124,402 for an increased fund balance of \$ 81,745.
- **Brookside Restoration Fund** Revenues of \$ 4,615 exceeded expenditures of \$ 0 for an increased fund balance of \$ 4,615.
- **School Resource Officer Expense Fund** No expenditures were made from the fund maintaining a fund balance of \$321.
- **Capital Improvement Fund** received transfers from the General Fund in the amount of \$ 854,267 for various reserves for equipment and capital projects. \$ 13,800 was received from the Tahlequah Fire Department County Sales Tax Fund to make Lease-Purchase Payments on the new fire station built in Southridge addition. Total Lease-Purchase Payments, including interest of \$ 19,349 were made. \$ 108,902 was spent from this fund for the purchase of equipment and capital projects.
- **Tahlequah Police Canine Fund** Revenues of \$ 17,025 exceeded expenditures of \$ 14,775 for an increased fund balance of \$ 2,250.
- **Tahlequah Police Dare Fund** No expenditures or revenues maintaining a fund balance of \$ 69.
- **The Restricted Sales & Use Tax Fund** was established to account for an earmarked one-half of one percent (.5%) sales and use tax that was approved by the voters at a special election held on August 7, 2009. The new tax was effective on October 1, 2009 and will end on September



30, 2019 or at such a time as the indebtedness issued pursuant to the tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Works for payment on the indebtedness. Funds are to be used for Tahlequah Public Schools construction fund in an amount of \$ 3,200,000 and the City of Tahlequah for public improvements in the amount of \$ 4,800,000. Funds were received in December 2009. Total receipts from earmarked sales and use tax were \$ 1,514,442 and total transferred to Tahlequah Public Works was \$ 1,514,442.

- **Winter Wonderland Fund** was established to account for the funds received from skate fee revenues in the amount of \$ 53,595. After operating expenses were paid this fund ended with a balance of \$ 19,390.
- **The Restricted Sales & Use Tax Fund II** was established to account for earmarked three-quarters of one percent (.75%) sales and use tax that was approved by the voters at a special election held on January 8, 2013. The new tax was effective on April 1, 2013 and is to end on or before April 1, 2028 or at such time as the indebtedness issued pursuant to the excise tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Facilities Authority for payment on the indebtedness. Funds are to be used by the City of Tahlequah for public improvements in the amount of \$ 21,112,339. Funds were received beginning in June 2013. Total receipts from the ¾ cent earmarked sales and use tax were \$ 2,271,664 and transfers to Tahlequah Public Facilities Authority were \$ 2,271,664.
- **The Bond Improvement Fund II** was established to account for the funds which were received from the above bond issue in the amount of \$ 21,116,265 which included interest and dividends. These funds are to be used for public improvements which include Northeastern State University Event Center, Fire Engine and Equipment, Police Technology, Call out Sirens, Traffic and Pedestrian Safety, Sports Complex-Phase II, Phoenix Park Renovations, Greenbelt Development, CNG Truck Conversion, Swimming Pool, City Library, New Armory on Highway 51 (Remodel for Police Department and Emergency Management) and various Street improvements. A total of \$ 254,450 was expended this year.
- **Cops in School Retention Fund** is for the purpose of accounting for the expenses of providing four School Resource Officers for the Tahlequah Public School System. The expense, including salaries and fringe benefits, of two officers was paid by Tahlequah Public Schools in the amount of \$ 121,190. Two officers were funded by a transfer from the general fund of the City in the amount of \$ 116,355.
- **Relocate and Rehabilitate Taxiway Grant** fund has been kept open in anticipation of receipt of an award from the Oklahoma Aeronautics Commission. The funds are interest which has accrued on the match funds that were on the previous grant. OAC requires a separate fund and banking account and checks for their grants.
- **Community Development Block Grants 16140-14**, in the amount of \$ 126,747. Match funds required from the City came from the Bond Improvement II fund in the amount of \$ 150,937 were transferred to the fund. Grant funds of 126,747 were received and expended.
- **TSET Grant** award from the State of Oklahoma Tobacco Settlement Endowment Trust in the amount of \$ 92,000 was received in 2015 there was no match required by the City of Tahlequah. Expenditures of \$92,000 were made in 2017.
- **Safe Routes to School Grant (SRTS)** was approved by the State of Oklahoma Department of Transportation. This is a 100% reimbursable grant in the amount of \$ 217,025; of that amount \$ 197,025 is to be spent on infrastructure and \$ 20,000 as an educational component for non-infrastructure. \$ 1,805 was spent in 2016 and was reimbursed in 2017.

- **Tahlequah BEST (T-BEST) Grant 15** is an agreement entered into between Tahlequah Public Schools and Tahlequah Police Department with an award amount of \$6,000.00 to provide officers to enforce and prevent underage drinking. \$ 4,804 was spent and reimbursed.
- **Community Development Block Grant (CDBG 13) 15701-13** in the amount of \$91,464. Match funds required from the City came from the Bond Improvement II fund in the amount of \$ 101,689 was transferred to the fund. Grant funds of \$ 91,464 were received and \$ 91,464 was expended on the rehabilitation of the Green Building at 120 E Morgan St.
- **Tahlequah Impaired Driving Enforcement Grant VII** from the Oklahoma Highway Safety Office 15-16, in the amount of \$ 17,000 and spent \$ 7,112; received \$ 7,112.
- **PAPI-FAA Grant Grants Funds** is a Grant an award amount of \$85,050 to make repairs and renovations top the city airport \$ 60,993 was spent and reimbursed.
- The City of Tahlequah received a total of \$ 298,908 in grant funds this fiscal year.

### **USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirement of the Governmental Accounting Standards Board (GASB) Statement No.34. The report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the city as a whole and present a longer-view of the City's finances. Fund financial statements, for governmental activities, tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

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

This annual report includes all activities for which the City Council for the City of Tahlequah is fiscally responsible. These activities, defined as the City's reporting entity, are operated separate legal entities that make up the primary government and another separate legal entity that is included as a component entity.

The primary government includes the following legal entity:

- The City of Tahlequah

The component unit presentation includes the following legal entities:

- Tahlequah Public Works Authority
- Tahlequah Hospital Authority
- Tahlequah Industrial Authority
- Tahlequah Educational Facilities Authority
- Tahlequah Public Facilities Authority
- City Light and Water Department (Tahlequah)

### ***The Government-Wide Statement of Net Position and Statement of Activities***

Our financial analysis of the City as a whole begins on page 12. The government-wide financial statements are presented on pages 12 and 13. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer that question. These statements include all of the City's assets and liabilities resulting from the use of the modified accrual basis of accounting.

These two statements report the City's net position and changes in them. You can think of the City's net position-the difference between assets and liabilities- as one way to measure the City's financial health of financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non financial factors, however, such as changes in the City's sales tax base and the condition of the City's streets, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

*Governmental activities.* Most of the City's basic services are reported here, including the police, fire, general administration (managerial), streets, parks, cemetery, airport, maintenance and civil emergency management. Sales taxes, franchise fees, fines and forfeitures, licenses and permits, charges for services and transfers from City Light and Water finance most of these activities. State and federal grants also help to finance these activities.

*Business-type activities.* The City charges a fee to customers to help in covering all or most of the cost of certain services it provides. The City's solid waste system is reported here.

*Component unit activities.*

- Tahlequah Public Works Authority is a public trust created to provide utility services to the citizens of Tahlequah, Oklahoma and the surrounding community. The City is the beneficiary of the trust and the excess funds it generates.
- Tahlequah Hospital Authority is a public trust created to provide medical facilities to the Tahlequah metro area. The City of Tahlequah is the beneficiary of the trust and will receive all residual trust funds and assets upon termination of the trust.
- Tahlequah Industrial Authority is a public trust created to stimulate industry in the Tahlequah metro area through the creation of an industrial park. Land and infrastructure improvements are owned in trust by the City.
- Tahlequah Educational Facilities Authority is a public trust created to promote, finance and develop projects, facilities and services pertaining to educational institutions and the furtherance of educational opportunities; to expend all funds coming into the hands of the Trustees as revenue or otherwise for the payment of any indebtedness incurred by the Trustees for the purposes specified. The City receives no direct benefit or monies from the trust's activities. Upon the termination of this trust, the Trustees shall proceed to wind up the affairs of this Trust, and after payments of all debts, expenses and obligations out of the monies and distribute the residue of the money and properties of the Trust Estate to the Beneficiary, the City of Tahlequah.
- Tahlequah Public Facilities Authority is a public trust created to stimulate public growth and development; to promote the public well being of the Beneficiary by improving available resources, increasing meaningful job opportunities, promoting entrepreneurship and capital investment, while maintaining the Beneficiary's quality of life. The Beneficiary of the Trust is the City of Tahlequah. Upon the termination of this trust, the Trustees shall proceed to wind up the affairs of this Trust, and after payments of all debts, expenses and obligations out of the monies and distribute the residue of the money and properties of the Trust Estate to the Beneficiary.
- City Light and Water Development was originally the Municipal Utility Board of Tahlequah. When Tahlequah Public Works was established, this board continued as a legal entity to pay director's fees, legal fees, and municipal lighting expenses. Funds are transferred to this entity from TPWA to pay the above expenses with the balance reverting to the City of Tahlequah General Fund.

## **Reporting the City's Most Significant Funds**

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

Our analysis of the City's major funds begins on page 14. The fund financial statements begin on page 14 and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes certain other funds, like the Tahlequah Public School Tax Fund, to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money such as the grant from the Federal Aviation Administration. The City's three kinds of funds—*governmental, proprietary and fiduciary*—use different accounting approaches.

**Governmental funds**-Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements. The City considers the General Fund, the Capital Improvement Fund and the Restricted Sales & Use Tax Fund I and Restricted Sales & Use Tax Fund II to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled non-major funds.

**Proprietary funds**-When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the City's proprietary (enterprise) fund financial statement is essentially the same as the business-type activities we report in the government-wide statements, but the fund statements provide more detail and additional information, such as cash flows. The City has one enterprise fund-the Solid Waste Services Fund.

**Fiduciary funds**- are used to account for assets that are held in a trustee or fiduciary capacity such as assets held per trust agreements and similar arrangements. The City is the trustee, or fiduciary, for the Municipal Court Bond Fund and Municipal Court CLEET Fund. It is also the trustee for the Cemetery Care Fund, in which 12.5% of all cemetery lot sales, opening and closings are placed in accordance with the laws of the State of Oklahoma. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from the particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the City's taxpayers. It also identified how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

## A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund Budget at various times. For the year ended June 30, 2017, General Fund expenditures were \$2,152,484 below final budgeted amounts, and General Fund revenues were \$421,060 below final budgeted amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2017, the City had \$36 million invested in capital assets, net of depreciation, including land, buildings, improvements, machinery, equipment, autos, infrastructure, computers and software, office equipment, furniture and work in progress.

This year's more significant capital assets additions included:

Remodel City Hall	\$ 110,408
Sports Complex	\$ 561,961
Infrastructure Streets	\$ 464,314
2017 F350 Truck	\$ 75,442
2017 F350 Brush Truck	\$ 78,019
2014 Ford Interceptor/W Equipment	\$ 68,716
Grapple Truck	\$ 59,900

**SOLID WASTE SERVICES FUND-ENTERPRISE FUND**

2016 Western Star Truck	\$ 112,044
2018 Western Star Truck	\$ 121,721
Steco Steel Ejection Trailer	\$ 66,985
2008 Dodge One Ton	\$ 15,000

**Long-Term Debt**

At June 30, 2017 the City had \$ 70,291 in a lease purchase agreement with BancFirst, Tahlequah, Oklahoma for the purchase of a 2011 Case Waste Handler.

At June 30, 2017 the City had \$ 69,895 in a lease purchase agreement with BancFirst, Tahlequah, Oklahoma for the purchase of a 2018 Western Star Truck.

At June 30, 2017 the City had \$ 5,413 in a lease-purchase agreement with Welch State Bank, Welch, Oklahoma, for the purchase of a 2011 Case Dozer

At June 30, 2017 the City had \$ 47,639 in a lease-purchase agreement with BancFirst for a Case 580SN Loader Backhoe.

Total Long Term Debt is \$193,238.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGT AND RATES**

For the upcoming fiscal year ending June 30, 2018, the City's budget is fairly consistent with this year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Director at 111 S. Cherokee, Tahlequah, Oklahoma or telephone at (918)456-0651.

## ***BASIC FINANCIAL STATEMENTS***



**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,980,753	\$ 3,370,220	\$ 7,350,973	\$ 13,838,766
Restricted Cash	-	-	-	13,174,766
Investments	3,123,946	13,806,627	16,930,573	-
Due From Other Funds	885,203	-	885,203	-
Accounts Receivable	253,536	211,143	464,679	22,822,686
Current portion of deferred revenue	-	2,247,000	2,247,000	-
Inventory and Supplies	-	-	-	3,660,214
Capital Assets (page 29)	54,199,868	6,713,975	60,913,843	78,657,891
Accumulated Depreciation	(22,823,315)	(1,780,830)	(24,604,145)	-
Other noncurrent assets	-	11,001,530	11,001,530	24,162,629
<i>Total Assets</i>	<u>39,619,991</u>	<u>35,569,665</u>	<u>75,189,656</u>	<u>156,316,952</u>
<b>Deferred outflows of resources:</b>				
Deferred amounts related to pensions	2,759,102	-	2,759,102	-
<b>LIABILITIES</b>				
Due to Other Funds	\$ 256,739	\$ -	\$ 256,739	\$ -
Long-Term Liabilities (Note 4):				
Due Within One Year	33,815	3,048,497	3,082,312	3,981,515
Due in More Than One Year	19,237	51,689	70,926	39,984,852
Due to TPWA	130,425	-	130,425	-
Due to TPFA	191,059	-	191,059	-
Accounts Payable	258,923	1,092	260,015	5,736,852
Accrued Expenses	336,947	224,560	561,507	5,462,350
Accrued Compensated Absences	103,352	-	103,352	383,528
Bond / Cleet Deposits Payable	27,603	31,707,580	31,735,183	-
Net pension liability	5,325,680	-	5,325,680	-
<i>Total Liabilities</i>	<u>6,683,780</u>	<u>35,033,418</u>	<u>41,717,198</u>	<u>55,549,097</u>
<b>Deferred inflows of resources:</b>				
Deferred amounts related to pensions	1,081,814	-	1,081,814	-
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	31,323,501	6,573,789	37,897,290	38,747,019
Restricted for Statutory Requirements	-	-	-	-
Restricted for External Contracts	-	49,484	49,484	5,941,794
Unrestricted	3,289,998.00	(6,087,026)	(2,797,028)	56,079,042
Noncontrolling Interest in Joint Ventures	-	-	-	-
<i>Total Net Position</i>	<u>\$ 34,613,499</u>	<u>\$ 536,247</u>	<u>\$ 35,149,746</u>	<u>\$ 100,767,855</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Subsidies	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
<b>FUNCTIONS/PROGRAMS</b>							
Primary Government:							
General Government	\$ 4,108,791	\$ -	\$ -	\$ -	\$ (4,108,791)	\$ -	\$ -
Public Safety	4,654,970	550,607	-	-	(4,104,363)	-	(4,104,363)
Public Services	1,868,925	762,646	319,916	-	(786,363)	-	(786,363)
Culture and Recreation	1,367,842	96,351	-	-	(1,271,491)	-	(1,271,491)
<b>Total Governmental Activities</b>	<b>12,000,528</b>	<b>1,409,604</b>	<b>319,916</b>	<b>-</b>	<b>(10,271,008)</b>	<b>-</b>	<b>(10,271,008)</b>
Business Type Activities:							
Sanitation	1,784,417	2,210,306	-	-	-	425,889	425,889
TPFA	897,829	2,293,209	-	-	-	1,395,380	1,395,380
TEFA	22,572	30,639	-	-	-	8,067	8,067
<b>Total Business-Type Activities</b>	<b>2,704,818</b>	<b>4,534,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,829,336</b>	<b>1,829,336</b>
<b>Total Primary Government</b>	<b>14,705,346</b>	<b>5,943,758</b>	<b>319,916</b>	<b>-</b>	<b>(10,271,008)</b>	<b>1,829,336</b>	<b>(8,441,672)</b>
Component Units:							
Tahlequah Hospital Authority	99,489,749	99,993,788	-	-	-	-	504,039
Tahlequah Industrial Authority	115,010	82,750	-	-	-	-	(32,260)
Tahlequah Public Works/City light & Water	22,125,217	22,767,522	-	-	-	-	642,305
	<b>\$ 121,729,976</b>	<b>\$ 122,844,060</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,114,084</b>
General Revenues:							
Tax Revenue					6,767,077	-	6,767,077
Investment Income					66,097	5,444	71,541
Other					232,218	-	232,218
Gain (Loss) on disposal of asset					-	(1,060)	(1,060)
Transfers - Internal Activity					3,378,967	-	3,378,967
<b>Total General Revenues and Transfers</b>					<b>10,444,359</b>	<b>4,384</b>	<b>10,448,743</b>
Change in Net Position					173,351	1,833,720	2,007,071
Net Position - Beginning					34,440,148	(1,297,473)	33,142,675
Net Position - Ending					<b>\$ 34,613,499</b>	<b>\$ 536,247</b>	<b>\$ 35,149,746</b>
							<b>\$ 100,767,855</b>

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 947,779	\$ 1,603,285	\$ 1,429,689	\$ 3,980,753
Investments	2,583,946	540,000	-	3,123,946
Accounts Receivable	862,475	-	22,728	885,203
Due from Other Funds	253,536	-	-	253,536
	<u>4,647,736</u>	<u>2,143,285</u>	<u>1,452,417</u>	<u>8,243,438</u>
<i>Total Assets</i>	<u>\$ 4,647,736</u>	<u>\$ 2,143,285</u>	<u>\$ 1,452,417</u>	<u>\$ 8,243,438</u>
<b>LIABILITIES:</b>				
Accrued Payroll	334,158	-	2,789	336,947
Accounts Payable	241,603	-	17,320	258,923
Bond / Cleet Deposits Payable	27,603	-	-	27,603
Payable to TPWA	130,425	-	-	130,425
Payable to TPFA	191,059	-	-	191,059
Due to Other Funds	3,202	-	253,537	256,739
	<u>928,050</u>	<u>-</u>	<u>273,646</u>	<u>1,201,696</u>
<i>Total Liabilities</i>	<u>928,050</u>	<u>-</u>	<u>273,646</u>	<u>1,201,696</u>
<b>Fund Balance:</b>				
Unassigned	3,719,686	2,143,285	1,178,771	7,041,742
Assigned	-	-	-	-
<i>Total Net Position:</i>	<u>3,719,686</u>	<u>2,143,285</u>	<u>1,178,771</u>	<u>7,041,742</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 4,647,736</u>	<u>\$ 2,143,285</u>	<u>\$ 1,452,417</u>	

**Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position:**

Amounts reported in the Statement of Net Position are different because some assets and liabilities, including pension obligations, are applicable to future periods and, are not reported in the funds:

Accrued Compensated Absences	(103,352)
Net Pension liability measurement date June 30, 2016	(5,325,680)
Long term debt	(53,052)
Capital assets Used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$20,501,544	31,376,553
Deferred outflows of resources related to pensions	2,759,102
Deferred inflows of resources related to pensions	(1,081,814)
Net Position of Governmental Activities	<u>\$ 34,613,499</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenues:</i>				
Taxes	\$ 6,491,879	\$ -	\$ 275,198	\$ 6,767,077
Charges for Services	399,010	-	363,636	762,646
Fines and Forfeitures	550,607	-	-	550,607
Licenses and Permits	95,451	-	900	96,351
Investment Income	58,295	7,802	-	66,097
Miscellaneous	183,223	24,100	24,895	232,218
Grants and Subsidies	-	-	319,916	319,916
Total Revenues	<u>7,778,465</u>	<u>31,902</u>	<u>984,545</u>	<u>8,794,912</u>
<i>Expenditures:</i>				
<i>General Government:</i>				
Managerial	1,596,949	-	-	1,596,949
City Clerk	50,304	-	-	50,304
City Treasurer	13,872	-	-	13,872
City Attorney	43,804	-	-	43,804
Municipal Judge	150,285	-	-	150,285
Maintenance	206,740	-	676,197	882,937
Hotel/Motel	-	-	112,321	112,321
<i>Public Safety:</i>				
Law Enforcement	2,492,495	-	374,869	2,867,364
Fire	1,154,261	-	-	1,154,261
Emergency Management	92,349	-	-	92,349
<i>Public Services:</i>				
Cemetery	227,563	-	-	227,563
Streets	975,941	-	21,162	997,103
Airport	171,177	-	87,550	258,727
<i>Culture and Recreation:</i>				
Parks and Recreation	995,456	-	46,542	1,041,998
Library	25,295	-	-	25,295
Capital Outlay	1,207,342	151,420	-	1,358,762
Total Expenditures	<u>9,403,833</u>	<u>151,420</u>	<u>1,318,641</u>	<u>10,873,894</u>
<i>Excess (deficiency) of</i>				
Revenues Over Expenditures	(1,625,368)	(119,518)	(334,096)	(2,078,982)
<i>Other Financing Sources (Uses)</i>				
Transfers In	2,994,564	854,267	547,571	4,396,402
Transfers Out	(1,017,435)	-	-	(1,017,435)
Total Other Financing Sources (Uses)	<u>1,977,129</u>	<u>854,267</u>	<u>547,571</u>	<u>3,378,967</u>
Net Change in Fund Balance	<u>351,761</u>	<u>734,749</u>	<u>213,475</u>	<u>1,299,985</u>
Fund Balances - Beginning	<u>3,367,925</u>	<u>1,408,536</u>	<u>965,296</u>	<u>5,741,757</u>
Fund Balances - Ending	<u>\$ 3,719,686</u>	<u>\$ 2,143,285</u>	<u>\$ 1,178,771</u>	<u>\$ 7,041,742</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds	\$ 1,299,985
Amounts reported for governmental activities in the statement of activities are different because:	
Government-wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements reported pension contributions as expenditures.	(187,581)
Repayment of principal debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position:	
Repayment of principal	92,020
Governmental funds report outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciated expenses. This is the amount by which capital outlays exceeded depreciation net of gain/loss on disposal of assets in the current period.	(1,055,029)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in:	
Accrued compensated absences	23,956
Loss on asset disposition	-
	\$ 173,351

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Sanitation</u>	<u>TPFA</u>	<u>TEFA</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,582,506	\$ 1,754,964	\$ 32,750	\$ 3,370,220
Investments	362,500	12,478,512	965,615	13,806,627
Taxes receivable	-	192,950	-	192,950
Accounts Receivable	18,193	-	-	18,193
Current portion of receivable on capital lease	-	-	2,247,000	2,247,000
<i>Total Current Assets</i>	<u>1,963,199</u>	<u>14,426,426</u>	<u>3,245,365</u>	<u>19,634,990</u>
Noncurrent assets:				
Land and construction in progress	76,100	-	-	76,100
Other capital assets	6,637,875	-	-	6,637,875
Accumulated Depreciation	(1,780,830)	-	-	(1,780,830)
Noncurrent portion of receivable on capital lease	-	-	11,001,530	11,001,530
<i>Total Noncurrent Assets</i>	<u>4,933,145</u>	<u>-</u>	<u>11,001,530</u>	<u>15,934,675</u>
<i>Total Assets and Deferred Inflows</i>	<u>\$ 6,896,344</u>	<u>\$ 14,426,426</u>	<u>\$ 14,246,895</u>	<u>\$ 35,569,665</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accrued payroll	\$ 27,447	\$ -	\$ -	\$ 27,447
Accounts Payable	-	794	298	1,092
Accrued Interest Payable	-	-	197,113	197,113
Current portion of capital lease payable	88,497	-	-	88,497
Current portion of bonds payable	-	1,215,000	1,745,000	2,960,000
<i>Total Current Liabilities</i>	<u>115,944</u>	<u>1,215,794</u>	<u>1,942,411</u>	<u>3,274,149</u>
Noncurrent Liabilities:				
Deferred revenue on capital lease purchase	-	-	-	-
Capital lease purchase payable	51,689	-	-	51,689
Bonds Payable	-	19,452,580	12,255,000	31,707,580
<i>Total Noncurrent Assets</i>	<u>51,689</u>	<u>19,452,580</u>	<u>12,255,000</u>	<u>31,759,269</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,573,789	-	-	6,573,789
Restricted	-	-	49,484	49,484
Unrestricted	154,922	(6,241,948)	-	(6,087,026)
<i>Total Net Position</i>	<u>6,728,711</u>	<u>(6,241,948)</u>	<u>49,484</u>	<u>536,247</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 6,896,344</u>	<u>\$ 14,426,426</u>	<u>\$ 14,246,895</u>	<u>\$ 35,569,665</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2017**

	<u>Sanitation</u>	<u>TPFA</u>	<u>TEFA</u>	<u>Total</u>
<b>Operating Revenues</b>				
Sanitation	\$ 1,656,130	\$ -	\$ -	\$ 1,656,130
Transfers Station fees	475,570	-	-	475,570
TPFA/TEFA revenue	-	2,293,209	30,639	2,323,848
Miscellaneous operating revenue	78,606	-	-	78,606
<i>Total Operating Revenue</i>	<u>2,210,306</u>	<u>2,293,209</u>	<u>30,639</u>	<u>4,534,154</u>
<b>Operating Expenses</b>				
Salaries and employee benefits	862,788	-	-	862,788
Materials and supplies	638,665	-	-	638,665
TPFA/TEFA expenses	-	16,755	16,408	33,163
Depreciation	279,323	-	-	279,323
<i>Total Operating Expenses</i>	<u>1,780,776</u>	<u>16,755</u>	<u>16,408</u>	<u>1,813,939</u>
 <i>Operating Income</i>	 429,530	 2,276,454	 14,231	 2,720,215
<b>Non-Operating Revenues (Expenses)</b>				
TPFA/TEFA expenses	-	(881,074)	(6,164)	(887,238)
Interest Income	5,444	-	-	5,444
Gain (Loss) on disposal of assets	(1,060)	-	-	(1,060)
Interest Expense	(3,641)	-	-	(3,641)
<i>Total Non-Operating Expenses</i>	<u>743</u>	<u>(881,074)</u>	<u>(6,164)</u>	<u>(886,495)</u>
 <i>Net Income (Loss) Before Transfers</i>	 430,273	 1,395,380	 8,067	 1,833,720
<b>Transfers</b>	-	-	-	-
<b>Change in Net Position</b>	430,273	1,395,380	8,067	1,833,720
<b>Beginning Net Position</b>	<u>6,298,438</u>	<u>(7,637,328)</u>	<u>41,417</u>	<u>(1,297,473)</u>
<b>Ending Net Position</b>	<u>\$ 6,728,711</u>	<u>\$ (6,241,948)</u>	<u>\$ 49,484</u>	<u>\$ 536,247</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Sanitation</u>	<u>TPFA</u>	<u>TEFA</u>	<u>Total</u>
<b><i>Cash flows from operating activities</i></b>				
Receipts from customers	\$ 2,205,765	\$ 21,650	\$ 30,639	\$ 2,258,054
Other operating cash receipts	-	2,271,764	-	2,271,764
Payments to or on behalf of employees	(857,322)	(9,424)	(8,557)	(875,303)
Payments to suppliers	<u>(638,665)</u>	<u>(7,067)</u>	<u>(8,012)</u>	<u>(653,744)</u>
<i>Net cash provided (used) by operations</i>	709,778	2,276,923	14,070	3,000,771
<b><i>Cash flows from non-capital financing activities</i></b>				
TPFA/TEFA non financing activities	-	<u>(188,518)</u>	<u>(6,164)</u>	<u>(194,682)</u>
<i>Net cash provided (used) by non capital financing activities</i>	-	(188,518)	(6,164)	(194,682)
<b><i>Cash flows from capital and related financing activities</i></b>				
TPFA/TEFA capital and financing activities	-	(1,658,326)	(12,166)	(1,670,492)
Purchase of capital assets net of retirement	(346,216)	-	-	(346,216)
Interest on Capital Lease	(3,641)	-	-	(3,641)
Cash used by capital leasing activity	<u>(19,211)</u>	<u>-</u>	<u>-</u>	<u>(19,211)</u>
<i>Net cash provided (used) by operations</i>	<u>(369,068)</u>	<u>(1,658,326)</u>	<u>(12,166)</u>	<u>(2,039,560)</u>
<b><i>Cash flows from investing activities</i></b>				
Interest Income	5,444	-	-	5,444
Gain (Loss) on disposal of assets	<u>(1,060)</u>	<u>-</u>	<u>-</u>	<u>(1,060)</u>
<i>Net cash provided (used) by investing activities</i>	4,384	-	-	4,384
<b><i>Net increase (decrease) in cash and cash equivalents</i></b>	345,094	430,079	(4,260)	770,913
<b><i>Beginning cash and cash equivalents</i></b>	<u>1,237,412</u>	<u>1,324,885</u>	<u>37,010</u>	<u>2,599,307</u>
<b><i>Ending cash and cash equivalents</i></b>	<u><u>1,582,506</u></u>	<u><u>1,754,964</u></u>	<u><u>32,750</u></u>	<u><u>3,370,220</u></u>
Operating income	429,530	2,270,779	14,231	2,714,540
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	279,323	-	-	279,323
Increase (decrease) in accounts receivable	(4,541)	5,880	-	1,339
Increase (decrease) in accrued expenses	5,466	264	(161)	5,569
Net cash provided by operating activities	<u>\$ 709,778</u>	<u>\$ 2,276,923</u>	<u>\$ 14,070</u>	<u>\$ 3,000,771</u>

The accompanying notes and auditor's report are an integral part of these financial statements.



***NOTES TO FINANCIAL STATEMENTS***

**City of Tahlequah, Oklahoma**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Tahlequah, Oklahoma (oversight unit) conform to the accounting principles generally accepted in the United States of America for state and local governments.

**A. REPORTING ENTITY**

The City of Tahlequah was incorporated on June 9, 1908, under the laws and constitution of the State of Oklahoma. On June 18, 1940, a voter approved charter was established.

The City Council, an elected five member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to the City of Tahlequah within the jurisdiction of the City. The City receives funding from local, state, and federal government sources; and must comply with the requirements of these funding source entities. However, the City of Tahlequah is not included in any government “reporting entity” as defined in Section 2100, Codification of Government Accounting and Financial Reporting Standards, since the Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The City provides various services, and consists of many different activities and smaller accounting entities. These include a community hospital, economic loan program, industrial park, police force, firefighting and prevention force, sewage treatment plant, water treatment plant, storm water drainage system, traffic control system, street lighting, street maintenance force (including construction, repair, and snow and ice removal), a parks and recreation system, rubbish collection and recycling service, and a staff to provide the necessary support to these service providers. All are responsible to the citizens of Tahlequah, and are therefore included within the reporting entity.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in the evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence

***City of Tahlequah, Oklahoma***  
***Notes to the Basic Financial Statements***  
***June 30, 2017***

of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following potential component units are included in the City's reporting entity as aggregate discretely presented component units.

***Tahlequah Public Works Authority***

The Tahlequah Public Works Authority is a public trust created to provide utility services to the citizens of Tahlequah, Oklahoma, and the surrounding community. The City of Tahlequah is the beneficiary of the trust and the excess funds the trust generates. Audited financial statements for this component unit can be obtained at its general offices located at 103 North College. During the 2016-2017 fiscal year, the TPWA transferred \$1,324,322 (cash basis) to the City of Tahlequah through the City Light and Water Department.

***City Light and Water Department (Tahlequah)***

This department originally began as the Municipal Utility Board of Tahlequah. The Tahlequah City charter, adopted in 1940, set up this board to operate all utilities. When the Tahlequah Public Works Authority (TPWA) was established, this board continued, as a legal entity, to pay director fees, legal fees, and municipal lighting expenses. Funds are transferred to this entity from TPWA to pay the above expenses with the balance reverting to the City of Tahlequah General Fund. Audited financial statements for this component unit can be obtained at its general offices located at 103 North College.

***Tahlequah Hospital Authority***

The Tahlequah Hospital Authority is a public trust created on June 3, 1974, to provide medical facilities to the Tahlequah metro area. The City of Tahlequah, Oklahoma, is the beneficiary of the trust and will receive all residual trust funds and assets upon termination of the trust. Audited financial statements for this component unit can be obtained at its general offices located at 1400 East Downing.

***Tahlequah Industrial Authority***

The Tahlequah Industrial Authority is a public trust created to stimulate industry in the Tahlequah metro area through the creation of an industrial park. Land and infrastructure improvements are owned in the trust by the City of Tahlequah, Oklahoma. Audited financial statements for this component unit can be obtained at the City of Tahlequah's City Hall.

***Tahlequah Redevelopment Authority***

The Tahlequah Redevelopment Authority is a public trust created to provide zero profit financing to local business interests. The City of Tahlequah, Oklahoma, receives no direct benefit or monies from the trust's activities. The Authority had no activity during the fiscal year.

**City of Tahlequah, Oklahoma**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**Northeastern Oklahoma Public Facilities Authority**

The Northeastern Oklahoma Public Facilities Authority is not a component unit of the City of Tahlequah. According to GASB Statements No. 14, the Primary Government (City of Tahlequah) must have financial accountability for a component unit, appoint a voting majority of the component unit's board, impose its will, be a financial benefit or burden, be fiscally dependent and/or be able to designate management. This entity does not fall under this criteria. The City of Tahlequah is merely a beneficiary of this public trust.

Based upon the application of these same criteria discussed above, the following potential component units are included in the City's reporting entity as blended component units, and are incorporated into the financial statement of the primary government.

**Tahlequah Educational Facilities Authority (TEFA)**

The Tahlequah Educational Facilities Authority is a public trust created to assist the City of Tahlequah in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefits of the City of Tahlequah in order to lessen the burdens on government and to stimulate educational growth and development; to promote the educational well being by improving available resources, increasing meaningful job opportunities, promoting entrepreneurship and capital investment, while maintaining quality of life; to inventory educational services, facilities, and resources; and to promote, stimulate, encourage, and finance the growth and development of education of the City of Tahlequah as a whole, all in order to achieve maximum utilization of the human, economic, recreational, natural resources and tourist attractions within the City of Tahlequah.

**Tahlequah Public Facilities Authority (TPFA)**

The Tahlequah Public Facilities Authority is a public trust created to assist the City of Tahlequah in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefits of the City of Tahlequah in order to lessen the burdens on government and to stimulate public growth and development; to promote public well being by improving available resources, increasing meaningful job opportunities, promoting entrepreneurship and capital investment, while maintaining quality of life; to inventory public services, facilities, and resources; and to promote, stimulate, encourage, and finance the growth and development of the City of Tahlequah as a whole, all in order to achieve maximum utilization of the human, economic, recreational, natural resources and tourist attractions within the City of Tahlequah.

**B. FUND ACCOUNTING**

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

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Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate “fund types.” The City utilizes two fund categories and five fund types.

**Governmental Fund Types**

Governmental funds are used to account for all or most of government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds).

General Funds- The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include sales taxes and charges for services (i.e. refuse revenues). Expenditures include all cost associated with the daily operations of the City except for programs specially funded for building repairs and maintenance and construction.

Special Revenue Fund- Special Revenue Funds are to account for the proceeds of specific revenue sources or grants (other than special assessments or expendable trusts) that are legally restricted to expenditures for special funds.

Capital Project Fund- Capital Project Funds are used to account for the acquisitions of capital facilities being financed from intergovernmental revenues or transfers from funds other than those recorded in proprietary funds.

**Proprietary Fund Types**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds).

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms “nonexpendable’ and ‘expendable’ refer to whether or not the City is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent and do not involve measurements of results of operations.

Expendable Trust Funds- These funds account for assets received and expended by the City as trustee and are reported as governmental funds in the financial statements. These funds include:

Cemetery Care – A trust established to account for the portion of cemetery lot sales designated for perpetual care and capital improvements of the cemetery.

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Brookside Restoration Fund – A trust fund established to account for public donations and city contributions towards the restoration of the historic Brookside House.

Agency Funds- These funds are used to account for assets held by the City as a custodial trustee, and do not involve measurement of results of operations. These funds include the Municipal Court Bonds, and are reported as a liability in the general fund.

Cash in Escrow	6/30/2017
Court Bonds	\$ 19,320
CLEET Accounts	8,283
	\$ 27,603
	27,603

**Government- Wide Statement**

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical costs or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003 governmental funds’ infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transaction is recorded as an expense in the Statement of Activities under general government, with the accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

Buildings	10-50 years
Improvements	5-10 years
Machinery, furniture, and equipment	5-20 years
Automobiles	5-20 years
Infrastructure	5-50 years

**Fund Financial Statements**

In the fund financial statements, capital assets arising from cash transactions acquired for use in the governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

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**C. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets.

Taxpayer assessed income, gross receipts, and sales tax are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Revenue Recognition**

In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current period or soon enough thereafter to be used to pay obligations of the current period): taxes, services, investment earnings and fines and forfeitures. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

**Expenditure Recognition**

The measurement focus governmental fund accounting is on decreased in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred.

**Reservation of Fund Equity**

Fund balances are reserved for encumbrances as further explained in Note 1-D.

**Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources has not been reported as an expenditure or fund liability of the governmental fund that will pay it. Rights to receive sick pay benefits have not been reported in the general long-term debt account group. This practice differs from accounting principles generally accepted in the United States of America. In accordance with provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The amount of vacation and compensatory time susceptible to accrual in accordance with SFAS No. 43, has been reflected as a liability in the Statement of Net Position.

**City of Tahlequah, Oklahoma**  
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**D. ENCUMBRANCES**

Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed purchase orders in process are completed. Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable

Requirement for All Budgeted Funds

For day to day management control expenditures plus encumbrances may not exceed budget at the expenditure type level of each cost center. The Council may transfer unencumbered appropriations within programs within funds. Appropriation control is by program within a fund. Council may, by ordinance, transfer amounts among programs within and between funds.

Unassigned Fund Balance

Fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

**E. REVENUES, EXPENDITURES, AND INTERFUND TRANSACTIONS**

Tax Revenues

Tax revenues include sales, alcohol, use, gross receipts, cable TV fees, and franchise fees.

Licenses and Permits

Revenues including building and sign permits, inspection fees, animal shelter fees, zoning fees, and occupational licenses.

Charges for Services

Primary revenues consist of transfer station fees; cemetery lot sales; cemetery openings and closings; airport, golf course, and pool income from operations.

Fines and Forfeitures

The revenues are generated from the administration of the police department as cases are adjudicated through the City's court system. They primarily consist of bond forfeitures.

Intergovernmental Programs

This revenue, reported in the General Fund, results from transfers from component units that are shown as such on the component unit's financial statement. The Special Revenue Fund accounts for grants and entitlements in this category.

Miscellaneous Revenue

This revenue account is all other revenue collected by the City.



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**Expenditures**

Expenditures have been classified by the following five service areas provided to the citizens of the City. The specific departments which are contained within each service area are also identified. All departmental capital expenditures are included in the capital outlay classifications.

<u><b>General Government</b></u>	<u><b>Public Safety</b></u>	<u><b>Public Services</b></u>
Managerial	Building Inspector	Street Dept
City Clerk	Civil Defense	Animal Shelter
City Treasurer	Fire Dept	City Airport
City Attorney	Law Enforcement	Cemetery
Municipal Judge		
Maintenance Dept	<u><b>Cultural &amp; Recreation</b></u>	<u><b>Capital Outlay</b></u>
Fringe Benefits	Library	Consists of all capital
Purchasing	Parks Dept	Expenditures for all Depts

**Interfund Transactions**

Loans to funds are properly classified as due to and due from amounts, and transactions which constitute reimbursements to a fund appropriately cancel the original transactions. Expenditures initially made with loaned funds are properly classified within the fund (see Note 3). All other interfund transfers are reported as operating transfers. Operating transfers are identified as other financing sources (uses) in the financial statements.

**Investments**

Investments on hand at June 30, 2017, consist of the following.

**Investments-Governmental Funds**

<u>Number-Type</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Market Value</u>
<b>Governmental Funds: General Fund</b>				
FHL Bank	3/12/2021	3.63%	\$ 198,424	\$ 198,424
Various CDs-Variou banks	Various	Various	\$ 2,385,522	\$ 2,385,522
		Total	\$ 2,583,946	\$ 2,583,946
<b>Governmental Funds: Capital Improvement Fund</b>				
Various CDs-Edward Jones	Various	Various	\$ 540,000	\$ 540,000
<b>Total Investments-Governmental Funds</b>			<u>\$ 3,123,946</u>	<u>\$ 3,123,946</u>

**City of Tahlequah, Oklahoma**  
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<b>Investments-Proprietary Funds</b>					
Number-Type	Maturity	Interest Rate	Carrying Amount	Market Value	
<b>Proprietary Funds: Sanitation</b>					
Various CDs-Edward Jones	Various	Various	\$ 362,500	\$	362,500
<b>Proprietary Funds: Tahlequah Public Facilities Authority (TPFA)</b>					
BancFirst, OKC	Various		\$ 12,478,512	\$	12,478,512
<b>Proprietary Funds: Tahlequah Educational Facilities Authority (TEFA)</b>					
BancFirst, OKC	Various	Various	\$ 965,615	\$	965,615
<b>Total Investments-Proprietary Funds</b>			<u>\$ 13,806,627</u>	<u>\$</u>	<u>13,806,627</u>

The City's bank balance in all depository accounts, excluding investments, was \$7,350,973 at June 30, 2017.

At June 30, 2017 all cash deposits and certificates of deposits were either FDIC insured or covered by collateral pledged by the banks trust department.

**F. ASSETS, LIABILITIES AND NET POSITION**

Cash and Cash Equivalents

Pooled cash and investments – a “pooled cash” concept is used in maintaining the cash and investment account in the accounting records. Under this method all cash is pooled for investment purposes, and each fund has equity in the pooled amount.

Inventories

The value of consumable inventories at June 30, 2017, is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

**City of Tahlequah, Oklahoma**  
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**F. ASSETS, LIABILITIES AND NET POSITION**

**Capital Assets and Property, Plant, and Equipment**

Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Capital Assets not being Depreciated				
Land	\$ 3,283,400	\$ -	\$ -	\$ 3,283,400
Construction in Progress	3,558,393	265,185	1,010,854	2,812,724
Capital Assets being Depreciated				
Automobiles and Trucks	4,073,533	323,299	-	4,396,832
Buildings and Building Improvements	10,704,105	152,521	-	10,856,626
Infrastructure	25,467,433	1,204,795	-	26,672,228
Computers and Office Equipment	1,210,014	14,596	212,425	1,012,185
Machinery and Equipment	4,767,098	407,629	8,854	5,165,873
Total Capital Assets being Depreciated	46,222,183	2,102,840	221,279	48,103,744
Total Capital Assets	53,063,976	2,368,025	1,232,133	54,199,868
Less Accumulated Depreciation	20,501,544	2,321,771	-	22,823,315
Governmental Activities, Capital Assets, Net	<u>\$ 32,562,432</u>	<u>\$ 46,254</u>	<u>\$ 1,232,133</u>	<u>\$ 31,376,553</u>

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 1,094,694	
Public Safety	540,996	
Public Services	385,532	
Culture and Recreation	300,549	
Total Depreciation from Governmental Activities	<u>\$ 2,321,771</u>	-

**Capital Assets and Property, Plant, and Equipment**

Capital asset activity for business-type activities for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Capital Assets, not being Depreciated				
Land	\$ 76,100	\$ -	\$ -	\$ 76,100
Construction in Progress	-	-	-	-
Total Capital Assets not being Depreciated	76,100	-	-	76,100
Capital Assets being Depreciated				
Other Capital Assets	6,294,672	347,276	4,073	6,637,875
Total Capital Assets	6,370,772	347,276	4,073	6,713,975
Less Accumulated Depreciation	1,504,520	286,477	10,167	1,780,830
Business-Type Activities, Capital Assets, Net	<u>\$ 4,866,252</u>	<u>\$ 60,799</u>	<u>\$ (6,094)</u>	<u>\$ 4,933,145</u>

**NOTE 2: CASH AND INVESTMENTS**

**City of Tahlequah, Oklahoma**  
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The City's investment policies are governed by city charter and state statute. Permissible investments include direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, and bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

**Deposits**

The City's cash deposits at June 30, 2017 are categorized to give an indication of the level of risk assumed by the City at year end as follows:

**Deposit Categories of Credit Risk**

- (A) Insured and collateralized with securities held by the City or by its agent in the City's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- (C) Uncollateralized.

Category:	A	B	C	Bank Balance	Carrying Amount
Cash/Investment	\$ 6,850,973	\$ 500,000	-	\$ 7,350,973	\$ 7,350,973

**NOTE 3: INTERFUND RECEIVABLES AND PAYABLES**

Short term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. The interfund receivable or payables at June 30, 2017 were as follows:

Governmental General Fund-due from Others	\$ 253,536
Department Of Justice TFO-OT	(1,000)
Bullet Proof Vest Special Revenue-due to General Fund	(3,763)
TIDE Grant-due to General Fund	(14,200)
SRTS Grant-due to General Fund	(217,025)
FBI Grant-due to General Fund	(17,548)
Others-due to General Fund	-
NET	<u>\$ -</u>

**NOTE 4: GENERAL LONG TERM DEBT**

The City's long-term debt is described below, segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. General long term debt consists of lease purchase agreements.

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**Long Term Debt – Governmental Funds**

The City of Tahlequah entered into a lease purchase agreement with Welch State Bank in September 2012 to purchase a 2011 Case Dozer in the amount of \$103,062. Payments are due monthly in the amount of \$1,847 for 60 months at an interest rate of 2.89%. The balance outstanding as of June 30, 2017 was \$5,413.

The City of Tahlequah entered into a lease purchase agreement with BancFirst in February 2016 to purchase a Case580SN Loader Backhoe in the amount of \$84,583. Payments are due monthly in the amount of \$2,427 for 36 months at an interest rate of 2.06%. The balance outstanding as of June 30, 2017 was \$47,639.

The following is a summary of the long term debt transactions of the City for the year ended June 30, 2017:

**Outstanding Long-Term Debt Payable from Government Activities:**

	Balance			Balance	
	June 30, 2016	Additions	Retirements	June 30, 2017	
Capitalized Lease Obligations	\$ 145,072	\$ -	\$ 92,020	\$ 53,052	
<b>Total</b>	<b>\$ 145,072</b>	<b>\$ -</b>	<b>\$ 92,020</b>	<b>\$ 53,052</b>	

Maturities of long-term outstanding debt for Governmental activities as of June 30, 2017 is as follows:

June 30	Principal Interest	
2018	\$ 19,791	\$ 752
2019	28,988	139
2,020	4,273	5
<b>Total</b>	<b>\$ 53,052</b>	<b>\$ 896</b>

**Long Term Debt – Proprietary Funds**

The City of Tahlequah entered into a lease purchase agreement with BancFirst in July 2013 to purchase a 2011 Case 721f Waste Handler in the amount of \$248,770. Payments are due monthly in the amount of \$4,495 for 60 months at an interest rate of 3.20%. The balance outstanding as of June 30, 2017 was \$70,291.

The City of Tahlequah entered into a lease purchase agreement with BancFirst in April 2017 to purchase a 2017 Western Star Truck in the amount of \$72,783. Payments are due monthly in the amount of \$3,117 for 24 months at an interest rate of 2.50%. The balance outstanding as of June 30, 2017 was \$69,895.

**City of Tahlequah, Oklahoma**  
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Long-term debt for business-type activities for the year ended June 30, 2017 was as follows:

**Outstanding Long-Term Debt Payable from Sanitation:**

	Balance				Balance	
	June 30, 2016	Additions	Retirements		June 30, 2017	
Capitalized Lease Obligations	\$ 159,397	\$ 72,873	\$ 92,084		\$ 140,186	
Total	<u>\$ 159,397</u>	<u>\$ 72,873</u>	<u>\$ 92,084</u>		<u>\$ 140,186</u>	

Maturities of long-term outstanding debt for Sanitation as of June 30, 2017 was as follows:

June 30	Principal Interest	
2019	\$ 88,497	\$ 2,840
2,020	51,689	788
Total	<u>\$ 140,186</u>	<u>\$ 3,628</u>

Maturities of other long-term outstanding debt for Proprietary Funds as of June 30, 2017 was as follows:

**Outstanding Long-Term Debt Payable from TEFA:**

June 30, 2017	Principal	Interest
2018	\$ 1,745,000	\$ 745,682
2019	1,875,000	652,756
2020	2,015,000	547,691
2021	2,165,000	431,621
2022	2,320,000	302,600
2023	3,880,000	117,370
Total	<u>\$ 14,000,000</u>	<u>\$ 2,797,720</u>

**Outstanding Long-Term Debt Payable from TPFA:**

June 30, 2017	Principal	Interest
2018	\$ 1,215,000	\$ 663,587
2019	1,290,000	627,137
2020	1,350,000	605,207
2021	1,455,000	537,707
2022	1,535,000	497,969
2023-2028	13,822,580	1,945,812
Total	<u>\$ 20,667,580</u>	<u>\$ 4,877,419</u>

*City of Tahlequah, Oklahoma*  
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**NOTE 5: OTHER POST EMPLOYMENT BENEFITS**

The City does not offer any early retirement incentive plans.

**NOTE 6: EMPLOYMENT RETIREMENT SYSTEM**

**Employees and Plans**

The City participates in three employee pension systems, they are:

- Oklahoma Firefighters Pension and Retirement Plan
- Oklahoma Police Pension and Retirement Plan
- Oklahoma Public Employees Retirement System

**Oklahoma Firefighters Pension and Retirement System**

**Plan description** - The City of Tahlequah, as the employer, participates in the Oklahoma Firefighters Pension and Retirement – a cost sharing, multiple employer, defined benefit plan administered by the Oklahoma Firefighters Pension and Retirement System (FPRS). Title II 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 the Plan's administrative web site.

**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 50% of the employee's final average compensation times the employee's years of service. Final average compensation is defined as the average of the highest 30 consecutive months of the last 60 months or participating service. For volunteer firefighters, the monthly pension benefits for normal retirement is \$150.60 per month.

Benefits for members hired after November 1, 2013 are determined as 55 % of the employee's final average compensation. Final average compensation is defined as the average of the highest 30 consecutive months of the last 60 months or participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in the line of duty benefits for firefighters with less than 20 years of services is equal to 50% of the 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 year 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 opposed to 30 months. For volunteer firefighters, the not in the line of duty disability is also limited to those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, 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.

**City of Tahlequah, Oklahoma**  
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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 member electing the vested benefit.

**Contributions-** The contribution requirements of the Plan are at an established rate determined by Oklahoma Statutes 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 \$99,469 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures and Change in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-** At June 30, 2017 the City reported a net pension liability of \$3,103,156 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension asset 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, 2016. Based on this information, the City's proportion was .254001%.

For the year ended June 30, 2017, the City recognized pension expenses of \$320,443. At June 30, 2017 the City reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 83,187	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	387,559	197,691
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City Contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 470,746</b>	<b>\$ 197,691</b>



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**Actuarial Assumptions-** The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurements:

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 adjustments as appropriate, with adjustments for the generational mortality improvements using scale AA for health lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2016 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 return on pension plan investments was determined using a building block method in which best estimates range of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing 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 including the pension plan’s target asset allocations as of June 30, 2016, are summarized in the following:

	Long term Expected Real Rate of Return
Fixed Income	5.18%
Domestic Equity	8.70%
International Equity	10.70%
Real Estate	7.23%
Other Assets	6.24%

**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 assume the State of Oklahoma will continue contributing 36% of the insurance premiums, 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.

**City of Tahlequah, Oklahoma**  
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**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 percent point higher (8.5%) than the current rate:

	1% Decrease	<u>Current Discount</u> Rate	1% Increase
	6.50%	7.50%	8.50%
Employer's Net Pension Liability/(Asset)	\$ 3,928,352	\$ 3,103,156	\$ 2,411,321

**Pension plan fiduciary net position-** Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial of the FPRS, which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Oklahoma Police Pension and Retirement system**

**Plan description-** The City of Tahlequah, as the employer, participates in the Oklahoma Police Pension and Retirement Plan, a cost-sharing, multiple employer, defined benefit pension plan administrated by the Oklahoma Police Pension and Retirement System (OPPRS). Title II of the Oklahoma State Statues, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

**Benefits provided-** OPPRS provides retirement, disability and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants’ contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect to a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participant’s final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated

**City of Tahlequah, Oklahoma**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to the pension benefit.

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 member electing the vested benefit.

**Contributions-** The contributions requirement of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employee's annual pay. Contributions to the pension plan from the City were \$170,877. The State of Oklahoma made on behalf contributions to OPPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-** At June 30, 2017, the City reported a liability of \$682,581 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension asset 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, 2016. Based upon the information, the City's proportion was .4457%.

For the year ended June 30, 2017, the City recognized pension expense of \$244,447. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 76,674
Change in assumptions	2,190	-
Net difference between projected and actual earnings on pension plan investments	919,572	263,728
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City Contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 921,762</b>	<b>\$ 340,402</b>

**City of Tahlequah, Oklahoma**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**Actuarial Assumptions-** The total pension liability was determined by an actuarial valuation as of July 1, 2016 using the following actuarial assumptions applied to all prior period included in the measurements:

Inflation	3%
Salary increases	4.5% to 17% 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 adjustments as appropriate, with adjustments for the generational mortality improvements using scale AA for health lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2016 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 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 weighing 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, 2016 are summarized in the following table:

	Long term Expected Real Rate of Return
Fixed Income	3.27%
Domestic Equity	5.16%
International Equity	8.61%
Real Estate	4.97%
Private Equity	8.32%
Commodities	2.42%

**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 rate determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premiums 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 plan liability.

**City of Tahlequah, Oklahoma**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**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 percent higher (8.5%) than the current rate.

	1% Decrease 6.50%	Rate 7.50%	1% Increase 8.50%
Employer's Net Pension Liability/(Asset)	\$ 1,836,226	\$ 682,581	\$ (253,193)

**Pension plan fiduciary net position-** Detailed information about the detailed plan’s fiduciary net position is available in the separately issued financial report of the OPPR, which can be found at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

**Oklahoma Public Employees Retirement System**

**Plan Description -** The City contributes to the Oklahoma Public Employees Retirement Plan (the plan), a cost-sharing, multiple employer, public employees retirement system administered by the Oklahoma Public Employees Retirement System (OPERS). The plan provides retirement, disability and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 74 of the Oklahoma Statutes, Section 901-943, as amended, assigns the authority. Annual financial report that includes financial statements and required supplementary information for the Plan may be obtained from OPERS or from their website: [www.opers.ok.gov/](http://www.opers.ok.gov/).

**Benefits provided-** Members qualify for full retirement benefits at their specified normal retirement age or, for any person who becomes a member prior to July 1, 1992, when the sum of the member’s age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member’s age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement age date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at the age of 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

**City of Tahlequah, Oklahoma**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

Disability retirement benefits are available to members having eight years of credited service whose disability status has been certified as being within one year of last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

**Contributions-** Plan members and the City are required to contribute at a rate set by statute. The contribution requirements of plan members and the City are established and may be amended by the legislation of the State of Oklahoma. The contribution rate for the City is 16.5% and the employee's contribution rate is 3.5%. Contributions by the City amount to \$460,049 for the fiscal year ended June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-** At June 30, 2017 the City reported a liability of approximately \$1,539,943 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the employer contributing entity's percentage of the total employer contributions for the year ended June 30, 2016. Based on this information, the City's proportion was .15520013%.

For the year ended June 30, 2017, the City recognized pension expense of \$311,234. At June 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 67,672
Change in assumptions	246,191	-
Net difference between projected and actual earnings on pension plan investments	1,120,403	476,049
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City Contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 1,366,594</b>	<b>\$ 543,721</b>

**Actuarial Assumptions-** The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions applied to all prior period included in the measurements.

Actuarial cost method	Entry age normal Inflation
Inflation	3%
Salary increases	4.5% to 8.4%, including inflation
Investment rate of return	7.5% net of pension plan investment expense

**City of Tahlequah, Oklahoma**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

Mortality rates were based on the RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using Scale AA (disabled members were set forward 15 years).

The long term expected rate of return on pension plan investments were determined using a long-normal distributions analysis 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. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	<u>Long term Expected Real Rate of Return</u>
US Large Caps Equity	3.80%
US Small Cap Equity	4.00%
US Fixed Income	1.40%
International Stock	9.20%

**Discount Rate-** The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2114 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. The discount rate determined does not use a municipal bond rate.

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

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	6.50%	Rate 7.50%	8.50%
Employer's Net Pension Liability/(Asset)	\$ 2,480,024	\$ 1,539,943	\$ (550,360)

**Pension plan fiduciary net position-** Detailed information about the Plan's fiduciary net position is available in the separately issued OPERS financial report.

*City of Tahlequah, Oklahoma*  
*Notes to the Basic Financial Statements*  
*June 30, 2017*

**NOTE 7: RISK MANAGEMENT**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**Pending Litigation**

The City is a party to various legal proceedings which involve civil tort claims against the City. It is the opinion of legal counselors that the result of an unfavorable outcome is not great. Legal counsel also asserts that the City of Tahlequah has limits of liability under the Oklahoma Tort Claims Act. The City also has sufficient insurance coverage and/or tort immunity in effect to protect the City from any material loss or liability due to pending claims or litigation.

A listing of all court cases filed against the City of Tahlequah and their status can be found at the website [www.odcr.com](http://www.odcr.com).

**NOTE 8: USE OF ESTIMATES**

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**NOTE 10: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the audit report, which is the date the financials were available to be issued.



***REQUIRED SUPPLEMENTARY INFORMATION  
AND SUPPLEMENTARY INFORMATION***

**City of Tahlequah, Oklahoma**  
**Schedule of Federal Awards**  
**June 30, 2017**

Title	Grantor/Pass-Through Grantor/Program					
	CFDA NUMBER	AWARD AMOUNT	BALANCE 6/30/2016	AWARDED (CLOSED)	Current Year Expenditures	Balance 6/30/2017
<b><u>FEDERAL AWARDS</u></b>						
<u>U.S. Department of Justice</u>						
Bullet Proof Vest	16.607	\$ -	\$ -	1,520 \$	2,625 \$	1,105
Sub-Total Department of Justice		\$ -	\$ -	1,520 \$	2,625 \$	1,105
<u>U.S. Department of Transportation</u>						
PAPI-FAA GRANT	20.106	\$ 85,050	\$ -	60,993 \$	60,993 \$	-
<u>Pass Through the State of Oklahoma</u>						
CDBG 13	14.228	\$ 91,464	\$ 91,464	91,464 \$	- \$	-
CDBG 14	14.228	\$ -	\$ 126,747	126,747 \$	- \$	-
TIDE VIII	20.600	\$ 14,200	\$ -	9,267 \$	11,434 \$	2,167
TIDE VII	20.600	\$ 17,000	\$ 7,112	7,112 \$	- \$	-
Safe Routes to School	20.000	\$ 217,025	\$ -	1,805 \$	4,653 \$	2,848
Sub-Total Pass Through State of OK		\$ 339,689	\$ 225,323	236,395 \$	16,087 \$	5,015
<b><u>STATE AWARDS</u></b>						
T-Set Grant (Tobacco SETTLEMENT)	-	\$ 100,000	\$ -	- \$	- \$	-
Sub-Total State Awards		\$ -	\$ -	- \$	- \$	-
Total Federal and State Awards		\$ 225,323	\$ 298,908	\$ 79,705	\$ 6,120	

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Resources (Inflows):</b>				
Taxes	\$ 6,619,500	\$ 6,619,500	\$ 6,492,332	\$ (127,168)
Licenses and Permits:	126,300	126,300	95,451	(30,849)
Charges for Services	429,000	429,000	399,010	(29,990)
Fines and Forfeitures	684,020	684,020	550,607	(133,413)
Miscellaneous	265,100	265,100	241,519	(23,581)
Intergovernmental Revenue:	2,816,173	2,816,173	2,740,114	(76,059)
<b>Total Resources</b>	<b>10,940,093</b>	<b>10,940,093</b>	<b>10,519,033</b>	<b>(421,060)</b>
Transfers:				
Refunds of income	-	-	-	-
Transfers to other funds	-	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Amounts available for appropriation</b>	<b>10,940,093</b>	<b>10,940,093</b>	<b>10,519,033</b>	<b>(421,060)</b>
<b>Charges to Appropriations (Outflows):</b>				
Managerial:				
Personal services	1,039,015	1,039,015	898,369	140,646
Materials and supplies	137,598	137,598	109,160	28,438
Other services and charges	747,304	747,304	587,456	159,848
Capital outlay	1,058,679	1,058,679	372,685	685,994
Transfers	1,307,463	1,307,463	1,017,710	289,753
<b>Total Managerial</b>	<b>4,290,059</b>	<b>4,290,059</b>	<b>2,985,380</b>	<b>1,304,679</b>
City Clerk:				
Personal Services	60,182	60,182	50,795	9,387
<b>Total City Clerk</b>	<b>60,182</b>	<b>60,182</b>	<b>50,795</b>	<b>9,387</b>
City Treasurer:				
Personal services	14,521	14,521	13,869	652
<b>Total City Treasurer</b>	<b>14,521</b>	<b>14,521</b>	<b>13,869</b>	<b>652</b>
City Attorney:				
Personal services	60,150	60,150	43,854	16,296
<b>Total City Attorney</b>	<b>60,150</b>	<b>60,150</b>	<b>43,854</b>	<b>16,296</b>
Municipal Judge:				
Personal services	157,903	157,903	150,192	7,711
Other services anc charges	-	-	-	-
<b>Total Municipal Judge</b>	<b>157,903</b>	<b>157,903</b>	<b>150,192</b>	<b>7,711</b>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Cemetery:</b>				
Personal services	220,169	220,169	207,268	12,901
Materials and supplies	27,627	27,627	17,900	9,727
Other services and charges	5,500	5,500	2,288	3,212
Capital outlay	-	-	-	-
<b>Total Cemetery</b>	<b>253,296</b>	<b>253,296</b>	<b>227,456</b>	<b>25,840</b>
<b>Emergency Management:</b>				
Personal services	71,912	71,912	70,740	1,172
Materials and supplies	12,342	12,342	6,773	5,569
Other services and charges	25,548	25,548	14,787	10,761
Capital outlay	20,000	20,000	19,946	
<b>Total Civil Defense</b>	<b>129,802</b>	<b>129,802</b>	<b>112,246</b>	<b>17,502</b>
<b>Fire Department:</b>				
Personal services	1,119,555	1,119,555	1,091,736	27,819
Materials and supplies	48,480	48,480	34,220	14,260
Other services and charges	38,754	38,754	29,456	9,298
Capital outlay	58,270	58,270	57,804	466
<b>Total Fire Department</b>	<b>1,265,059</b>	<b>1,265,059</b>	<b>1,213,216</b>	<b>51,843</b>
<b>Law Enforcement:</b>				
Personal services	2,281,233	2,281,233	2,250,383	30,850
Materials and supplies	170,024	170,024	143,550	26,474
Other services and charges	176,478	176,478	98,797	77,681
Capital outlay	113,637	113,637	108,882	4,755
<b>Total Law Enforcement</b>	<b>2,741,372</b>	<b>2,741,372</b>	<b>2,601,612</b>	<b>139,760</b>
<b>City Airport:</b>				
Personal services	61,392	61,392	60,386	1,006
Materials and supplies	196,795	196,795	93,533	103,262
Other services and charges	18,123	18,123	17,250	873
Capital outlay	15,000	15,000	13,950	1,050
<b>Total Animal Shelter</b>	<b>291,310</b>	<b>291,310</b>	<b>185,119</b>	<b>106,191</b>
<b>Street:</b>				
Personal services	850,008	850,008	803,972	46,036
Materials and supplies	222,320	222,320	160,862	61,458
Other services and charges	13,540	13,540	10,244	3,296
Capital outlay	362,958	362,958	295,930	67,028
<b>Total City Airport</b>	<b>1,448,826</b>	<b>1,448,826</b>	<b>1,271,008</b>	<b>177,818</b>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Library:</b>				
Materials and supplies	2,500	2,500	2,115	385
Other services and charges	27,000	27,000	23,180	3,820
Capital outlay	-	-	-	-
Total Street	<u>29,500</u>	<u>29,500</u>	<u>25,295</u>	<u>4,205</u>
<b>Parks:</b>				
Personal services	465,738	465,738	371,911	93,827
Materials and supplies	58,460	58,460	46,506	11,954
Other services and charges	53,750	53,750	46,362	7,388
Capital outlay	64,168	64,168	48,268	15,900
Total Library	<u>642,116</u>	<u>642,116</u>	<u>513,047</u>	<u>35,242</u>
<b>Maintenance:</b>				
Personal services	180,490	180,490	164,780	15,710
Materials and supplies	43,243	43,243	32,464	10,779
Other services and charges	17,140	17,140	14,409	2,731
Capital outlay	31,757	31,757	31,739	18
Total Parks and Recreation	<u>272,630</u>	<u>272,630</u>	<u>243,392</u>	<u>29,238</u>
<b>Recreation:</b>				
Personal services	425,400	425,400	332,695	92,705
Materials and supplies	132,028	132,028	100,950	31,078
Other services and charges	98,642	98,642	90,186	8,456
Capital outlay	2,687	2,687	2,687	-
Total Maintenance	<u>658,757</u>	<u>658,757</u>	<u>526,518</u>	<u>132,239</u>
<b>Total Charges to Appropriations</b>	<b>12,315,483</b>	<b>12,315,483</b>	<b>10,162,999</b>	<b>2,152,484</b>
<b>Ending Budgetary Fund Balance</b>	<u><u>\$ (1,375,390)</u></u>	<u><u>\$ (1,375,390)</u></u>	<u><u>\$ 356,034</u></u>	<u><u>\$ (1,731,424)</u></u>

Adjustments to Reconcile Budget to Statement of Revenues  
Expenditures, and Changes In Fund Balance:

Accrued Tax Revenues 06/30/16	\$ (836,300)
Accrued Tax Revenue 06/30/17	836,117
Accrued Payroll 06/30/16	54,691
Accrued Payroll 06/30/17	<u>(58,781)</u>
<b>Net Change In Fund Balance</b>	<u><u>\$ 351,761</u></u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**City of Tahlequah, Oklahoma**  
**Notes to the Budgetary Comparison**  
**Schedule June 30, 2017**

**BUDGETS AND BUDGETARY ACCOUNTING**

Under state law the Mayor submits an annual budget to the council for consideration and approval no later than June 30. Such budget is based on expected cash expenditures by program within a fund and estimated cash receipts by source for all funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

A proposed budget is submitted to the City Council for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments.

Prior to July 1, the budget is legally enacted by the City Council through passage of an ordinance.

Any revisions that alter the total expenditures of any department generally must be approved by the City Council. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations ordinance.

Formal budgetary integration is employed as a management control device during the year to the following funds:

- General Fund
- Hotel/Motel Fund
- Street and Alley Fund
- Cemetery Care Fund
- Capital Improvement Fund
- Brookside Restoration Fund

Annual budgets are legally adopted for the General Fund, Street and Alley Fund, Hotel/Motel Fund, Cemetery Care Fund, Brookside Restoration Fund, and Capital Improvement Fund. The budget of expenditures and encumbrances for these funds cannot exceed the estimated revenues. Budgetary control is maintained by department and by the following categories of expenditures: personal services, material and supplies, other services and charges, transfers and capital outlay. A comparison of budget to actual for the General Fund has been presented.

**City of Tahlequah, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-Fiduciary Funds**  
**June 30, 2017**

		Restricted Sales Tax Fund
<b>Revenues</b>		
Sales Tax	\$	3,655,508
Use Tax		130,598
Total Revenues		<u>3,786,106</u>
 <b>Other Financing Sources/(Uses)</b>		
Transfers to other funds		<u>3,786,106</u>
Total Other Financing Sources/(Uses)		3,786,106
 Net Change in Fund Balance		-
 Fund Balance-Beginning		-
 Fund Balance-Ending	\$	<u><u>-</u></u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**City of Tahlequah, Oklahoma**  
**Required Supplementary Information on Pension Plan Funding**  
**for the Year Ended June 30, 2017**

**Schedule of the City of Tahlequah's Proportionate Share of the Net Pension Liability:**  
**Oklahoma Firefighters Pension and Retirement System**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
City's proportion of the net liability	0.254001%	0.246298%	0.223900%
City's proportionate share of the net liability	\$3,103,156	\$2,614,231	\$2,302,349
City's covered employee payroll	\$695,000	\$666,324	\$640,287
City's proportionate share of the net pension liability as a percentage of its covered employee liability	446.50%	392.34%	359.58%
Plan fiduciary net position as a percentage of total pension liability	64.87%	68.27%	68.12%

**Schedule of the City of Tahlequah's Pension Contributions:**  
**Oklahoma Firefighters Pension and Retirement System**

Statutorily required contributions	\$99,469	\$94,212	\$95,544
Contributions in relation to the statutorily required contribution	\$99,469	\$94,212	\$95,544
Contribution deficiency/(excess)	\$0	\$0	\$0
City's covered employee payroll	\$695,000	\$666,324	\$640,287
Contributions as a percentage of covered employee payroll	14.31%	14.14%	14.90%

Note: Only the current and two prior fiscal years is presented because 10 year data is not yet available.

The accompanying notes and auditor's report are an integral part of these financial statements.



**City of Tahlequah, Oklahoma**  
**Required Supplementary Information on Pension Plan Funding**

**Schedule of the City of Tahlequah's Proportionate Share of the Net Pension Liability:  
Oklahoma Police Pension and Retirement System**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
City's proportion of the net liability	0.445700%	0.437200%	0.409900%
City's proportionate share of the net liability	\$682,581	\$17,826	(\$138,025)
City's covered employee payroll	\$1,354,583	\$1,291,082	\$1,212,688
City's proportionate share of the net pension liability as a percentage of its covered employee liability	51.67%	1.38%	-11.38%
Plan fiduciary net position as a percentage of total pension liability	93.50%	55.55%	101.53%

**Schedule of the City of Tahlequah's Pension Contributions:  
Oklahoma Police Pension and Retirement System**

Statutorily required contributions	\$170,887	\$160,650	\$140,822
Contributions in relation to the statutorily required contribution	\$170,877	\$160,650	\$140,822
Contribution deficiency/(excess)	\$0	\$0	\$0
City's covered employee payroll	\$1,354,583	\$1,291,082	\$1,216,888
Contributions as a percentage of covered employee payroll	12.61%	12.44%	11.60%

Note: Only the current and two prior fiscal years is presented because 10 year data is not yet available.

The accompanying notes and auditor's report are an integral part of these financial statements.

**City of Tahlequah, Oklahoma**  
**Required Supplementary Information on Pension Plan Funding**

**Schedule of the City of Tahlequah's Proportionate Share of the Net Pension Liability:  
Oklahoma Public Employee Retirement System**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
City's proportion of the net liability	0.15520013%	0.159781%	0.151690%
City's proportionate share of the net liability	\$1,539,943	\$574,704	\$278,448
City's covered employee payroll	\$2,807,528	\$2,786,642	\$2,616,023
City's proportionate share of the net pension liability as a percentage of its covered employee liability	54.85%	20.62%	10.64%
Plan fiduciary net position as a percentage of total pension liability	89.48%	96.00%	97.90%

**Schedule of the City of Tahlequah's Pension Contributions:  
Oklahoma Public Employee Retirement System**

Statutorily required contributions	\$460,049	\$466,051	\$452,102
Contributions in relation to the statutorily required contribution	\$460,049	\$466,051	\$452,102
Contribution deficiency/(excess)	\$0	\$0	\$0
City's covered employee payroll	\$2,807,528	\$2,786,642	\$2,616,023
Contributions as a percentage of covered employee payroll	16.38%	16.72%	17.30%

Note: Only the current and two prior fiscal years is presented because 10 year data is not yet available.

The accompanying notes and auditor's report are an integral part of these financial statements.

**MICHAEL W. GREEN**  
**Certified Public Accountant**  
827 West Locust Street  
Stilwell, Ok. 74960  
(918) 696-6298

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*

The Honorable Mayor and City Council  
City of Tahlequah, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated June 18, 2018. My report was modified to include a reference to other auditors. Other auditors audited the financial statements of Tahlequah Hospital Authority, Tahlequah Public Works Authority and City Light and Water Department (Tahlequah) as described in my report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be material weaknesses listed as item 2017-1.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 item 2017-1.

***City of Tahlequah's Response to Findings***

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

***Purpose of this Report***

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

A handwritten signature in black ink, appearing to read "Mike Green". The signature is stylized and cursive.

Michael Green, CPA  
June 18, 2018

## SCHEDULE OF FINDINGS AND RESPONSES

2017-1:

*Condition and Criteria:* The State of Oklahoma requires an annual audit report within six months of the year end. The financial statements were not available to audit until several months after this deadline.

*Effect:* The City was in violation of this state requirement. This also creates potential problems with funding sources and could create a situation where management decisions are not made based on relevant financial information.

*Cause:* There does not appear to be adequate controls or procedures in place to cause the financial statements to be completed on a timely basis.

*Auditor's Recommendation:* The financial statements for the City are complex. It is important to have adequate training and support for the staff. If an outside firm is contracted to assist in the preparation of the financial statements, the City should have a policy or agreement in place that will require the work to be done in a time frame that will allow the audit to be completed by the due date. I believe a draft of the financial statements could be completed by the end of October each year if the records are in good shape.

*Views of Responsible Officials and Planned Corrective Actions:* The City of Tahlequah continues to formulate plans, and is striving, to implement the above recommendations.