



# **CITY OF CHOCTAW, OKLAHOMA**

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**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

**THE CITY OF CHOCTAW, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Choctaw, Oklahoma ("the City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, 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.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **INDEPENDENT AUDITOR'S REPORT - CONTINUED**

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and pension plan information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

## **INDEPENDENT AUDITOR'S REPORT - CONTINUED**

basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, debt service coverage schedules, and federal awards information listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, debt service coverage schedules, and federal awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Dillon & Associates, PC*

Midwest City, Oklahoma  
March 14, 2023



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**MANAGEMENT DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the City of Choctaw's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the City's financial statements, which follow this section.

***FINANCIAL HIGHLIGHTS***

- For the fiscal year ended June 30, 2022, the City's total net position increased by \$6.3 million or 28.6% from the prior year.
- During the year, the City's expenses for governmental activities were \$6.7 million and were funded by program revenues of \$1.4 million and further funded with taxes and other general revenues that totaled \$11.5 million.
- In the City's business-type activities, such as utilities, revenues excluding transfers exceeded expenses by approximately \$3,000.
- At June 30, 2022, the General Fund reported an unassigned fund balance of \$5.9 million.
- For budgetary reporting purposes, the General Fund reported revenues and transfers over estimates by \$1.7 million or a positive 17.3%, while expenditures and transfers were under the final appropriations by approximately \$0.2 million or 2.4%.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

The financial statements presented herein include all of the activities of the City of Choctaw (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, and 39 and 61. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type along with one discretely-presented component unit, the Choctaw Economic Development Authority.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure capital assets) and deferred outflows, as well as all liabilities (including all long-term debt) and deferred inflows.

**About the City**

The City of Choctaw is a municipality with a population of approximately 12,223 located in central Oklahoma. The City is a Council-Manager form of government that provides for three branches of government:

- Legislative – the City Council is the governing body elected by the citizens
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Mayor and approved by the City Council.

The City provides typical municipal services such as public safety, street maintenance, culture, parks and recreation, and certain utility services including water, wastewater, and sanitation.

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

This annual report includes all activities for which the City of Choctaw City Council is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the primary government (City of Choctaw), one active blended component units and one discretely presented component unit as follows:

- **The City of Choctaw** – that operates the public safety, streets, culture, parks and recreation, and administrative activities
- **The Choctaw Utilities Authority (CUA)**– that operates the water, sewer, sanitation, and golf services of the City (blended component unit)
- **The Choctaw Economic Development Authority (CEDA)** – that promotes and finances economic development in the City of Choctaw (discretely presented component unit)

### **Using This Annual Report**

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein on the accrual basis of accounting at two distinct levels:

- **The City as a Whole** (a government-wide presentation)
- **The City's Funds** (a presentation of the City's major and aggregate non-major funds)

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

#### **The Statement of Net Position and the Statement of Activities**

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in it from the prior year. You can think of the City's net position – the difference between assets, deferred outflows, liabilities and deferred inflows – as one way to measure the City's financial condition, or position.

Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

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The Statement of Net Position and the Statement of Activities are divided into three types of activities:

- Governmental activities – Most of the City’s basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City’s water, wastewater, sanitation, and golf are reported here.
- Discretely-presented component unit – This accounts for activities of the City’s reporting entity that do not meet the criteria for blending and it includes the CEDA.

**Reporting the City’s Most Significant Funds - Fund Financial Statements**

The fund financial statements 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, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

*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 the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following the Governmental Fund financial statement.

*Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – 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, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. In fact, the City’s enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the primary government, assets and deferred outflows exceeded liabilities and deferred inflows by \$28.1 million at the close of the most recent fiscal year.

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The following table is a summary comparison of changes in net position from last year for the City:

**TABLE 1**  
**NET POSITION (In Thousands)**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
Current assets	\$ 17,045	\$ 12,289	39%	\$ 5,101	\$ 8,388	-39%	\$ 22,146	\$ 20,677	7%
Capital assets, net	16,908	17,630	-4%	22,568	17,912	26%	39,476	35,542	11%
Other non-current assets	1,078	-	100%	-	-	0%	1,078	-	100%
<b>Total assets</b>	<u>35,031</u>	<u>29,919</u>	17%	<u>27,669</u>	<u>26,300</u>	5%	<u>62,700</u>	<u>56,219</u>	12%
<b>Deferred outflow of resources</b>	<u>838</u>	<u>901</u>	-7%	<u>-</u>	<u>-</u>	0%	<u>838</u>	<u>901</u>	-7%
Current liabilities	3,594	2,652	36%	2,153	1,286	67%	5,747	3,938	46%
Non-current liabilities	6,398	9,231	-31%	21,478	21,955	-2%	27,876	31,186	-11%
<b>Total liabilities</b>	<u>9,992</u>	<u>11,883</u>	-16%	<u>23,631</u>	<u>23,241</u>	2%	<u>33,623</u>	<u>35,124</u>	-4%
<b>Deferred inflow of resources</b>	<u>1,809</u>	<u>139</u>	1201%	<u>-</u>	<u>-</u>	0%	<u>1,809</u>	<u>139</u>	1201%
Net position									
Net investment in capital assets	10,066	9,034	11%	1,785	(3,908)	146%	11,851	5,126	131%
Restricted	8,592	7,094	21%	271	5,702	-95%	8,863	12,796	-31%
Unrestricted	5,410	2,670	103%	1,982	1,265	57%	7,392	3,935	88%
<b>Total net position</b>	<u>\$ 24,068</u>	<u>\$ 18,798</u>	28%	<u>\$ 4,038</u>	<u>\$ 3,059</u>	32%	<u>\$ 28,106</u>	<u>\$ 21,857</u>	29%

A portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For 2022, this net investment in capital assets amounted to \$11.9 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another large portion of the City's net position, \$8.9 million, represents resources that are subject to external restrictions on how it might be used. The remaining balance of unrestricted net position of \$7.4 million is available to meet the government's ongoing obligations to citizens and creditors.

The following are explanations for the more significant changes:

**Governmental Activities:**

Current assets (39% increase of \$4.8 million) – Cash increases in the General Fund (\$3 million), Town Square Fund (\$0.9 million), Public Recreation Fund (\$0.2 million), and Capital Improvement Fund (\$0.2 million) account for most of the increase.

Other non-current assets (100% increase of \$1.1 million) - Increased due to police net pension asset in the current year

Current liabilities (36% increase of \$0.9 million) – Increase related to unearned revenue of \$1.1 million from unspent ARPA funds.

Noncurrent liabilities (31% decrease of \$2.8 million) – Decrease mainly due to a combination of regular debt payments of \$1.7 million and decrease in fire net pension liability of \$1.1 million.

Deferred inflow of resources (1,201% increase of \$1.7 million) – Increase is due to differences in actual investment earnings versus projected investment earnings in defined benefit retirement plans.

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Restricted net position (21% increase of \$1.5 million) – Increase is due to \$0.4 million more in Dedicated Sales Tax Fund and \$1 million more in Town Square Fund.

**Business-type Activities:**

Current assets (39% decrease of \$3.3 million) – Mainly due to decrease in cash from spending of loan proceeds for CIP utility projects.

Capital assets, net (26% increase of \$4.7 million) – Mainly due to increase in CIP related to water storage tank, 23<sup>rd</sup> Street water improvements, and lift station improvements.

Current liabilities (68% increase of \$0.9 million) – Due to increase in accounts and retainage payable related to the above-mentioned construction projects.

Net investment in capital assets (146% increase of \$5.6 million due to net effect of regular debt payments and increased capital assets noted above.

Restricted net position (95% decrease of \$5.4 million due to spending of construction funds for projects.)

**Changes in Net Position**

For the year ended June 30, 2022, net position of the primary government changed as follows:

**TABLE 2**  
**CHANGES IN NET POSITION (In Thousands)**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	2022	2021		2022	2021		2022	2021	
<b>Revenues</b>									
Charges for services	\$ 606	\$ 514	18%	\$ 4,238	\$ 3,970	7%	\$ 4,844	\$ 4,484	8%
Operating grants and contributions	438	1,314	-67%	-	-	-	438	1,314	-67%
Capital grants and contributions	318	-	100%	-	-	-	318	-	100%
Taxes	11,071	10,207	8%	-	-	-	11,071	10,207	8%
Intergovernmental revenue	97	110	-12%	-	-	-	97	110	-12%
Investment income	12	1	1,100%	2	1	100%	14	2	600%
Miscellaneous	348	96	263%	-	-	-	348	96	263%
<b>Total revenues</b>	<b>12,890</b>	<b>12,242</b>	<b>5%</b>	<b>4,240</b>	<b>3,971</b>	<b>7%</b>	<b>17,130</b>	<b>16,213</b>	<b>6%</b>
<b>Expenses</b>									
General government	1,749	2,162	-19%	-	-	-	1,749	2,162	-19%
Public safety	2,698	3,282	-18%	-	-	-	2,698	3,282	-18%
Public works	1,314	1,372	-4%	-	-	-	1,314	1,372	-4%
Culture, parks and recreation	700	694	1%	-	-	-	700	694	1%
Economic development	16	-	100%	-	-	-	16	-	100%
Interest on long-term debt	169	214	-21%	-	-	-	169	214	-21%
Water	-	-	-	961	934	3%	961	934	3%
Wastewater	-	-	-	1,533	1,525	1%	1,533	1,525	1%
Sanitation	-	-	-	995	795	25%	995	795	25%
Stormwater	-	-	-	142	146	-3%	142	146	-3%
Golf	-	-	-	604	602	0%	604	602	0%
<b>Total expenses</b>	<b>6,646</b>	<b>7,724</b>	<b>-14%</b>	<b>4,235</b>	<b>4,002</b>	<b>-</b>	<b>10,881</b>	<b>11,726</b>	<b>-7%</b>
Excess (deficiency) before transfers	6,244	4,518	-38%	5	(31)	-116%	6,249	4,487	39%
Transfers	(973)	(671)	45%	973	671	45%	-	-	-
<b>Increase in net position</b>	<b>\$ 5,271</b>	<b>\$ 3,847</b>	<b>37%</b>	<b>\$ 978</b>	<b>\$ 640</b>	<b>53%</b>	<b>\$ 6,249</b>	<b>\$ 4,487</b>	<b>39%</b>

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The following are explanations for the more significant changes:

**Governmental Activities:**

Operating grants and contributions – (67% decrease of \$0.9 million) – Resulting primarily from CARES Act grant received in the prior year.

Capital grants and contributions – (100% increase of \$0.3 million) – Developer donated infrastructure

Miscellaneous – (263% increase of \$0.3 million) – Proceeds from land sales

Transfers – (45% increase of \$0.3 million) – More capital assets purchased for business-type activities by governmental activities.

**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 than 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 that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies 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 all taxes are classified as general revenue even if restricted for a specific purpose.

**TABLE 3**  
**Net Revenue (Expense) of Governmental Activities**  
(In Thousands)

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
General government	\$ 1,749	\$ 2,162	-19%	\$ (1,346)	\$ (1,832)	-27%
Public safety	2,698	3,282	-18%	(2,314)	(1,988)	16%
Public works	1,314	1,372	-4%	(800)	(1,247)	-36%
Cultural & recreation	700	694	1%	(639)	(616)	4%
Economic development	16	-	100%	(16)	-	100%
Interest on long-term debt	169	214	-21%	(169)	(214)	-21%
<b>Total</b>	<u>\$ 6,646</u>	<u>\$ 7,724</u>	-14%	<u>\$ (5,284)</u>	<u>\$ (5,897)</u>	-10%

Explanations for significant changes are shown after Table 2.

**Business-type Activities**

The City's business-type activities include utility services for water, wastewater, sanitation, stormwater, and golf course.



**CITY OF CHOCTAW, OKLAHOMA**  
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**TABLE 4**  
**Net Revenue (Expense) of Business-Type Activities**  
(In Thousands)

	<b>Total Expense of Services</b>		<b>% Inc. Dec.</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. Dec.</b>
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
Water	\$ 961	\$ 937	3%	\$ 324	\$ 269	20%
Wastewater	1,533	1,522	1%	(646)	(690)	-6%
Sanitation	995	795	25%	126	282	-55%
Stormwater	142	146	-3%	236	227	4%
Golf Course	604	602	0%	(36)	(120)	-70%
<b>Total</b>	<u>\$ 4,235</u>	<u>\$ 4,002</u>	6%	<u>\$ 4</u>	<u>\$ (32)</u>	-113%

Explanations for significant changes are shown after Table 2.

## A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2022 fiscal year, the governmental funds reported a combined fund balance of \$15.4 million or a 36% increase of \$4.1 million from the prior year. The largest increase was \$2 million in the General Fund and related to increased sales taxes of about \$0.8 million and decreased general government expenses of about \$0.4 million.

### General Fund Budgetary Highlights

Actual revenues and transfers in were over final estimates by \$1.7 million or 17.3% mainly due to taxes coming in \$1.3 million more than was anticipated and FEMA grant receipts of \$0.3 million were over what was budgeted. Expenditures were under final appropriations by \$0.2 million or 2.4%.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2022, the City had \$39.5 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, streets, water lines, and sewer lines. (See Table 5). This is an increase of \$3.9 million.

**TABLE 5**  
**Primary Government Capital Assets**  
(In Thousands)  
(Net of accumulated depreciation)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 350	\$ 350	\$ 6	\$ 22	\$ 356	\$ 372
Buildings	6,586	6,993	20	16	6,606	7,009
Machinery, furniture and equipment	1,200	1,203	321	292	1,521	1,495
Infrastructure	8,728	9,032	16,896	17,273	25,624	26,305
Leased assets	10	17	-	-	10	17
Construction in progress	34	51	5,325	309	5,359	360
<b>Totals</b>	<u>\$ 16,908</u>	<u>\$ 17,646</u>	<u>\$ 22,568</u>	<u>\$ 17,912</u>	<u>\$ 39,476</u>	<u>\$ 35,558</u>

**CITY OF CHOCTAW, OKLAHOMA**  
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This year's more significant capital asset additions included:

North Ridge Addition streets	\$0.3 million
Indian Meridian Tank Rehabilitation	\$0.2 million

See Note 5 to the financial statements for more detailed information on the City's capital assets and changes therein.

### **Long- Term Debt**

At year-end, the City had \$28.4 million in long-term debt outstanding which represents a \$2.2 million or 7% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022-2021</u>
Revenue notes payable	\$ 6,545	\$ 8,090	\$ 3,205	\$ 3,620	\$ 9,750	\$ 11,710	-17%
Notes payable (direct obligations)	127	215	18,265	18,260	18,392	18,475	0%
Lease obligations (direct borrowings)	10	17	-	-	10	17	-41%
General obligation bonds payable	215	310	-	-	215	310	-31%
<b>Totals</b>	<u>\$ 6,897</u>	<u>\$ 8,632</u>	<u>\$ 21,470</u>	<u>\$ 21,880</u>	<u>\$ 28,367</u>	<u>\$ 30,512</u>	-7%

See Note 7 to the financial statements for more detail information on the City's long-term debt and changes therein.

### **Economic Factors and Next Year's Budget and Rates**

The unemployment rate for Oklahoma County, which includes Choctaw, was 2.9% as of June 30, 2022. This represents a significant decrease from the previous fiscal year-end, and it is indicative of the economy in general recovering from the associated impacts from the COVID-19 pandemic.

The City's budget for next fiscal year includes the following highlights:

- The overall budgeted revenues were increased \$4.1 million, and expenditures were decreased \$0.2 million.
- The budget for General Taxes revenues was increased by \$0.8 million. This aligns with an overall increase year-over-year in sales tax collections for the City.
- The budget for the CUA General Fund remained flat and increased \$43 thousand.

### **Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Finance Office at P.O. Box 567, Choctaw, Oklahoma 73020.

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

**City of Choctaw**  
**Statement of Net Position**  
**June 30, 2022**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,111,526	\$ 1,734,456	\$ 15,845,982	76,104
Restricted cash and cash equivalents	821,950	2,764,884	3,586,834	-
Accounts receivable, net of allowance	247,737	612,898	860,635	-
Internal balances	11,028	(11,028)	-	-
Due from other governments	1,852,713	-	1,852,713	-
Net Pension Asset	1,078,576	-	1,078,576	-
Capital assets:				
Land and construction in progress	383,679	5,330,665	5,714,344	-
Other capital assets, net of depreciation	16,523,924	17,237,170	33,761,094	-
Total Capital Assets	16,907,603	22,567,835	39,475,438	-
Total Assets	35,031,133	27,669,045	62,700,178	76,104
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	838,214	-	838,214	-
Total deferred outflows of resources	838,214	-	838,214	-
<b>LIABILITIES</b>				
Accounts payable	68,767	1,137,096	1,205,863	-
Accrued payroll liabilities	172,950	43,614	216,564	-
Accrued interest payable	73,068	169,702	242,770	-
Refundable court bonds	83,811	-	83,811	-
Unearned revenue	1,424,994	100,385	1,525,379	-
Long-term liabilities:				
Due within one year	1,770,619	702,767	2,473,386	-
Due in more than one year	5,248,011	21,477,823	26,725,834	-
Net pension liability	1,149,946	-	1,149,946	-
Total liabilities	9,992,166	23,631,387	33,623,553	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pension	1,808,813	-	1,808,813	-
Total deferred inflows of resources	1,808,813	-	1,808,813	-
<b>NET POSITION</b>				
Net investment in capital assets	10,066,346	1,784,861	11,851,207	-
Restricted for:				
Debt service	7,009,011	270,874	7,279,885	-
Streets	336,216	-	336,216	-
Recreation	575,239	-	575,239	-
Public Safety	153,949	-	153,949	-
Economic development	196,962	-	196,962	-
Other purposes	320,655	-	320,655	-
Unrestricted	5,409,990	1,981,923	7,391,913	76,104
Total net position	\$ 24,068,368	\$ 4,037,658	\$ 28,106,026	\$ 76,104

See accompanying notes to the financial statements.

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2022

City of Choctaw  
Statement of Activities  
For the Year Ended June 30, 2022

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 1,749,190	\$ 292,818	\$ 110,587	\$ -	\$ (1,345,785)	\$ -	\$ (1,345,785)	\$ -
Public Safety	2,698,217	166,414	217,970	-	(2,313,833)	-	(2,313,833)	-
Public works	1,314,038	85,543	110,000	318,008	(800,487)	-	(800,487)	-
Culture, parks and recreation	700,140	61,468	-	-	(638,672)	-	(638,672)	-
Economic development	16,240	-	-	-	(16,240)	-	(16,240)	-
Interest on long-term debt	169,144	-	-	-	(169,144)	-	(169,144)	-
Total governmental activities	6,646,969	606,243	438,557	318,008	(5,284,161)	-	(5,284,161)	-
Business-type activities								
Water	960,859	1,285,183	-	-	-	324,324	324,324	-
Wastewater	1,532,210	885,732	-	-	-	(646,478)	(646,478)	-
Sanitation	995,414	1,121,661	-	-	-	126,247	126,247	-
Stormwater	142,073	377,606	-	-	-	235,533	235,533	-
Golf	604,131	567,739	-	-	-	(36,392)	(36,392)	-
Total business-type activities	4,234,687	4,237,921	-	-	-	3,234	3,234	-
Total primary government	10,881,656	4,844,164	438,557	318,008	(5,284,161)	3,234	(5,280,927)	-
Component Unit								
Economic Development Authority	1,309	-	-	-				(1,309)
Total component units	1,309	-	-	-				(1,309)
General revenues:								
Taxes:								
Sales and use taxes					9,819,987	-	9,819,987	-
Property taxes					108,362	-	108,362	-
Franchise and public service taxes					1,090,191	-	1,090,191	-
Hotel/motel taxes					53,327	-	53,327	-
Intergovernmental revenue not restricted to specific programs					96,767	-	96,767	-
Investment income					11,580	1,866	13,446	113
Miscellaneous					347,626	7	347,633	-
Transfers - Internal activity					(973,122)	973,122	-	-
Total general revenues and transfers					10,554,718	974,995	11,529,713	113
Change in net position					5,270,557	978,229	6,248,786	(1,196)
Net position - beginning					18,797,811	3,059,429	21,857,240	77,300
Net position - ending					\$ 24,068,368	\$ 4,037,658	\$ 28,106,026	\$ 76,104

See accompanying notes to the financial statements.

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

**City of Choctaw**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

	<b>General Fund</b>	<b>Dedicated Sales Tax Fund</b>	<b>Town Square Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,399,317	\$ 2,404,637	\$ 3,128,473	\$ 2,179,099	\$ 14,111,526
Restricted cash	-	340,792	481,158	-	821,950
Due from other funds	40,963	674,884	-	105,190	821,037
Due from other governments	1,852,713	-	-	-	1,852,713
Other receivables	120,390	-	107,639	19,708	247,737
Total assets	<u>8,413,383</u>	<u>3,420,313</u>	<u>3,717,270</u>	<u>2,303,997</u>	<u>17,854,963</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	57,220	6,400	5,147	-	68,767
Accrued payroll payable	167,106	-	-	5,844	172,950
Due to other funds	671,051	-	-	138,958	810,009
Deposits subject to refund	83,811	-	-	-	83,811
Accrued interest payable	-	45,056	20,372	-	65,428
Unearned revenue	1,106,791	-	-	-	1,106,791
Total liabilities	<u>2,085,979</u>	<u>51,456</u>	<u>25,519</u>	<u>144,802</u>	<u>2,307,756</u>
Deferred Inflows of resources:					
Unavailable revenue	<u>88,402</u>	<u>-</u>	<u>-</u>	<u>13,111</u>	<u>101,513</u>
Fund balances:					
Restricted	-	3,368,857	3,691,751	1,596,203	8,656,811
Committed	304,260	-	-	549,881	854,141
Unassigned	5,934,742	-	-	-	5,934,742
Total fund balance	<u>6,239,002</u>	<u>3,368,857</u>	<u>3,691,751</u>	<u>2,146,084</u>	<u>15,445,694</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 8,413,383</u>	<u>\$ 3,420,313</u>	<u>\$ 3,717,270</u>	<u>\$ 2,303,997</u>	<u>\$ 17,854,963</u>

See accompanying notes to the financial statements.

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

**City of Choctaw**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

	<b>General Fund</b>	<b>Dedicated Sales Tax Fund</b>	<b>Town Square Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 10,359,626	\$ -	\$ 550,552	\$ 161,689	\$ 11,071,867
Intergovernmental	813,009	-	-	13,742	826,751
Licenses and permits	230,647	-	-	-	230,647
Charges for services	18,248	-	-	427,349	445,597
Fines and forfeitures	132,198	-	-	34,216	166,414
Investment income	6,716	1,896	2,523	445	11,580
Miscellaneous	78,664	-	100,000	168,962	347,626
Total revenues	<u>11,639,108</u>	<u>1,896</u>	<u>653,075</u>	<u>806,403</u>	<u>13,100,482</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,072,758	-	38,918	40,254	1,151,930
Development services	388,131	-	-	-	388,131
Municipal court	106,143	-	-	6,325	112,468
Fire	1,190,524	-	-	-	1,190,524
Fleet maintenance	127,111	-	-	-	127,111
Cemetery	-	-	-	14,128	14,128
Parks	371,175	-	-	232,618	603,793
Police	1,702,638	-	-	-	1,702,638
Community center	4,935	-	-	-	4,935
Streets	467,614	-	-	21,421	489,035
Capital outlay	27,459	792,539	-	39,516	859,514
Debt service:					
Principal	6,821	442,001	1,105,000	182,818	1,736,640
Interest	49	92,688	63,331	20,410	176,478
Total Expenditures	<u>5,465,358</u>	<u>1,327,228</u>	<u>1,207,249</u>	<u>557,490</u>	<u>8,557,325</u>
Excess (deficiency) of revenues over expenditures	<u>6,173,750</u>	<u>(1,325,332)</u>	<u>(554,174)</u>	<u>248,913</u>	<u>4,543,157</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	2,413,763	1,564,731	453,845	4,432,339
Transfers out	(4,216,351)	(698,540)	-	-	(4,914,891)
Total other financing sources and uses	<u>(4,216,351)</u>	<u>1,715,223</u>	<u>1,564,731</u>	<u>453,845</u>	<u>(482,552)</u>
Net change in fund balance	1,957,399	389,891	1,010,557	702,758	4,060,605
Fund balance - beginning	4,281,603	2,978,966	2,681,194	1,443,326	11,385,089
Fund balance - ending	<u>\$ 6,239,002</u>	<u>\$ 3,368,857</u>	<u>\$ 3,691,751</u>	<u>\$ 2,146,084</u>	<u>\$ 15,445,694</u>

See accompanying notes to the financial statements.



**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

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**City of Choctaw**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net**  
**Position**  
**June 30, 2022**

**Fund Balance - Net Position Reconciliation:** \$ 15,445,694

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$58,659,466 16,907,603

Other assets are not available to pay for current period expenditures and they, along with deferred outflows, are either deferred or not reported in the funds:

Accounts receivable, net of allowance for doubtful accounts	(216,690)
Net pension asset	1,078,576
Pension related deferred outflows	838,214

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

Net pension liability	(1,149,946)
Pension related deferred inflows	(1,808,813)
Accrued interest payable	(7,640)
General obligation bonds	(215,000)
Lease obligations payable	(9,703)
Notes payable	(6,672,002)
Unamortized bond premium/discount	(14,802)
Accrued compensated absences	(107,123)
	<u>(9,985,029)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 24,068,368

See accompanying notes to the financial statements.

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

**City of Choctaw**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2022**

**Changes in Fund Balance - Changes in Net Position Reconciliation:**                      \$        4,060,605

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

Governmental funds report outlays for capital assets as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	499,489
Book value of disposed assets	(1)
Depreciation expense	(1,237,922)
	(738,434)

In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.

422,673

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable revenue	(216,690)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Principal payment on general obligation bonds payable	95,000
Principal payment on notes payable	87,817
Principal payment on lease obligations	6,821
Principal payment on revenue notes payable	1,545,000
Amortization of bond premium/discount	7,400
	1,742,038

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	1,936
Change in accrued compensated absences	(1,571)
	365

Change in net position of governmental activities	\$        5,270,557
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See accompanying notes to the financial statements.

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2022

**City of Choctaw**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

	<b>Enterprise Funds</b>		
		<b>Non-major</b>	
	<b>Utilities Authority</b>	<b>Golf Course</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,537,400	\$ 197,056	\$ 1,734,456
Restricted cash and cash equivalents	2,764,884	-	2,764,884
Due from other funds	124,027	-	124,027
Accounts Receivable, net	612,898	-	612,898
Total current assets	<u>5,039,209</u>	<u>197,056</u>	<u>5,236,265</u>
Non-current assets:			
Capital Assets:			
Land and construction in progress	5,330,665	-	5,330,665
Other capital assets, net of accumulated depreciation	16,144,151	1,093,019	17,237,170
Total non-current assets	<u>21,474,816</u>	<u>1,093,019</u>	<u>22,567,835</u>
Total assets	<u>26,514,025</u>	<u>1,290,075</u>	<u>27,804,100</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,156,894	23,816	1,180,710
Unearned revenue	100,385	-	100,385
Accrued interest payable	169,702	-	169,702
Due to other funds	128,937	6,118	135,055
Current portion of:			
Notes payable	625,000	75,567	700,567
Accrued compensated absences	1,666	534	2,200
Total current liabilities	<u>2,182,584</u>	<u>106,035</u>	<u>2,288,619</u>
Non-current liabilities:			
Deposits subject to refund	312,711	959	313,670
Notes payable	20,334,053	810,298	21,144,351
Accrued compensated absences	14,995	4,807	19,802
Total non-current liabilities	<u>20,661,759</u>	<u>816,064</u>	<u>21,477,823</u>
Total liabilities	<u>22,844,343</u>	<u>922,099</u>	<u>23,766,442</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,577,707	207,154	1,784,861
Restricted for debt service	270,874	-	270,874
Unrestricted	1,821,101	160,822	1,981,923
Total net position	<u>\$ 3,669,682</u>	<u>\$ 367,976</u>	<u>\$ 4,037,658</u>

See accompanying notes to the financial statements.

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2022

**City of Choctaw**  
**Enterprise Funds**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2022**

	<b>Enterprise Funds</b>		
	<b>Non-major</b>		
	<b>Utilities Authority</b>	<b>Golf Course</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Water charges	\$ 1,285,183	\$ -	\$ 1,285,183
Sewer charges	1,046,525	-	1,046,525
Sanitation	1,121,661	-	1,121,661
Water and sewer taps	216,813	-	216,813
Golf charges	-	556,895	556,895
Miscellaneous	-	10,851	10,851
Total operating revenues	<u>3,670,182</u>	<u>567,746</u>	<u>4,237,928</u>
<b>OPERATING EXPENSES</b>			
Administration	995,414	-	995,414
Golf course	-	464,016	464,016
Stormwater	142,073	-	142,073
Water plant	704,720	-	704,720
Wastewater	189,319	-	189,319
Wastewater plant	324,489	-	324,489
Depreciation expense	678,746	93,860	772,606
Total Operating Expenses	<u>3,034,761</u>	<u>557,876</u>	<u>3,592,637</u>
Operating income	<u>635,421</u>	<u>9,870</u>	<u>645,291</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	1,866	-	1,866
Gain (loss) on sale of capital asset	(16,185)	-	(16,185)
Interest expense and fiscal charges	(579,610)	(46,255)	(625,865)
Total non-operating revenue (expenses)	<u>(593,929)</u>	<u>(46,255)</u>	<u>(640,184)</u>
Income (loss) before transfers	<u>41,492</u>	<u>(36,385)</u>	<u>5,107</u>
Capital contributions	388,699	101,871	490,570
Transfers in	580,396	118,144	698,540
Transfers out	(215,988)	-	(215,988)
Change in net position	<u>794,599</u>	<u>183,630</u>	<u>978,229</u>
Total net position - beginning	<u>2,875,083</u>	<u>184,346</u>	<u>3,059,429</u>
Total net position - ending	<u>\$ 3,669,682</u>	<u>\$ 367,976</u>	<u>\$ 4,037,658</u>

See accompanying notes to the financial statements.

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As of and for the Year Ended June 30, 2022

**City of Choctaw**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended June 30, 2022

	<b>Choctaw Utilities Authority</b>	<b>Golf Course</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 3,625,044	\$ 567,746	\$ 4,192,790
Payments to suppliers	(829,040)	(160,714)	(989,754)
Payments to employees	(710,995)	(311,641)	(1,022,636)
Receipts of customer meter deposits	89,544	-	89,544
Refunds of customer meter deposits	(72,470)	-	(72,470)
Interfund receipts/payments	(1,687)	9,516	7,829
<b>Net cash provided by operating activities</b>	<u>2,100,396</u>	<u>104,907</u>	<u>2,205,303</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	580,396	118,144	698,540
Transfers to other funds	(215,988)	-	(215,988)
<b>Net cash provided by noncapital financing activities</b>	<u>364,408</u>	<u>118,144</u>	<u>482,552</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(4,953,858)	-	(4,953,858)
Principal paid on capital debt	(590,000)	(71,889)	(661,889)
Capital contributions	252,453	-	252,453
Interest and fiscal agent fees paid on capital debt	(604,925)	(46,255)	(651,180)
<b>Net cash (used in) capital and related financing activities</b>	<u>(5,896,330)</u>	<u>(118,144)</u>	<u>(6,014,474)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	1,866	-	1,866
<b>Net cash provided by investing activities</b>	<u>1,866</u>	<u>-</u>	<u>1,866</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(3,429,660)	104,907	(3,324,753)
<b>Balances - beginning of year</b>	<u>7,731,944</u>	<u>92,149</u>	<u>7,824,093</u>
<b>Balances - end of year</b>	<u><u>\$ 4,302,284</u></u>	<u><u>\$ 197,056</u></u>	<u><u>\$ 4,499,340</u></u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 1,537,400	\$ 197,056	\$ 1,734,456
Restricted cash and cash equivalents - current	<u>2,764,884</u>	<u>-</u>	<u>2,764,884</u>
<b>Total cash and cash equivalents, end of year</b>	<u><u>\$ 4,302,284</u></u>	<u><u>\$ 197,056</u></u>	<u><u>\$ 4,499,340</u></u>

See accompanying notes to the financial statements.

**CITY OF CHOCTAW, OKLAHOMA**  
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**City of Choctaw**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended June 30, 2022

	<u>Choctaw Utilities Authority</u>	<u>Golf Course</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 635,421	\$ 9,870	\$ 645,291
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	678,746	93,860	772,606
Change in assets and liabilities:			
Due to other funds	-	(348)	(348)
Due from other funds	(1,687)	9,864	8,177
Accounts receivable	(45,678)	-	(45,678)
Accounts payable	832,760	2,527	835,287
Retainage payable	17,074	-	17,074
Unearned revenue	540	-	540
Accrued compensated absences	(16,780)	(10,866)	(27,646)
<b>Net cash provided by operating activities</b>	<u>\$ 2,100,396</u>	<u>\$ 104,907</u>	<u>\$ 2,205,303</u>
<b>Noncash activities:</b>			
Contributed capital assets	\$ 388,699	\$ 101,871	\$ 490,570
Capital assets disposed	\$ (16,185)	-	\$ (16,185)

See accompanying notes to the financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**



**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

The accounting and reporting policies of the City of Choctaw, Oklahoma (the “City”) conform to accounting principles generally accepted in the United States of America for state and local governments. Generally accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). The following represent the more significant accounting and reporting policies and practices of the City.

- A. Financial Reporting Entity** - The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and therefore data from these units are combined with the data of the City. The City’s blended component unit has a June 30 year-end.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and includes all component units for which the City is financially accountable.

**Blended Component Units.** The Choctaw Utilities Authority (CUA) was created pursuant to a Trust Indenture, for the benefit of the City of Choctaw. The CUA was created December 1, 1961, to finance, develop, and operate the water, wastewater, and solid waste activities of the City. Council members serve as Trustees and the City Manager is the General Manager. The rates for user charges and debt authorization are approved by the city council. The CUA is reported as an enterprise fund type.

**Discretely Presented Component Unit.** The Choctaw Economic Development Authority (CEDA) was created March 24, 1981 to promote and finance economic development in the City of Choctaw. The CEDA is reported as a discrete component unit of the City because its governing body is not substantially the same as the City Council. All Board members shall be approved by the City Council.

Separate financial statements have not been prepared for the blended component units.

Each component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through the issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

**B. Basis of Presentation and Accounting**

The City follows Governmental Accounting Standards Board (“GASB”) statements in the preparation of its financial statements. Additional information regarding the basis of accounting and the differences in presentation are contained in the Management’s Discussion and Analysis, which proceed the financial statements.

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**Government-wide and fund financial statements** – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and nonexchange transactions are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

**Measurement focus, basis of accounting, and financial statement presentation** – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims, and judgments are recorded only when payment is due.

Sales taxes, excise taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures driven grants are recognized as revenues when qualifying expenditures have been incurred and all eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

**The following are the City's major governmental funds:**

**General Fund** – is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund. For financial statement reporting purposes, the General Fund contains the following combining accounts:

- General Fund
- Internal Service Account

- Stabilization Reserve Account
- Municipal Court Account

Dedicated Sales Tax Fund – accounts for designated revenues, the purchase, and construction of capital projects.

Town Square Fund – accounts for designated revenues, the purchase, and construction of designated capital projects.

**The following are the City's non-major governmental funds:**

Special Revenue Funds – accounts for the proceeds of government grants or specific revenue sources (other than grants applicable to enterprise fund activities, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

- Street & Alley Fund
- Public Recreation Fund
- Public Safety Fund
- Industrial Park Fund
- Cemetery Perpetual Care Fund

Debt Service Sinking Fund – accounts for the accumulation of financial resources for the payment of principal and interest on the general long-term debt of the City, other than debt service payments made by enterprise funds. Ad Valorem taxes and interest earned on investments of the Debt Service Fund are used for the payment of principal, interest, and commissions to fiscal agents on the City's general obligation bonds.

Capital Project Funds – accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the purchase, construction, and repair of capital assets.

- Capital Projects Fund
- Community Development Fund
- Library Construction Fund

**The following is the City's major proprietary fund:**

Choctaw Utilities Authority (CUA) – accounts for the revenues from operations of water, wastewater, sanitation, and stormwater. For financial statement reporting purposes, the CUA contains the following combining accounts:

- CUA Operating Fund
- Solid Waste Account
- Stormwater Account
- Debt Service Account

**The following is the City's non-major proprietary fund:**

Golf Course – accounts for the operations of the golf course.

## **C. Accounting Policies**

### **Assets, Liabilities, Deferrals and Equity**

a. *Cash and Cash Equivalents* – The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

b. *Investments* – Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market price on June 30, 2022, to be the fair value of its investments.

Oklahoma Statutes authorize the City to invest in obligations of the United States government, its agencies and instrumentalities; collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings bank, savings and loan associations and credit unions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank; prime banker's acceptances which are eligible for purchases by the Federal Reserve System and which do not exceed 270 days' maturity; prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than 10% of the outstanding paper of an issuing corporation; repurchase agreements that have underlying collateral consisting of those items specified above; and money market funds regulated by the Securities and Exchange Commission and which investments consist of those items noted above.

c. *Receivables and payables* – In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

d. *Interfund Receivable and Payables* – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / due from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

e. *Restricted Assets* – Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use. The restricted assets are primarily related to debt trustee accounts and guaranty deposits.

f. *Capital Assets* – Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated

**CITY OF CHOCTAW, OKLAHOMA**  
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water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 - 65 years
Infrastructure	25 – 50 years
Improvements other than buildings & infrastructure	10 – 20 years
Machinery and equipment	3 – 20 years
Vehicles	3 – 7 years

g. *Inventory* – The City records parts and fuel inventory as expenses within the General Fund. Parts inventory is recorded using actual cost.

h. *Long-term Debt* - Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied, and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities, and proprietary funds are reported as liabilities as incurred. The long-term debt presently is primarily comprised of revenue bonds payable, net pension liability, and accrued compensated absences. This long-term debt is reported net of unamortized discounts and premiums.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

i. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. The Risk Management Fund pays all claims and judgments. A liability has been recorded within the government-wide, proprietary, and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources.

j. *Compensated Absences* – Under the terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for vacation leave accumulated and vested accumulated sick leave. Vesting of sick leave by employees and maximum number of hours that can be accumulated for vacation and sick leave are dependent upon an employees’ service as contained in the City’s personnel manual. Upon retirement, one-third of accumulated sick leave is converted to cash, subject to the above limitation for maximum compensation for unused compensated absences.

k. *Pensions* – For the purpose of measuring the net pension liability (asset), deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the City’s multiemployer pension plans and additions to/deductions from the multiemployer pension plans have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

- i. *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
- ii. *Restricted net position* – Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- iii. *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted net positions are available for use, generally it is the City’s policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows and based on the nature of any limitations requiring the use of resources for specific purposes.

a) *Nonspendable* – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

b) *Restricted* – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

c) *Committed* – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision-making authority. The City Council is the highest level of decision-making authority that can, by adoption of an Ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action by City Council is taken (the adoption of another ordinance) to remove or revise the limitation.

d) *Assigned* – Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

e) *Unassigned* – Includes the residual balance of the General Fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the General Fund.

When both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance) are available for use, generally it is the City’s policy to use restricted resources first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **Cost Sharing Defined Benefit Pension Plans**

The City participates in two cost-sharing multiple-employer defined benefit pension plans, the Oklahoma Firefighters Pension & Retirement System (OFPRS) and the Oklahoma Police Pension & Retirement System (OPPRS) (the Plans). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to the pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Deferred Outflows/inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has deferred outflows related to pensions, with one being the amount of contributions made to pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments and the difference in assumption changes. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of pension liability in the following year. The remaining amounts will be amortized to pension expense over future periods. See Note 4 for additional information. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows related to pensions. This consists of the difference between expected and actual experience related to pension plans as well as the difference in assumption changes. These amounts are amortized over future periods to pension expense.

### **Revenues, Expenditures and Expenses**

a. *Property Tax Revenue* – Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except those received within 60 days of year end, which are recognized as revenues as of June 30, 2022 in both the government-wide and fund financial statements.

b. *Sales Taxes* – Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two-month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.

c. *Charges for Services* – Charges for service consist primarily of charges made by the Risk Management Fund for services such as self-insurance and other benefits provided to the other funds of the City.

d. *Intergovernmental Revenues/Capital Grants Earned* – Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses, and changes in fund net position.

e. *Investment Earnings* – Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City’s funds based on the percentage of each fund’s average month end pooled cash balance.

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

### **Budgetary Compliance**

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the “Budget Act”). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing is held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.
- e. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All fund decreases of appropriation and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments within a fund without City Council approval. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the Choctaw Utilities Authority and the Choctaw Economic Development Authority are required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal level of control; and, therefore, no budget and actual financial presentation for the CUA and the CEDA funds are included in this report.

### **Deposits and Investment Laws and Regulations**

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds or certain letters of credit. As reflected in Note 4, the City’s uninsured deposited were sufficiently collateralized in accordance with these provisions for the year ended on June 30, 2022.



Investments of a City (excluding Public Trusts) are limited by State Law to the following:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable pledged collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime banker acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by restrictions in their trust or bond indentures.

### **Debt Restrictions and Covenants**

#### General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of certain outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of the net assessed valuation. For the year ended June 30, 2022, the City complied with this restriction.

#### Other Long-term Debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

#### Revenue Note Debt

The note indentures relating to the revenue note issues of the Choctaw Utilities Authority and contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, debt service coverage requirements and required reserve account balances.

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The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance, thereon, as of June 30, 2022:

<u>REQUIREMENT</u>	<u>LEVEL OF COMPLIANCE</u>
<b>FLOW OF FUNDS:</b>	
1. 2007a Revenue Note -Debt service fund	The Authority maintained all required accounts and made required payments into such accounts
2. 2013A Revenue Note -Debt service fund	The Authority maintained all required accounts and made required payments into such accounts
3. 2013B Revenue Note -Debt service fund	The Authority maintained all required accounts and made required payments into such accounts
4. 2014 Revenue Note -Debt service fund	The Authority maintained all required accounts and made required payments into such accounts
5. 2016 TIF Revenue Note -Debt service fund	The Authority maintained all required accounts and made required payments into such accounts
6. 2017 OWRB Revenue Note -Debt service fund	The Authority maintained all required accounts and made required payments into such accounts
7. 2017A OWRB Revenue Note -Debt service fund -Construction Fund	The Authority maintained all required accounts and made required payments into such accounts
8. 2017C OWRB Revenue Note -Debt service fund -Construction Fund	The Authority maintained all required accounts and made required payments into such accounts
9. 2020 OWRB Revenue Note -Debt service fund -Construction Fund	The Authority maintained all required accounts and made required payments into such accounts
<b>REVENUE NOTE COVERAGE:</b>	Refer to Note 5 - Pledge of Future Revenues and the Debt Service Coverage Schedule

**Restricted Net Position**

Restricted net position at the government-wide financial statements is required to restrict funds in accordance with various laws and regulations, specifically those laws and regulations dealing with debt service and the use of restricted revenues. See Note 6 for details of restricted net position.

**2. Cash, Cash Equivalents, and Investments**

For the purpose of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term

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investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

At June 30, 2022, the reporting entity held the following deposits and investments:

**Primary Government:**

Type	Maturities	Credit Rating	Carrying Value
<b>Deposits:</b>			
Demand deposits			\$ 16,075,295
			<u>16,075,295</u>
<b>Investments:</b>			
Trustee money market accounts		AAAm	3,357,521
			<u>3,357,521</u>
<b>Total deposits and investments</b>			<u>\$ 19,432,816</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 15,845,982
Restricted cash and cash equivalents, current			<u>3,586,834</u>
			<u>\$ 19,432,816</u>

*Custodial Credit Risk* – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value., at a level of 100% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma.

On June 30, 2022, the City was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Investment Credit Risk* – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City places no limit on the amount it may invest in any one issuer.

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The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The City had the following concentration of credit risk at June 30, 2022: \$2,535,571 invested in Federal Treasury Obligations money market accounts at Bank of Oklahoma, and \$821,957 in Federal Treasury Obligations money market accounts at BancFirst.

*Restricted Cash and Investments* – The amounts reported as restricted assets of the Statement of Net Position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2022 are as follows:

	Governmental Activities	Business-Type Activities
	Current Cash and cash Equivalents	Current Cash and cash Equivalents
2014 Sales Tax Revenue Note Construction	\$ 70,250	\$ -
2014 Sales Tax Revenue Note Debt Service	270,542	-
2016 TIF Revenue Note Debt Service	481,158	-
2013A Sales Tax Revenue Note Debt Service	-	137,246
2013B Sales Tax Revenue Note Debt Service	-	38,785
2017A OWRB Clean Water SRF Note Construction	-	35,763
2017A OWRB Clean Water SRF Note Debt Service	-	110,384
2017C OWRB Clean Water SRF Note Debt Service	-	17,338
2017 OWRB Clean Water SRF Debt Service	-	11,840
2020 FAP OWRB Note Debt Construction	-	2,041,894
2020 FAP OWRB Note Debt Service	-	142,321
Utility Deposits	-	229,313
Total	<u>\$ 821,950</u>	<u>\$ 2,764,884</u>

### 3. Accounts Receivable

Accounts receivable of governmental and business-type activities consist of sales tax, franchise tax and fees, property tax, grants funds due, and customer utilities services provided, both billed and unbilled, all reported net of allowance for uncollectible amounts are as follows:

	Governmental Activities	Business-type Activities
Franchise taxes	\$ 120,390	\$ -
Hotel/Motel taxes	6,597	-
Drug seizure funds	13,111	-
Other	107,639	-
Utilities	-	750,599
Less: allowance for uncollectible accounts	-	(137,701)
Accounts receivable, net of allowance	<u>\$ 247,737</u>	<u>\$ 612,898</u>

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## 4. Capital Assets and Depreciation

### *Capital Assets:*

For the year ended June 30, 2022, capital assets balances changed as follows:

	Balance at July 01, 2021	Additions	Disposals	Transfers	Balance at June 30, 2022
<b><i>Governmental activities:</i></b>					
Capital assets not being depreciated:					
Land	\$ 349,726	\$ -	\$ -	\$ -	\$ 349,726
Construction in progress	51,223	13,918	-	(31,188)	33,953
Total capital assets not being depreciated	400,949	13,918	-	(31,188)	383,679
Other capital assets:					
Buildings	11,611,411	-	-	-	11,611,411
Machinery and equipment	2,493,549	167,563	-	-	2,661,112
Vehicles	2,155,857	-	56,821	-	2,099,036
Infrastructure	58,446,111	318,008	-	31,188	58,795,307
Total other capital assets at historical cost	74,706,928	485,571	56,821	31,188	75,166,866
Less accumulated depreciation for:					
Buildings	4,618,308	406,810	-	-	5,025,118
Machinery and equipment	1,845,986	107,636	56,821	-	1,896,801
Vehicles	1,600,478	63,925	-	-	1,664,403
Infrastructure	49,413,592	652,724	-	-	50,066,316
Total accumulated depreciation	57,478,364	1,231,095	56,821	-	58,652,638
Leased assets					
Equipment	16,524	-	-	-	16,524
Less accumulated amortization					
Equipment	-	6,828	-	-	6,828
Other capital assets, net	17,245,088	(752,352)	-	31,188	16,523,924
Governmental activities capital assets, net	\$ 17,646,037	\$ (738,434)	\$ -	\$ -	\$ 16,907,603
<b><i>Business-type activities:</i></b>					
Capital assets not being depreciated:					
Land	\$ 22,185	\$ -	\$ 16,185	\$ -	\$ 6,000
Construction in progress	309,037	5,296,176	-	(280,548)	5,324,665
Total capital assets not being depreciated	331,222	5,296,176	16,185	(280,548)	5,330,665
Other capital assets:					
Buildings	19,560	5,495	-	-	25,055
Machinery and equipment	1,057,837	97,924	-	-	1,155,761
Vehicles	74,651	-	-	-	74,651
Infrastructure	31,350,662	44,833	-	280,548	31,676,043
Total other capital assets at historical cost	32,502,710	148,252	-	280,548	32,931,510
Less accumulated depreciation for:					
Buildings	3,115	2,139	-	-	5,254
Machinery and equipment	768,984	66,688	-	-	835,672
Vehicles	71,840	1,192	-	-	73,032
Infrastructure	14,077,795	702,587	-	-	14,780,382
Total accumulated depreciation	14,921,734	772,606	-	-	15,694,340
Other capital assets, net	17,580,976	(624,354)	-	280,548	17,237,170
Business-type activities capital assets, net	\$ 17,912,198	\$ 4,671,822	\$ 16,185	\$ -	\$ 22,567,835

### *Depreciation:*

Depreciation/amortization of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation/amortization expense has been allocated as follows:

#### Governmental Activities:

General Government	\$ 148,850
Public Safety	120,106
Public Works	700,934
Culture & Recreation	261,205
	<u>\$ 1,231,095</u>

#### Business-Type Activities:

Water	\$ 248,614
Wastewater	430,132
Golf	93,860
	<u>\$ 772,606</u>

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## 5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2022, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 310,000	\$ -	\$ 95,000	\$ 215,000	\$ 95,000
Revenue notes payable	8,090,000	-	1,545,000	6,545,000	1,610,000
Notes payable (direct borrowings)	214,819	-	87,818	127,001	48,064
Lease obligations	16,524	-	6,821	9,703	6,843
Accrued compensated absences	105,552	88,592	87,021	107,123	10,712
Total Governmental Activities	<u>\$ 8,736,895</u>	<u>\$ 88,592</u>	<u>\$ 1,821,660</u>	<u>\$ 7,003,827</u>	<u>\$ 1,770,619</u>
Add: Unamortized bond premium				14,803	
				<u>\$ 7,018,630</u>	
Reconciliation to Government-Wide Statement of Net Position:					
Due within one year				1,770,619	
Due in more than one year				5,248,011	
				<u>\$ 7,018,630</u>	
<b>Business-Type Activities:</b>					
Revenue notes payable	\$ 3,620,000	\$ -	\$ 415,000	\$ 3,205,000	\$ 365,000
Notes payable (direct borrowings)	18,259,720	252,453	246,889	18,265,284	335,567
Deposits subject to refund	295,637	90,503	72,470	313,670	-
Accrued compensated absences	49,648	27,355	55,001	22,002	2,200
Total Business-Type Activities	<u>\$ 22,225,005</u>	<u>\$ 370,311</u>	<u>\$ 789,360</u>	<u>\$ 21,805,956</u>	<u>\$ 702,767</u>
Add: Unamortized bond premium				374,634	
				<u>\$ 22,180,590</u>	
Reconciliation to Government-Wide Statement of Net Position:					
Due within one year				702,767	
Due in more than one year				21,477,823	
				<u>\$ 22,180,590</u>	

The reporting entity's long-term debt is segregated by the amounts involving governmental activities and business-type activities.

### Governmental Activities Long-Term Debt

At June 30, 2022, the governmental activities long-term debt consisted of the following:

#### **General Obligation Bonds Payable:**

\$1,450,000 Funding Bonds of 2009, due in annual principal installments of \$95,000 through April 1, 2023 with a final installment of \$120,000 due April 1, 2024, and with interest rates at 4.5% to 10.0%. The purpose of the issuance was for various municipal improvements.

	<u>\$ 215,000</u>
Current portion	\$ 95,000
Non-current portion	<u>120,000</u>
Total	<u>\$ 215,000</u>

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**Revenue Notes Payable:**

\$3,100,000 CUA Sales Tax Revenue Note of 2007A, dated June 1, 2007, secured by a pledge of sales tax to provide funding for the acquisition of 38 acres of land for economic Development, due in semi-annual principal and interest payments beginning October 1, 2008 and maturing April 1, 2027, and the initial interest rate was 6.50% per annum, which then converted to LIBOR rate plus 1.00% in 2012.

\$ 1,205,000

\$6,455,000 CUA Sales Tax Revenue Note of 2014, dated July 3, 2014, secured by a pledge of sales tax to provide funding for a water system, a sewer system, and park improvement, due in semi-annual principal and interest payments beginning July 1, 2015 and maturing July 1, 2029, and the initial interest rate was 2.25% per annum, which then adjusts every five years to the five-year Constant Maturity Treasury rate plus 50 basis points.

3,935,000

\$6,095,000 TIF Revenue Note of 2016, dated June 1, 2016, with proceeds drawn as needed to pay project costs to finance economic development, the note matures on July 1, 2023, and it bear interest at 2.90% per annum. The note is paid by the incremental increase in ad valorem tax and sales tax revenues generated by the development within Increment District No. 1 of the City, a subordinate lien of 1.00% sales tax pledged to the CUA 2007 Note, and proceeds received from property sales within District No. 1.

1,405,000

Total Revenues Notes Payable

6,545,000

Current portion

\$ 1,610,000

Non-current portion

4,935,000

Total

\$ 6,545,000

**Notes Payable (Direct Borrowings):**

\$141,526 note payable direct borrowing debt with FNB Community Bank, dated August 12, 2019, for the acquisition of three police vehicles and related equipment, due in monthly installments of \$2,594 and maturing August 12, 2024, secured by the police vehicles, and the interest rate of the debt is 3.75%. In the event of default the lender may: 1) declare the entire indebtedness immediately due and payable, 2) force the surrender and/or sale of the vehicles provided by collateral; 3) have applicable court costs and costs incurred to sell the vehicles paid; 4) appoint a receiver; and 5) obtain a judgment for any deficiency remaining.

64,640

\$95,186 note payable direct borrowing debt with FNB Community Bank, dated August 18, 2020, for the acquisition of three police vehicles and related equipment, due in monthly installments of \$1,475 and maturing August 18, 2025, secured by the police vehicles, and the interest rate of the debt is 3.75%. In the event of default the lender may: 1) declare the entire indebtedness immediately due and payable, 2) force the surrender and/or sale of the vehicles provided by collateral; 3) have applicable court costs and costs incurred to sell the vehicles paid; 4) appoint a receiver; and 5) obtain a judgment for any deficiency remaining.

62,361

Total Notes Payable (Direct Borrowings)

\$ 127,001

Current portion

\$ 48,064

Non-current portion

78,937

Total

\$ 127,001

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**Lease Obligations:**

The City as a lessee has entered into a lease agreement involving equipment for city operations.	\$ 9,703
	<u>          </u>
Current portion	6,843
Non-current portion	<u>2,860</u>
Total	<u>\$ 9,703</u>

**Accrued Compensated Absences:**

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation leave, sick leave, and compensatory time.	\$ 107,123
	<u>          </u>
Current portion	\$ 10,712
Non-current portion	<u>96,411</u>
Total	<u>\$ 107,123</u>

**Business-type Activities Long-Term Debt**

At June 30, 2022, the business-type activities long-term debt consisted of the following:

**Revenue Notes Payable:**

\$3,185,000 Choctaw Utilities Authority Utility System and Sales Tax Revenue Note Refunding Series 2013A, dated June 1, 2013, with proceeds used to refund Series 2005 and Series 2010 related debts and pay for issuance costs, due in annual principal installments ranging from \$15,000 to \$200,000 through September 1, 2022, with interest at 2.20%, and it is secured by a lien against net utility revenues and a sales tax pledge.	\$ 200,000
\$3,105,000 Choctaw Utilities Authority Utility System and Sales Tax Revenue Note Refunding Series 2013B, dated June 1, 2013, with proceeds used to finance street improvements and pay for issuance costs, due in semi-annual principal installments ranging from \$10,000 to \$200,000 through September 1, 2023 with interest at 3.20% until March 1 2028, when it converts to a variable rate of LIBOR plus 2.50%, and it is secured by a lien against net utility revenues and a sales tax pledge.	<u>3,005,000</u>
Total Revenue Notes Payable	<u>\$ 3,205,000</u>
	<u>          </u>
Current Portion	\$ 365,000
Non-current Portion	<u>2,840,000</u>
Total	<u>\$ 3,205,000</u>



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**Notes Payable (Direct Borrowings):**

\$9,775,000 Clean Water SFR, Series 2017, note payable direct borrowing debt with the Oklahoma Water Resources Board (OWRB), dated January 19, 2017, for the engineering, planning, and construction in connection with certain wastewater system improvements, payable in semi-annual principal installments of varying amounts through March 15, 2043, secured by a lien against net utility revenues and a sales tax pledge, and the interest rate of the debt is 2.62%. In the event of default, the lender may: 1) file suit for specific performance covenants; 2) accelerate the payment of principal and interest accrued on all notes; 3) appoint temporary trustees to take over, operate, and maintain the system; 4) file suite to enforce or enjoin action or inaction of parties under provisions of the note or sales tax agreement; and increase the interest rate to 14% from the date of default until the date of payment.

\$ 9,619,419

\$1,400,000 Clean Water SFR, Series 2017A, note payable direct borrowing debt with the OWRB, dated February 23, 2017, for the construction and making of necessary improvements to the water system, payable in semi-annual principal installments of varying amounts through September 15, 2027, secured by a lien against net utility revenues and a sales tax pledge, and the interest rate of the debt is 2.20%. In the event of default, the lender may: 1) file suit for specific performance covenants; 2) accelerate the payment of principal and interest accrued on all notes; 3) appoint temporary trustees to take over, operate, and maintain the system; 4) file suite to enforce or enjoin action or inaction of parties under provisions of the note or sales tax agreement; and increase the interest rate to 14% from the date of default until the date of payment.

1,110,000

\$1,425,000 Clean Water SFR, Series 2017C, note payable direct borrowing debt with the OWRB, dated November 19, 2017, for making improvements to the wastewater treatment plant, payable in semi-annual principal installments of varying amounts through March 15, 2044, secured by a lien against net utility revenues and a sales tax pledge, and the interest rate of the debt is 2.70%. In the event of default, the lender may: 1) file suit for specific performance covenants; 2) accelerate the payment of principal and interest accrued on all notes; 3) appoint temporary trustees to take over, operate, and maintain the system; 4) file suite to enforce or enjoin action or inaction of parties under provisions of the note or sales tax agreement; and increase the interest rate to 14% from the date of default until the date of payment.

1,400,000

\$5,335,000 CUA, Series 2020, note payable direct borrowing debt with the OWRB, dated December 1, 2020, for making improvements to the water and wastewater systems, payable in semi-annual principal installments of varying amounts through October 1, 2050, secured by a lien against net utility revenues and a sales tax pledge, and the interest rate of the debt ranges from 2.33% to 4.20%. In the event of default, the lender may: 1) file suit for specific performance covenants; 2) accelerate the payment of principal and interest accrued on all notes; 3) appoint temporary trustees to take over, operate, and maintain the system; 4) file suite to enforce or enjoin action or inaction of parties under provisions of the note or sales tax agreement; and increase the interest rate to 14% from the date of default until the date of payment.

5,250,000

\$1,245,000 non-recourse promissory note payable direct borrowing debt with an Oklahoma Company, dated November 18, 2016, for the purchase of the golf course, payable in monthly installments of \$9,845 through November 15, 2031, secured by a mortgage on the real property, and the interest rate of the debt is 5.00%.

885,865

Total Notes Payable (Direct Borrowings) \$ 18,265,284

Current portion	\$ 335,567
Non-current portion	<u>17,929,717</u>
Total	<u><u>\$ 18,265,284</u></u>

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**Deposits Subject to Refund:**

Outstanding deposits for utility services as reported in the business-type activities are refundable only upon the termination of services.

	\$ 313,670
Current portion	\$ -
Non-current portion	313,670
Total	<u>\$ 313,670</u>

**Accrued Compensated Absences:**

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave, sick leave, and compensatory time.

	\$ 22,002
Current portion	\$ 2,200
Non-current portion	19,802
Total	<u>\$ 22,002</u>

**Debt Service Requirements to Maturity:**

GOVERNMENTAL ACTIVITY DEBT									
Year Ending June 30,	General Obligation Bonds		Revenue Notes Payable		Notes Payable - Direct Borrowing		Lease Obligations Payable		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 95,000	\$ 9,675	\$ 1,610,000	\$ 141,631	\$ 48,064	\$ 4,000	\$ 6,843	\$ 26	
2024	120,000	5,400	1,175,000	100,068	49,924	2,140	2,860	3	
2025	-	-	735,000	78,202	25,542	580	-	-	
2026	-	-	780,000	62,492	3,471	17	-	-	
2027	-	-	815,000	45,905	-	-	-	-	
2028-2030	-	-	1,430,000	50,208	-	-	-	-	
Totals	<u>\$ 215,000</u>	<u>\$ 15,075</u>	<u>\$ 6,545,000</u>	<u>\$ 478,506</u>	<u>\$ 127,001</u>	<u>\$ 6,737</u>	<u>\$ 9,703</u>	<u>\$ 29</u>	

BUSINESS-TYPE ACTIVITY DEBT					
Year Ending June 30,	Revenue Notes Payable		Notes Payable (Direct Obligations)		
	Principal	Interest	Principal	Interest	
2023	365,000	98,200	335,567	530,192	
2024	315,000	88,400	394,434	517,768	
2025	325,000	78,240	408,498	503,381	
2026	335,000	67,760	422,770	487,491	
2027	350,000	56,880	432,260	471,117	
2028-2032	1,515,000	111,120	2,812,337	2,080,605	
2033-2037	-	-	4,495,000	1,512,339	
2038-2042	-	-	5,145,000	872,426	
2043-2047	-	-	2,950,000	260,525	
2048-2051	-	-	1,000,000	52,400	
Totals	<u>\$ 3,205,000</u>	<u>\$ 500,600</u>	<u>\$ 18,395,866</u>	<u>\$ 7,288,244</u>	
Left to be drawn			(130,582)		
Balance at June 30, 2022			<u>\$ 18,265,284</u>		

**Defeased Bonds Outstanding**

The City, through its public trust, has, in substance, defeased certain outstanding bond issues by placing deposits in an irrevocably trust escrow account for the purchase of U.S. Government securities to pay the principal and interest on the refunded bonds as they are due and payable. For financial reporting purposes both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. As of June 30, 2022, the remaining outstanding defeased bonds were as follows:

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2005 Utility System Revenue Bonds	\$ 190,000
2010 Sales Tax Revenue Notes	335,000
2012 Tax Increment Revenue Notes	<u>1,400,000</u>
Total Defeased Bonds Outstanding	<u>\$1,925,000</u>

**Pledge of Future Revenues**

Sales Tax Pledge – The City has entered into Sales Tax Agreements to pledge two cents of future sales tax revenues to repay Revenue Notes (Series 2007A, Series 2013A, Series 2013B, and Series 2014), and OWRB Notes (Series 2017, Series 2017A, Series 2017C, and Series 2020). These payments run through 2050. Proceeds from the notes provided financing for construction of various capital projects. The total principal and interest payable for the current remaining life of the notes is \$33,884,150. Pledged sales tax received in the current year was \$3,862,500. Scheduled debt service payments of \$1,940,365 for the current fiscal year were 50.2% of pledged sales tax. The 2016 Tax Increment Revenue Note created a subordinate lien on the sales tax previously pledged.

Utility Net Revenue Pledge – The City has pledged future net revenues from the water and sanitary sewer systems to repay the OWRB Notes (Series 2017, Series 2017A, Series 2017C, and Series 2020). These payments run through 2050. Proceeds from the notes funding for improvements and expansion of the water and sanitary sewer systems. The total principal and interest payable for the current remaining life of the notes is \$24,571,581. Water and sewer net revenues received in the current year were \$1,329,993. Scheduled debt service payments of \$664,121 for the current fiscal year were 49.9% of pledged water and sewer net revenues.

**6. Net Position and Fund Balances**

The following tables show the fund balance classifications as shown on the Governmental Balance Sheet:

	General Fund	Dedicated Sales Tax Fund	Town Square Fund	Other Governmental Funds	TOTAL
Restricted for:					
Capital improvements	\$ -	\$ -	\$ -	\$ 65,643	\$ 65,643
Debt service	-	3,368,857	3,691,751	26,293	7,086,901
Public safety	-	-	-	140,838	140,838
Economic development	-	-	-	196,962	196,962
Street	-	-	-	336,216	336,216
Parks and recreation	-	-	-	575,239	575,239
Cemetery	-	-	-	255,012	255,012
Sub-total Restricted	-	3,368,857	3,691,751	1,596,203	8,656,811
Committed to:					
Stabilization reserve	304,260	-	-	-	304,260
Sub-total Committed	304,260	-	-	-	304,260
Assigned to:					
Capital improvements	-	-	-	549,881	549,881
Sub-total Assigned	-	-	-	549,881	549,881
Unassigned:	5,934,742	-	-	-	5,934,742
TOTAL FUND BALANCES	\$ 6,239,002	\$ 3,368,857	\$ 3,691,751	\$ 2,146,084	\$ 15,445,694

*Stabilization Reserve Fund*

On June 18, 2019, the City Council adopted an ordinance with established requirements for a stabilization reserve. This ordinance requires that the General Fund (and other funds as deemed appropriate by resolution of the City Council) set aside a certain amount each year which will be committed for the purpose of stabilization. Amounts held in the stabilization reserve fund are to be designed by purpose for use only by the fund from which the funds were contributed.

The ordinance also established a minimum and maximum amount that must be set aside for this purpose. The amount committed for stabilization for each fund should be between 10% of the previous year's carryover balance and \$2,000,000. If the amounts committed for stabilization are less than the minimum required amounts, then 5% of budgeted carryover balance in the General Fund must be set aside each year until such minimum is met. This funding is to be transferred annually from the participating funds to the stabilization reserve fund, as authorized by City Council.

Amounts committed for stabilization may be used only in certain limited and unusual circumstances that must be declared to exist by a 4/5<sup>th</sup> majority the City Council. The circumstances differ depending on whether the amounts to be used are in excess of the minimum required balance or below this level.

For amounts in excess of the minimum required balances, one of the following criteria must be declared by the City Council:

- Expenditures for emergency situations for life, health, or public safety issues for which no existing appropriation exists.
- Situations where a significant revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels.
- Correcting the results of an inaccurate estimate, accounting error, or budgeting error.
- Expenditures where the proposed use is of a non-operational nature involving capital or technical purchases having a useful life of greater than five years that will improve the efficiency of the City government. These efficiency improvements should result in tangible benefits that can be measured financially, through better service to the citizens, or in increased productivity for City employees.
- Expenditures where the proposed use is of a nonrecurring nature, such as a study, start-up costs of a program whose ongoing costs are otherwise funded, or matching funds for a grant. These expenditures should result in tangible benefits that can be measured financially, through better service to the citizens, or in increased productivity for City employees.

For amounts that are below the minimum required balances, one of the following criteria must be declared by the City Council.

- Expenditures for emergency situations for life, health, or public safety issues for which no existing appropriation exists.
- Situations where a significant revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels.
- Correcting the results of an inaccurate estimate, accounting error, or budgeting error.

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As of June 30, 2022, the City has the following balances committed for stabilization:

General Fund	\$304,260
10% of 2021 carryover balance	<u>367,798</u>
Amount under minimum balance	<u><u>\$(63,538)</u></u>

Within the same ordinance, there were requirements established for a capital reserve fund. The fund is to be used only for the purpose of accumulating funds for the purpose of making purchases of capital items. The contributions are to be made by the water operating fund, wastewater operating fund, the sanitation operating fund, and other funds as deemed appropriate by resolution of the City Council.

The funding level will be determined in accordance with a long-term capital plan adopted specific to each participating fund. Funding will be transferred annually from the participating funds. The amounts held in the capital reserve fund are designated by purpose for use only by the fund from which the funds were contributed.

The capital reserve funds can only be expended in accordance with a multi-year capital plan. Certain criteria outlining parameters of acceptable uses outside of the multi-year capital plan are outlined below. These must be approved by a majority vote of the governing body establishing that one or more of these criteria exists:

- Situations in which an unexpected capital need has arisen outside of the bounds of the established multi-year capital plan that could not have reasonably been foreseen;
- Circumstances when amounts included in the capital reserve fund are determined to be in excess of amounts needed to fund the current multi-year capital plan and a need for other capital items outside of the current capital plan exists;
- Expenditures for emergency situations for life, health, or public safety issues that involved public infrastructure for which no existing appropriation exists. Also, under these circumstances, capital reserve balances could be borrowed for a definite period of time for other purposes.

The initial funds required to participate in the capital reserve fund for which no current long-term capital plan exists, must create a long-term capital plan prior to the adoption of the fiscal year 2021-2022 budget. These funds will begin contributing to the capital reserve fund at that time. Funds that are required to participate by a Resolution of the City Council shall be given fifteen months from the adoption of the resolution to create a long-term capital plan and will begin participating in the budget year immediately following the adoption of the capital plan.

No action was noted to be taken by the City Council in regards to the capital reserve fund during fiscal year 2022.

## **7. Interfund Balances and Activities**

The City's policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

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*Transfers:*

Internal transfers between funds, accounts and activities for the year ended June 30, 2022 were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Capital Improvement Fund	\$ 289,688	Sales tax
General Fund	Dedicated Sales Tax Fund	1,930,950	Sales tax
General Fund	Town Square Fund	1,348,743	Sales tax
General Fund	Public Recreation Fund	96,563	Operating subsidy
General Fund	Dedicated Sales Tax Fund	67,594	Operating subsidy for landscaping
General Fund	Dedicated Sales Tax Fund	482,813	Sales tax for park improvements
Dedicated Sales Tax Fund	Choctaw Utilities Authority (Debt Service)	521,862	Debt service
Dedicated Sales Tax Fund	Choctaw Utilities Authority (Debt Service)	58,534	Capital outlay
Choctaw Utilities Authority (Debt Service)	Town Square Fund	215,988	Debt service
Dedicated Sales Tax Fund	Golf Course	118,144	Debt service
Total		<u>\$ 5,130,879</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 4,432,339	\$ (4,914,891)	\$ (482,552)
Proprietary Funds	490,570	698,540	1,189,110
	<u>\$ 4,922,909</u>	<u>\$ (4,216,351)</u>	<u>\$ 706,558</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ 482,552
Transfer of capital outlay to business-type activities	490,570
Transfers - internal activity	<u>\$ 973,122</u>

*Balances:*

Interfund receivable and payables at June 30, 2022 were comprised of the following:

Payable Fund	Receivable Fund	Amount	Nature of Interfund Balance
General Fund	Choctaw Utilities Authority	\$ 19,914	Activity posted to incorrect fund
Sinking Fund	Choctaw Utilities Authority	104,113	Activity posted to incorrect fund
Choctaw Utilities Authority	Dedicated Sales Tax Fund	128,937	Activity posted to incorrect fund
Sinking Fund	General Fund	2,042	Activity posted to incorrect fund
Street & Alley Fund	General Fund	31,300	Activity posted to incorrect fund
Golf Course	General Fund	6,118	Activity posted to incorrect fund
Public Recreation Fund	General Fund	1,503	Activity posted to incorrect fund
General Fund (Stabilization Reserve)	Capital Improvement Fund	35,000	Return of reserve transfer
General Fund (Stabilization Reserve)	Dedicated Sales Tax Fund	150,000	Return of reserve transfer
General Fund (Stabilization Reserve)	Cemetery Fund	50,000	Return of reserve transfer
General Fund (Stabilization Reserve)	Public Safety Fund	20,000	Return of reserve transfer
General Fund	Designated Sales Tax Fund	395,947	Sales tax accrual
General Fund	Cemetery Fund	190	Activity posted to wrong fund
		<u>\$ 945,064</u>	

Reconciliation to Fund Financial Statements:

	Due to	Due From	Net Interfund Balances
Governmental Funds	\$ (810,009)	\$ 821,037	\$ 11,028
Proprietary Funds	(135,055)	124,027	(11,028)
	<u>\$ (945,064)</u>	<u>\$ 945,064</u>	<u>\$ -</u>

## **8. Sales Tax**

Sales tax revenue represents a 4.25 cents tax on each dollar of taxable sales of which is recorded as follows:

- 3 cents is recorded in the General Fund for general operational purposes.
- 1 cent is recorded in the General Fund and then transferred to the Dedicated Sales Tax Fund for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures.
- .25 cents is recorded in the General Fund and then transferred to the Dedicated Sales Tax Fund for park and recreation related capital expenditures and for payment of debt service in connection with obligations issued to finance specified capital expenditures.

## **9. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability – Covered through purchased insurance with no deductible.
- Physical Property – Covered through purchased insurance with a \$2,000 deductible, per occurrence.
- Workers' Compensation – The City is a member of the Oklahoma Municipal Assurance Group
- Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation covered through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. As a matter of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A loss fund has been established from the proceeds of the fees paid by the City. The City expenses these fees when paid. The State Insurance Fund provides coverage in excess of the loss fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.
- Employee's Group Medical – Covered through purchased insurance with a deductible of \$2,000 per employee and \$6,000 per family.

## **10. Commitments and Contingencies**

### *Litigation:*

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City

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and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

The City of Choctaw participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

*Construction Commitments:*

At June 30, 2022, the City had awarded construction contracts totaling approximately \$5,408,734 (\$45,740 governmental and \$5,362,994 business-type activities), and of this amount \$1,151,267 (\$45,740 governmental and \$1,105,527 business-type activities) was still outstanding.

## **11. Pension Plan Participation**

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

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan.
- City of Choctaw, Oklahoma Employee Retirement Plan – a single employer defined contribution money purchase plan.

A summary of all the amounts recorded in the City's financial statements for the plans is as follows:

	Governmental Activities
Net Pension Asset:	
Police	1,078,576
Total	<u>\$ 1,078,576</u>
Net Pension Liability:	
Firefighters	1,149,946
Total	<u>\$ 1,149,946</u>
Deferred Outflows of Resources:	
Firefighters	696,733
Police	141,481
Total	<u>\$ 838,214</u>
Deferred Inflows of Resources:	
Firefighters	967,205
Police	841,608
Total	<u>\$ 1,808,813</u>



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**Summary of Significant Accounting Policies** - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (OFPRS) and Oklahoma Police Pension & Retirement System (OPPRS), and additions to/deductions from OFPRS and OPPRS fiduciary net position have been determined on the same basis as they are reported by OFPRS and OPPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by these funds are reported at fair value.

*Oklahoma Firefighters Pension and Retirement System:*

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

**Benefits provided** - FPRS provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

Normal Retirement:

- Hired Prior to November 1, 2013  
Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.
- Hired After November 1, 2013  
Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also, participants must be age 50 to begin receiving benefits. 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 benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in the line of duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per 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 as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20

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years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

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

**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent 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 \$77,065. The State of Oklahoma also made on- behalf contributions to FPRS in the amount of \$178,877 (modified-accrual). These on-behalf payments did not meet the criteria of a special funding situation. For full-accrual reporting the amount of on-behalf payments made were \$127,335.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2022, the City reported a liability of \$1,149,946 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2021. Based upon this information, the City's proportion was 0.174613% percent.

For the year ended June 30, 2022, the City recognized pension expense of \$57,017. At June 30, 2022, 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
Differences between expected and actual experience	\$ 417,059	\$ 20,195
Changes of assumptions	-	25,506
Net difference between projected and actual earnings on pension plan investments	-	914,158
Changes in proportion and differences between City contributions and proportionate share of contributions	201,681	-
City contributions during measurement date	928	7,346
City contributions subsequent to the measurement date	77,065	-
Total	<u>\$ 696,733</u>	<u>\$ 967,205</u>

The \$77,065 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2023	\$ (16,434)
2024	(39,211)
2025	(88,688)
2026	<u>(203,204)</u>
Total	<u><u>(347,537)</u></u>

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.50% average, including
inflation Investment rate of return:	7.5% net of pension plan
investment expense	

Mortality rates were based on the Pub-2010 Public Safety Table, with adjustments for generational mortality improvement using scale MP-2018 for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	3.53%
Domestic equity	47%	5.73%
International equity	15%	8.50%
Real estate	10%	7.97%
Other assets	8%	4.73%

**Discount Rate**-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Prior to July 1, 2022, the plan was allocated 36% of the Statewide insurance premium tax. The State has passed legislation that changes the allocation percentage as follows:

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25.2% effective September 1, 2020  
 36.0% effective July 1, 2021  
 37.8% effective July 1, 2022  
 36.0% effective July 1, 2027

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**-The following presents the 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 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employer's net pension liability	\$ 1,797,028	\$ 1,149,946	\$ 608,205

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

*Oklahoma Police Pension and Retirement System:*

**Plan description** - The City of Choctaw, as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, 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 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

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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 participants' 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 are 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 percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit 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 a pension benefit.

**Contributions-** The contributions requirements of the Plan are at an established rate determine 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 employees' annual pay. Contributions to the pension plan from the City were \$101,640. The State of Oklahoma also made on- behalf contributions to OPPRS in the amount of \$86,977 during the calendar year and this is reported as both an expenditure and a revenue 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 \$63,782. These on-behalf payments did not meet the criteria of a special funding situation.

**Net Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2022, the City reported an asset of \$1,078,576 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2021. 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, 2021. Based upon this information, the City's proportion was 0.224836%.

For the year ended June 30, 2022, the City recognized pension expense (benefit) of \$(109,868). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,486	\$ 42,571
Changes of assumptions	16,402	-
Net difference between projected and actual earnings on pension plan investments	-	786,784
Changes in proportion and differences between City contributions and proportionate share of contributions	7,952	2,814
City contributions during measurement date	1	9,439
City contributions subsequent to the measurement date	101,640	-
Total	<u>\$ 141,481</u>	<u>\$ 841,608</u>

The \$101,640 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase/decrease of the net pension liability/asset in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ (181,852)
2024	(159,267)
2025	(200,162)
2026	(261,571)
2027	1,085
	<u>\$ (801,767)</u>

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75%
Salary increases	2.75% to 10.50% average, including inflation
Investment rate of return	7.5% net of pension plan investment expense

Cost-of-living adjustments: Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of an increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation).

Mortality rates: Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

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Active employees (post-retirement) and nondisabled pensioners: RP- 2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.

Disabled pensioners: R P - 2 0 0 0 Blue Collar Healthy Combined table with age set forward 4 years.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	3.22%
Domestic equity	4.55%
International equity	8.50%
Real estate	7.97%
Private Equity	9.36%

The current allocation policy is that approximately 65% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 20% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

**Discount Rate**-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension (asset)	\$ (404,498)	\$ (1,078,576)	\$ (1,648,558)

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

*City of Choctaw, Oklahoma Retirement Plan:*

**Plan Description** - The City of Choctaw, Oklahoma Employee Retirement Plan (the Plan), is a single employer defined contribution money purchase pension plan covering City employees not covered by other plans. The Plan operates as a trust administered by Ameritas Life Insurance. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. All regular, full-time City employees not covered by other plans are eligible to participate in the Plan after six months of service. Benefits vest after five years of service, as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than five	0%
Five	50%
Six	60%
Seven	70%
Eight	80%
Nine	90%
Ten	100%

Benefits to be paid to employees at a future date are dependent on the sum of the employee contributions with interest, the City financed contributions with interest, and the respective employee vesting percentage as established by the plan. There are no guaranteed retirement benefits in the plan, and the City disclaims any liability between the employer and the employee regarding benefits in the plan. Any and all claims of the employee may be satisfied only out of the funds held in the plan under the individual employee's account. Each employee receives a year-end statement of their account and selects how the funds are invested.

**Funding Policy** - The employee contributes 3% of compensation to the Plan, and the employer contributes 8% of employee compensation. Contributions to the Plan for the year ended June 30, 2022, for employees and employer were \$72,087 and \$162,902, respectively. For the year ended June 30, 2022, the City's covered payroll was \$2,159,244. Covered payroll refers to all compensation paid by the City of Choctaw to active employees covered by the Plan on which contributions are based.

*City Manager Defined Contribution Plan:*

The City has also provided a defined contribution plan and trust known as the City of Choctaw City Manager Retirement Plan and Trust (the CMO Plan). The CMO plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for



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establishing or amending the CMO Plan's provisions and contribution requirements rests with the City Council. This plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund. For the current year, the employer contribution was \$15,260.

**Use of Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

**Subsequent Events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report which is the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule – Year Ended June 30, 2022**

	GENERAL FUND			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
REVENUES				
Taxes	\$ 9,095,000	\$ 9,095,000	10,359,626	\$ 1,264,626
Fees and fines	96,000	96,000	134,896	38,896
Licenses and permits	152,500	152,500	230,607	78,107
Intergovernmental	233,000	233,000	545,686	312,686
Charges for services	-	-	-	-
Investment earnings	2,500	2,500	5,058	2,558
Miscellaneous	50,718	50,718	75,454	24,736
Transfers from other funds	50,000	50,000	-	(50,000)
Total revenues	9,679,718	9,679,718	11,351,327	1,671,609
EXPENDITURES				
Administration	977,525	1,019,311	956,435	62,876
General government	162,544	154,701	124,846	29,855
Development services	480,853	386,124	389,993	(3,869)
Municipal court	128,820	109,203	106,418	2,785
Police	1,851,815	1,652,477	1,621,543	30,934
Fire	1,102,380	1,039,202	1,016,325	22,877
Streets	588,740	535,864	475,276	60,588
Fleet maintenance	162,127	135,747	131,826	3,921
Parks	430,265	402,451	382,203	20,248
Community center	14,500	5,900	4,935	965
Transfers to other funds	3,754,378	4,216,353	4,216,351	2
Total Expenditures	9,653,947	9,657,333	9,426,151	231,182
Excess (deficiency) of revenues over expenditures	25,771	22,385	1,925,176	1,902,791
Net change in fund balances	25,771	22,385	1,925,176	1,902,791
Fund balances - beginning	5,603,158	5,603,158	5,603,158	-
Fund balances - ending	\$ 5,628,929	\$ 5,625,543	\$ 7,528,334	\$ 1,902,791

See accompanying footnotes to this schedule.

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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedule is reported on a non-GAAP budgetary basis that report revenues and expenditures on a cash basis. For budgetary purposes expenditures are recorded in the period when paid and revenues are recorded in the period received.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Total revenue- budgetary basis	\$ 11,351,327
Total expense- budgetary basis	(9,426,151)
Change in fund balance-budgetary basis	1,925,176
Revenue accruals	267,875
Expenditures accruals	(255,558)
Change in fund balance-GAAP basis	<u>\$ 1,937,493</u>

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**Proportionate Share of the Net Pension Liability**

***Oklahoma Firefighters Pension & Retirement System***

**Last 10 Fiscal Years\***

	2015	2016	2017	2018	2019	2020	2021	2022
City's proportion of the net pension liability	0.107400%	0.105100%	0.110868%	0.111984%	0.141419%	0.159475%	0.161016%	0.174613%
City's proportionate share of the net pension liability	\$ 1,104,620	\$ 1,115,064	\$ 1,354,490	\$ 1,408,450	\$ 1,591,878	\$ 1,685,123	\$ 1,983,578	\$ 1,149,946
City's covered payroll	\$ 286,764	\$ 287,036	\$ 310,121	\$ 318,300	\$ 420,607	\$ 502,543	\$ 507,600	\$ 550,464
City's proportionate share of the net pension liability as a percentage of its covered payroll	385%	388%	436%	442%	378%	335%	391%	209%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%	69.98%	84.24%

**Notes to Schedule:**

\*Only eight fiscal years are presented because 10-year data is not yet available.

**Schedule of City Contributions**

***Oklahoma Firefighters Pension & Retirement System***

**Last 10 Fiscal Years\***

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorially required contribution	\$ 40,147	\$ 40,185	\$ 43,417	\$ 44,562	\$ 58,885	\$ 70,356	\$ 71,064	\$ 77,065
Contributions in relation to the statutorially required contribution	40,147	40,185	43,417	44,562	58,885	70,356	71,064	77,065
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 286,764	\$ 287,036	\$ 310,121	\$ 318,300	\$ 420,607	\$ 502,543	\$ 507,600	\$ 550,464
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

**Notes to Schedule:**

\*Only eight fiscal years are presented because 10-year data is not yet available.

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**Proportionate Share of the Net Pension Liability (Asset)**

***Oklahoma Police Pension & Retirement System***

Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019	2020	2021	2022
City's proportion of the net pension liability (asset)	0.174100%	0.216900%	0.205300%	0.211000%	0.223833%	0.233713%	0.211588%	0.224836%
City's proportionate share of the net pension liability (asset)	\$ (58,617)	\$ 8,842	\$ 314,405	\$ 16,230	\$ (106,623)	\$ (14,920)	\$ 242,998	\$ (1,078,576)
City's covered payroll	\$ 487,054	\$ 611,962	\$ 605,592	\$ 629,208	\$ 682,754	\$ 708,877	\$ 732,531	\$ 781,846
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	12.04%	1.44%	51.92%	2.58%	15.62%	2.10%	-33.17%	137.95%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%	95.80%	117.07%

Notes to Schedule:

\*Only eight fiscal years are presented because 10-year data is not yet available.

**Schedule of City Contributions**

***Oklahoma Police Pension & Retirement System***

Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorially required contribution	\$ 63,317	\$ 79,555	\$ 78,727	\$ 81,797	\$ 88,758	\$ 92,154	\$ 95,229	\$ 101,640
Contributions in relation to the statutorially required contribution	63,317	79,555	78,727	81,797	88,758	92,154	95,229	101,640
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 487,054	\$ 611,962	\$ 605,592	\$ 629,208	\$ 682,754	\$ 708,877	\$ 732,531	\$ 781,846
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Notes to Schedule:

\*Only eight fiscal years are presented because 10-year data is not yet available.

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<b>OTHER SUPPLEMENTARY INFORMATION</b>
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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2022**

	Street & Alley Fund	Public Recreation Fund	Public Safety Fund	Industrial Park Fund	Cemetery Perpetual Care	Sinking Fund	Capital Improvement	Community Development	Library Construction	Total Governmental Funds
<b>ASSETS</b>										
Cash and cash equivalents	\$ 367,516	\$ 575,989	\$ 120,838	\$ 196,962	\$ 204,822	\$ 132,448	\$ 514,881	\$ 54,456	\$ 11,187	\$ 2,179,099
Due from other funds	-	-	20,000	-	50,190	-	35,000	-	-	105,190
Other receivables	-	6,597	13,111	-	-	-	-	-	-	19,708
Total assets	367,516	582,586	153,949	196,962	255,012	132,448	549,881	54,456	11,187	2,303,997
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accrued payroll payable	-	5,844	-	-	-	-	-	-	-	5,844
Due to other funds	31,300	1,503	-	-	-	106,155	-	-	-	138,958
Total liabilities	31,300	7,347	-	-	-	106,155	-	-	-	144,802
Deferred Inflows of resources:										
Unavailable revenue	-	-	13,111	-	-	-	-	-	-	13,111
Fund balances:										
Restricted	336,216	575,239	140,838	196,962	255,012	26,293	-	54,456	11,187	1,596,203
Assigned	-	-	-	-	-	-	549,881	-	-	549,881
Total fund balance	336,216	575,239	140,838	196,962	255,012	26,293	549,881	54,456	11,187	2,146,084
Total liabilities and fund balance	\$ 367,516	\$ 582,586	\$ 153,949	\$ 196,962	\$ 255,012	\$ 132,448	\$ 549,881	\$ 54,456	\$ 11,187	\$ 2,303,997

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2022**

	Street & Alley Fund	Public Recreation Fund	Public Safety Fund	Industrial Park Fund	Cemetery Perpetual Care	Sinking Fund	Capital Improvement	Community Development	Library Construction	Total-Other Governmental Funds
<b>REVENUES</b>										
Taxes	\$ -	\$ 53,327	\$ -	\$ -	\$ -	\$ 108,362	\$ -	\$ -	\$ -	\$ 161,689
Intergovernmental	-	-	13,742	-	-	-	-	-	-	13,742
Charges for services	85,543	239,482	-	-	58,401	-	43,923	-	-	427,349
Fines and forfeitures	-	-	34,216	-	-	-	-	-	-	34,216
Investment income	-	-	-	-	125	1	319	-	-	445
Miscellaneous	-	4,116	15	154,570	-	-	10,261	-	-	168,962
Total revenues	85,543	296,925	47,973	154,570	58,526	108,363	54,503	-	-	806,403
<b>EXPENDITURES</b>										
Current:										
General government	-	-	-	16,240	-	1,437	22,577	-	-	40,254
Municipal Court	-	-	6,325	-	-	-	-	-	-	6,325
Parks	-	232,618	-	-	-	-	-	-	-	232,618
Cemetery	-	-	-	-	14,128	-	-	-	-	14,128
Streets	-	-	-	-	-	-	21,421	-	-	21,421
Capital Outlay	-	-	10,888	-	2,531	-	26,097	-	-	39,516
Debt Service:										
Principal	-	-	-	-	-	95,000	87,818	-	-	182,818
Interest	-	-	-	-	-	13,950	6,460	-	-	20,410
Total Expenditures	-	232,618	17,213	16,240	16,659	110,387	164,373	-	-	557,490
Excess (deficiency) of revenues over expenditures	85,543	64,307	30,760	138,330	41,867	(2,024)	(109,870)	-	-	248,913
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	164,157	-	-	-	-	289,688	-	-	453,845
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	164,157	-	-	-	-	289,688	-	-	453,845
Net change in fund balance	85,543	228,464	30,760	138,330	41,867	(2,024)	179,818	-	-	702,758
Fund balance - beginning	250,673	346,775	110,078	58,632	213,145	28,317	370,063	54,456	11,187	1,443,326
Fund balance - ending	\$ 336,216	\$ 575,239	\$ 140,838	\$ 196,962	\$ 255,012	\$ 26,293	\$ 549,881	\$ 54,456	\$ 11,187	\$ 2,146,084



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**Combining Balance Sheet – General Fund Accounts – June 30, 2022**

	<u>General Fund</u>	<u>Internal Service</u> <u>Account</u>	<u>Stabilization</u> <u>Reserve</u> <u>Account</u>	<u>Municipal Court</u>	<u>Total General</u> <u>Fund Accounts</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,380,117	\$ 319,267	\$ 1,666,051	\$ 33,882	\$ 6,399,317
Due from other funds	68,127	-	-	(27,164)	40,963
Due from other governments	1,852,713	-	-	-	1,852,713
Other receivables	120,390	-	-	-	120,390
Total assets	<u>6,421,347</u>	<u>319,267</u>	<u>1,666,051</u>	<u>6,718</u>	<u>8,413,383</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	55,513	-	-	1,707	57,220
Accrued payroll payable	167,106	-	-	-	167,106
Deposits subject to refund	78,800	-	-	5,011	83,811
Due to other funds	416,051	-	255,000	-	671,051
Unearned revenue	-	-	1,106,791	-	1,106,791
Total liabilities	<u>717,470</u>	<u>-</u>	<u>1,361,791</u>	<u>6,718</u>	<u>2,085,979</u>
Deferred Inflows of resources:					
Unavailable revenue	<u>88,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,402</u>
Fund Balance:					
Committed	-	-	304,260	-	304,260
Unassigned	5,615,475	319,267	-	-	5,934,742
Total fund balance	<u>5,615,475</u>	<u>319,267</u>	<u>304,260</u>	<u>-</u>	<u>6,239,002</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 6,421,347</u>	<u>\$ 319,267</u>	<u>\$ 1,666,051</u>	<u>\$ 6,718</u>	<u>\$ 8,413,383</u>

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund**  
**Accounts – For the Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Internal Service</u> <u>Account</u>	<u>Stabilization</u> <u>Reserve</u> <u>Account</u>	<u>Municipal Court</u>	<u>Total General</u> <u>Fund Accounts</u>
<b>REVENUES</b>					
Taxes	\$ 10,359,626	\$ -	\$ -	\$ -	\$ 10,359,626
Intergovernmental	813,009	-	-	-	813,009
Licenses and permits	230,647	-	-	-	230,647
Charges for services	-	18,248	-	-	18,248
Fines and forfeitures	132,198	-	-	-	132,198
Investment income	5,058	78	1,580	-	6,716
Miscellaneous	78,664	-	-	-	78,664
Total revenues	<u>11,619,202</u>	<u>18,326</u>	<u>1,580</u>	<u>-</u>	<u>11,639,108</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,072,758	-	-	-	1,072,758
Development services	388,131	-	-	-	388,131
Municipal court	106,143	-	-	-	106,143
Fire	1,190,524	-	-	-	1,190,524
Fleet maintenance	127,111	-	-	-	127,111
Parks	371,175	-	-	-	371,175
Police	1,702,638	-	-	-	1,702,638
Community center	4,935	-	-	-	4,935
Streets	467,614	-	-	-	467,614
Capital outlay	27,459	-	-	-	27,459
Debt Service:					
Principal	6,821	-	-	-	6,821
Interest	49	-	-	-	49
Total Expenditures	<u>5,465,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,465,358</u>
Excess (deficiency) of revenues over expenditures	<u>6,153,844</u>	<u>18,326</u>	<u>1,580</u>	<u>-</u>	<u>6,173,750</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	(4,216,351)	-	-	-	(4,216,351)
Total other financing sources and uses	<u>(4,216,351)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,216,351)</u>
Net change in fund balances	1,937,493	18,326	1,580	-	1,957,399
Fund balances - beginning	3,677,982	300,941	302,680	-	4,281,603
Fund balances - ending	<u>\$ 5,615,475</u>	<u>\$ 319,267</u>	<u>\$ 304,260</u>	<u>\$ -</u>	<u>\$ 6,239,002</u>

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City of Choctaw  
Combining Schedule of Net Position - Choctaw Utilities Authority  
Proprietary Fund Accounts  
June 30, 2022

Enterprise Fund Accounts					
	CUA Operating	Solid Waste Account	Stormwater Account	Debt Service	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,389,378	\$ 748	\$ 147,274	\$ -	\$ 1,537,400
Restricted cash and cash equivalents	229,313	-	-	2,535,571	2,764,884
Due from other funds	20,414	90,120	13,493	-	124,027
Accounts Receivable, net	612,898	-	-	-	612,898
Total current assets	2,252,003	90,868	160,767	2,535,571	5,039,209
Non-current assets:					
Capital Assets:					
Land and construction in progress	5,330,665	-	-	-	5,330,665
Other capital assets, net of accumulated depreciation	16,144,151	-	-	-	16,144,151
Total non-current assets	21,474,816	-	-	-	21,474,816
Total assets	23,726,819	90,868	160,767	2,535,571	26,514,025
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	123,843	-	-	1,033,051	1,156,894
Unearned revenue	100,385	-	-	-	100,385
Accrued interest payable	-	-	-	169,702	169,702
Due to other funds	(1,000)	-	-	129,937	128,937
Current portion of:					
Notes payable	-	-	-	625,000	625,000
Accrued compensated absences	1,666	-	-	-	1,666
Total current liabilities	224,894	-	-	1,957,690	2,182,584
Non-current liabilities:					
Deposits subject to refund	312,711	-	-	-	312,711
Notes payable	-	-	-	20,334,053	20,334,053
Accrued compensated absences	14,995	-	-	-	14,995
Total non-current liabilities	327,706	-	-	20,334,053	20,661,759
Total liabilities	552,600	-	-	22,291,743	22,844,343
<b>NET POSITION</b>					
Net investment in capital assets	21,474,816	-	-	(19,897,109)	1,577,707
Restricted for debt service	-	-	-	270,874	270,874
Unrestricted (deficit)	1,699,403	90,868	160,767	(129,937)	1,821,101
Total net position	\$ 23,174,219	\$ 90,868	\$ 160,767	\$ (19,756,172)	\$ 3,669,682

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City of Choctaw  
Combining Schedule of Revenues, Expenses and Changes in Net Position  
Enterprise Fund Accounts  
For the Year Ended June 30, 2022

	Enterprise Fund Accounts				
	CUA Operating	Solid Waste Account	Stormwater Account	Debt Service	Total
<b>OPERATING REVENUES</b>					
Water charges	\$ 1,285,183	\$ -	\$ -	\$ -	\$ 1,285,183
Sewer charges	1,046,525	-	-	-	1,046,525
Sanitation	1,121,661	-	-	-	1,121,661
Water and sewer taps	216,813	-	-	-	216,813
Total operating revenues	3,670,182	-	-	-	3,670,182
<b>OPERATING EXPENSES</b>					
Administration	995,414	-	-	-	995,414
Stormwater	142,073	-	-	-	142,073
Water plant	704,720	-	-	-	704,720
Wasterwater	189,319	-	-	-	189,319
Wastewater plant	324,489	-	-	-	324,489
Depreciation expense	678,746	-	-	-	678,746
Total Operating Expenses	3,034,761	-	-	-	3,034,761
Operating income	635,421	-	-	-	635,421
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment income	179	-	89	1,598	1,866
Gain (loss) on sale of capital asset	(16,185)	-	-	-	(16,185)
Interest expense and fiscal charges	(7,525)	-	-	(572,085)	(579,610)
Total non-operating revenue (expenses)	(23,531)	-	89	(570,487)	(593,929)
Income (loss) before transfers	611,890	-	89	(570,487)	41,492
Capital contributions	388,699	-	-	-	388,699
Transfers in	4,236,308	(25,000)	(60,000)	(3,570,912)	580,396
Transfers out	(215,988)	-	-	-	(215,988)
Change in net position	5,020,909	(25,000)	(59,911)	(4,141,399)	794,599
Total net position - beginning	18,153,310	115,868	220,678	(15,614,773)	2,875,083
Total net position - ending	\$ 23,174,219	\$ 90,868	\$ 160,767	\$ (19,756,172)	\$ 3,669,682

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

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City of Choctaw  
Debt Service Coverage Schedule  
Series 2013A and 2013B, and OWRB Series 2017, 2017A, 2017C, and 2020  
For the Year Ended June 30, 2022

Net Revenue Available for Debt Service:	
Pledged sales tax (2 cents)	\$ 3,862,500
System-wide net revenues (water and sewer)	<u>1,329,993</u>
Net revenues available for debt service total	<u>5,192,493</u>
Maximum Annual Debt Service Requirements Remaining:	
Revenue notes - Series 2013A	\$ 202,200
Revenue notes - Series 2013B	412,000
Notes payable - OWRB Series 2017	898,405
Notes payable - OWRB Series 2017A	216,340
Notes payable - OWRB Series 2017C	943,265
Notes payable - OWRB Series 2020	<u>266,520</u>
Maximum annual debt service total	<u>\$ 2,938,730</u>
Computed Coverage	<u>177%</u>
Coverage Requirement	<u>125%</u>

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

**Schedule of Expenditures of Federal Awards – Year Ended June 30, 2022**

<b>Grantor/Pass through agency Grantor/Program Title</b>	<b>Federal AL Number</b>	<b>Pass Thru Grant #</b>	<b>Award Amount</b>	<b>Federal Expenditures</b>
<b>FEDERAL AWARDS:</b>				
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
Bulletproof Vest Partnership Program	16.607		\$ 1,400	\$ 1,400
Passed thru District Attorney's Council				
Justice Assistance Grant - Local Law Enforcement - Equipment	16.738	JAG-LLE-2020-CHOCTAW-00023	9,300	8,240
Justice Assistance Grant - Local Law Enforcement - Equipment	16.738	JAG-LLE-2021-CHOCTAW-00023	7,739	6,240
Sub-total ALN 16.738			<u>17,039</u>	<u>14,480</u>
<b>Sub-Total U.S. Department of Justice</b>			<b><u>18,439</u></b>	<b><u>15,880</u></b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>				
Passed thru Oklahoma Highway Safety Office				
Choctaw Traffic Enforcement	20.600	PT-22-03-08-02	7,613	1,052
<b>Sub-Total U.S. Department of Transportation</b>			<b><u>7,613</u></b>	<b><u>1,052</u></b>
<b><u>U.S. DEPARTMENT OF TREASURY:</u></b>				
Coronavirus State and Local Fiscal Recovery Funds	21.027		2,213,582	-
<b>Sub-total Department of Emergency Management</b>			<b><u>2,213,582</u></b>	<b><u>-</u></b>
<b><u>DEPARTMENT OF EMERGENCY MANAGEMENT</u></b>				
Passed thru Oklahoma Department of Emergency Management				
Disaster Recovery - Winter Storm Emergency Public Assistance	97.036	FEMA-DR 4438	381,867	63,664
<b>Sub-total Department of Emergency Management</b>			<b><u>381,867</u></b>	<b><u>63,664</u></b>
<b><u>TOTAL FEDERAL AWARDS</u></b>			<b><u>\$ 2,621,501</u></b>	<b><u>\$ 80,596</u></b>

**Footnotes to Schedule of Expenditures of Federal Awards:**

1. The Schedule of Expenditures of Federal Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.
2. The City has not been notified of any noncompliance with federal award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**CITY OF CHOCTAW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2022**

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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**



**DILLON & ASSOCIATES, PC**  
Certified Public Accountants

1401 S. Douglas Blvd., Suite A  
Midwest City, OK 73130  
Phone: 405-732-1800

**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 Members  
City of Choctaw, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Choctaw, Oklahoma ("the City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 14, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.



**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*, CONTINUED**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, identified as 2021-003 in the Schedule of Findings and Questioned Costs.

**Purpose of This Report**

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

*Dillon & Associates, PC*

Midwest City, Oklahoma  
March 14, 2023

**CITY OF CHOCTAW, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2022**

**Finding 2022-001 - Internal Control - Bank Account Reconciliations - Repeat Finding**

**Criteria** - The City should perform monthly reconciliations of the bank accounts in a timely manner.

**Condition** - The City did not effectively monitor and ensure proper implementation of internal controls surrounding the cash reconciliation process.

**Cause and Effect** - During the year ended June 30, 2022, the City did not have the necessary internal controls and processes to ensure all cash accounts were reconciled monthly and in a timely manner.

**Recommendation** - We recommend that the City's management should evaluate the City's internal controls related to cash reconciliations to ensure the City is recording the cash transactions monthly in a timely manner.

**Management's Response** - Management concurs with the recommendation and will strive to process and summarize accounting data and further understand the presentation and disclosure requirements of the financial statements.

**Finding 2022-002 - Internal Control - Monthly Closeout Procedures - Repeat Finding**

**Criteria** - Management is responsible for the design and implementation of procedures to ensure accurate financial records and the preparation of monthly financial statements on a timely basis for management and the governing body.

**Condition** - The City converted to a new accounting system on July 1, 2019. The conversion process has been inadequate to prepare monthly financial reporting and budgetary records for the City's individual funds. Control procedures currently exist over the individual functions of utility billing and collections, accounts payable and disbursements and payroll, but reconciliation of general ledger accounts and monthly bank accounts has been inadequate.

**Cause** - There appeared to be a lack of coordination between the City staff and the new software provider in the setup of the fund structure and the City's bank accounts.

**Effect or Potential Effect** - A lack of financial internal controls makes the City susceptible to fraud and inaccurate financial and budgetary records.

**Recommendation** - We recommend management adopt monthly closeout procedures including the reconciliation of subsidiary records. The closeout procedures should be documented in a checklist reflecting the date performed and the individual performing the procedure.

**Management's Response** - The City is working with the software provider and has hired an outside consulting firm to assist in the upgrade of the accounting software and assist in the preparation of the annual financial statement. The City is updating their policies and procedures to comply with the filing requirements.

**CITY OF CHOCTAW, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2022**

**Finding 2022-003 - Compliance - Filing with the State Auditor's Office - Repeat Finding**

**Criteria** - In order to comply with filing of reports with the Oklahoma State Auditor and Inspector (State Auditor), management needs to appropriately monitor the timing of the submission of the filing of the audit report six months after the end of the fiscal year.

**Condition** - The implementation of the new accounting system was not timely implemented to ensure that the filing of the 2022 audit was within the required time frame.

**Cause and Effect** - The City was not able to close the yearend financial statements within the required time frame to file with the State Auditor due to delays in the implementation of the new accounting system.

**Recommendation** - We recommend the internal controls for reporting with the State Auditor be reviewed to ensure that future filings are completed within the prescribed timeline.

**Management Response** - The City is working with the software provider and has hired an outside consulting firm to assist in the upgrade of the accounting software and assist in the preparation of the annual financial statement. The City is updating their policies and procedures to ensure that monthly reconciliation of accounts are completed and that monthly budget and financial reporting are prepared on a timely basis.

**CITY OF CHOCTAW, OKLAHOMA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2022**

**Section II - Financial Statement Findings:**

**Internal Control:**

**Finding:**

The City converted to a new accounting system on July 1, 2019. The conversion process has been inadequate to prepare monthly financial reporting and budgetary records for the City's individual funds including the reconciliation of general ledger accounts and monthly bank accounts.

**Status:**

Unresolved.

**Corrective Action Plan:**

The City is working with the software provider and has hired an outside consulting firm to assist in the upgrade of the accounting software and assist in the preparation of the annual financial statement. The City is updating their policies and procedures to ensure that monthly reconciliation of accounts are completed and that monthly budget and financial reporting are prepared on a timely basis.

**Compliance Findings:**

**Finding:**

The City failed to complete and submit their annual financial statement audit within six months from the end of their fiscal year.

**Status:**

Unresolved.

**Corrective Action Plan:**

The City is working with the software provider and has hired an outside consulting firm to assist in the upgrade of the accounting software and assist in the preparation of the annual financial statement. The City is updating their policies and procedures to ensure the financial statement audits are prepared and submitted within the required statutory requirements.