

**CITY OF CHEROKEE, OKLAHOMA  
CHEROKEE, OKLAHOMA**

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

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

**CITY OF CHEROKEE, OKLAHOMA**  
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**For the fiscal year ended JUNE 30, 2020**

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

## FINANCIAL SUMMARY

- At June 30, 2020, the assets of the City exceeded its liabilities by \$7,989,953 (net position). This compares favorably to the previous year when assets exceeded liabilities by \$7,142,223, prior to an adjustment to prior period of \$61,548 to reflect franchise revenue and restricted cash for debt service.
- The City's total net position are comprised of the following:
  - (1) Net investment in capital assets of \$4,661,220 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
  - (2) Restricted net position of \$767,385 consists mainly of the restricted cash held for meter deposits and capital improvements.
  - (3) Unrestricted net position of \$2,561,348 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Net position of governmental activities increased \$598,803 or 19% whereas the net position of business-type activities increased \$248,927 or 6%, both net of prior period adjustment. Overall, the health of the City improved when compared to prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### **Government-wide Financial Statements**

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

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

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

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). The Cherokee Development Authority is a separate legal entity which operates independently and provides services directly to the citizens though the City remains accountable for their actions. As such, the Cherokee Development Authority is reported as part of the primary government and included in the City's overall reporting entity. More comprehensive information about the City's component units can be found in footnotes.

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

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

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

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

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

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

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

### ***Notes to the financial statements***

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

### ***Other information***

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net Position**

The City's combined net position at June 30, 2020 was \$7,989,953. This is a \$847,730 increase over June 30, 2019 net position after the impact of the prior period adjustment. The City reported positive balances in total net position for both governmental and business-type activities, \$3,747,542 and \$4,242,411, respectively. The City's overall financial position improved 12% during fiscal year 2020.

	Governmental Activities		Summary of Net Position Business-Type Activities		Total		\$ Change	% Change
	2020	2019	2020	2019	2020	2019		
Current assets	\$ 1,225,359	\$ 1,188,260	\$ 2,686,590	\$ 2,520,849	\$ 3,911,949	\$ 3,709,109	\$ 202,840	5%
Capital assets, net	2,770,081	2,166,793	4,937,091	4,929,602	7,707,172	7,096,395	610,777	9%
<b>Total assets</b>	<b>3,995,440</b>	<b>3,355,053</b>	<b>7,623,681</b>	<b>7,450,451</b>	<b>11,619,121</b>	<b>10,805,504</b>	<b>813,617</b>	<b>8%</b>
Deferred outflow	51,667	58,023	-	-	51,667	58,023	(6,356)	-11%
Current liabilities	128,832	80,674	438,413	411,451	567,245	492,125	75,120	15%
Non-current liabilities	116,495	164,500	2,942,857	3,045,516	3,059,352	3,210,016	(150,664)	-5%
<b>Total liabilities</b>	<b>245,327</b>	<b>245,174</b>	<b>3,381,270</b>	<b>3,456,967</b>	<b>3,626,597</b>	<b>3,702,141</b>	<b>(75,544)</b>	<b>-2%</b>
Deferred inflow	54,238	19,163	-	-	54,238	19,163	35,075	183%
Net position								
Net investment in capital assets	2,770,081	2,166,793	1,891,139	1,779,278	4,661,220	3,946,071	715,149	18%
Restricted	540,799	374,285	226,586	376,976	767,385	751,261	16,124	2%
Unrestricted	436,662	607,661	2,124,686	1,837,230	2,561,348	2,444,891	116,457	5%
<b>Total net position</b>	<b>\$ 3,747,542</b>	<b>\$ 3,148,739</b>	<b>\$ 4,242,411</b>	<b>\$ 3,993,484</b>	<b>\$ 7,989,953</b>	<b>\$ 7,142,223</b>	<b>\$ 847,730</b>	<b>12%</b>

Total assets increased by 8% year over year. The increase in current assets is due to an increase in unrestricted cash balances in both governmental and business-type activities. Cash balances increased due to the current year revenue over expenses earned during the year. Capital assets increased during the year, including improvements and equipment, totaling over \$1 million, net of accumulated depreciation.

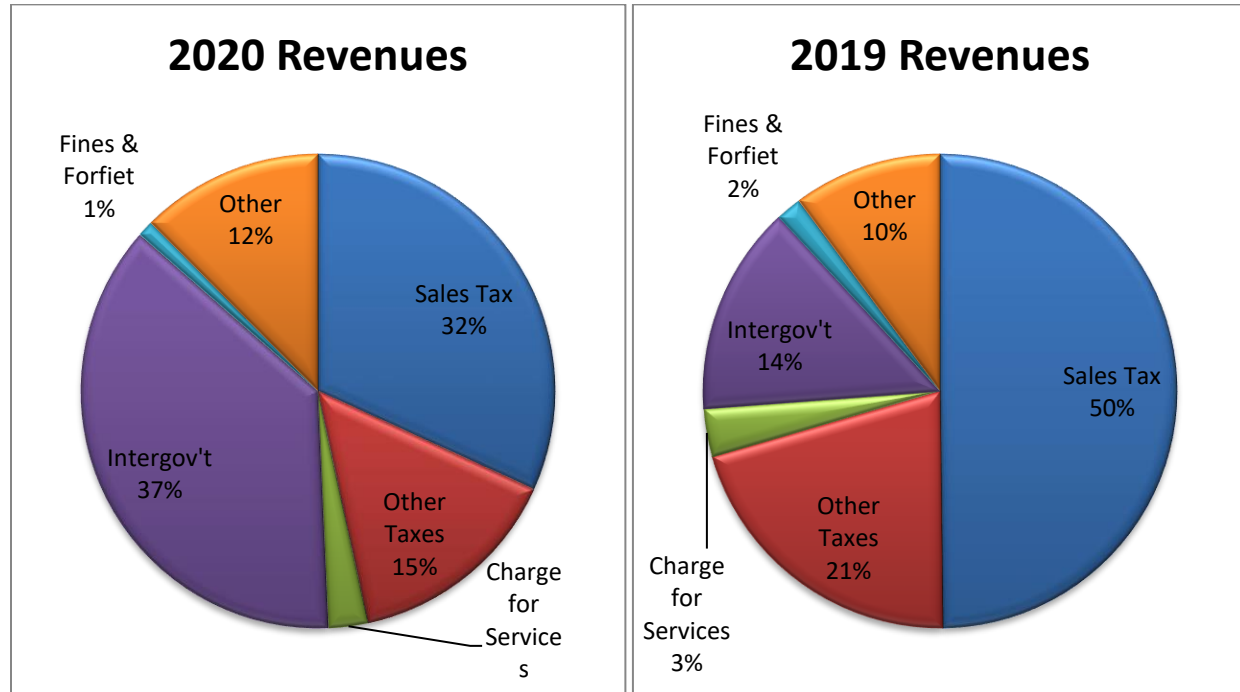
Total liabilities decreased 2% year over year. Current liabilities increased 15% over the year, primarily attributable to an increase in outstanding payments due to vendors, which is a function of the timing of payment of those short-term liabilities. This is offset by a decrease in non-current liabilities during the year of 5%, which is due to regular payments made on existing outstanding debt. Refer to additional information on debt held by the City in the footnotes to the financial statements.

	Summary of Changes in Net Position							
	Governmental		Business-type		Total		Change	
	2020	2019	2020	2019	2020	2019	\$	%
<b>Revenues</b>								
Program revenues	\$ 788,076	\$ 100,541	\$ 994,305	\$ 998,631	\$ 1,782,381	\$ 1,099,172	\$ 683,209	62%
Taxes and other general revenues	1,059,399	1,214,102	119,191	81,612	1,178,590	1,295,714	(117,124)	-9%
<b>Total revenues</b>	<b>1,847,475</b>	<b>1,169,861</b>	<b>1,113,496</b>	<b>1,211,686</b>	<b>2,960,971</b>	<b>2,394,886</b>	<b>566,085</b>	<b>24%</b>
<b>Expenses</b>								
General government	391,427	316,664	-	-	391,427	316,664	74,763	24%
Public safety and judiciary	332,604	343,576	-	-	332,604	343,576	(10,972)	-3%
Transportation	228,213	207,998	-	-	228,213	207,998	20,215	10%
Cultural, parks, and rec	216,305	241,297	-	-	216,305	241,297	(24,992)	-10%
Water	-	-	441,193	381,775	441,193	381,775	59,418	16%
Sewer	-	-	175,375	170,396	175,375	170,396	4,979	3%
Sanitation	-	-	181,459	216,557	181,459	216,557	(35,098)	-16%
Customer service	-	-	208,213	205,375	208,213	205,375	2,838	1%
<b>Total expenses</b>	<b>1,168,549</b>	<b>1,056,914</b>	<b>1,006,240</b>	<b>1,044,292</b>	<b>2,174,789</b>	<b>2,083,638</b>	<b>91,151</b>	<b>4%</b>
Excess (deficiency) before transfers	\$ 678,926	\$ 112,947	\$ 107,256	\$ 167,394	\$ 786,182	\$ 311,248	\$ 474,934	153%
Transfers	(112,718)	(112,162)	112,718	112,162	-	-	-	0%
<b>Increase (decrease) in net position</b>	<b>\$ 566,208</b>	<b>\$ 105,041</b>	<b>\$ 219,974</b>	<b>\$ 175,300</b>	<b>\$ 786,182</b>	<b>\$ 311,248</b>	<b>\$ 474,934</b>	<b>153%</b>

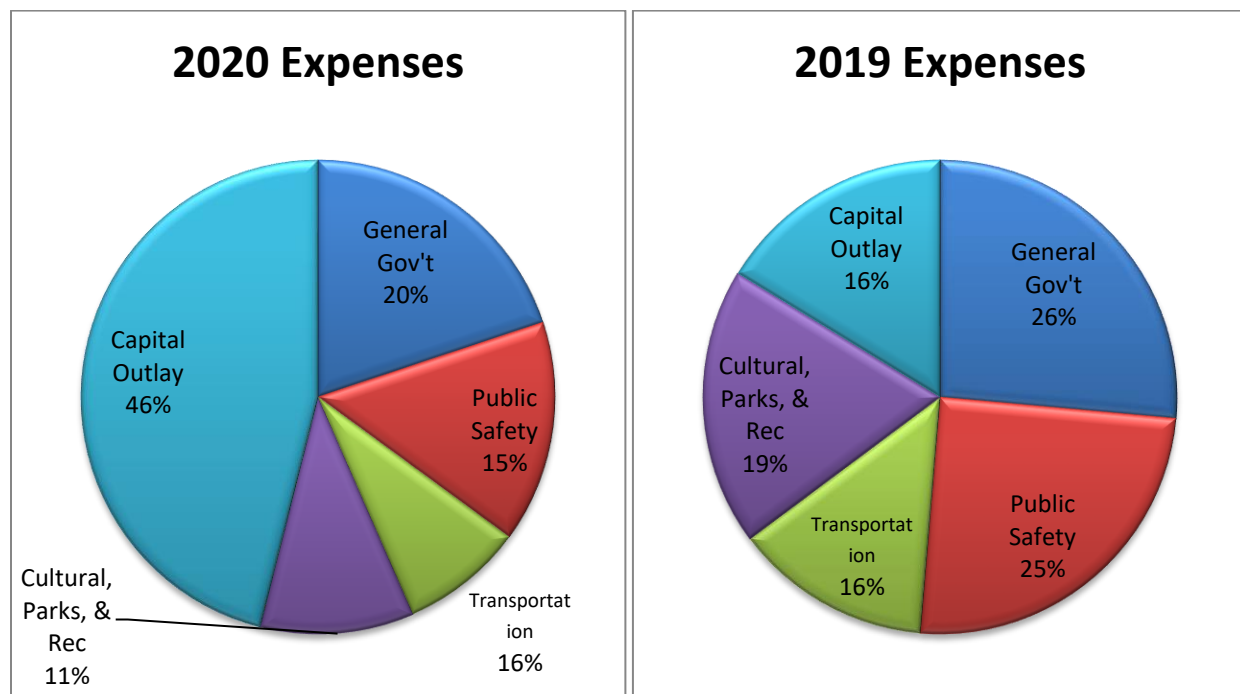
Total revenues for the City increased by 24% over the fiscal year. Program revenues increased by 62% due to the FAA Airport Planning Grant received in the amount of \$579,182. The grant was used to fund airport runway rehabilitation improvements. The City also received \$70,479 in CARES funding during the fiscal year.

Expenses increased by 4% when compared to prior year. Expenses shifted between departments, but overall, the City maintained a level basis of spending when compared to prior year.

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



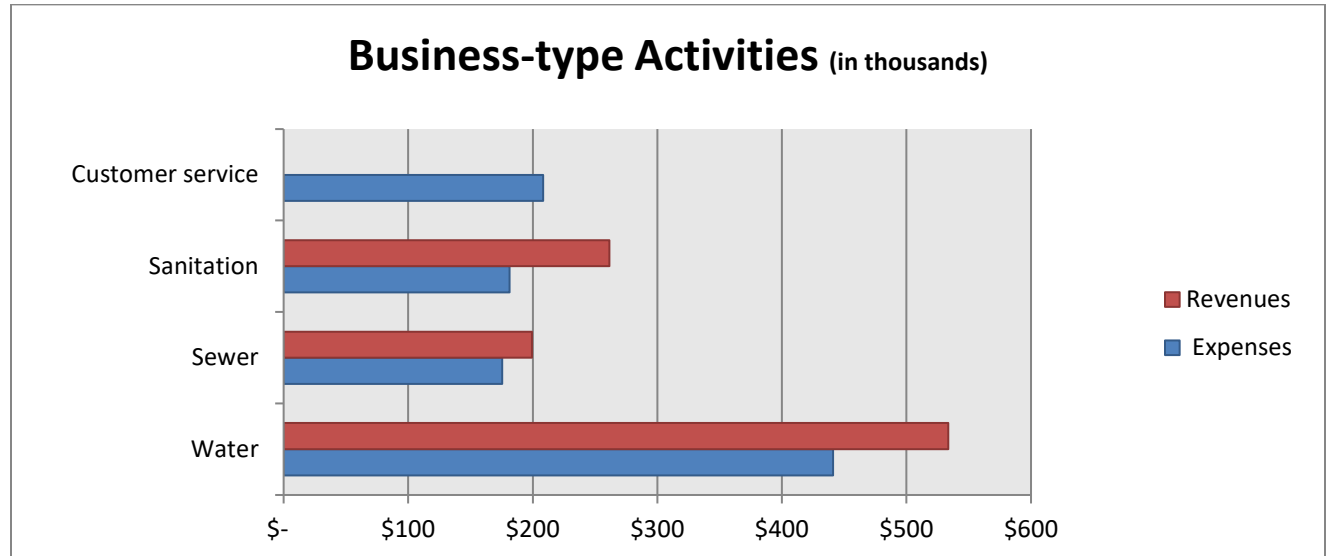
A shift in revenue sources occurred over the fiscal year, attributable to intergovernmental sources at 37% compared to 14% in fiscal year 2019. This includes capital grants in the amount of \$579,182. Taxes provided for 32% of the City's governmental revenues in fiscal year 2020, compared to 50% in fiscal year 2019. Other taxes, including use tax, tobacco tax, franchise taxes, and alcohol beverage tax were a consistent source of income at 15% for the fiscal year.



For the year ended June 30, 2020, total expenses for governmental activities were \$1,825,103 compared to prior year of \$1,141,529. Capital outlay at 46% was the largest operating expense for the fiscal year, which included \$840,806 in capital additions compared to \$185,702 in the prior year. General government at \$363,033 or 20% was the second largest expense for the City, which compares with prior year at

\$301,782 or 26%. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and grants. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

**Business-type Activities**



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

For the fiscal year ended June 30, 2020, revenues from water, sewer, and sanitation services covered the cost of operating their respective departments.

**General Fund Budgetary Highlights**

The original adopted General Fund budget for total expenditures for fiscal year 2020 was \$681,866 and was amended during the fiscal year, increasing the budget by \$236,641. The final amended budget was \$918,507. The General Fund budget complied with financial policies approved by the City.



**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2020, the City had \$4,661,220 net investment in capital assets, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and water lines and sewer lines in business-type activities. Refer to the following table.

**Primary Government Capital Assets (net of accumulated depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land and CIP	\$ 59,843	\$ 93,309	\$ 427,019	\$ 237,225	\$ 486,862	\$ 330,534
Buildings	336,947	352,550	-	-	336,947	352,550
Machinery & equipment	213,465	382,700	250,455	274,594	463,920	657,294
Infrastructure	2,159,826	1,338,234	4,259,617	4,417,783	6,419,443	5,756,017
Totals	<u>\$ 2,770,081</u>	<u>\$ 2,134,799</u>	<u>\$ 4,937,091</u>	<u>\$ 4,763,720</u>	<u>\$ 7,707,172</u>	<u>\$ 7,096,395</u>

The following provides a selection of the most significant additions to the City during the fiscal year:

- Waterline replacements
- Airport runway rehabilitation project
- City Hall improvements
- Geothermal heating and cooling system
- Sidewalk improvements – Safe Routes to School

**Long-Term Debt**

At year-end, the City had \$3,059,352 in long-term debt outstanding. The City's long-term debt by type are as follows:

**Primary Government Long-Term Debt**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Notes payable	\$ -	\$ -	\$ 3,040,413	\$ 3,145,221	3,040,413	\$ 3,145,221
Pension liability	106,495	154,500	-	-	106,495	154,500
Deferred revenue	10,000	10,000	5,539	5,103	15,539	15,103
less current portion	-	-	(103,095)	(104,808)	(103,095)	(104,808)
Totals	<u>\$ 116,495</u>	<u>\$ 206,821</u>	<u>\$ 2,942,857</u>	<u>\$ 3,150,442</u>	<u>\$ 3,059,352</u>	<u>\$ 3,210,016</u>

## ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

### Economic Environment

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

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

### Fiscal Year 2021 Budget

Considering the impact of COVID-19, the City has budgeted recurring revenues, including sales and use tax, at 75-80% of fiscal year 2020 actual collections. Budgeted rate increases for water and sewer utility revenues is at 1%. Trash expenses have been budgeted to increase 4% in response to an increase from the Authority's trash provider. Utility revenue collections have been decreased by 8% due to the expected impact of unemployment related to the pandemic.

Due to not filing the vacancy left when a former employee retired from the City employment, the City has taken his wage and benefit package of approximately \$42,000 and divided among personnel whose wages were not in line with the marketplace; all remaining employees were given a cost-of-living increase of 1% to match regional inflation rates.

The budget includes \$305,250 capital additions for fiscal year 2021, offset with \$220,000 in grant funds. The additions include airport improvements, sidewalk project, street repairs, pocket park improvements and water line replacement.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Cherokee City Hall, 121 N. Grand, Cherokee, Oklahoma, 73728.

**City of Cherokee, Oklahoma**  
**Statement of Net Position**  
**June 30, 2020**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Assets:			
Cash and cash equivalents	\$ 464,873	\$ 694,010	\$ 1,158,883
Investments	-	1,537,473	1,537,473
Accounts receivable, net	28,173	88,528	116,701
Due from other governments	89,840	-	89,840
Grant receivable	70,479	-	70,479
Inventory	13,266	-	13,266
Prepaid assets	17,929	-	17,929
Total current assets	<u>684,560</u>	<u>2,320,011</u>	<u>3,004,571</u>
Restricted assets:			
Cash and cash equivalents	540,799	366,579	907,378
Total restricted assets	<u>540,799</u>	<u>366,579</u>	<u>907,378</u>
Noncurrent Assets:			
Land and construction in progress	59,843	237,225	297,068
Other capital assets (net of accumulated depreciation)	2,710,238	4,699,866	7,410,104
Total noncurrent assets	<u>2,770,081</u>	<u>4,937,091</u>	<u>7,707,172</u>
Total assets	<u>\$ 3,995,440</u>	<u>\$ 7,623,681</u>	<u>\$ 11,619,121</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred charges on pension obligations	<u>51,667</u>	<u>-</u>	<u>51,667</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 210,009	\$ 63,609	\$ 273,618
Wages and benefits payable	36,014	14,525	50,539
Due to other funds	(117,191)	117,191	-
Notes payable, current	-	103,095	103,095
Total current liabilities	<u>128,832</u>	<u>298,420</u>	<u>427,252</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	21,958	21,958
Customer deposits payable	-	118,035	118,035
Total liabilities payable from restricted assets	<u>-</u>	<u>139,993</u>	<u>139,993</u>
Noncurrent liabilities:			
Deferred revenue	10,000	5,539	15,539
Notes payable, non-current	-	2,937,318	2,937,318
Pension liability	106,495	-	106,495
Total noncurrent liabilities	<u>116,495</u>	<u>2,942,857</u>	<u>3,059,352</u>
Total liabilities	<u>245,327</u>	<u>3,381,270</u>	<u>3,626,597</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred charges on pension obligations	<u>54,238</u>	<u>-</u>	<u>54,238</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,770,081	1,891,139	4,661,220
Restricted	540,799	226,586	767,385
Unrestricted	436,662	2,124,686	2,561,348
Total net position	<u>\$ 3,747,542</u>	<u>\$ 4,242,411</u>	<u>\$ 7,989,953</u>

**City of Cherokee, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 366,427	\$ 6,992	\$ 70,479	\$ -	\$ (288,956)
Economic development	25,000	-	9,092	-	(15,908)
Total general government	<u>391,427</u>	<u>6,992</u>	<u>79,571</u>	<u>-</u>	<u>(304,864)</u>
Public safety and judiciary:					
Police	255,134	20,511	9,940	-	(224,683)
Fire	77,470	810	31,380	-	(45,280)
Total public safety and judiciary	<u>332,604</u>	<u>21,321</u>	<u>41,320</u>	<u>-</u>	<u>(269,963)</u>
Transportation:					
Street	156,232	-	13,180	579,182	436,130
Airport	71,981	6,810	-	-	(65,171)
Total transportation	<u>228,213</u>	<u>6,810</u>	<u>13,180</u>	<u>579,182</u>	<u>370,959</u>
Cultural, parks and recreation:					
Park	108,966	5,648	-	-	(103,318)
Cemetery	11,739	17,414	-	-	5,675
Library	95,600	16,638	-	-	(78,962)
Total cultural, parks and recreation	<u>216,305</u>	<u>39,700</u>	<u>-</u>	<u>-</u>	<u>(176,605)</u>
Total governmental activities	<u>1,168,549</u>	<u>74,823</u>	<u>134,071</u>	<u>579,182</u>	<u>(380,473)</u>
Business-type activities:					
Water	441,193	533,609	-	-	92,416
Sewer	175,375	199,276	-	-	23,901
Sanitation	181,459	261,420	-	-	79,961
Customer service	208,213	-	-	-	(208,213)
Total business-type activities	<u>1,006,240</u>	<u>994,305</u>	<u>-</u>	<u>-</u>	<u>(11,935)</u>
<b>Total primary government</b>	<u>\$ 2,174,789</u>	<u>\$ 1,069,128</u>	<u>\$ 134,071</u>	<u>\$ 579,182</u>	<u>\$ (392,408)</u>

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

<b>Changes in Net Position:</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (380,473)	\$ (11,935)	\$ (392,408)
General revenues:			
Taxes:			
Sales taxes	602,277	-	602,277
Use taxes	106,242	-	106,242
Franchise taxes	105,118	-	105,118
Alcoholic beverage tax	54,443	-	54,443
Cigarette tax	5,724	-	5,724
Investment income	639	48,206	48,845
Rental income	-	14,100	14,100
Oil/gas lease income	43,712	-	43,712
Penalties	-	20,612	20,612
Miscellaneous	187,936	36,273	224,209
Change in pension obligation	(46,692)	-	(46,692)
Transfers - Internal activity, net	(112,718)	112,718	-
Total general revenues and transfers	946,681	231,909	1,178,590
 <b>Change in net position</b>	 566,208	 219,974	 786,182
 <b>Net position - beginning</b>	 3,148,739	 3,993,484	 7,142,223
Prior period adjustment	32,595	28,953	61,548
 <b>Net position - ending</b>	 \$ 3,747,542	 \$ 4,242,411	 \$ 7,989,953

**City of Cherokee, Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 464,873	\$ -	\$ -	\$ 464,873
Restricted cash	118,039	361,710	61,050	540,799
Due from other funds	258,109	1,042	60	259,211
Due from other governments	89,840	-	-	89,840
Revenue receivable, net	7,177	20,996	-	28,173
Grant receivable	70,479	-	-	70,479
Inventory	-	13,266	-	13,266
Prepaid assets	17,929	-	-	17,929
Total assets	<u>\$ 1,026,446</u>	<u>\$ 397,014</u>	<u>\$ 61,110</u>	<u>\$ 1,484,570</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 201,274	\$ 8,735	\$ -	\$ 210,009
Wages and benefits payable	24,490	11,524	-	36,014
Due to other funds	6,048	129,679	6,293	142,020
Deferred revenue	10,000	-	-	10,000
Total liabilities	<u>241,812</u>	<u>149,938</u>	<u>6,293</u>	<u>398,043</u>
<b>FUND BALANCES</b>				
Nonspendable	-	13,266	-	13,266
Restricted	-	-	54,817	54,817
Committed	70,479	61,027	-	131,506
Assigned	118,039	172,783	-	290,822
Unassigned	596,116	-	-	596,116
Total fund balances	<u>784,634</u>	<u>247,076</u>	<u>54,817</u>	<u>1,086,527</u>
Total liabilities and fund balances	<u>\$ 1,026,446</u>	<u>\$ 397,014</u>	<u>\$ 61,110</u>	<u>\$ 1,484,570</u>

Total fund balance- total governmental funds \$ 1,086,527

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

Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported

Land and construction in process	\$ 59,843	
Depreciable capital assets	4,155,907	
Less: Accumulated depreciation	<u>(1,445,669)</u>	2,770,081

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Deferred outflow/(inflow) of resources	(2,571)	
Net pension liability	<u>(106,495)</u>	(109,066)

Net position of governmental activities \$ 3,747,542

**City of Cherokee, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2020**

	(Major) General Fund	(Major) Special Revenue Fund	(Non-Major) Capital Project Fund	Total Governmental Funds
<b><u>REVENUES</u></b>				
Sales tax	\$ 370,632	\$ 231,645	\$ -	\$ 602,277
Use tax	106,242	-	-	106,242
Beverage tax	54,443	-	-	54,443
Franchise taxes	105,118	-	-	105,118
Cigarette tax	5,724	-	-	5,724
Hotel tax	9,092	-	-	9,092
Licenses and permits	6,602	390	-	6,992
Fines and forfeitures	20,511	-	-	20,511
Investment income	233	140	266	639
Charges for services	17,448	24,016	2,464	43,928
Rent and royalties	43,712	6,810	-	50,522
Intergovernmental	111,798	13,180	579,182	704,160
Miscellaneous	182,343	2,176	-	184,519
Total revenues	<u>1,033,898</u>	<u>278,357</u>	<u>581,912</u>	<u>1,894,167</u>
<b><u>EXPENDITURES</u></b>				
General government:				
General government	338,028	-	5	338,033
Economic development	25,000	-	-	25,000
Total general government	<u>363,028</u>	<u>-</u>	<u>5</u>	<u>363,033</u>
Public safety and judiciary:				
Police	232,080	-	-	232,080
Fire	35,206	9,648	-	44,854
Total public safety and judiciary	<u>267,286</u>	<u>9,648</u>	<u>-</u>	<u>276,934</u>
Transportation:				
Street	-	146,396	-	146,396
Airport	-	6,962	-	6,962
Total transportation	<u>-</u>	<u>153,358</u>	<u>-</u>	<u>153,358</u>
Cultural, parks and recreation:				
Park	-	86,506	-	86,506
Cemetery	-	10,713	320	11,033
Library	93,433	-	-	93,433
Total cultural, parks and recreation	<u>93,433</u>	<u>97,219</u>	<u>320</u>	<u>190,972</u>
Capital outlay	840,806	-	-	840,806
Total expenditures	<u>1,564,553</u>	<u>260,225</u>	<u>325</u>	<u>1,825,103</u>
Excess (deficiency) of revenues over expenditures	<u>(530,655)</u>	<u>18,132</u>	<u>581,587</u>	<u>69,064</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	666,378	63,300	53,552	783,230
Transfers out	(229,570)	(20,543)	(645,835)	(895,948)
Total other financing sources and uses	<u>436,808</u>	<u>42,757</u>	<u>(592,283)</u>	<u>(112,718)</u>
Net change in fund balances	(93,847)	60,889	(10,696)	(43,654)
Fund balances - beginning	845,886	186,187	65,513	1,097,586
Prior period adjustment	32,595	-	-	32,595
Fund balances - ending	<u>\$ 784,634</u>	<u>\$ 247,076</u>	<u>\$ 54,817</u>	<u>\$ 1,086,527</u>

**City of Cherokee, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2020**

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Reconciliation of the change in fund balances - total governmental funds  
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ (43,654)
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Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	840,806
Depreciation expense	(184,252)

In the statement of activities, the cost of pension benefits earned net of  
employee contributions are reported as a component of pension expense.

The fund financial statements report pension contributions as expenditures.	<u>(46,692)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 566,208</u></u>
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**City of Cherokee, Oklahoma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	<b>Business-type Activities</b>
	<b>Cherokee Development Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 694,010
Investments	1,537,473
Accounts receivable (net)	88,528
Due from	14,106
Total current assets	2,334,117
Restricted assets:	
Cash and cash equivalents	366,579
Total restricted assets	366,579
Noncurrent assets:	
Capital assets (net)	4,937,091
Total noncurrent assets	4,937,091
<b>Total assets</b>	<b>\$ 7,637,787</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 63,609
Wages and benefits payable	14,525
Due to other funds	131,297
Notes payable, current	103,095
Total current liabilities	312,526
Liabilities payable from restricted assets:	
Accrued interest payable	21,958
Customer deposits payable	118,035
Total liabilities payable from restricted assets	139,993
Noncurrent liabilities:	
Deferred revenue	5,539
Notes payable, non-current	2,937,318
Total noncurrent liabilities	2,942,857
<b>Total liabilities</b>	<b>3,395,376</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,891,139
Restricted	226,586
Unrestricted	2,124,686
<b>Total net position</b>	<b>\$ 4,242,411</b>

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

	<b>Business-type Activities</b>
	<b>Cherokee Development Authority</b>
<b><u>Operating revenues:</u></b>	
Charges for services:	
Water charges	\$ 533,609
Sewer charges	199,276
Sanitation charges	261,420
Total charges for services	994,305
Rents and royalties	14,100
Penalties	20,612
Miscellaneous	36,273
Total operating revenues	1,065,290
 <b><u>Operating expenses:</u></b>	
Personal services	240,214
Materials and supplies	77,337
Other services and charges	384,925
Depreciation and amortization	227,448
Total operating expenses	929,924
Net operating income	\$ 135,366
 <b><u>Nonoperating revenue (expense):</u></b>	
Investment income	48,206
Interest expense	(75,665)
Bad debt expense	(651)
Total nonoperating revenue/(expense)	(28,110)
<b>Net income before contributions and transfers</b>	107,256
Transfers from other funds	112,718
<b>Change in net position</b>	219,974
Net position - beginning of year	3,993,484
Prior period adjustment	28,953
Net position-end of year	\$ 4,242,411

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

	<b>Business-type Activities</b>
	<b>Cherokee Development Authority</b>
<b><u>Cash flows from operating activities:</u></b>	
Receipts from customers	\$ 990,397
Payments to suppliers	(486,355)
Payments to employees	(245,053)
Other operating revenues	70,985
<b>Net cash provided (used) by operating activities</b>	<b>329,974</b>
<b><u>Cash flows from non-capital financing activities:</u></b>	
Transfers from other funds	112,718
<b>Net cash provided (used) by non-capital financing activities</b>	<b>112,718</b>
<b><u>Cash flows from capital and related financing activities:</u></b>	
Purchase of capital assets	(234,937)
Principal paid on capital debt	(104,808)
Interest paid on capital debt	(75,876)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(415,621)</b>
<b><u>Cash flows from investing activities:</u></b>	
Investment income	48,206
Purchase of investments	84,967
<b>Net cash provided (used) by investing activities</b>	<b>133,173</b>
Net increase (decrease) in cash and cash equivalents	160,244
Cash and cash equivalents, July 1, 2019	900,345
Cash & cash equivalents, June 30, 2020	<b>\$ 1,060,589</b>
Cash, including time deposits	\$ 694,010
Restricted cash, including time deposits	366,579
Total cash and cash equivalents, end of year	<b>\$ 1,060,589</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 135,366
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	227,448
<i>Changes in assets and liabilities:</i>	
(Increase) decrease in accounts receivable	(4,344)
(Increase) decrease in prepaid insurance	-
Increase (decrease) in accounts payable	(17,943)
Increase (decrease) in wages and benefits payable	(4,839)
Increase (decrease) in deposits subject to refund	(6,150)
Increase (decrease) in deferred revenue	436
Total adjustments	194,608
<b>Net cash provided (used) by operating activities</b>	<b>\$ 329,974</b>

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

The accounting and reporting framework and the more significant accounting principles and practices of the City of Cherokee, Oklahoma ("City") are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2020.

**A. Reporting Entity**

***Fund Types and Major Funds***

**Major Governmental Funds**

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Special Revenue Funds

Accounts for the operating activities of the Street & Alley Fund, Parks, Emergency Services, 911 Special, Cemetery, and Airport.

**Non-Major Governmental Funds**

Capital Projects Fund

Accounts for the operating activities of the Cemetery Perpetual Care and Airport Grant funds.

**Major Proprietary Funds**

Cherokee Development Authority

Accounts for the operating activities of the water, sewer, sanitation utilities, and the economic development of the City.

**B. Basic Financial Statements**

***Government-wide Financial Statements***

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

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

***Fund Financial Statements***

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns.

***Measurement Focus and Basis of Accounting***

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough

thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

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

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

**C. Budget Policy and Practice**

***Budget Approval***

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

***Basis of Budgeting***

Each fund's appropriated budget is prepared on a department line basis. Revenues are budgeted by source. Expenditures are budgeted by department. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval.

**D. Policies Related to Assets, Liabilities, and Fund Equity**

***Cash and Investments***

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

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

***Accounts Receivable***

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days.

***Restricted Assets***

Restricted assets include assets legally restricted for capital projects funded through long-term debt, debt service revenues, and customer meter deposits. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

***Interfund Balances***

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

**Capital Assets, Depreciation, and Amortization**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost of \$1,000 or more as purchase and construction outlay occur.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

- |                                    |             |
|------------------------------------|-------------|
| • Buildings                        | 10-25 years |
| • Other improvements               | 10-25 years |
| • Machinery, furniture & equipment | 3-25 years  |
| • Infrastructure                   | 20-40 years |

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

**Compensated Absences**

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

**Fund Equity**

**Fund Balance**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

**Net Position**

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

**Invested in capital assets, net of related debt**

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

**Restricted net position**

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

**Governmental Fund Balances**

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

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

**Nonspendable**

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

**Restricted**

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

**Committed**

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

**Assigned**

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process, and

**Unassigned**

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

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

***Use of Estimates***

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

**E. Policies Related to Revenues and Expenses**

***Program Revenues***

**Charges for Services**

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

**Grants and Contributions**

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

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

**General Revenues**

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

**Sales Tax**

The City levied a 3.25% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to use. The unrestricted portion (2%) is recorded as sales tax revenue within the General Fund; the remaining 1.25% is restricted and transferred to the Special Revenue fund, allocated 1% for parks and streets and 0.25% for emergency services.

**(2) ASSETS AND LIABILITIES**

**A. Assets**

***Deposits and Investments***

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation

**CITY OF CHEROKEE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

(FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. At June 30, 2020, the City's deposits were fully collateralized.

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

**Receivables and Uncollectable Amounts**

Significant receivables for governmental activities include sales and use tax receivables. Business-type receivables consist mainly of amounts due from customers primarily for utility services. The City reports accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using balances past due greater than 60 days. At June 30, 2020, the City has estimated an allowance of \$48,804 for business-type activities.

**Capital Assets**

**Changes in Capital Assets**

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations.

	<b>Primary Government Capital Assets</b>			
	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2020</u>
<i>Governmental Activities</i>				
Land and construction in process	\$ 93,309	\$ 19,800	\$ 53,266	\$ 59,843
Buildings & structures	427,178	-	-	427,178
Machinery, furniture, & equipment	1,132,337	45,225	-	1,177,562
Infrastructure & improvements	1,775,386	775,781	-	2,551,167
<b>Total</b>	<b>3,428,210</b>	<b>840,806</b>	<b>53,266</b>	<b>4,215,750</b>
Less accumulated depreciation	1,261,417	184,252	-	1,445,669
<b>Governmental fixed assets, net</b>	<b>\$ 2,166,793</b>	<b>\$ 656,554</b>	<b>\$ (53,266)</b>	<b>\$ 2,770,081</b>
<i>Business-type Activities</i>				
Construction in process	\$ 237,225	\$ 189,794	\$ -	\$ 427,019
Infrastructure & improvements	5,468,378	22,085	-	5,490,463
Machinery, furniture, & equipment	884,771	23,058	-	907,829
<b>Total</b>	<b>6,590,374</b>	<b>234,937</b>	<b>-</b>	<b>6,825,311</b>
Less accumulated depreciation	1,660,772	227,448	-	1,888,220
<b>Business-type fixed assets, net</b>	<b>\$ 4,929,602</b>	<b>\$ 7,489</b>	<b>\$ -</b>	<b>\$ 4,937,091</b>
<b>Total primary government</b>	<b>\$ 7,096,395</b>	<b>\$ 664,043</b>	<b>\$ (53,266)</b>	<b>\$ 7,707,172</b>

Depreciation expense was charged to functions in the statement of activities as follows:

<b>Primary Government</b>			
<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 28,394	Water	\$ 131,716
Public safety & judiciary	55,669	Sewer	94,721
Transportation	74,856	Customer service	1,011
Cultural, parks & recreation	25,333		
<b>Total depreciation expense</b>	<b>\$ 184,252</b>	<b>Total depreciation expense</b>	<b>\$ 227,448</b>



**CITY OF CHEROKEE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**B. Liabilities**

**Long-Term Debt**

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

**Business-Type Activities**

**Notes Payable:**

Note payable to the Oklahoma Water Resources Board in the original amount of \$1,455,000 in September 2005 for a Drinking Water SRF loan. Proceeds were used for the water treatment plant and transmission lines. Principal payments with interest are due each year on March 15 and September 15 with 3.00% interest and an administrative fee of 0.5% each year. Final payment is due September 15, 2026. \$ 448,336

Note payable issued in May 2001 in the original amount of \$125,000 to the Oklahoma Department of Commerce for a 20 year period with monthly principal payments in the amount of \$520.83 with no interest. 4,167

Series 2015 Clean Water SRF promissory note to Oklahoma Water Resource Board for water improvements in the original amount of \$2,640,000. The note carries a rate of 2.27% annually plus an administrative fee of .5% per annum. Principal payments are due annually; interest is due semiannually. The loan matures September 2030. 2,587,910

\$ 3,040,413

**Changes in Long-Term Debt**

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

<u>Type of Debt</u>	<u>Balance at July 1, 2019</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2020</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
<i>Notes Payable</i>					
OWRB - 2005	\$ 536,894	\$ -	88,558	\$ 448,336	\$ 88,928
Oklahoma Department of Commerce	10,417	-	6,250	4,167	4,167
OWRB SRF 2015 Clean Water	2,597,910	-	10,000	2,587,910	10,000
<b>Total primary government</b>	<b>\$ 3,145,221</b>	<b>\$ -</b>	<b>\$ 104,808</b>	<b>\$ 3,040,413</b>	<b>\$ 103,095</b>

**Annual Debt Service Requirements**

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

Year Ending June 30	Notes Payable	
	Principal	Interest
2021	103,095	72,611
2022	99,304	72,330
2023	99,693	72,049
2024	100,093	71,965
2025	100,318	71,488
2026-2030	479,201	327,098
2031-2035	550,936	255,363
2036-2040	633,338	172,960
2041-2045	728,277	78,021
2046	146,158	3,011
<b>Totals</b>	<b>\$ 3,040,413</b>	<b>\$ 1,196,896</b>

(3) REVENUES AND EXPENSES

A. *Interfund Transfers*

	<u>Due From</u>	<u>Due To</u>
<b>GENERAL FUND</b>		
Cherokee Development Authority	\$ 131,297	\$ 5,249
Special Revenue Fund	<u>126,813</u>	<u>799</u>
<b>Total General Fund</b>	<u>258,110</u>	<u>6,048</u>
<b>SPECIAL REVENUE FUND</b>		
General Fund	799	126,813
Capital Projects Fund	6,293	60
Cherokee Development Authority	<u>-</u>	<u>8,857</u>
<b>Total Special Revenue Fund</b>	<u>7,092</u>	<u>135,730</u>
<b>CAPITAL PROJECTS FUND</b>		
Special Revenue Fund	<u>60</u>	<u>6,293</u>
<b>Total Capital Projects Fund</b>	<u>60</u>	<u>6,293</u>
<b>CHEROKEE DEVELOPMENT AUTHORITY</b>		
General Fund	5,249	131,297
Special Revenue Fund	<u>8,857</u>	<u>-</u>
<b>Total Cherokee Development Authority</b>	<u>14,106</u>	<u>131,297</u>
<b>GRAND TOTAL</b>	<u>\$ 279,368</u>	<u>\$ 279,368</u>

**CITY OF CHEROKEE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>GENERAL FUND</b>		
Special Revenue Fund	\$ 645,835	\$ 63,300
Capital Projects Fund	20,543	3,547
Cherokee Development Authority	-	162,723
<b>Total General Fund</b>	<u>666,378</u>	<u>229,570</u>
<b>SPECIAL REVENUE FUND</b>		
General Fund	63,300	20,543
<b>Total Special Revenue Fund</b>	<u>63,300</u>	<u>20,543</u>
<b>CAPITAL PROJECTS FUND</b>		
General Fund	3,547	645,835
Cherokee Development Authority	50,000	-
<b>Total Capital Projects Fund</b>	<u>53,547</u>	<u>645,835</u>
<b>CHEROKEE DEVELOPMENT AUTHORITY</b>		
General Fund	162,723	-
Capital Projects Fund	-	50,000
<b>Total Cherokee Development Authority</b>	<u>162,723</u>	<u>50,000</u>
<b>GRAND TOTAL</b>	<u>\$ 945,948</u>	<u>\$ 945,948</u>

**(4) PENSION AND POST-EMPLOYMENT PLANS**

The City participates in two employee pension systems as follows:

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

**A. Oklahoma Municipal Retirement Fund**

**Plan Description**

Substantially all of the City's regular, full time employees, with the exception of police, firefighters and other employees who are covered under an approved system, participate in a defined benefit plan administered by the Oklahoma Municipal Retirement System (OMRF), a statewide fund established to administer pension plans for municipal employees. The defined benefit plan is funded through contributions as elected by each municipality. Participants are required to participate 2.25% of their covered compensation. The City contributed 5.81% of covered compensation for fiscal year 2020. Participants are permitted to make voluntary deductible contributions to the plan.

The funds are credited to individual participant accounts and pooled for investment purposes through OMRF. All gains and/or losses are credited directly to each participant. Benefits vest after 7 years of service with normal retirement at age 65 and early retirement at age 55 with 7 years or more of service. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

**CITY OF CHEROKEE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: [www.okmrf.org/reports.com](http://www.okmrf.org/reports.com). Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

The City had 13 active participants and 7 non-active participants as of July 1, 2019.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans’ fiduciary net position is available in the separately issued OkMRF financial report.

The following is a summary of eligibility, contribution methods and benefits provisions:

Provision	OMRF Plan
a. Eligibility for Distribution	<ul style="list-style-type: none"> <li>- Normal retirement at age 65 with 7 years of service.</li> <li>- Early Retirement after age 55 with 7 years or more of service.</li> <li>- Disability retirement upon disability with 7 years of service.</li> <li>- Termination before retirement age return of employee contributions with interest</li> <li>- Termination after vesting accrued benefit at normal retirement age</li> </ul>
b. Benefit Determination Base	Final average compensation – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service. Accrued benefit is 1.125% of final average compensation multiplied by the number of year of credited service
c. Benefit Determination Methods:	
- Normal Retirement	Accrued benefit payable immediately.
- Early Retirement	Accrued benefit payable starting at normal retirement age or accrued benefit reduced 5% per year for commencement prior to normal retirement age
- Disability Retirement	Accrued benefit payable upon disablement without reduction for early payment
- Death Benefit	50% of accrued benefit is payable to spouse until death or remarriage
- Prior to 7 Years Service	Return of employee contributions with accrued interest.
d. Form of Benefit Payments	Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Other retirement benefits are available under actuarially equivalent optional forms

Actuarial Assumptions

a. Date of last Actuarial Valuation	March 2020
b. Significant Actuarial Assumptions Used:	
1. Rate of Return on Investments	7.5%
2. Projected Salary Increase	4.0% - 7.42%
3. Retirement Age	Normal and Early Rates
4. Mortality Table	UP 1994 mortality (projected)
5. Asset Value	Actuarial cost method
c. Actuarial cost method	Entry age normal cost method

**CITY OF CHEROKEE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

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 (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2019 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.80%	1.45%
Small/mid cap stocks - Russell 2500	10%	6.40%	65.00%
Long/short equity - MSCI ACWI	10%	5.00%	50.00%
International stocks - MSCI EAFE	20%	6.20%	1.25%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.30%	69.00%
Real estate - NCREIF	5%	4.60%	23.00%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
		Average Real Return	4.75%
		Inflation	2.75%
		Long term expected return	7.50%

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2019 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2019 and the City's report ending date of June 30, 2020, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability/(asset)	\$ 129,942	\$ 75,742	\$ 30,395

The City reported \$17,835 in pension expense for the year ended June 30, 2020.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF CHEROKEE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 895	\$ 44,243
Changes of assumptions	14,231	-
Net difference between projected and actual earnings on pension plan investments	5,002	5,172
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	23,948	-
<b>Total</b>	<b>\$ 44,076</b>	<b>\$ 49,415</b>

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

Year ended June 30:		
2021	\$	18,602
2022		(8,399)
2023		(8,646)
2024		(6,896)
2025		-

**B. Oklahoma Firefighter's Pension and Retirement Systems**

Plan Description – The City of Cherokee, 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 retirement, disability and death benefits to members of the plan.

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

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$1,260 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$30,753 for its proportionate share of the net pension liability. The

**CITY OF CHEROKEE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information the City's proportion was 0.00291%.

For the year ended June 30, 2020, the City recognized pension expense of \$4,827. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,150	\$ 626
Changes of assumptions	-	790
Net difference between projected and actual earnings on pension plan investments	1,181	3,407
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	1,260	-
<b>Total</b>	<u>\$ 7,591</u>	<u>\$ 4,823</u>

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

Year ended June 30:		
2020	\$	2,118
2021		(100)
2022		618
2023		239
2024		(107)

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

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

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

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 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, 2019, are summarized in the following table:

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

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

payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	39,706	30,753	20,914

*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).

**(5) COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

**B. Grant Program Involvement**

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

**(6) PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to the Cherokee Development Authority for \$28,953 to recognize a restricted debt service account established when the debt was issued. The City's governmental funds reflect a prior period adjustment of \$32,595 to recognize franchise tax earned in the prior year offset by an allowance for bad debt.



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

	<u>Original Budget</u>	<u>Revisions</u>	<u>Approved Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Sales and use tax	\$ 437,872	\$ 15,128	\$ 453,000	\$ 476,874	\$ 23,874
Fines and forfeitures	9,500	8,500	18,000	20,511	2,511
Beverage tax	39,493	9,507	49,000	54,443	5,443
Tobacco tax	4,719	381	5,100	5,724	624
Franchise taxes	121,025	(9,025)	112,000	105,118	(6,882)
Hotel tax	4,803	3,697	8,500	9,092	592
Library	18,500	(2,000)	16,500	17,448	948
Other revenue	131,923	126,320	258,243	344,688	86,445
Total revenues	<u>767,835</u>	<u>152,508</u>	<u>920,343</u>	<u>1,033,898</u>	<u>113,555</u>
<b>EXPENDITURES</b>					
General government:					
General government	<u>287,301</u>	<u>205,660</u>	<u>492,961</u>	<u>490,695</u>	<u>2,266</u>
Total general government	<u>287,301</u>	<u>205,660</u>	<u>492,961</u>	<u>490,695</u>	<u>2,266</u>
Public safety and judiciary:					
Police	211,551	15,170	226,721	225,752	969
Fire	44,003	30,417	74,420	35,206	39,214
Total public safety and judiciary	<u>255,554</u>	<u>45,587</u>	<u>301,141</u>	<u>260,958</u>	<u>40,183</u>
Cultural, parks and recreation:					
Library	114,011	(14,606)	99,405	93,433	5,972
Economic development	25,000	-	25,000	25,000	-
Total cultural, parks and recreation	<u>139,011</u>	<u>(14,606)</u>	<u>124,405</u>	<u>118,433</u>	<u>5,972</u>
Total expenditures	<u>681,866</u>	<u>236,641</u>	<u>918,507</u>	<u>870,086</u>	<u>48,421</u>
Revenue over (under) expenditures	85,969	(84,133)	1,836	163,812	161,976
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	-	(55,005)	(55,005)	176,735	231,740
Net other financing sources (uses)	<u>-</u>	<u>(55,005)</u>	<u>(55,005)</u>	<u>176,735</u>	<u>231,740</u>
Revenues and other financing sources over (under) expenditures and other uses	85,969	(139,138)	(53,169)	340,547	393,716
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>1,126,443</u>	<u>1,126,443</u>
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 1,466,990	<u>\$ 1,520,159</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				(682,356)	
Fund balance at end of year (GAAP basis)				<u>\$ 784,634</u>	

Budget Schedule Footnotes:

1. The budgetary comparison schedule is reported on cash basis.
2. The legal level of appropriation control is the department level within a fund. Appropriations that increase total expenditures require City Council's approval.

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

	<u>Original Budget</u>	<u>Revisions</u>	<u>Approved Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Sales Tax	\$ 220,504	\$ (8,504)	\$ 212,000	\$ 231,645	\$ 19,645
Intergovernmental	812,397	165	812,562	13,180	(799,382)
Charges for services	23,625	1,780	25,405	24,016	(1,389)
Interest Income	300	-	300	140	(160)
Other income	-	-	-	9,376	9,376
Total revenues	<u>1,056,826</u>	<u>(6,559)</u>	<u>1,050,267</u>	<u>278,357</u>	<u>(771,910)</u>
<b>EXPENDITURES</b>					
Streets	391,015	146,035	537,050	146,396	390,654
Parks	130,225	(13,725)	116,500	86,506	29,994
Airport	610,000	59,000	669,000	620,505	48,495
Emergency services	-	33,500	33,500	9,648	23,852
Cemetery	9,000	5,000	14,000	10,713	3,287
Total expenditures	<u>1,140,240</u>	<u>229,810</u>	<u>1,370,050</u>	<u>873,768</u>	<u>496,282</u>
Revenue over (under) expenditures	(83,414)	(236,369)	(319,783)	(595,411)	(275,628)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	-	185,005	185,005	570,786	385,781
Net other financing sources (uses)	<u>-</u>	<u>185,005</u>	<u>185,005</u>	<u>570,786</u>	<u>385,781</u>
Revenues and other financing sources over (under) expenditures and other uses	(83,414)	(51,364)	(134,778)	(24,625)	110,153
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>160,674</u>	<u>160,674</u>
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 136,049	<u>\$ 270,827</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				111,027	
Fund balance at end of year (GAAP basis)				<u>\$ 247,076</u>	

Budget Schedule Footnotes:

1. The budgetary comparison schedule is reported on cash basis.
2. The legal level of appropriation control is the department level within a fund. Appropriations that increase total expenditures require City Council's approval.

**City of Cherokee, Oklahoma**

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

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>
City's portion of the net pension liability (asset)	0.0034%	0.0031%	0.0034%	0.0039%	0.0030%	0.0029%
City's proportionate share of the net pension liability (asset)	\$ 34,668	\$ 33,298	\$ 41,180	\$ 49,306	\$ 34,062	\$ 30,753
City's covered-employee payroll	\$ 26,572	\$ 22,395	\$ 29,006	\$ 26,313	\$ 21,370	\$ 23,882
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	130%	149%	142%	187%	159%	129%
Plan fiduciary net position as a percentage of the total pension liability	73.13%	74.19%	96.63%	100.00%	100.00%	100.00%

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

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

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>
Contractually required contribution	\$ 1,200	\$ 1,200	\$ 1,320	\$ 1,260	\$ 1,260	\$ 1,260
Contributions in relation to the contractually required contribution	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,320)</u>	<u>(1,260)</u>	<u>(1,260)</u>	<u>(1,260)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 26,572	\$ 22,395	\$ 29,006	\$ 26,313	\$ 21,370	\$ 23,882
Contributions as a percentage of covered-employee payroll	4.52%	5.36%	4.55%	4.79%	5.90%	5.28%

Only the current 5 fiscal years are presented because 10 year data is not yet available.

City of Cherokee, Oklahoma

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
Oklahoma Municipal Retirement Plan  
SINCE INITIAL APPLICATION

	2015*	2016*	2017*	2018*	2019*	2020*
<b>Total pension liability</b>						
Service cost	\$ 21,461	\$ 24,053	\$ 22,332	\$ 22,305	\$ 22,199	\$ 21,974
Interest	26,331	27,072	29,584	32,043	34,550	36,509
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(1,628)	91	2,165	(7,578)	(49,871)
Changes in assumptions	-	-	-	13,977	-	10,788
Benefit payments, including refunds of employee contributions	(17,791)	(15,694)	(18,540)	(22,069)	(24,541)	(21,491)
<b>Net change in total pension liability</b>	<b>\$ 30,001</b>	<b>\$ 33,803</b>	<b>\$ 33,467</b>	<b>\$ 48,421</b>	<b>\$ 24,630</b>	<b>\$ (2,091)</b>
<b>Total pension liability - beginning</b>	<b>327,018</b>	<b>357,019</b>	<b>390,822</b>	<b>424,289</b>	<b>472,710</b>	<b>497,340</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 357,019</b>	<b>\$ 390,822</b>	<b>\$ 424,289</b>	<b>\$ 472,710</b>	<b>\$ 497,340</b>	<b>\$ 495,249</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	31,811	34,491	28,221	41,287	41,890	27,240
Contributions - employee	11,375	12,426	10,143	10,322	10,473	10,549
Net investment income	24,121	6,115	3,014	34,329	24,589	27,101
Benefit payments, including refunds of employee contributions	(17,791)	(15,694)	(18,540)	(22,069)	(24,541)	(21,491)
Administrative expense	(366)	(435)	(480)	(592)	(704)	(794)
Other	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>49,150</b>	<b>36,903</b>	<b>22,358</b>	<b>63,277</b>	<b>51,707</b>	<b>42,605</b>
<b>Plan fiduciary net position - beginning</b>	<b>153,507</b>	<b>202,657</b>	<b>239,560</b>	<b>261,918</b>	<b>325,195</b>	<b>376,902</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 202,657</b>	<b>\$ 239,560</b>	<b>\$ 261,918</b>	<b>\$ 325,195</b>	<b>\$ 376,902</b>	<b>\$ 419,507</b>
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 154,362</b>	<b>\$ 151,262</b>	<b>\$ 162,371</b>	<b>\$ 147,515</b>	<b>\$ 120,438</b>	<b>\$ 75,742</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>56.76%</b>	<b>61.30%</b>	<b>61.73%</b>	<b>68.79%</b>	<b>75.78%</b>	<b>84.71%</b>
<b>Covered-employee payroll</b>	<b>\$ 488,799</b>	<b>\$ 453,557</b>	<b>\$ 449,092</b>	<b>\$ 440,159</b>	<b>\$ 438,109</b>	<b>\$ 472,390</b>
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>31.58%</b>	<b>33.35%</b>	<b>36.16%</b>	<b>33.51%</b>	<b>27.49%</b>	<b>16.03%</b>

**City of Cherokee, Oklahoma**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Oklahoma Municipal Retirement Plan**  
 Year Ended June 30, 2020

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>
City's portion of the net pension liability (asset)	0.0325%	0.0310%	0.0333%	0.0302%	0.2888%	0.1816%
City's proportionate share of the net pension liability (asset)	\$ 154,362	\$ 151,262	\$ 162,371	\$ 147,515	\$ 120,438	\$ 75,742
City's covered-employee payroll	\$ 488,799	\$ 453,557	\$ 449,092	\$ 440,159	\$ 438,109	\$ 472,390
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.58%	33.35%	36.16%	33.51%	27.49%	16.03%
Plan fiduciary net position as a percentage of the total pension liability	81.85%	82.22%	80.91%	82.66%	99.98%	99.99%

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

**SCHEDULE OF CITY CONTRIBUTIONS**  
**Oklahoma Municipal Retirement Plan**

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>
Actuarially determined contribution	\$ 31,811	\$ 34,491	\$ 28,221	\$ 41,287	\$ 41,890	\$ 27,240
Contributions in relation to the actuarially determined contribution	(31,811)	(39,890)	(43,980)	(45,169)	(37,790)	(23,948)
Contribution deficiency (excess)	\$ -	\$ (5,399)	\$ (15,759)	\$ (3,882)	\$ 4,100	\$ 3,292
City's covered-employee payroll	\$ 488,799	\$ 453,557	\$ 449,092	\$ 440,159	\$ 438,109	\$ 472,390
Contributions as a percentage of covered-employee payroll	6.51%	7.60%	6.28%	9.38%	9.56%	5.77%

Only the current 5 fiscal years are presented because 10 year data is not yet available.