



CITY OF
ADA, OKLAHOMA

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

THE CITY OF ADA, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

**Prepared By:
City of Ada Finance Department**

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Ada, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ada, Oklahoma (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ada Arts and Heritage Authority, which represents approximately 13%, 12%, and 19%, respectively, of the total assets, net position, and revenues of the aggregate discretely presented component units of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ada Arts and Heritage Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' Responsibility, Continued

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison information, and the schedule of OPEB funding progress on pages 9 through 19, pages 56 through 58, and page 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 combining statements of general fund accounts, the combining statements of nonmajor governmental funds, the combining statements of the APWA Enterprise Fund, and the schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining statements of general fund accounts, the combining statements of nonmajor governmental funds, the combining statements of the APWA Enterprise Fund, the schedule of expenditures of state awards, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
January 7, 2015

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

As management of the City of Ada, we offer readers this narrative overview and analysis of the financial activities of the City of Ada for the fiscal year ended June 30, 2014. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$8,040,401 and the assets of the City exceeded its liabilities at June 30, 2014, by \$97,626,859 (net position). Of this amount, \$22,623,488 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$25,018,850. Of this amount, \$1,651,466 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2014, unassigned fund balance for the General Fund was \$1,651,466 or 14% of General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Ada (the "City"), the Ada Public Works Authority (the "Authority") and other component units. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type, along with two discretely-presented component units. This discussion and analysis focuses on the primary government, composed of the City of Ada and Ada Public Works Authority.

The governmental-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) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City of Ada's basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 21 & 22, respectively) report information about the City as a whole and about its activities in a way that helps answer questions. These statements include all assets and liabilities 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.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

These two statements report the City's Net Position and changes in Net Position from the prior year. You can think of the City's Net Position – the difference between assets and deferred outflows and 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 non-financial 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 of the City.

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's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, solid waste collections utilities and economic development are reported here.
- Discretely-presented component units – These account for activities of the City's reporting entity that do not meet the criteria for blending, and include the Hospital Authority and the Arts & Heritage Authority.

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. The City of Ada, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of the funds of the City of Ada can be divided into two categories: governmental funds and proprietary funds.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". 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 each governmental fund financial statement.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

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. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, solid waste collection, disposal services, and economic development activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2014, net position for the governmental activities and business-type activities increased \$8,040,401. The results indicate the City, as a whole, incurred an increase in its financial condition from the prior year.

Following is a summary comparison of change in net position from last year for the City of Ada.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Current assets	\$ 26,317	\$ 25,667	3%	\$ 24,149	\$ 23,282	4%	\$ 50,466	\$ 48,949	3%
Capital assets, net	29,533	25,488	16%	26,041	23,893	9%	55,574	49,381	13%
Total assets	55,850	51,155	9%	50,190	47,175	6%	106,040	98,330	8%
Current liabilities	683	670	2%	1,119	1,162	-4%	1,802	1,832	-2%
Non-current liabilities	938	949	-1%	5,674	5,963	-5%	6,612	6,912	-4%
Total liabilities	1,621	1,619	0%	6,793	7,125	-5%	8,414	8,744	-4%
Net position									
Net investment in capital assets	29,512	25,418	16%	22,801	20,238	13%	52,313	45,656	15%
Restricted	18,576	18,303	1%	4,114	3,885	6%	22,690	22,188	2%
Unrestricted	6,141	5,815	6%	16,482	15,927	3%	22,623	21,742	4%
Total net position	\$ 54,229	\$ 49,536	9%	\$ 43,397	\$ 40,050	8%	\$ 97,626	\$ 89,586	9%

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the net investment in capital assets amounted to \$52.3 million. 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.

A portion of the City's net position, \$22.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$22.6 million, may be used to meet the government's ongoing obligations to citizens and creditors.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Change in Net Position

For the year ended June 30, 2014 net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues									
Charges for service	\$ 920	\$ 887	4%	\$ 10,014	\$ 10,009	0%	\$ 10,934	\$ 10,896	-
Operating grants and contributions	791	801	-1%	-	-	-	791	801	-1%
Capital grants and contributions	1,303	363	259%	-	93	-100%	1,303	456	186%
Taxes	17,314	16,677	4%	-	-	-	17,314	16,677	4%
Intergovernmental revenue	315	303	4%	-	-	-	315	303	4%
Investment income	153	132	16%	118	109	8%	271	241	12%
Miscellaneous	1,094	679	61%	435	337	29%	1,529	1,016	50%
Total revenues	21,890	19,842	10%	10,567	10,548	0%	32,457	30,390	7%
Expenses									
General government	4,237	3,871	9%	-	-	-	4,237	3,871	9%
Streets	2,122	2,266	-6%	-	-	-	2,122	2,266	-6%
Public safety	6,302	6,329	0%	-	-	-	6,302	6,329	0%
Cemetery	179	180	-1%	-	-	-	179	180	-1%
Legal and judicial	255	233	9%	-	-	-	255	233	9%
Culture and recreation	1,569	1,409	11%	-	-	-	1,569	1,409	11%
Community development	399	362	10%	-	-	-	399	362	10%
Airport	601	518	16%	-	-	-	601	518	16%
Interest on long-term debt	26	21	24%	-	-	-	26	21	24%
Water	-	-	-	2,805	2,964	-5%	2,805	2,964	-5%
Sewer	-	-	-	2,087	2,531	-18%	2,087	2,531	-18%
Sanitation	-	-	-	3,363	3,147	7%	3,363	3,147	7%
Economic development	-	-	-	472	485	-3%	472	485	-3%
Total expenses	15,690	15,189	3%	8,727	9,127	-4%	24,417	24,316	-
Excess (deficiency) before transfers	6,200	4,653	33%	1,840	1,421	29%	8,040	6,074	32%
Transfers	(1,507)	(1,429)	5%	1,507	1,429	5%	-	-	
Change in net position	4,693	3,224	46%	3,347	2,850	17%	8,040	6,074	32%
Beginning net position	49,536	46,312	7%	40,050	37,200	8%	89,586	83,512	7%
Ending net position	\$ 54,229	\$ 49,536	9%	\$ 43,397	\$ 40,050	8%	\$ 97,626	\$ 89,586	9%

The city's governmental activities capital grants and contributions increased approximately \$940,000 due in large part to airport activities grant revenue reimbursements of \$351,154, grants received from HUD in the amount of \$103,920 for the water tower, \$374,526 for a lift station and a \$246,000 from the U.S. Department of Interior.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

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, Expenditures, 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)

	Total Expense		% Inc.	Net Revenue		% Inc.
	of Services			(Expense)		
	<u>2014</u>	<u>2013</u>	<u>(Dec.)</u>	<u>of Services</u>	<u>(Dec.)</u>	
General government	\$ 4,237	\$ 3,871	9%	(\$3,714)	(\$3,676)	1%
Streets	2,122	2,266	-6%	(1,958)	(2,116)	-7%
Public Safety	6,302	6,329	0%	(4,868)	(5,188)	-6%
Cemetery	179	180	-1%	(115)	(119)	-3%
Legal and Judicial	255	233	9%	(255)	(233)	9%
Culture and Recreation	1,569	1,409	11%	(1,368)	(1,225)	12%
Community Development	399	362	10%	(399)	(362)	10%
Airport	601	518	16%	28	(197)	-114%
Interest on long-term debt	26	21	24%	(26)	(21)	24%
Total	<u>15,690</u>	<u>\$ 15,189</u>	3%	<u>(\$12,675)</u>	<u>(\$13,137)</u>	-4%

For the year ended June 30, 2014, total expenses for governmental activities amounted to \$15.7 million which is a 3.3% increase from the prior year.

The city's airport activities reported a decrease in net expenses of 114% due to grant revenue reimbursements to the OAC and the FAA that were made in the previous year.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Business-type Activities

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	<u>Total Expense</u> <u>of Services</u>		<u>% Inc.</u> <u>Dec.</u>	<u>Net Revenue</u> <u>(Expense)</u> <u>of Services</u>		<u>% Inc.</u> <u>Dec.</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Water	\$ 2,805	\$ 2,964	-5%	\$ 2,587	\$ 2,779	-7%
Wastewater	2,087	2,531	-18%	(713)	(1,068)	-33%
Sanitation	3,363	3,147	7%	(115)	(251)	-54%
Economic development	472	485	-3%	(472)	(485)	-3%
Total	\$ 8,727	\$ 9,127	-4%	\$ 1,287	\$ 975	32%

The city's business-type activities include utility services for water, sewer, sanitation and economic development.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$25 million, or a 3% increase from the prior year. The enterprise funds reported combined net position of \$43.4 million, or 8% increase from 2013.

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund's total fund balance decreased by \$210,359, or 4%, due to an increase in expenses and purchases of capital assets.
- The Street and Alley Fund's total fund balance decreased by \$763,700, due to expenses increasing for a \$1.1 million street improvement project in the current year.
- The APWA Enterprise Fund reported a net position increase before contributions and transfers of \$2,657,926.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

General Fund Budgetary Highlights

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues above final estimates by \$1,653,234 or a 13.8% positive variance. General Fund actual expenditures were under final appropriations by \$2,221,050 or a 13.8% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had approximately \$55.6 million invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of approximately \$6.2 million over last year.

Below are details regarding the City's capital assets for the years ended June 30, 2014 and 2013.¹

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1,315	\$ 1,315	\$ 2,217	\$ 2,211	\$ 3,532	\$ 3,526
Buildings and improvements	9,811	9,589	10,090	8,218	19,901	17,807
Machinery, furniture and equipment	2,812	2,961	1,573	1,782	4,385	4,743
Infrastructure	9,872	8,614	9,467	9,292	19,339	17,906
Water rights	-	-	1,182	1,182	1,182	1,182
Construction in progress	5,723	3,008	1,513	1,209	7,236	4,217
Totals	<u>\$ 29,533</u>	<u>\$ 25,487</u>	<u>\$ 26,042</u>	<u>\$ 23,894</u>	<u>\$ 55,575</u>	<u>\$ 49,381</u>

This year's more significant capital asset additions include a new dump truck for the cemetery department in the amount of \$94,550, police department vehicles in the amount of \$71,081, street improvements of approximately \$1.7 million, airport improvements of \$550,413 and wastewater improvements of approximately \$2.1 million.

(Unaudited. See accompanying auditor's report.)

¹ For more detailed information on capital asset activity please refer to page 38-40, Note 4. Capital Assets and Depreciation

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Long-Term Debt

At year-end, the City had \$7.4 million in long-term debt outstanding, which represents approximately a \$311,000 decrease from the prior year.²

TABLE 6
Long-Term Debt
(In Thousands)

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Accrued Compensation	\$ 733	\$ 764	\$ 451	\$ 454	\$ 1,184	\$ 1,218	-2.8%
Deposits subject to refund	-	-	712	690	712	690	3.2%
Landfill closure liability	-	-	1,831	1,724	1,831	1,724	6.2%
Capital leases	21	70	-	-	21	70	-70.0%
Notes payable	-	-	3,240	3,655	3,240	3,655	-11.4%
OPEB obligations	278	240	147	127	425	367	15.8%
Totals	\$ 1,032	\$ 1,074	\$ 6,381	\$ 6,650	\$ 7,413	\$ 7,724	-4.0%

ECONOMIC OUTLOOK

Fiscal Year 2013-2014 was a busy one for the City of Ada. The following report is designed to illustrate some of the city's activities during this period of time.

Propositions 1 and 2

Propositions 1 and 2 continue to generate strong revenues for the City of Ada. These measures combine to make up a penny sales tax dedicated to improvements throughout the City of Ada. Prop 1 is a three-quarter cent sales tax earmarked for infrastructure, such as streets, alleys, and water and sewer distribution systems. Prop 2 is a quarter-cent sales tax earmarked for economic development inside Ada city limits.

In Fiscal Year 2013-2014, Prop 1 generated close to \$2.8 million in revenue and Prop 2 generated more than \$927,000. Both of these are high water marks over the past five years. Continued support of these two sales tax measures is an extremely important factor to the continued growth and well-being of the city.

New Business/Construction

Cinemark completed its new eight-screen movie theater in the North Hills Shopping Center in Fiscal Year 2013-2014. The new theater has been very popular as Cinemark continues to provide high-quality and affordable entertainment for local families.

² For more detailed information on long-term debt activity please refer to page 40-42, Note 5. Long-Term Debt and Debt Service Requirements

**CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014**

Another project completed in Fiscal Year 2013-2014 is the Hampton Inn Hotel next to Santa Fe Steak House on Lonnie Abbott Industrial Boulevard. The total investment for this project exceeded \$5 million. This Hilton-affiliated hotel has 77 rooms and employs more than 20 people. Hotel bed space continues to be at a premium in Ada with demand showing no signs of slowing down.

Grocery chain Aldi started construction on its new store during Fiscal Year 2013-2014. The store also will be located on Lonnie Abbott Industrial Boulevard, just east of Santa Fe Steak House and the new Hampton Inn Hotel. Completion is expected by the end of the calendar year 2014.

“Penny For Our City” Sales Tax

Since August 2010, the City of Ada has been collecting a one-cent sales tax known as “Penny For Our City”. The penny is limited to a five-year lifespan and has been dedicated to a specific list of projects, including the construction of a new fire station, a new police station, and a new sports complex.

Through the end of Fiscal Year 2013-2014, the city has collected more than \$13 million. Fiscal Year 2013-2014 has seen the biggest single year collection amount at just over \$3.7 million.

One project on the list included an engineering study on the raw water lines between Byrds Mill Spring and the city’s water treatment facility. This project has been completed. Other projects include installation of new signage, signal poles, and street lights throughout the downtown district; and the renovation of older city buildings.

After four years of study and discussion by citizen advisory committees and city staff, the Ada City Council has decided on locations for the new sports complex, the new fire station, and the new police station.

The new police/911 station will be built directly south of City Hall, between 13th and 14th streets. Demolition on buildings at the selected site for the police station has begun.

The new sports complex will be built north of the city on State Highway 99, due east of the Council on Law Enforcement Education and Training facility. The new fire station will be built on the southeast corner of the intersection of 14th and Broadway. This site is very close to downtown and only two blocks south of the current Central Fire Station.

Movie Night in the Park

In 2013, the city purchased a 20-foot movie screen and projector so that it could show free movies for the general public. Movies are shown south of Wintersmith Lodge enabling citizens easier access to bathrooms and parking. Overall, this has been a great success with large numbers attending these events.

In addition to movies, inflatables are made available for children. Kiwanis Fun Park stays open late and provides snacks, rides, and other family-oriented activities.

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The movie screen and projector have been utilized for other events around the city, including the annual Ada Air Expo and a recent street festival.

Wintersmith Dam Rehabilitation Project/Other Park Improvements

The apron of Ada's historic dam, located at the south end of Wintersmith Lake in picturesque Wintersmith Park, is being rehabilitated thanks to a federal "Save America's Treasures" grant disbursed through the National Park Service. The entire park is on the National Register of Historic Places and the dam itself is more than 100 years old.

Other improvements in Wintersmith Park are in the works, including new restroom facilities, improvements to the Wintersmith Amphitheater, and complete renovation of the historic monkey enclosure, which will become a covered pavilion that will provide a facility for events in all kinds of weather.

Community Branding/Beautification Efforts

In Fiscal Year 2013-2014, the City of Ada – in conjunction with the Ada Chamber of Commerce and volunteer residents – completed a "community branding" project. This project was called "Take P.A.R.T." – which stands for "Planning Ada Right, Together".

This project was designed to determine Ada's future trajectory, particularly in terms of quality of life. The process involved five committees focusing on particular tasks and goals. Those areas of study and discussion focused on economic development, education, parks and recreation, beautification, and leadership.

The city contracted TadZo Consulting to help develop a new slogan and logo. The new slogan is "Small Town, Big Opportunity". The new logo features shades of blue and green integrated into a unique design.

The new logo and slogan have been incorporated into not only city documentation (paper and digital), but also by the Ada Area Chamber of Commerce, and the Ada Jobs Foundation. The idea is to present unity among all community leaders in the effort to improve quality of life and level of service in Ada.

Another activity that grew out of the Take P.A.R.T. process was the Yard of the Month award, which emphasizes the beautification component. Each month, residents may nominate themselves or neighbors' yards in the community. The beautification reviews the nominations and selects a monthly winner, recognizing the citizen and placing a sign in the yard. The idea is to promote pride in a resident's home and, by extension, the community as a whole.

Scenic Drive/South-Side Water Tower

Two major projects were addressed during Fiscal Year 2013-2014 – the complete reconstruction of Scenic Drive between Stadium Drive and 18th Street, and the design phase of the new south-side water storage tower.

CITY OF ADA, OKLAHOMA
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Scenic Drive connects the southeast corner of the campus of East Central University with the northwest corner historic Wintersmith Park. The street was widened to include a pedestrian sidewalk and a bicycle lane. This passage is heavily traveled year round. The street was rebuilt with a long-lasting concrete surface.

The new south-side water storage tower will be built along Kerr Lab Drive south of State Highway 3. The new composite tower is a pedestal type, made of steel and concrete. It will store one million gallons of fresh water. The tower expands the city's water storage capacity to three million gallons. The tower was built on the south side of Ada because of the growth – both current and planned – in that part of town.

Shop Ada Advertising Campaign

The City of Ada, the Ada Area Chamber of Commerce, and the Ada Jobs Foundation joined forces in Fiscal Year 2013-2014 to promote shopping local.

A series of short commercials was produced and shared on television and online through social media, each one explaining how shopping local benefits quality of life for Ada residents. In particular, the ads reminded citizens that sales tax generated locally are reinvested in the community, which in turn benefits them.

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 231 South Townsend, Ada, Oklahoma or phone at (580) 436-6300.

(Unaudited. See accompanying auditor's report.)

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

BASIC FINANCIAL STATEMENTS - STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Statement of Net Position– June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Valley View Hospital Authority	Ada Arts and Heritage Authority
ASSETS					
Cash and cash equivalents	\$ 23,134,623	\$ 22,249,551	\$ 45,384,174	\$ 6,282	\$ 44,617
Investments	201,021	-	201,021	1,153,644	34,927
Accounts receivable, net of allowance	-	1,659,072	1,659,072	-	-
Franchise tax receivable	84,508	-	84,508	-	-
Court fines receivable, net of allowance	610,201	-	610,201	-	-
Internal balances	(240,089)	240,089	-	-	-
Due from other governments	2,407,079	-	2,407,079	-	-
Prepaid expenses	-	-	-	-	147
Other receivables	90,156	-	90,156	-	-
Inventory	29,947	-	29,947	-	-
Notes receivable:					
Due within one year	-	-	-	-	-
Capital Assets:					
Land and construction in progress	7,037,194	4,911,747	11,948,941	-	-
Other capital assets, net of depreciation	22,495,559	21,129,776	43,625,335	54,918	94,921
Total Assets	<u>\$ 55,850,199</u>	<u>\$ 50,190,235</u>	<u>\$ 106,040,434</u>	<u>\$ 1,214,844</u>	<u>\$ 174,612</u>
LIABILITIES					
Accounts payable	\$ 300,861	\$ 267,038	\$ 567,899	-	454
Accrued payroll liabilities	278,321	132,920	411,241	-	375
Accrued interest payable	-	12,176	12,176	-	-
Due to other governments	6,167	-	6,167	-	-
Due to bondholders	3,062	-	3,062	-	-
Deposits subject to refund	-	-	-	-	3,844
Long-term liabilities:					
Due within one year	94,346	706,523	800,869	-	-
Due in more than one year	938,178	5,673,983	6,612,161	-	-
Total liabilities	<u>\$ 1,620,935</u>	<u>\$ 6,792,640</u>	<u>\$ 8,413,575</u>	<u>-</u>	<u>\$ 4,673</u>
NET POSITION					
Net investment in capital assets	29,511,728	22,801,523	52,313,251	54,918	94,921
Restricted via:					
Expendable Endowment	-	-	-	1,153,644	-
State statutes, debt indentures and external parties	374,077	-	374,077	-	-
Enabling legislation	18,201,776	4,114,267	22,316,043	-	-
Unrestricted	6,141,683	16,481,805	22,623,488	6,282	75,018
Total net position	<u>\$ 54,229,264</u>	<u>\$ 43,397,595</u>	<u>\$ 97,626,859</u>	<u>\$ 1,214,844</u>	<u>\$ 169,939</u>

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Statement of Activities –Year Ended June 30, 2014

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Valley View Hospital Authority	Ada Arts and Heritage Authority
Primary government									
Governmental Activities									
General Government	\$ 4,236,283	\$ 119,705	\$ -	\$ 403,079	\$ (3,713,499)	\$ -	\$ (3,713,499)	\$ -	\$ -
Streets	2,121,754	-	163,913	-	(1,957,841)	-	(1,957,841)	-	-
Public Safety	6,302,421	433,742	602,824	397,481	(4,868,374)	-	(4,868,374)	-	-
Cemetery	178,529	63,376	-	-	(115,153)	-	(115,153)	-	-
Legal and Judicial	255,343	-	-	-	(255,343)	-	(255,343)	-	-
Culture and Recreation	1,569,437	177,927	24,011	-	(1,367,499)	-	(1,367,499)	-	-
Community Development	399,479	-	-	-	(399,479)	-	(399,479)	-	-
Airport	600,656	125,801	-	502,441	27,586	-	27,586	-	-
Interest on Long-term debt	25,831	-	-	-	(25,831)	-	(25,831)	-	-
Total governmental activities	<u>15,689,733</u>	<u>920,551</u>	<u>790,748</u>	<u>1,303,001</u>	<u>(12,675,433)</u>	<u>-</u>	<u>(12,675,433)</u>	<u>-</u>	<u>-</u>
Business-Type Activities:									
Water operations	2,805,295	5,392,570	-	-	-	2,587,275	2,587,275	-	-
Sewer operations	2,087,116	1,373,719	-	-	-	(713,397)	(713,397)	-	-
Sanitation operations	3,363,128	3,247,385	-	-	-	(115,743)	(115,743)	-	-
Economic Development	471,382	-	-	-	-	(471,382)	(471,382)	-	-
Total business-type activities	<u>8,726,921</u>	<u>10,013,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,286,753</u>	<u>1,286,753</u>	<u>-</u>	<u>-</u>
Total primary government	\$ 24,416,654	\$ 10,934,225	\$ 790,748	\$ 1,303,001	\$ (12,675,433)	\$ 1,286,753	\$ (11,388,680)	\$ -	\$ -
Component Units:									
Arts, culture and recreation	\$ 35,861	\$ -	\$ 28,135	\$ -				\$ -	\$ (7,726)
Hospital and health care	33,995	-	-	-				(33,995)	-
Total Component Units	\$ 69,856	\$ -	\$ 28,135	\$ -				\$ (33,995)	\$ (7,726)
General revenues:									
Taxes:									
Sales and use taxes					\$ 15,754,393	\$ -	\$ 15,754,393	\$ -	\$ -
Property taxes					125,392	-	125,392	-	-
Franchise taxes and public service taxes					811,910	-	811,910	-	-
Payment in lieu of tax					96,435	-	96,435	-	-
E-911 taxes					525,651	-	525,651	-	-
Intergovernmental revenue not restricted to specific programs					315,197	-	315,197	-	-
Investment income					153,120	117,636	270,756	128,211	1,145
Miscellaneous					1,093,792	435,555	1,529,347	-	-
Transfers - Internal activity					(1,506,947)	1,506,947	-	1,025,439	-
Total general revenues and transfers					<u>17,368,943</u>	<u>2,060,138</u>	<u>19,429,081</u>	<u>1,153,650</u>	<u>1,145</u>
Change in net position					4,693,510	3,346,891	8,040,401	1,119,655	(6,581)
Net position - beginning					49,535,754	40,050,704	89,586,458	95,189	176,520
Net position - ending					<u>\$ 54,229,264</u>	<u>\$ 43,397,595</u>	<u>\$ 97,626,859</u>	<u>\$ 1,214,844</u>	<u>\$ 169,939</u>

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Governmental Funds Balance Sheet - June 30, 2014

	Special Revenue Funds			Capital Project Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	EMS Fund	Street and Alley Fund	Sales Tax Infrastructure Fund	Sales Tax Capital Facility		
ASSETS							
Cash and cash equivalents	\$ 3,813,074	\$ 1,424,913	\$ 3,422,395	\$ 2,683,093	\$ 10,273,415	\$ 1,494,630	\$ 23,111,520
Investments	201,021	-	-	-	-	-	201,021
Receivables:							
Due from other governments	1,368,322	-	130,512	351,662	468,883	87,700	2,407,079
Franchise taxes receivable	84,508	-	-	-	-	-	84,508
Court fines receivable	610,201	-	-	-	-	-	610,201
Other receivables	43,751	-	-	-	-	46,405	90,156
Total assets	<u>\$ 6,120,877</u>	<u>\$ 1,424,913</u>	<u>\$ 3,552,907</u>	<u>\$ 3,034,755</u>	<u>\$ 10,742,298</u>	<u>\$ 1,628,735</u>	<u>\$ 26,504,485</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 95,512	\$ -	\$ 867	\$ 100,742	\$ 75,596	\$ 28,144	\$ 300,861
Accrued payroll liabilities	230,280	-	-	30,497	-	17,544	278,321
Due to other funds	240,089	-	-	-	-	-	240,089
Due to other governments	6,167	-	-	-	-	-	6,167
Due to bondholders	3,062	-	-	-	-	-	3,062
Total liabilities	<u>575,110</u>	<u>-</u>	<u>867</u>	<u>131,239</u>	<u>75,596</u>	<u>45,688</u>	<u>828,500</u>
Deferred inflows of resources:							
Deferred revenue	<u>577,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,449</u>	<u>657,135</u>
Fund balances:							
Restricted	11,534	1,394,615	3,417,696	2,578,094	10,560,026	229,993	18,191,958
Committed	-	-	-	-	-	26,764	26,764
Assigned	3,305,081	30,298	134,344	325,422	106,676	1,246,841	5,148,662
Unassigned	1,651,466	-	-	-	-	-	1,651,466
Total fund balances	<u>4,968,081</u>	<u>1,424,913</u>	<u>3,552,040</u>	<u>2,903,516</u>	<u>10,666,702</u>	<u>1,503,598</u>	<u>25,018,850</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,120,877</u>	<u>\$ 1,424,913</u>	<u>\$ 3,552,907</u>	<u>\$ 3,034,755</u>	<u>\$ 10,742,298</u>	<u>\$ 1,628,735</u>	<u>\$ 26,504,485</u>

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2014

	Special Revenue Funds			Capital Project Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	EMS Fund	Street and Alley Fund	Sales Tax Infrastructure Fund	Sales Tax Capital Facility		
REVENUES							
Taxes	\$ 9,293,521	\$ -	\$ 820,706	\$ 2,800,067	\$ 3,733,421	\$ 650,227	\$ 17,297,942
Intergovernmental	1,302,663	-	163,913	471,886	-	565,288	2,503,750
Licenses and permits	116,855	-	-	-	-	-	116,855
Charges for services	246,764	-	-	-	-	148,045	394,809
Fees and fines	429,328	-	-	-	-	-	429,328
Investment earnings	50,262	8,640	19,732	16,255	54,682	3,638	153,209
Miscellaneous	533,735	-	-	132,199	-	433,691	1,099,625
Total revenues	<u>11,973,128</u>	<u>8,640</u>	<u>1,004,351</u>	<u>3,420,407</u>	<u>3,788,103</u>	<u>1,800,889</u>	<u>21,995,518</u>
EXPENDITURES							
Current:							
General government	3,684,999	-	-	252,222	-	66,641	4,003,862
Public Safety	5,294,766	120,000	-	-	-	621,278	6,036,044
Streets and highways	725,463	-	214,592	593,829	-	-	1,533,884
Legal and judicial	217,957	-	-	-	-	-	217,957
Cemetery	166,757	-	-	-	-	-	166,757
Culture and recreation	1,354,887	-	-	-	-	70,743	1,425,630
Community development	396,732	-	-	-	-	-	396,732
Airport	-	-	-	-	-	243,321	243,321
Water	-	-	-	2,440	-	-	2,440
Sewer	-	-	-	363,706	-	-	363,706
Capital outlay	724,826	-	1,128,359	951,185	2,137,745	717,615	5,659,730
Debt service:							
Principal	48,813	-	-	-	-	101,512	150,325
Interest and other charges	2,242	-	-	-	-	23,589	25,831
Total expenditures	<u>12,617,442</u>	<u>120,000</u>	<u>1,342,951</u>	<u>2,163,382</u>	<u>2,137,745</u>	<u>1,844,699</u>	<u>20,226,219</u>
Excess (deficiency) of revenues over expenditures	<u>(644,314)</u>	<u>(111,360)</u>	<u>(338,600)</u>	<u>1,257,025</u>	<u>1,650,358</u>	<u>(43,810)</u>	<u>1,769,299</u>
OTHER FINANCING SOURCES (USES)							
Miscellaneous	-	-	-	-	-	1,065	1,065
Judgement proceeds	-	-	-	-	-	66,641	66,641
Transfers in	2,270,142	-	1,034,549	91,594	-	756,100	4,152,385
Transfers out	(1,836,187)	-	(1,459,649)	(1,646,808)	(286,545)	(56,526)	(5,285,715)
Total other financing sources and uses	<u>433,955</u>	<u>-</u>	<u>(425,100)</u>	<u>(1,555,214)</u>	<u>(286,545)</u>	<u>767,280</u>	<u>(1,065,624)</u>
Net change in fund balances	(210,359)	(111,360)	(763,700)	(298,189)	1,363,813	723,470	703,675
Fund balances - beginning	5,178,440	1,536,273	4,315,740	3,201,705	9,302,889	780,128	24,315,175
Fund balances - ending	<u>\$ 4,968,081</u>	<u>\$ 1,424,913</u>	<u>\$ 3,552,040</u>	<u>\$ 2,903,516</u>	<u>\$ 10,666,702</u>	<u>\$ 1,503,598</u>	<u>\$ 25,018,850</u>

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

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

Total fund balance, governmental funds	\$	25,018,850
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 \$52,310,667		<u>29,532,753</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:		
Court fines receivable, net of allowance for doubtful accounts of \$610,201		542,664
Property taxes receivable		6,260
Grant receivable		87,529
Payment in Lieu of taxes receivable		<u>20,682</u>
		<u>657,135</u>
Internal service funds are used by management to charge the costs of certain activities, such as inventory, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position:		
Net Position of the Internal Service Fund		<u>53,050</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Capital lease obligations payable		(21,025)
Accrued compensated absences		(733,210)
Unfunded OPEB obligations		<u>(278,289)</u>
		<u>(1,032,524)</u>
Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>54,229,264</u></u>

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities:

Net change in fund balances - total governmental funds:	\$	703,675
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlay and issue costs as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		5,474,649
Depreciation expense		<u>(1,429,627)</u>
		<u>4,045,022</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenue		<u>(104,352)</u>
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:		
Capital lease obligation principal payments		<u>48,813</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in accrued compensated absences expenses		30,542
Change in unfunded OPEB obligations		<u>(37,601)</u>
		<u>(7,059)</u>
Internal service funds are used by management to charge the costs of certain activities, such as inventory, to individual funds. The asset and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position:		
Change in net position of the Internal Service Fund		<u>7,411</u>
Change in net position of governmental activities	\$	<u><u>4,693,510</u></u>

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Proprietary Funds Statement of Net Position - June 30, 2014

	Enterprise Funds			Internal Service Fund
	APWA Enterprise Fund	Economic Development Enterprise Fund	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 17,423,229	4,114,267	\$ 21,537,496	\$ 23,103
Restricted:				
Cash and cash equivalents	712,055	-	712,055	-
Accounts receivable, net of allowance of \$46,163	1,659,072	-	1,659,072	-
Inventory	-	-	-	29,947
Due from other funds	240,089	-	240,089	-
Total current assets	<u>20,034,445</u>	<u>4,114,267</u>	<u>24,148,712</u>	<u>53,050</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	3,729,516	-	3,729,516	-
Other capital assets, net of accumulated depreciation	22,312,007	-	22,312,007	-
Total non-current assets	<u>26,041,523</u>	<u>-</u>	<u>26,041,523</u>	<u>-</u>
Total assets	<u>\$ 46,075,968</u>	<u>\$ 4,114,267</u>	<u>\$ 50,190,235</u>	<u>\$ 53,050</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 267,038	\$ -	\$ 267,038	\$ -
Accrued payroll liabilities	132,920	-	132,920	-
Accrued interest payable	12,176	-	12,176	-
Due to depositors	71,205	-	71,205	-
Accrued compensated absences	45,104	-	45,104	-
Landfill closure liability	170,214	-	170,214	-
Notes payable	420,000	-	420,000	-
Total current liabilities	<u>1,118,657</u>	<u>-</u>	<u>1,118,657</u>	<u>-</u>
Non-current liabilities:				
Due to depositors	640,850	-	640,850	-
Accrued compensated absences	405,941	-	405,941	-
Landfill closure liability	1,660,184	-	1,660,184	-
Notes payable	2,820,000	-	2,820,000	-
Unfunded OPEB obligation	147,008	-	147,008	-
Total non-current liabilities	<u>5,673,983</u>	<u>-</u>	<u>5,673,983</u>	<u>-</u>
Total liabilities	<u>6,792,640</u>	<u>-</u>	<u>6,792,640</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	\$ 22,801,523	\$ -	\$ 22,801,523	\$ -
Restricted for economic development	-	4,114,267	4,114,267	-
Unrestricted	16,481,805	-	16,481,805	53,050
Total net position	<u>\$ 39,283,328</u>	<u>\$ 4,114,267</u>	<u>\$ 43,397,595</u>	<u>\$ 53,050</u>

See accompanying notes to the basic financial statements.

CITY OF ADA, OKLAHOMA
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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2014

	Enterprise Funds			Internal Service Fund
	APWA Enterprise Fund	Economic Development Enterprise Fund	Total	
REVENUES				
Water	\$ 5,242,515	\$ -	\$ 5,242,515	\$ -
Sewer	1,335,494	-	1,335,494	-
Sanitation	2,954,955	-	2,954,955	-
Solid waste fee	634	-	634	-
Recycling center	207,217	-	207,217	-
Lease revenue	81,453	-	81,453	-
Charges for inventory	-	-	-	80,726
Miscellaneous	272,859	-	272,859	-
Total operating revenues	<u>10,095,127</u>	<u>-</u>	<u>10,095,127</u>	<u>80,726</u>
OPERATING EXPENSES				
Administration	1,307,209	-	1,307,209	-
Billing and collecting	419,086	-	419,086	-
Public works director	240,792	-	240,792	-
Water and sewer line maintenance	967,732	-	967,732	-
Water plant	538,522	-	538,522	-
Liquid waste	617,286	-	617,286	-
Solid waste	2,190,129	-	2,190,129	-
Landfill	110,435	-	110,435	-
Other utility purposes	557,477	-	557,477	-
Economic development	-	471,382	471,382	-
Cost of inventory	-	-	-	73,315
Depreciation	883,289	-	883,289	-
Total Operating Expenses	<u>7,831,957</u>	<u>471,382</u>	<u>8,303,339</u>	<u>73,315</u>
Operating income (loss)	<u>2,263,170</u>	<u>(471,382)</u>	<u>1,791,788</u>	<u>7,411</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	96,143	21,493	117,636	-
Miscellaneous revenue	342,795	2,051	344,846	-
Gain on disposal of capital assets	9,256	-	9,256	-
Interest expense	(53,438)	-	(53,438)	-
Total non-operating revenue (expenses)	<u>394,756</u>	<u>23,544</u>	<u>418,300</u>	<u>-</u>
Income (loss) before transfers	2,657,926	(447,838)	2,210,088	7,411
Transfers in	7,311,718	927,480	8,239,198	-
Transfers out	(6,852,395)	(250,000)	(7,102,395)	-
Change in net position	<u>3,117,249</u>	<u>229,642</u>	<u>3,346,891</u>	<u>7,411</u>
Total net position - beginning	36,166,079	3,884,625	40,050,704	45,639
Total net position - ending	<u>\$ 39,283,328</u>	<u>\$ 4,114,267</u>	<u>\$ 43,397,595</u>	<u>\$ 53,050</u>

See accompanying notes to the basic financial statements.

CITY OF ADA, OKLAHOMA
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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014

	Enterprise Funds			Internal Service Fund
	PWA Enterprise Fund	Economic Development Enterprise Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,089,512	\$ -	\$ 10,089,512	\$ 80,726
Payments to suppliers	(3,173,935)	(471,382)	(3,645,317)	(72,015)
Payments to employees	(3,712,054)	-	(3,712,054)	-
Receipts of customer meter deposits	21,575	-	21,575	-
Interfund receipts/payments	22,259	-	22,259	-
Other receipts	342,795	2,051	344,846	-
Net cash provided by (used in) operating activities	<u>3,590,152</u>	<u>(469,331)</u>	<u>3,120,821</u>	<u>8,711</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	7,311,718	927,480	8,239,198	-
Transfers to other funds	(6,852,395)	(250,000)	(7,102,395)	-
Net cash provided by capital financing activities	<u>459,323</u>	<u>677,480</u>	<u>1,136,803</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(3,032,069)	-	(3,032,069)	-
Proceeds from sale of capital assets	10,116	-	10,116	-
Principal paid on debt	(415,000)	-	(415,000)	-
Interest and fiscal agent fees paid on debt	(54,998)	-	(54,998)	-
Net cash provided by (used in) capital and related financing activities	<u>(3,491,951)</u>	<u>-</u>	<u>(3,491,951)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	96,143	21,493	117,636	-
Net cash provided by investing activities	<u>96,143</u>	<u>21,493</u>	<u>117,636</u>	<u>-</u>
Net increase in cash and cash equivalents	653,667	229,642	883,309	8,711
Balances - beginning of year	<u>17,481,617</u>	<u>3,884,625</u>	<u>21,366,242</u>	<u>14,392</u>
Balances - end of year	<u>\$ 18,135,284</u>	<u>\$ 4,114,267</u>	<u>\$ 22,249,551</u>	<u>\$ 23,103</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 17,423,229	\$ 4,114,267	\$ 21,537,496	\$ 23,103
Restricted cash and cash equivalents - current	712,055	-	712,055	-
Total cash and cash equivalents, end of year	<u>\$ 18,135,284</u>	<u>\$ 4,114,267</u>	<u>\$ 22,249,551</u>	<u>\$ 23,103</u>
Reconciliation of operating income (loss) to net cash provided by Operating Activities:				
Operating income (loss)	\$ 2,263,170	\$ (471,382)	\$ 1,791,788	\$ 7,411
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	883,289	-	883,289	-
Other non-operating revenues	342,795	2,051	344,846	-
Change in assets and liabilities:				
Due from other funds	22,259	-	22,259	-
Inventory	-	-	-	1,300
Receivables, net	(5,615)	-	(5,615)	-
Accounts payable	(76,071)	-	(76,071)	-
Accrued payroll liabilities	15,148	-	15,148	-
Due to depositors	21,575	-	21,575	-
Landfill closure liability	106,879	-	106,879	-
Other post employment liability	19,740	-	19,740	-
Accrued compensated absences	(3,017)	-	(3,017)	-
Net cash provided by (used in) operating activities	<u>\$ 3,590,152</u>	<u>\$ (469,331)</u>	<u>\$ 3,120,821</u>	<u>\$ 8,711</u>

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Ada), a blended component unit and two discretely presented component units as noted below. This annual report includes all activities for which the Ada City Council is fiscally responsible.

The City of Ada – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities

The City of Ada is an incorporated municipality with a population of approximately 17,000 located in south central Oklahoma. The City operates under the Home Rule Charter form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- 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 Manager.

Component Units:

The Ada Public Works Authority – a blended component unit that operates the water, sewer, and sanitation activities of the City

Component units that are discretely presented in the City's report in a separate column are presented below.

The Valley View Hospital Authority – that operates to finance and develop the hospital and other medicinal activities of the City.

The Ada Arts and Heritage Authority – that operates The Arts and Heritage Center. Separately audited component unit financial statements are issued by the Ada Arts and Heritage Authority and may be obtained by contacting their administrative offices.

The following component units are inactive and therefore no related balances have been reported in these financial statements.

The Ada Parking Authority – that operates to furnish and supply public off-street parking services and facilities.

The Ada Youth Academy Authority – that operates to promote, develop, and finance projects or facilities relating to the development of law enforcement and corrections. Established June 30th, 2010.

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In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units for which the City is financially accountable. Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. 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 Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- Public Safety – Fire and Police – fines and forfeitures, fire run charges, 911 revenue, operating and capital grants
- Airport – rental fees, fuel sales, and capital grants
- Streets and Highways – Commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation – lodge fees, pool fees, library fees, operating grants
- Cemetery – cemetery revenues
- General Government – license and permits, rentals and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for general operations of the City including: public safety, parks, public facilities, street maintenance, and internal service support.
- EMS Fund – accounts for dedicated sales tax collected in 1982 and 1983 to subsidize the ambulance service.

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- Street and Alley Fund – accounts for receipt and use of motor vehicle tax, gasoline excise tax, and use tax.
- Sales Tax Infrastructure Fund – accounts for dedicated sales tax to be used for capital improvements to streets and alleys, water system, and sewer system.
- Sales Tax Capital Facilities Fund – accounts for dedicated sales tax to be used for capital improvements.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

- Dare Donations Fund – accounts for donations to provide educational materials to area schools for drug prevention.
- Library Memorial Fund – accounts for donations and memorials to be used for library improvements.
- Library State Aid Fund – accounts for the State Department of Libraries annual grant.
- Drug Forfeiture Fund-State/Local– accounts for City’s share of funds from various multi-jurisdictional operations.
- Drug Forfeiture Fund-Federal – accounts for the City’s share of funds from various multi-jurisdictional operations.
- E911 Fund – accounts for collections for the operation of county wide enhanced 911 services.
- Bureau of Justice Assistance Fund – accounts for the U.S. Department of Justice Recovery Act Justice Assistance Grant.
- Park/ Tree Donations – accounts for donations for park and public facility improvements.

Capital Project Funds:

- Cemetery Care Fund – accounts for 25 percent of cemetery revenue (12.5 percent is restricted by State law) for cemetery capital improvements.
- Little Red School House Fund – accounts for funds received to maintain the Little Red School House and the Cabin located at Wintersmith Park.
- Property Owner Participation – accounts for citizen’s participation with City on sidewalk and other infrastructure improvements.
- Airport/Agricultural Cash Fund – accounts for the activities of the municipal airport.

Debt Service Fund:

- Sinking Fund – accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments and their related interest expenses.

The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

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The General Fund, EMS Fund, Street & Alley Fund, Sales Tax Infrastructure Fund and the Sales Tax Capital Facilities Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

Proprietary Funds:

The City's proprietary funds include:

- APWA Enterprise Fund - that accounts for the activities of the Ada Public Works Authority public trust in providing water, sewer, and sanitation services to the public
- Economic Development Enterprise Fund - that currently accounts for the transfer of a ¼ cent dedicated sales tax to be used for economic development
- Internal Service Fund – that accounts for the acquisition of centralized inventory items and the charges to other funds and departments based on their use of the inventory items

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

3. Cash, Cash Equivalents, and Investments

For the purposes 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, and short-term investments with an original maturity of three-months or less, and money market investments. Investments consist of time deposits and U.S. agency bonds and notes. Certificates of deposit are reported at cost while investments in the U.S. agency bonds and notes are reported at fair value.

At June 30, 2014, the primary government held the following deposits and investments:

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Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits			\$ 45,372,365
			<u>45,372,365</u>
Investments:			
Investment in judgements	n/a	n/a	201,021
GNMA Bonds	5/20/2018	Aaa	163
FNMA Bonds - callable	8/25/2020	Aaa	990
GNMA Bonds	5/15/2025	Aaa	10,656
			<u>212,830</u>
Total deposits and investments			<u>\$ 45,585,195</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 45,384,174
Investments			201,021
			<u>\$ 45,585,195</u>

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized 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 least at a level of 103% of the uninsured deposits and accrued interest thereon. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2014, the City was fully insured or collateralized.

Investment Credit Risk – The City’s investment policy limits investments 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. U.S. agency mortgage-backed securities are permitted for the Emergency Medical Services Fund.
- b. Certificates of deposit or other evidences of deposits that are either insured or secured with acceptable collateral with an in-state financial institution.
- c. No-load money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a. and b.

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Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investments above, at June 30, 2014, all of the City's investments in debt securities were rated Aaa by Moody's Investor Service.

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's investment policy indicates that the investment portfolio, except for reserve funds and investments of the EMS Fund, shall remain sufficiently liquid to enable the City to meet all operating requirements as anticipated. It sets no specific limit on investment maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

As noted in the schedule of deposits and investments above, at June 30, 2014, the investments held by the City mature between 2018 through 2025 and are subject to early call or redemption.

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's investment policy requires diversification of investments to minimize the risk of loss resulting from over concentration of assets in a specific maturity period, issuer or class of securities. There may be times when investments are concentrated as to the type. This is acceptable as long as the investments are secured by the U.S. government or collateralized in a manner as set forth by the City's investment policy. Investments shall be chosen in a manner which promotes diversity by market sector, credit, and maturity.

At June 30, 2014, the City had \$11,809 (or 6%) of its investments in GNMA and FNMA Bonds and \$201,021 (or 94%) in judgments.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of Net Position are comprised of \$712,055 held by the Ada Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill).

Component Units:

Valley View Hospital Authority

Deposits

At June 30, 2014, the Authority had bank balances of \$6,282, none of which was uninsured or under collateralized. The carrying value of these deposits was \$6,282.

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Investments

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At June 30, 2014, the Authority has a \$1,153,644 of an expendable endowment investment. \$100,000 of the trust was donated by various doctors and others and is restricted for capital expenditures only at the hospital. There was a donation of stock and the dividend proceeds are to be used for the nurse auxiliary only (generally less than \$1,000 per year). The rest of the funds are to be spent for the benefit of the hospital but not restricted as to any specific purpose, as long as hospital related. In any event, funds cannot be disbursed by the trust department without prior approval by the trust authority board members. Minutes reflecting the board approval must be sent to the trust department prior to disbursement of the funds.

Interest Rate Risk – Interest rate risk is the risk that the fair value of an investment will decrease from rising interest rates. The Authority’s investment policy does not address interest rate risk. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority’s investment policy does not address credit risk. At June 30, 2014, the Authority’s investments in U.S. government obligations were directly guaranteed by the U.S. government.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, The Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority’s investment policy does not address how securities are to be held.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one issuer.

Ada Arts and Heritage Authority

Deposits

At June 30, 2014, the Authority had a bank balance of \$44,801. The carrying value of these deposits is \$44,801 at June 30, 2014.

Investments

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

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At June 30, 2014, the Authority had the following investments:

Arts and Heritage	Fair Value
Type	Value
Demand Deposits	\$ 44,617
Bristol Myers Squibb Company Common Stock	34,927
	\$ 79,544

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated assets are recorded at their fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993.

For the year ended June 30, 2014, capital assets balances changed as follows:

	Balance at July 1, 2013	Additions	Disposals	Interfund Transfers	Balance at June 30, 2014
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,314,579	\$ -	\$ -	\$ -	\$ 1,314,579
Construction in progress	3,008,405	5,165,249	2,451,039	-	5,722,615
Total capital assets not being depreciated	4,322,984	5,165,249	2,451,039	-	7,037,194
Other capital assets:					
Buildings and Improvements	15,430,685	645,911	-	-	16,076,596
Machinery, furniture and equipment	8,647,139	437,022	66,653	(5,932)	9,011,576
Infrastructure	48,038,506	1,679,548	-	-	49,718,054
Total other capital assets at historical cost	72,116,330	2,762,481	66,653	(5,932)	74,806,226
Less accumulated depreciation for:					
Buildings and Improvements	5,841,281	424,462	-	-	6,265,743
Machinery, furniture and equipment	5,685,986	583,664	64,611	(5,932)	6,199,107
Infrastructure	39,424,316	421,501	-	-	39,845,817
Total accumulated depreciation	50,951,583	1,429,627	64,611	(5,932)	52,310,667
Other capital assets, net	21,164,747	1,332,854	2,042	-	22,495,559
Governmental activities capital assets, net	\$ 25,487,731	\$ 6,498,103	\$ 2,453,081	\$ -	\$ 29,532,753

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	Balance at July 1, 2013	Additions	Disposals	Interfund Transfers	Balance at June 30, 2014
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 938,890	\$ 6,000	\$ -	\$ -	\$ 944,890
Land-water development	1,271,707	-	-	-	1,271,707
Water rights	1,182,231	-	-	-	1,182,231
Construction in progress	1,209,150	2,857,709	2,553,940	-	1,512,919
Total capital assets not being depreciated	<u>4,601,978</u>	<u>2,863,709</u>	<u>2,553,940</u>	<u>-</u>	<u>4,911,747</u>
Other capital assets:					
Buildings and Improvements	18,418,831	2,168,489	-	-	20,587,320
Machinery, furniture and equipment	6,056,662	150,831	48,938	5,932	6,164,487
Utility property improvements	49,067,626	402,979	-	-	49,470,605
Total other capital assets at historical cost	<u>73,543,119</u>	<u>2,722,299</u>	<u>48,938</u>	<u>5,932</u>	<u>76,222,412</u>
Less accumulated depreciation for:					
Buildings and Improvements	10,201,254	296,321	-	-	10,497,575
Machinery, furniture and equipment	4,274,169	359,844	48,079	5,932	4,591,866
Utility property improvements	39,776,071	227,124	-	-	40,003,195
Total accumulated depreciation	<u>54,251,494</u>	<u>883,289</u>	<u>48,079</u>	<u>5,932</u>	<u>55,092,636</u>
Other capital assets, net	19,291,625	1,839,010	859	-	21,129,776
Business-type activities capital assets, net	<u>\$ 23,893,603</u>	<u>\$ 4,702,719</u>	<u>\$ 2,554,799</u>	<u>\$ -</u>	<u>\$ 26,041,523</u>

	Balance at July 1, 2013	Additions	Disposals	Interfund Transfers	Balance at June 30, 2014
Component units:					
Valley View Regional Hospital:					
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Other capital assets:					
Machinery, furniture and equipment	183,062	-	-	-	183,062
Total capital assets	<u>183,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,062</u>
Less accumulated depreciation for:					
Equipment	67,123	61,021	-	-	128,144
Total accumulated depreciation	<u>67,123</u>	<u>61,021</u>	<u>-</u>	<u>-</u>	<u>128,144</u>
Valley View Regional Hospital capital assets, net	<u>\$ 115,939</u>	<u>\$ (61,021)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,918</u>

	Balance at July 1, 2013	Additions	Disposals	Interfund Transfers	Balance at June 30, 2014
Ada Arts and Heritage Authority:					
Capital assets:					
Buildings and improvements	\$ 54,325	\$ 50,310	\$ -	\$ -	\$ 104,635
Furniture and equipment	39,053	-	-	-	39,053
Total capital assets	<u>93,378</u>	<u>50,310</u>	<u>-</u>	<u>-</u>	<u>143,688</u>
Less accumulated depreciation for:					
Buildings and improvements	15,890	662	-	-	16,552
Furniture and equipment	31,697	518	-	-	32,215
Total accumulated depreciation	<u>47,587</u>	<u>1,180</u>	<u>-</u>	<u>-</u>	<u>48,767</u>
Ada Arts and Heritage Authority capital assets, net	<u>\$ 45,791</u>	<u>\$ 49,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,921</u>

Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over useful lives. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

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- Buildings 50 years
- Improvements other than buildings 20-30 years
- Machinery, furniture and equipment 3-24 years
- Utility property and improvements 15-50 years
- General infrastructure 15-50 years

Depreciation 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 expense has been allocated as follows:

Governmental Activities:

General Government	\$ 74,813
Streets and Highways	650,411
Public Safety	234,258
Cemetery	15,993
Legal and Judicial	8,741
Culture and Recreation	99,938
Airport	343,396
Community Development	2,077
Total	<u>\$ 1,429,627</u>

Business-Type Activities:

Water	\$ 362,570
Sewer	257,335
Sanitation	263,384
Total	<u>\$ 883,289</u>

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 69,838	\$ -	\$ 48,813	\$ 21,025	\$ 21,025
Accrued compensated absences	763,752	-	30,542	733,210	73,321
Other post-employment benefit liability	240,688	37,601	-	278,289	-
Total Governmental Activities	<u>\$ 1,074,278</u>	<u>\$ 37,601</u>	<u>\$ 79,355</u>	<u>\$ 1,032,524</u>	<u>\$ 94,346</u>
Business-Type Activities:					
Notes payable	\$ 3,655,000	-	\$ 415,000	\$ 3,240,000	\$ 420,000
Accrued compensated absences	454,062	-	3,017	451,045	45,104
Deposits subject to refund	690,480	21,575	-	712,055	71,205
Landfill closure liability	1,723,519	106,879	-	1,830,398	170,214
Other post-employment benefit liability	127,268	19,740	-	147,008	-
Total Business-Type Activities	<u>6,650,329</u>	<u>148,194</u>	<u>418,017</u>	<u>6,380,506</u>	<u>706,523</u>
Total Long-Term Debt	<u>\$ 7,724,607</u>	<u>\$ 185,795</u>	<u>\$ 497,372</u>	<u>\$ 7,413,030</u>	<u>\$ 800,869</u>

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Governmental activities long-term debt:

Capital Lease Obligations:

\$303,995 lease obligation for the purchase of a pumper truck, payable in 84 monthly installments of \$4,255 with an annual interest rate of 4.705%, final payment due November 2014.

Current portion	\$ 21,025
Noncurrent portion	<u>-0-</u>
Total Capital Lease Obligations	<u>\$ 21,025</u>

Accrued Compensated Absences:

Current portion	\$ 73,321
Noncurrent portion	<u>659,889</u>
Total Accrued Compensated Absences	<u>\$ 733,210</u>

Business-type activities long-term debt:

Notes Payable:

\$4,055,000 Sales and Use Tax Revenue Note Series 2014 to Vision Bank, a current refunding of the outstanding portion of the lease/purchase agreement with Honeywell Global Finance, LLC for the replacement or retrofitting of water meters and efficiency upgrades to various City facilities, payable in 19 semi-annual principal installments ranging from \$125,000 to \$235,000 with an annual interest rate of 1.52%, final payment due October 1, 2021.

Current portion	\$ 420,000
Noncurrent portion	<u>2,820,000</u>
Total Notes Payable	<u>\$ 3,240,000</u>

Accrued Compensated Absences:

Current portion	\$ 45,104
Noncurrent portion	<u>405,941</u>
Total Accrued Compensated Absences	<u>\$ 451,045</u>

Deposits Subject to Refund:

Current portion	\$ 71,205
Noncurrent portion	<u>640,850</u>
Total Deposits Subject to Refund	<u>\$ 712,055</u>

Landfill Closure Liability:

Current portion	\$ 170,214
Noncurrent portion	<u>1,660,184</u>
Total Landfill Closure Liability	<u>\$ 1,830,398</u>

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

<u>Year Ending June 30,</u>	Governmental Debt	
	Capital	
	Lease Obligations	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 21,025	\$ 252
Totals	\$ 21,025	\$ 252

<u>Year Ending June 30,</u>	Business-Type Debt	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
	2015	\$ 420,000
2016	430,000	41,230
2017	435,000	34,694
2018	445,000	28,044
2019-2022	1,510,000	43,738
Totals	\$ 3,240,000	\$ 195,358

6. Landfill Closure and Post Closure Requirements

A \$1,830,398 accrued liability has been recognized in the Ada Public Works Authority to represent the total estimated amount owed by the Authority for closure and postclosure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations and represented the cumulative amount of such costs reported to date based on the use of approximately 72.89% of the estimated capacity of the landfill. It is estimated that an additional \$680,858 will be recognized as closure and postclosure expense between the current balance sheet date and the date the landfill is expected to be filled to capacity. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulation. The City expects to close the landfill in June 2018. The estimated remaining landfill life is 48 months.

7. Net Position and Fund Balances

Net Position:

Net position reported in the government-wide and proprietary fund financial statements are displayed in three components:

- a. *Net investment in capital assets* - 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 improvements of those assets.

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- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. *Assigned* – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process. In addition, any fund balance used to assist balancing the subsequent year’s budget is considered assigned.
- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund. In addition, any governmental fund, other than the General Fund which reports a deficit fund balance in total, is shown as negative unassigned fund balance.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet and Proprietary Fund Statement of Net Position restrictions:

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	General Fund	EMS Fund	Street & Alley Fund	Sales Tax Infrastructure Fund	Sales Tax Capital Facilities Fund	Other Governmental Funds	Total
Fund Balance:							
Restricted For:							
Grant purposes	11,534	-	-	-	-	-	11,534
EMS	-	1,394,615	-	-	-	-	1,394,615
Streets	-	-	3,417,696	-	-	-	3,417,696
Capital Improvements	-	-	-	2,578,094	10,560,026	-	13,138,120
D.A.R.E	-	-	-	-	-	4,556	4,556
Library	-	-	-	-	-	228,903	228,903
Police	-	-	-	-	-	(230)	(230)
E911	-	-	-	-	-	(136,440)	(136,440)
Parks	-	-	-	-	-	57,187	57,187
Cemetery	-	-	-	-	-	69,446	69,446
Little Red School House	-	-	-	-	-	140	140
Debt Service	-	-	-	-	-	6,431	6,431
Sub-total Restricted	<u>11,534</u>	<u>1,394,615</u>	<u>3,417,696</u>	<u>2,578,094</u>	<u>10,560,026</u>	<u>229,993</u>	<u>18,191,958</u>
Committed to:							
Library	-	-	-	-	-	26,764	26,764
Sub-total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,764</u>	<u>26,764</u>
Assigned to:							
Cemetery	-	-	-	-	-	205,701	205,701
Airport	-	-	-	-	-	731,561	731,561
E911	-	-	-	-	-	191,387	191,387
Police	-	-	-	-	-	1,784	1,784
Library	-	-	-	-	-	1,412	1,412
Capital Improvements	-	-	-	325,422	106,676	114,100	546,198
Streets	-	-	134,344	-	-	-	134,344
EMS	-	30,298	-	-	-	-	30,298
Parks	4,665	-	-	-	-	896	5,561
Health Insurance	961,350	-	-	-	-	-	961,350
Self Insurance	644,350	-	-	-	-	-	644,350
Advance Travel	1,802	-	-	-	-	-	1,802
Unemployment	108,998	-	-	-	-	-	108,998
Workers' Comp	480,056	-	-	-	-	-	480,056
Budget balancing purposes	1,103,860	-	-	-	-	-	1,103,860
Sub-total Assigned	<u>3,305,081</u>	<u>30,298</u>	<u>134,344</u>	<u>325,422</u>	<u>106,676</u>	<u>1,246,841</u>	<u>5,148,662</u>
Unassigned	1,651,466	-	-	-	-	-	1,651,466
Total Fund Balance	<u>\$ 4,968,081</u>	<u>\$ 1,424,913</u>	<u>\$ 3,552,040</u>	<u>\$ 2,903,516</u>	<u>\$ 10,666,702</u>	<u>\$ 1,503,598</u>	<u>\$ 25,018,850</u>

Enterprise Funds:

Restricted For Economic Development	<u>\$ 4,114,267</u>
Total Enterprise Fund Restrictions	<u>\$ 4,114,267</u>

Restricted Net Position – Governmental Activities:

The following table shows the net position restricted for other purposes as shown in the Statement of Net Position:

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Fund	Restricted By	Amount
Drug Forfeiture Federal Fund	Statutory requirements	\$ 50
Cemetery Care Fund	Statutory requirements	69,446
Sinking Fund	Statutory requirements	12,691
Sudden/Severe Economic Dislocation Fund	Other contracts - Contributors	1,104
D.A.R.E Fund	Other contracts - Contributors	4,556
Library Memorial Fund	Other contracts - Contributors	220,212
Library State Aid Fund	Other contracts - Contributors	8,691
Parks Donation Fund	Other contracts - Contributors	57,187
Little Red School House Fund	Other contracts - Contributors	140
		<u>374,077</u>
EMS Fund	Enabling legislation	\$ 1,394,615
Street and Alley Fund	Enabling legislation	3,417,696
E911 Fund	Enabling legislation	(136,440)
Sales Tax Infrastructure Fund	Enabling legislation	2,965,879
Sales Tax Capital Facilities Fund	Enabling legislation	10,560,026
		<u>18,201,776</u>
Component Unit:		
Valley View Regional Hospital Authority	Expendable Endowment	\$ 1,153,644

8. Sales Tax Revenue

Sales tax revenue represents a 4 cents tax on each dollar of taxable sales of which is recorded as follows:

- 2 ¼ cents is recorded in the General Fund. Of that amount ¼ cent is then transferred to the APWA. The APWA transfers the ¼ cent to the Economic Development Fund in accordance with Ordinance Nos. 02-10, 06-15, and 12-10. The remaining 2 cents is retained by the General Fund for operations in accordance with Ordinance No. 1414.
- ¾ cent is recorded in the Sales Tax Infrastructure Fund to be used for various infrastructure projects and improvements as per Ordinance Nos. 02-09, 06-14, and 12-09.
- 1 cent is recorded in the Sales Tax Capital Facility Fund to be used for capital improvements as per Ordinance No. 10-13.

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9. Property Tax Levy

Under State constitution and law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

At the present time the City levies a property tax to fund the annual debt service requirements of judgments outstanding. There are no outstanding general obligation bonds.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent nor more than 13 ½ percent.

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. Property taxes levied, but not collected during the year or within 60 days of year-end are reported as deferred revenue.

For the year ended June 30, 2014, the City's net assessed valuation of taxable property was \$85,903,239. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2014 was \$1.46 mills.

10. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2014, were as follows:

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Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Utility Enterprise Fund	\$ 927,480	Sales tax transfer
General Fund	Utility Enterprise Fund	741,984	Sales tax-2012 revenue bond
General Fund	Utility Enterprise Fund	49,812	Debt payments
General Fund	E911 Fund	66,000	Operating subsidy
Utility Enterprise Fund	E911 Fund	5,000	Operating subsidy
Utility Enterprise Fund	Liability Self Insurance Fund	55,000	Operating subsidy
Utility Enterprise Fund	Unemployment Insurance Fund	10,000	Operating subsidy
Utility Enterprise Fund	Workers Comp Fund	125,000	Operating subsidy
Utility Enterprise Fund	Utility Enterprise Fund (Sewer System)	2,818	Interest expense on interfund loan
Utility Enterprise Fund	General Fund	477,826	Health insurance premium transfer
Airport/Agriculture Fund	General Fund	5,168	Health insurance premium transfer
E911 Fund	General Fund	51,358	Health insurance premium transfer
Sales Tax Infrastructure	General Fund	106,956	Health insurance premium transfer
General Fund	Sewer System Fund	298	Interest expense on interfund loan
General Fund	Solid Waste Development Fund	12,113	Interest expense on interfund loan
Utility Enterprise Fund	General Fund	741,984	Sales tax-2012 revenue bond
Utility Enterprise Fund	General Fund	296,850	Subsidy for shared costs and leasing of assets
Utility Enterprise Fund	Airport/Agriculture Fund	160,000	Operating subsidy
Utility Enterprise Fund	Economic Development Fund	927,480	Sales tax transfer
Utility Enterprise Fund	Utility Enterprise Fund (Solid Waste Dev)	155,455	Portion of landfill collections
Utility Enterprise Fund	Street & Alley	250,000	Reimbursement of FAA/OAC grant
Utility Enterprise Fund	Street & Alley	784,549	Use tax - 2012 revenue bond
Street & Alley	General Fund	400,000	Operating subsidy
Street & Alley	E911 Fund	75,100	Operating subsidy
Street & Alley	Airport/Agriculture Fund	200,000	Terminal building
Street & Alley	Utility Enterprise Fund	784,549	Terminal building
Economic Development Fund	Airport/Agriculture Fund	250,000	Terminal building
Sales Tax Capital Facility	Utility Enterprise Fund	286,545	Purchase of capital assets
Utility Enterprise Fund (Solid Waste Development Account)	Utility Enterprise Fund	1,642,268	Purchase of capital assets
Utility Enterprise Fund	Utility Enterprise Fund (Overhead Water Sto)	50,000	Operating subsidy
General Fund	Utility Enterprise Fund (Overhead Water Sto)	36,000	Reverse PY receivable recorded in GF
General Fund	Utility Enterprise Fund	2,500	Reverse PY receivable recorded in GF
General Fund	Utility Enterprise Fund	6,276	Purchase of capital assets
Utility Enterprise Fund (Sewer System Fund)	Utility Enterprise Fund	958,353	Purchase of capital assets
Sales Tax Infrastructure	Utility Enterprise Fund	1,517,960	Purchase of capital assets
Utility Enterprise Fund (Rural Water Dist. #5 Account)	Sales Tax Infrastructure	91,594	Allocated portion of Sewer study
Sales Tax Infrastructure	Utility Enterprise Fund (Rural Water Dist. #5	21,892	Transfer portion of Latta/Reeves project
Utility Enterprise Fund (Rural Water Dist. #3 Account)	Utility Enterprise Fund	15,405	Purchase of capital assets
Utility Enterprise Fund (Rural Water Dist. #5 Account)	Utility Enterprise Fund	62,771	Purchase of capital assets
Utility Enterprise Fund Water Wells Trans Account)	Utility Enterprise Fund	37,239	Purchase of capital assets
Total		<u>\$ 12,391,583</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 4,152,385	\$ (5,285,715)	\$ (1,133,330)
Proprietary Funds	8,239,198	(7,102,395)	1,136,803
Total	<u>\$ 12,391,583</u>	<u>\$ (12,388,110)</u>	<u>\$ 3,473</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ (1,133,330)
Transfer capital asset from business-type activities	2,803
Transfer capital asset to business-type activities	(6,276)
Transfer sewer expenses to business-type activities	(370,144)
Transfers - internal activity	<u>\$ (1,506,947)</u>

Balances:

Interfund receivables and payables at June 30, 2014, were as follows:

Due From	Due To	Amount	Nature of Balance
General Fund	APWA	\$ 7	Interfund loan
General Fund	APWA	240,082	Interfund loan
Total		<u>\$ 240,089</u>	

Reconciliation to Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	\$ -	\$ (240,089)	\$ (240,089)
Proprietary Funds	240,089	-	240,089
Total	<u>\$ 240,089</u>	<u>\$ (240,089)</u>	<u>\$ -</u>

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11. 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 participation in Oklahoma Municipal Assurance Group risk entity pool
- Physical Property – Covered through commercial insurance purchased from Central Insurance Companies
- Workers' Compensation – Self insured up to \$500,000 per occurrence for all employees, including police and fire employees. Additional coverage through Safety National.
- Dental Insurance – Self insured
- Employee's Group Medical – Self insured with Blue Cross as the third party administrator; stop loss begins at \$60,000 with no limit.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the City.

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City.

12. Contingencies

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 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. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Ada participates in various federal or state grant/loan programs from year to year. In 2014, the City's involvement in federal and state award programs was significant. 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.

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13. Pension Plan Participation

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

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

OMRF Defined Contribution Plan:

The City has provided a defined contribution plan and trust known as the City of Ada Plan and Trust (the "Plan") in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JPMorgan Chase Bank, Oklahoma. The defined contribution plan is available to all full-time employees except those participating in state fire or police program. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at date of hire, are required to contribute at least 5% and may make contributions to the plan up to 25% at their option. By City ordinance, the City, as employer, is required to make contributions to the plan based upon employee contributions under the pick-up option, at a current rate of 13% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) are vested at 50% after 5 years of service, 10% thereafter until fully vested after 10 years of service. The City Manager's contributions are vested at 20% after one year of service, 20% thereafter until fully vested after five years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the plan rests with the City Council.

Firefighter Pension System:

Plan Summary Information. The City of Ada, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 49-100, the City must participate in the plan if they employ fulltime or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members are required to contribute 9% of their annual salary. The City is required by state law to contribute 14% of the members' annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Annual Contributions. For 2014, the City's annual required contribution was \$196,587 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$431,805 (or 30% of covered payroll) for the fiscal year.

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Police Pension System:

Plan Summary Information. Pursuant to the requirements of Title 11, section 50-102, the City of Ada participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Funding Policy. The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Annual Contributions. For 2014, the City's annual required contribution was \$194,645 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$171,019 (or 11.4% of covered payroll) for the fiscal year.

Summary of Contributions:

Oklahoma Municipal Retirement Fund			Oklahoma Firefighter's Pension and Retirement System				Oklahoma Police Pension and Retirement System			
Fiscal Year	Employee Contribution	Employer Contribution	Fiscal Year	Employee Contribution	Employer Contribution	Percentage Contributed	Fiscal Year	Employee Contribution	Employer Contribution	Percentage Contributed
2012	335,062	871,159	2012	110,688	179,869	100%	2012	118,456	192,491	100%
2013	327,484	851,458	2013	115,160	187,136	100%	2013	120,644	196,047	100%
2014	332,879	865,483	2014	124,620	196,587	100%	2014	119,783	194,645	100%

14. Postemployment Healthcare Plan

Plan Description. The City sponsors Medical, Rx, and Dental insurance to qualifying retirees and their dependents. Coverage is provided through fully-insured arrangements that collectively operate as a substantive single-employer defined benefit plan. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System or the City of Ada Retirement Plan. Retired firefighters are not eligible to participate as they previously opted out to obtain a policy on their own. Retirees may continue coverage with the City by paying the carrier premium rate. Coverage is available for the retiree and spouse but only for the lifetime of the retiree. Authority to establish and amend benefit provisions rest with the City Council. Benefits are paid from general operating assets of the City.

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the City during the budgeting process. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the actuarially expected City contributions in the form of net age adjustment were to be \$80,187 to the Plan. Plan members receiving benefits contributed \$22,846 of the total premiums, through their payment of the full determined premium in FY 2014.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount

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actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2014:

Normal Cost		\$	73,197
Amortization of Actuarial Accrued Liability (AAL)			6,990
Annual OPEB cost (expense)			80,187
Expected net benefits during the year			(22,846)
Increase in net OPEB obligation			57,341
Net OPEB obligation - beginning of year			367,957
Net OPEB obligation - end of year		\$	425,298

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$113,903	25%	\$273,671
6/30/2013	\$113,903	17%	\$367,957
6/30/2014	\$80,187	26%	\$425,298

Fiscal year 2009 was the first year the City was required to have an actuarial determined amount.

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$896,706, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$896,706. The covered payroll (annual payroll of active employees covered by the plan) was \$8.0 million, and the ratio of the UAAL to the covered payroll was 11 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

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between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.3 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2014. The UAAL is being amortized over 30 years based on a level percent-of-pay open-period basis. The remaining amortization period at July 1, 2013, was twenty-five years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

15. 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.

16. Subsequent Events

The following items were approved by the City Council subsequent to year-end:

On October 20, 2014 the City authorized filing suit against EST, Inc., C3 Construction, Inc., and any other person, firm, or corporation who is or may be liable for damages to the City arising out of or pertaining to the Wintersmith Park, Ada City Lake Dam Spillway Apron Rehabilitation.

On November 3, 2014 the City approved Ordinance No. 14-17, levying a one per cent tax to be used for capital improvements to Wintersmith Pool, Glenwood Pool, Irving Center, Wintersmith Amphitheater, Main Street and Sports Complex, and instituting a Workforce Housing Program. On this same date, the City also adopted Resolution No. 14-19A, authorizing the calling and holding of an election on January 13, 2015 for the purpose of approving or rejecting an extension of the current Capital Facilities sales tax. If approved, this extension would begin January 1, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule – Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$4,233,780	\$4,233,780	\$5,162,299	\$928,519
Resources (Inflows):				
Taxes	8,020,700	8,237,300	9,293,521	1,056,221
Licenses and permits	91,300	91,300	116,855	25,555
Intergovernmental	629,400	824,827	699,839	(124,988)
Charges for services	183,800	183,800	246,764	62,964
Fines and forfeitures	420,800	420,800	429,328	8,528
Investment income	42,400	42,400	50,204	7,804
Miscellaneous	345,800	361,527	533,735	172,208
Other financing sources	1,825,200	1,825,200	2,270,142	444,942
Total Resources (Inflows):	<u>11,559,400</u>	<u>11,987,154</u>	<u>13,640,388</u>	<u>1,653,234</u>
Amounts available for appropriation	<u>\$15,793,180</u>	<u>\$16,220,934</u>	<u>\$18,802,687</u>	<u>\$2,581,753</u>
Charges to Appropriations (Outflows):				
General government	4,250,660	4,584,042	3,779,732	804,310
Streets and highways	969,150	1,005,703	741,724	263,979
Public safety	5,262,700	5,436,861	4,880,356	556,505
Cemetery	231,600	226,600	167,717	58,883
Legal and judicial	296,525	296,525	255,764	40,761
Culture and recreation	1,724,800	2,132,474	1,792,593	339,881
Community development	456,750	456,750	396,732	60,018
Other financing uses	1,715,300	1,932,900	1,836,187	96,713
Total Charges to Appropriations	<u>14,907,485</u>	<u>16,071,855</u>	<u>13,850,805</u>	<u>2,221,050</u>
Ending Budgetary Fund Balance	<u>\$885,695</u>	<u>\$149,079</u>	<u>\$4,951,882</u>	<u>\$4,802,803</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Sudden and Severe Economic Dislocation Account			1,104	
Parks and Recreation Fund Account			4,665	
CDBG Home Grant Fund Account			10,430	
Total General Fund Fund Balance			<u>\$4,968,081</u>	

(Unaudited. See accompanying auditor's report.)

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EMS FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$1,536,273	\$1,536,273	\$1,536,273	\$ -
Resources (Inflows):				
Investment income	5,100	5,100	8,640	3,540
Total Resources (Inflows):	<u>5,100</u>	<u>5,100</u>	<u>8,640</u>	<u>3,540</u>
Amounts available for appropriation	<u>\$1,541,373</u>	<u>\$1,541,373</u>	<u>\$1,544,913</u>	<u>\$3,540</u>
Charges to Appropriations (Outflows):				
Public safety	144,000	644,000	120,000	524,000
Total Charges to Appropriations	<u>144,000</u>	<u>644,000</u>	<u>120,000</u>	<u>524,000</u>
Ending Budgetary Fund Balance	<u><u>\$1,397,373</u></u>	<u><u>\$897,373</u></u>	<u><u>\$1,424,913</u></u>	<u><u>\$527,540</u></u>

STREET AND ALLEY FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$4,315,740	\$4,315,740	\$4,315,740	\$ -
Resources (Inflows):				
Taxes	-	-	820,706	820,706
Intergovernmental	901,300	901,300	163,913	(737,387)
Investment income	20,100	20,100	19,732	(368)
Other financing sources	1,000,000	1,000,000	1,034,549	34,549
Total Resources (Inflows):	<u>1,921,400</u>	<u>1,921,400</u>	<u>2,038,900</u>	<u>117,500</u>
Amounts available for appropriation	<u>\$6,237,140</u>	<u>\$6,237,140</u>	<u>\$6,354,640</u>	<u>\$117,500</u>
Charges to Appropriations (Outflows):				
Streets and highways	2,225,000	3,209,885	1,342,951	1,866,934
Other financing uses	1,350,000	1,505,100	1,459,649	45,451
Total Charges to Appropriations	<u>3,575,000</u>	<u>4,714,985</u>	<u>2,802,600</u>	<u>1,912,385</u>
Ending Budgetary Fund Balance	<u><u>\$2,662,140</u></u>	<u><u>\$1,522,155</u></u>	<u><u>\$3,552,040</u></u>	<u><u>\$2,029,885</u></u>

(Unaudited. See accompanying auditor's report.)

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported using the modified accrual basis with the exception of capital lease activities and on-behalf payments made by the state related to firefighter and police pensions.
2. The legal level of appropriation control is the department level. Transfers of appropriation within a department require the approval of the City Manager, up to \$30,000; all others require City Council. In addition, all transfers from contingency line items require City Council approval. Any supplemental appropriations require the approval of the City Council and are to be filed with the Office of the State Auditor and Inspector.

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Required Supplementary Information – OPEB

The funded status and funding progress of the City’s defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	July 1, 2011
Actuarial accrued liability - AAL (a)	\$1,089,191
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$1,089,191
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$8,090,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	13%

	July 1, 2012
Actuarial accrued liability - AAL (a)	\$1,235,990
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$1,235,990
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$8,028,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	15%

	July 1, 2013
Actuarial accrued liability - AAL (a)	\$896,706
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$896,706
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$7,967,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	11%

(Unaudited. See accompanying auditor’s report.)

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SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts - June 30, 2014

	General Fund	Sudden and Severe Economic Dislocation Account	Parks and Recreation Account	CDBG Home Grant Account	CDBG VO-TECH Account	Total General Fund
ASSETS						
Cash and cash equivalents	\$ 3,796,875	\$ 1,104	\$ 4,665	\$ 10,430	\$ -	\$ 3,813,074
Investments	201,021	-	-	-	-	201,021
Receivable from other governments	1,368,322	-	-	-	-	1,368,322
Taxes receivable, net	84,508	-	-	-	-	84,508
Court fines receivable, net	610,201	-	-	-	-	610,201
Other receivables	43,751	-	-	-	-	43,751
Total assets	<u>\$ 6,104,678</u>	<u>\$ 1,104</u>	<u>\$ 4,665</u>	<u>\$ 10,430</u>	<u>\$ -</u>	<u>\$ 6,120,877</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 95,512	\$ -	\$ -	\$ -	\$ -	\$ 95,512
Accrued payroll liabilities	230,280	-	-	-	-	230,280
Due to other funds	240,089	-	-	-	-	240,089
Due to bondholders	3,062	-	-	-	-	3,062
Payable to other governments	6,167	-	-	-	-	6,167
Total liabilities	<u>575,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,110</u>
Deferred inflows of resources:						
Deferred revenue	<u>577,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,686</u>
Fund balances:						
Restricted	-	1,104	-	10,430	-	11,534
Assigned	3,300,416	-	4,665	-	-	3,305,081
Unassigned	1,651,466	-	-	-	-	1,651,466
Total fund balances	<u>4,951,882</u>	<u>1,104</u>	<u>4,665</u>	<u>10,430</u>	<u>-</u>	<u>4,968,081</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,104,678</u>	<u>\$ 1,104</u>	<u>\$ 4,665</u>	<u>\$ 10,430</u>	<u>\$ -</u>	<u>\$ 6,120,877</u>

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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund
Accounts – Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Sudden and Severe Economic Dislocation Account</u>	<u>Parks and Recreation Account</u>	<u>CDBG Home Grant Account</u>	<u>CDBG VO- TECH Account</u>	<u>Total General Fund</u>
REVENUES						
Taxes	\$ 9,293,521	\$ -	\$ -	\$ -	\$ -	\$ 9,293,521
Fees and fines	429,328	-	-	-	-	429,328
Licenses and permits	116,855	-	-	-	-	116,855
Intergovernmental	1,302,663	-	-	-	-	1,302,663
Charges for services	246,764	-	-	-	-	246,764
Investment income	50,204	-	-	58	-	50,262
Miscellaneous	533,735	-	-	-	-	533,735
Total revenues	<u>11,973,070</u>	<u>-</u>	<u>-</u>	<u>58</u>	<u>-</u>	<u>11,973,128</u>
EXPENDITURES						
Current:						
General government	3,684,999	-	-	-	-	3,684,999
Public safety	5,294,766	-	-	-	-	5,294,766
Streets and highways	725,463	-	-	-	-	725,463
Legal and judicial	217,957	-	-	-	-	217,957
Cemetery	166,757	-	-	-	-	166,757
Culture and recreation	1,354,887	-	-	-	-	1,354,887
Economic development	396,732	-	-	-	-	396,732
Capital outlay	724,826	-	-	-	-	724,826
Debt service:						
Principal	48,813	-	-	-	-	48,813
Interest and other charges	2,242	-	-	-	-	2,242
Total expenditures	<u>12,617,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,617,442</u>
Excess (deficiency) of revenues over expenditures	<u>(644,372)</u>	<u>-</u>	<u>-</u>	<u>58</u>	<u>-</u>	<u>(644,314)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,270,142	-	-	-	-	2,270,142
Transfers out	<u>(1,836,187)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,836,187)</u>
Total other financing sources and uses	<u>433,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,955</u>
Net change in fund balances	(210,417)	-	-	58	-	(210,359)
Fund balances - beginning	5,162,299	1,104	4,665	10,372	-	5,178,440
Fund balances - ending	<u>\$ 4,951,882</u>	<u>\$ 1,104</u>	<u>\$ 4,665</u>	<u>\$ 10,430</u>	<u>\$ -</u>	<u>\$ 4,968,081</u>

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Combining Balance Sheet – Nonmajor Governmental Funds - June 30, 2014

	SPECIAL REVENUE FUNDS							
	Dare Fund	Library Memorial Fund	Library State Aid Fund	Drug Forfeiture Fund	Federal Drug Forfeiture Fund	Emergency 911 Fund	Bureau of Justice Assistance	Parks Donation Fund
ASSETS								
Cash and cash equivalents	\$ 4,556	\$ 249,904	\$ 9,808	\$ 1,504	\$ 50	\$ 24,395	\$ -	\$ 58,083
Due from other governments	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	46,405	-	-
Total Assets	<u>\$ 4,556</u>	<u>\$ 249,904</u>	<u>\$ 9,808</u>	<u>\$ 1,504</u>	<u>\$ 50</u>	<u>\$ 70,800</u>	<u>\$ -</u>	<u>\$ 58,083</u>
LIABILITIES								
Accounts payable	\$ -	\$ 1,644	\$ 989	\$ -	\$ -	\$ 1,336	-	\$ -
Accrued payroll liabilities	-	-	-	-	-	14,517	-	-
Total Liabilities	<u>-</u>	<u>1,644</u>	<u>989</u>	<u>-</u>	<u>-</u>	<u>15,853</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:								
Deferred revenue	-	-	-	-	-	-	-	-
FUND EQUITY								
Fund balances:								
Restricted	4,556	220,212	8,691	(276)	50	(136,440)	(4)	57,187
Committed	-	26,764	-	-	-	-	-	-
Assigned	-	1,284	128	1,780	-	191,387	4	896
Total Fund Equity	<u>4,556</u>	<u>248,260</u>	<u>8,819</u>	<u>1,504</u>	<u>50</u>	<u>54,947</u>	<u>-</u>	<u>58,083</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 4,556</u>	<u>\$ 249,904</u>	<u>\$ 9,808</u>	<u>\$ 1,504</u>	<u>\$ 50</u>	<u>\$ 70,800</u>	<u>\$ -</u>	<u>\$ 58,083</u>

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Combining Balance Sheet – Nonmajor Governmental Funds - June 30, 2014, (Continued)

	CAPITAL PROJECT FUNDS				DEBT SERVICE	TOTALS
	Cemetery Care Fund	Little Red School House Fund	Property Owners Part.	Airport AG/Cash Fund	Sinking Fund	
ASSETS						
Cash and cash equivalents	\$ 275,147	\$ 140	\$ 114,100	\$ 751,798	\$ 5,145	\$ 1,494,630
Due from other governments	-	-	-	80,154	7,546	87,700
Other receivables	-	-	-	-	-	46,405
Total Assets	<u>\$ 275,147</u>	<u>\$ 140</u>	<u>\$ 114,100</u>	<u>\$ 831,952</u>	<u>\$ 12,691</u>	<u>\$ 1,628,735</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 24,175	\$ -	\$ 28,144
Accrued payroll liabilities	-	-	-	3,027	-	17,544
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,202</u>	<u>-</u>	<u>45,688</u>
Deferred inflows of resources:						
Deferred revenue	-	-	-	73,189	6,260	79,449
FUND EQUITY						
Fund balances:						
Restricted	69,446	140	-	-	6,431	229,993
Committed	-	-	-	-	-	26,764
Assigned	205,701	-	114,100	731,561	-	1,246,841
Total Fund Equity	<u>275,147</u>	<u>140</u>	<u>114,100</u>	<u>731,561</u>	<u>6,431</u>	<u>1,503,598</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 275,147</u>	<u>\$ 140</u>	<u>\$ 114,100</u>	<u>\$ 831,952</u>	<u>\$ 12,691</u>	<u>\$ 1,628,735</u>

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ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2014

	SPECIAL REVENUE FUNDS							
	Dare Fund	Library Memorial Fund	Library State Aid Fund	Drug Forfeiture Fund	Federal Drug Forfeiture Fund	Emergency 911 Fund	Bureau of Justice Assistance	Parks Donation Fund
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 525,651	\$ -	\$ -
Intergovernmental	-	-	19,011	2,035	-	-	-	-
Charges for services	-	6,581	-	-	-	-	-	-
Investment earnings	-	647	33	-	-	151	-	312
Miscellaneous	-	171,955	1,841	-	-	74	-	9,821
Total revenues	<u>-</u>	<u>179,183</u>	<u>20,885</u>	<u>2,035</u>	<u>-</u>	<u>525,876</u>	<u>-</u>	<u>10,133</u>
EXPENDITURES								
Current:								
Public Safety	1,782	-	-	2,311	-	617,185	-	-
Judgments	-	-	-	-	-	-	-	-
Culture and recreation	-	51,341	19,402	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Capital Outlay	-	-	1,217	-	-	1,024	4	500
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,782</u>	<u>51,341</u>	<u>20,619</u>	<u>2,311</u>	<u>-</u>	<u>618,209</u>	<u>4</u>	<u>500</u>
Excess (deficiency) of revenues over expenditures	<u>(1,782)</u>	<u>127,842</u>	<u>266</u>	<u>(276)</u>	<u>-</u>	<u>(92,333)</u>	<u>(4)</u>	<u>9,633</u>
OTHER FINANCING SOURCES (USES)								
Miscellaneous	1,065	-	-	-	-	-	-	-
Judgment proceeds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	146,100	-	-
Transfers out	-	-	-	-	-	(51,358)	-	-
Total other financing sources and uses	<u>1,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,742</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(717)	127,842	266	(276)	-	2,409	(4)	9,633
Fund balances - beginning	5,273	120,418	8,553	1,780	50	52,538	4	48,450
Fund balances - ending	<u>\$ 4,556</u>	<u>\$ 248,260</u>	<u>\$ 8,819</u>	<u>\$ 1,504</u>	<u>\$ 50</u>	<u>\$ 54,947</u>	<u>\$ -</u>	<u>\$ 58,083</u>

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2014 (Continued)

	<u>CAPITAL PROJECT FUNDS</u>				<u>DEBT SERVICE FUND</u>	<u>TOTALS</u>
	<u>Cemetery Care Fund</u>	<u>Little Red School House Fund</u>	<u>Property Owners Part.</u>	<u>Airport AG/Cash Fund</u>	<u>Sinking Fund</u>	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 124,576	\$ 650,227
Intergovernmental	-	-	-	544,242	-	565,288
Charges for services	15,663	-	-	125,801	-	148,045
Investment earnings	-	-	635	1,860	-	3,638
Miscellaneous	-	-	-	250,000	-	433,691
Total revenues	<u>15,663</u>	<u>-</u>	<u>635</u>	<u>921,903</u>	<u>124,576</u>	<u>1,800,889</u>
EXPENDITURES						
Current:						
Public Safety	-	-	-	-	-	621,278
Judgments	-	-	-	-	66,641	66,641
Culture and recreation	-	-	-	-	-	70,743
Airport	-	-	-	243,321	-	243,321
Capital Outlay	36,742	-	796	677,332	-	717,615
Debt Service:						
Principal	-	-	-	-	101,512	101,512
Interest and other charges	-	-	-	-	23,589	23,589
Total Expenditures	<u>36,742</u>	<u>-</u>	<u>796</u>	<u>920,653</u>	<u>191,742</u>	<u>1,844,699</u>
Excess (deficiency) of revenues over expenditures	<u>(21,079)</u>	<u>-</u>	<u>(161)</u>	<u>1,250</u>	<u>(67,166)</u>	<u>(43,810)</u>
OTHER FINANCING SOURCES (USES)						
Miscellaneous	-	-	-	-	-	1,065
Judgment proceeds	-	-	-	-	66,641	66,641
Transfers in	-	-	-	610,000	-	756,100
Transfers out	-	-	-	(5,168)	-	(56,526)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,832</u>	<u>66,641</u>	<u>767,280</u>
Net change in fund balances	(21,079)	-	(161)	606,082	(525)	723,470
Fund balances - beginning	296,226	140	114,261	125,479	6,956	780,128
Fund balances - ending	<u>\$ 275,147</u>	<u>\$ 140</u>	<u>\$ 114,100</u>	<u>\$ 731,561</u>	<u>\$ 6,431</u>	<u>\$ 1,503,598</u>

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Combining Schedule of Net Position – APWA Enterprise Fund Accounts - June 30, 2014

	<u>Public Works</u> <u>Authority</u>	<u>Solid Waste</u> <u>Development</u> <u>Account</u>	<u>Water Meter</u> <u>Account</u>	<u>RWD #3</u> <u>Account</u>	<u>Water</u> <u>Development</u> <u>Account</u>	<u>Sewer System</u> <u>Account</u>	<u>RWD #2</u> <u>Account</u>
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 2,189,219	\$ 5,576,274	\$ 712,055	\$ 390,221	\$ 4,153,481	\$ 3,049,918	\$ 316,849
Due from other funds	-	240,082	-	-	-	7	-
Accounts Receivable, net	1,380,943	(32)	-	-	176,289	58,330	-
Total current assets	<u>3,570,162</u>	<u>5,816,324</u>	<u>712,055</u>	<u>390,221</u>	<u>4,329,770</u>	<u>3,108,255</u>	<u>316,849</u>
Non-current assets:							
Restricted:							
Land and construction in progress	2,457,808	-	-	-	1,271,708	-	-
Other capital assets, net of accumulated depreciation	21,129,776	-	-	-	1,182,231	-	-
Total non-current assets	<u>23,587,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,453,939</u>	<u>-</u>	<u>-</u>
Total assets	<u>27,157,746</u>	<u>5,816,324</u>	<u>712,055</u>	<u>390,221</u>	<u>6,783,709</u>	<u>3,108,255</u>	<u>316,849</u>
LIABILITIES							
Current Liabilities:							
Accounts payable	260,036	-	-	-	60	-	-
Accrued payroll liabilities	132,920	-	-	-	-	-	-
Accrued interest payable	12,176	-	-	-	-	-	-
Due to other funds	56,794	-	-	-	-	(56,794)	-
Other liabilities	4,357	-	-	-	-	-	-
Due to depositors	-	-	71,205	-	-	-	-
Accrued compensated absences	45,104	-	-	-	-	-	-
Landfill closure liability	170,214	-	-	-	-	-	-
Notes payable	420,000	-	-	-	-	-	-
Total current liabilities	<u>1,101,601</u>	<u>-</u>	<u>71,205</u>	<u>-</u>	<u>60</u>	<u>(56,794)</u>	<u>-</u>
Non-current liabilities:							
Due to depositors	-	-	640,850	-	-	-	-
Accrued compensated absences	405,941	-	-	-	-	-	-
Landfill closure liability	1,660,184	-	-	-	-	-	-
Notes payable	2,820,000	-	-	-	-	-	-
Unfunded OPEB obligation	147,008	-	-	-	-	-	-
Total non-current liabilities	<u>5,033,133</u>	<u>-</u>	<u>640,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,134,734</u>	<u>-</u>	<u>712,055</u>	<u>-</u>	<u>60</u>	<u>(56,794)</u>	<u>-</u>
NET POSITION							
Net investment in capital assets	20,347,584	-	-	-	2,453,939	-	-
Unrestricted	675,428	5,816,324	-	390,221	4,329,710	3,165,049	316,849
Total net position	<u>\$ 21,023,012</u>	<u>\$ 5,816,324</u>	<u>\$ -</u>	<u>\$ 390,221</u>	<u>\$ 6,783,649</u>	<u>\$ 3,165,049</u>	<u>\$ 316,849</u>

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Schedule of Net Position – APWA Enterprise Fund Accounts - June 30, 2014,
(Continued)

	<u>Water System Improvement Account</u>	<u>Overhead Water Storage Account</u>	<u>Water Wells and Trans Account</u>	<u>RWD #4 Account</u>	<u>Environmental Projects Account</u>	<u>RSD #5 Account</u>	<u>Total</u>
ASSETS							
Current assets:							
Cash and cash equivalents	\$ -	\$ 217,718	\$ 489,894	\$ 65,642	\$ 771,922	\$ 202,091	\$ 18,135,284
Due from other funds	-	-	-	-	-	-	240,089
Accounts Receivable, net	-	-	-	-	43,542	-	1,659,072
Total current assets	<u>-</u>	<u>217,718</u>	<u>489,894</u>	<u>65,642</u>	<u>815,464</u>	<u>202,091</u>	<u>20,034,445</u>
Non-current assets:							
Restricted:							
Land and construction in progress	-	-	-	-	-	-	3,729,516
Other capital assets, net of accumulated depreciation	-	-	-	-	-	-	22,312,007
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,041,523</u>
Total assets	<u>-</u>	<u>217,718</u>	<u>489,894</u>	<u>65,642</u>	<u>815,464</u>	<u>202,091</u>	<u>46,075,968</u>
LIABILITIES							
Current Liabilities:							
Accounts payable	-	-	-	-	-	2,585	262,681
Accrued payroll liabilities	-	-	-	-	-	-	132,920
Accrued interest payable	-	-	-	-	-	-	12,176
Due to other funds	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	4,357
Due to depositors	-	-	-	-	-	-	71,205
Accrued compensated absences	-	-	-	-	-	-	45,104
Landfill closure liability	-	-	-	-	-	-	170,214
Notes payable	-	-	-	-	-	-	420,000
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,585</u>	<u>1,118,657</u>
Non-current liabilities:							
Due to depositors	-	-	-	-	-	-	640,850
Accrued compensated absences	-	-	-	-	-	-	405,941
Landfill closure liability	-	-	-	-	-	-	1,660,184
Notes payable	-	-	-	-	-	-	2,820,000
Unfunded OPEB obligation	-	-	-	-	-	-	147,008
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,673,983</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,585</u>	<u>6,792,640</u>
NET POSITION							
Net investment in capital assets	-	-	-	-	-	-	22,801,523
Unrestricted	-	217,718	489,894	65,642	815,464	199,506	16,481,805
Total net position	<u>\$ -</u>	<u>\$ 217,718</u>	<u>\$ 489,894</u>	<u>\$ 65,642</u>	<u>\$ 815,464</u>	<u>\$ 199,506</u>	<u>\$ 39,283,328</u>

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Schedule of Revenues, Expenses and Changes in Net Position – APWA Enterprise Fund
Accounts -Year Ended June 30, 2014

	<u>Public Works</u> <u>Authority</u>	<u>Solid Waste</u> <u>Development</u> <u>Account</u>	<u>Water Meter</u> <u>Account</u>	<u>RWD #3 Account</u>	<u>Water</u> <u>Development</u> <u>Account</u>	<u>Sewer System</u> <u>Account</u>	<u>RWD #2 Account</u>
REVENUES							
Charges for services:							
Water	\$ 4,171,941	\$ -	\$ -	\$ 40,414	\$ 1,030,160	\$ -	\$ -
Sewer	932,780	-	-	-	-	343,361	-
Sanitation	2,954,955	-	-	-	-	-	-
Solid waste fee	-	634	-	-	-	-	-
Recycling income	207,217	-	-	-	-	-	-
Lease revenue	500	-	-	-	80,953	-	-
Miscellaneous	272,859	-	-	-	-	-	-
Total operating revenues	<u>8,540,252</u>	<u>634</u>	<u>-</u>	<u>40,414</u>	<u>1,111,113</u>	<u>343,361</u>	<u>-</u>
OPERATING EXPENSES							
Public works director	240,792	-	-	-	-	-	-
Billing and collecting	419,086	-	-	-	-	-	-
Water plant	528,230	-	-	-	10,292	-	-
Liquid waste	612,494	-	-	-	-	-	-
Administration	1,307,209	-	-	-	-	-	-
Water and sewer line maintenance	967,732	-	-	-	-	-	-
Solid waste	2,181,504	8,625	-	-	-	-	-
Landfill operations	110,435	-	-	-	-	-	-
Construction	557,477	-	-	-	-	-	-
Depreciation	883,289	-	-	-	-	-	-
Total operating expenses	<u>7,808,248</u>	<u>8,625</u>	<u>-</u>	<u>-</u>	<u>10,292</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>732,004</u>	<u>(7,991)</u>	<u>-</u>	<u>40,414</u>	<u>1,100,821</u>	<u>343,361</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment revenue	17,027	29,631	-	2,018	15,171	16,994	1,709
Miscellaneous revenue	48,385	-	-	-	-	-	-
Gain on capital asset disposal	9,256	-	-	-	-	-	-
Interest expense	(53,438)	-	-	-	-	-	-
Total non-operating revenue (expenses)	<u>21,230</u>	<u>29,631</u>	<u>-</u>	<u>2,018</u>	<u>15,171</u>	<u>16,994</u>	<u>1,709</u>
Income (loss) before transfers	<u>753,234</u>	<u>21,640</u>	<u>-</u>	<u>42,432</u>	<u>1,115,992</u>	<u>360,355</u>	<u>1,709</u>
Transfers in	5,390,874	167,567	-	-	1,642,268	3,117	-
Transfers out	(4,044,765)	-	-	(15,405)	-	(958,353)	-
Change in net position	<u>2,099,343</u>	<u>189,207</u>	<u>-</u>	<u>27,027</u>	<u>2,758,260</u>	<u>(594,881)</u>	<u>1,709</u>
Total net position - beginning	18,923,669	5,627,117	-	363,194	4,025,389	3,759,930	315,140
Total net position - ending	<u>\$ 21,023,012</u>	<u>\$ 5,816,324</u>	<u>\$ -</u>	<u>\$ 390,221</u>	<u>\$ 6,783,649</u>	<u>\$ 3,165,049</u>	<u>\$ 316,849</u>

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Schedule of Revenues, Expenses and Changes in Net Position – APWA Enterprise Fund
Accounts -Year Ended June 30, 2014

	<u>Water System Improvement Account</u>	<u>Overhead Water Storage Account</u>	<u>Water Wells and Trans Account</u>	<u>RWD #4 Account</u>	<u>Environmental Projects Account</u>	<u>RSD #5 Account</u>	<u>Total</u>
REVENUES							
Charges for services:							
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,242,515
Sewer	-	-	-	-	-	59,353	1,335,494
Sanitation	-	-	-	-	-	-	2,954,955
Solid waste fee	-	-	-	-	-	-	634
Recycling income	-	-	-	-	-	-	207,217
Lease revenue	-	-	-	-	-	-	81,453
Miscellaneous	-	-	-	-	-	-	272,859
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,353</u>	<u>10,095,127</u>
OPERATING EXPENSES							
Public works director	-	-	-	-	-	-	240,792
Billing and collecting	-	-	-	-	-	-	419,086
Water plant	-	-	-	-	-	-	538,522
Liquid waste	-	-	-	-	-	4,792	617,286
Administration	-	-	-	-	-	-	1,307,209
Water and sewer line maintenance	-	-	-	-	-	-	967,732
Solid waste	-	-	-	-	-	-	2,190,129
Landfill operations	-	-	-	-	-	-	110,435
Construction	-	-	-	-	-	-	557,477
Depreciation	-	-	-	-	-	-	883,289
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,792</u>	<u>7,831,957</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,561</u>	<u>2,263,170</u>
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment revenue	4,567	1,035	2,877	354	3,512	1,248	96,143
Miscellaneous revenue	-	37,440	-	-	256,970	-	342,795
Gain on capital asset disposal	-	-	-	-	-	-	9,256
Interest expense	-	-	-	-	-	-	(53,438)
Total non-operating revenue (expenses)	<u>4,567</u>	<u>38,475</u>	<u>2,877</u>	<u>354</u>	<u>260,482</u>	<u>1,248</u>	<u>394,756</u>
Income (loss) before transfers	<u>4,567</u>	<u>38,475</u>	<u>2,877</u>	<u>354</u>	<u>260,482</u>	<u>55,809</u>	<u>2,657,926</u>
Transfers in	-	86,000	-	-	-	21,892	7,311,718
Transfers out	(1,642,288)	-	(37,239)	-	-	(154,365)	(6,852,395)
Change in net position	<u>(1,637,701)</u>	<u>124,475</u>	<u>(34,362)</u>	<u>354</u>	<u>260,482</u>	<u>(76,664)</u>	<u>3,117,249</u>
Total net position - beginning	1,637,701	93,243	524,256	65,288	554,982	276,170	36,166,079
Total net position - ending	<u>\$ -</u>	<u>\$ 217,718</u>	<u>\$ 489,894</u>	<u>\$ 65,642</u>	<u>\$ 815,464</u>	<u>\$ 199,506</u>	<u>\$ 39,283,328</u>

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Schedule of Expenditures of State Awards – Year Ended June 30, 2014

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
OKLAHOMA DEPARTMENT OF LIBRARIES:			
FY 13 State Aid	N/A	\$18,137	\$6,362
FY 14 State Aid	N/A	18,130	14,871
FY 14 LEGO Stem Grant	N/A	880	880
Total Oklahoma Department of Libraries		<u>37,147</u>	<u>22,113</u>
OKLAHOMA AERONAUTICS COMMISSION:			
Terminal Building	N/A	\$500,000	\$61,611
Taxilane Pavement Phase I	N/A	91,902	89,676
Total Oklahoma Department of Libraries		<u>591,902</u>	<u>151,287</u>
OKLAHOMA ATTORNEY GENERAL:			
Oklahoma Safe Program	N/A	<u>\$100,000</u>	<u>\$7,071</u>
TOTAL STATE AWARDS		<u><u>\$729,049</u></u>	<u><u>\$180,471</u></u>

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedule of Expenditures of State 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.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE INFORMATION



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

Honorable Mayor and City Council
City of Ada, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ada, Oklahoma (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 2015. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. Our report also includes a reference to other auditors who audited the financial statements of the Ada Arts and Heritage Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

(Continued)

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

Internal Control Over Financial Reporting, Continued

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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Finley + Cook, PLLC

Shawnee, Oklahoma
January 7, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Ada, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Ada, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED**

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED**

Report on Internal Control Over Compliance, Continued

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
January 7, 2015

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Schedule of Expenditures of Federal Awards – Year Ended June 30, 2014

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through District Attorney's Council:				
2010 Justice Assistance Grant	16.738	2010-DJ-BX-1197	18,609	1,058
2011 Justice Assistance Grant	16.738	2011-DJ-BX-2123	15,037	5,998
Sub-total CFDA 16.738			33,646	7,056
2012 Justice Assistance Grant - Bulletproof Vest Partnership	16.607	2012-BU-BX-12063117	5,918	398
Recovery Act Justice Assistance Grant 2009	16.804	2009-SB-B9-3212	100,032	4
Total U.S. Department of Justice			139,596	7,458
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Aeronautics Commission:				
Airport Improvement Program	20.106	3-40-0001-012-2012	180,000	47,250
Airport Improvement Program	20.106	3-40-0001-008-2005	402,354	303,904
Sub-total CFDA 20.106			582,354	351,154
Passed through Oklahoma Highway Safety Office:				
Ada Traffic Enforcement	20.600	OP-14-03-01-06	19,884	11,427
Ada Traffic Enforcement	20.600	K8-13-03-02-05	23,000	1,131
Sub-total CFDA 20.600			42,884	12,558
Total U.S. Department of Transportation			625,238	363,712
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>				
Passed through Oklahoma Department of Emergency Management:				
12-13 Emergency Management	97.042	PL-85-606	10,000	2,500
13-14 Emergency Management	97.042	PL-85-606	10,000	7,500
EPMG-14-Extra Project-Cargo Trailer	97.042	AEL 12-TR-00-TEQP	6,000	6,000
Sub-total CFDA 97.042			26,000	16,000
Hazard Mitigation Plant Project #014	97.036	FEMA-4117-DR-OK	42,906	8,052
Passed through Oklahoma Office of Homeland Security:				
Homeland Security Grant Program	97.073	PL-85-606	1,249	1,249
Homeland Security Grant Program	97.073	PL-85-606	3,669	3,669
Sub-total CFDA 97.042			4,918	4,918
Total Federal Emergency Management Agency			73,824	28,970
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce:				
CDBG - Phase III	14.228	14834 CDBG 11	93,169	6,560
CDBG - Water Tower	14.228	15242 CDBG 12	97,360	97,360
Special Project Grant - Water Tower	14.251	B-08-SP-OK-0003	245,000	- ***
Special Project Grant - Water Tower	14.251	B-09-SP-OK-0003	190,000	-
Special Project Grant - Water Tower	14.251	B-10-SP-OK-0003	600,000	-
Total U.S. Department of Housing and Urban Development			1,225,529	103,920
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>				
US Environmental Protection Agency - 99 Lift Station	66.202	XP-00F33501-0	485,000	374,526
Total U.S. Environmental Protection Agency			485,000	374,526
<u>U.S. DEPARTMENT OF INTERIOR:</u>				
National Park Service - Historical Preservation	15.904	40-08-ML-0748	246,000	246,000
Total U.S. Department of Interior			246,000	246,000
TOTAL FEDERAL ASSISTANCE			\$ 2,795,187	\$ 1,124,586

*** Previous federal expenditures of \$68,808 reported over the last 3 fiscal years was incorrect. No federal expenditures to date have been made on this grant.

Footnotes to Schedule of Expenditures of Federal Awards:

- 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.

CITY OF ADA, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Type of auditors’ report issued on compliance for the major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes No

Identification of major programs:

Federal CFDA #	Name of Federal Program or Cluster
20.106	U.S. Department of Transportation/ Federal Aviation Administration/ Airport Improvement Program
66.202	U.S. Environmental Protection Agency/ Highway 99 Lift Station Replacement

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

Auditee qualified as low-risk auditee?

Yes No

CITY OF ADA, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2014

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III— FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF ADA, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2014

There were no findings or questioned costs noted in the audit report for the year ended June 30, 2013.