

CITY OF TAHLEQUAH **OKLAHOMA**

ANNUAL FINANCIAL STATEMENTS AND AUDITOR'S REPORT

JUNE 30, 2014

CITY OF TAHLEQUAH

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AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Tahlequah, Oklahoma

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma (the City), as of and for the year ended June 30, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In My opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 17, 2015 on my consideration of the City of Tahlequah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Michael Green, CPA
February 17, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Tahlequah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements. All discreetly presented component units which issued separate financial reports are disclosed in Note I to the financial statements.

FINANCIAL HIGHLIGHTS

- As reported on the statement of Net Assets, General Fund Net Assets increased by \$1,336,881.

The following highlights relate to the General Fund:

- Overall General Fund revenues of \$8,530,578 fell below budget projections by \$22,427.
- Collections of the 2% sales tax in the General Fund fell below budget projections by \$34,790. Total 2% sales tax revenue was \$5,515,210, which was an increase over last fiscal year in the amount of \$30,026 or approximately .005%. Sales Tax accounted for 64.7% of this year's total revenues for the general fund.
- Transfers from City Light & Water are the General Fund's second largest source of revenue. This year's transfer of \$1,279,089 accounted for 15% of total revenues, and was an increase over last year of \$51,043.
- Use tax collections of 2% were above budget projections by \$25,689 and were up \$4,408 from the previous year.
- Northeast Public Facilities Authority again made a transfer in the amount of \$40,000 which was ½ of the budgeted amount for this fiscal year.
- Revenue from building permits rose above this year's budget projection by \$17,221 and the revenue increased \$15,219 from last year's collections. Revenues from inspection fees also rose above the budget by \$9,012. This is a turnaround from the previous 2 years of decreases.
- Sales of Aviation Gasoline and Jet Fuel were below budget by a total of \$23,584. Several companies are no longer using the airport for their corporate jets.
- Revenues from the City Golf Course increased this year by \$6,591.
- Municipal Court Fines, Fees, Costs and Forfeitures fell below projections in the amount of \$73,241. A total of \$386,759 was collected. This amount is \$38,587 less than the previous year. The City has continued the contract with American Municipal Services to collect warrants and old fines. Through the services of this company several thousand dollars have been received that would not have been collected otherwise.
- Interest income was above budget projections by \$3,785. The revenues from interest again fell from the previous year in the amount of \$756. As older investments have matured the current interest rate available has continued to drop, causing a decrease in interest income. Current funds invested as of June 30, 2014 are \$3,124,666. \$1,854,396 was being held in the general operating account for daily operations.
- The cost of gasoline and diesel stayed below estimated budget costs. A total of \$369,236 was budgeted, and \$287,571 was spent. The amount spent for fuel is an increase over the previous year of \$5,690.
- Employee health insurance costs continue to increase. This year's increase was due to additional fixed costs for the insurance carrier. These costs are for administration of our health plan, along with the costs of re-insurance for claims exceeding \$30,000 per employee and a stop-loss carrier. Annual amount expensed per employee was \$6,399 up \$75 from the previous year. The City continues to be on a partially self-funded insurance plan. Funds available for the payment of claims (under the specific limit of \$30,000) fell from \$588,783 on June 30, 2013 to \$580,294 on June 30, 2014. This amount is reflected in the Health Insurance Contra-Account. Employees were still required to pay \$25.00 per month for their health insurance.

- Transfers of \$295,966 were made to the Capital Improvement Fund from the General Fund for reserves to purchase equipment and for capital projects.
- Transfer of \$20,000 from general funds was made to Tahlequah Industrial Authority to meet debt requirements.
- Transfers of match funds for grants were \$53,401.
- A transfer was made to the Cops-In-Schools fund in the amount of \$81,860 for salary and fringe benefits for two school resource officers.
- A transfer of \$20,000 was made from the General Fund to the Solid Waste Services fund to be used for construction costs related to the building of the new Solid Waste Transfer station.
- All departments within the General Fund were under projected budget expenditures. Expenditures exceeded revenues by a total of \$12,625 for a decrease in fund balance June 30, for a total of \$3,309,997.
- **Street and Alley Revenues** of \$157,035 were exceeded by expenditures of \$219,212 for a decreased fund balance of \$183,862.
- **Hotel Motel Tax** revenues fell from projections by \$3,750. Revenues exceeded expenditures in the amount of \$46, resulting in a fund balance carryover of \$41,583.
- **Cemetery Care Fund** received \$5,081 from 12.5% of all cemetery lot sales and grave openings and closings. Leaving a fund balance carryover of \$63,944.
- The City's enterprise fund-**Solid Waste Services** Department-expended \$115,555 less than received in revenues and transfers from the General Fund. Sanitation receipts from Tahlequah Public Works exceeded budget expectations in the amount of \$44,852. Transfer station fees were below budget by \$36,475. Expenditures were at 82.4% of the year's budget. Construction on the new transfer station, parking lots and streets continued this fiscal year with expenditures totaling \$301,554. A transfer was made from the General Fund in the amount of \$20,000 and from the Capital Improvement fund of \$240,000 for use on the construction project. Lease Purchase payments were made in the amount of \$92,720 on the buildings and \$52,505 on vehicles. Construction of the new plant, adjacent buildings and streets and parking areas were completed during the 2013-2014 fiscal year.
- **Stormwater Management Fund** received \$198,929 from stormwater management fees collected by Tahlequah Public Works Authority on customer utility billings. Permit fees of \$650 were collected. Expenditures totaled \$145,768. Revenues exceeded expenditures in the amount of \$53,811. Drainage projects in the amount of \$41,646 were completed.
- **Brookside Restoration Fund** received \$5,540 in rental fees. A minor expenditure for the year of \$2,307 for new carpet and paint.
- The **School Resource Officer Expense Fund** received \$4,000 from Tahlequah Public Schools to be used for expenses related to the officers hired from the Cops in Schools Retention Fund. Expenditures were made from the fund in the amount of \$6,308 leaving a fund balance of \$1,458.
- The **Capital Improvement Fund** received transfers from the General Fund in the amount of \$295,966 for various reserves for equipment and capital projects. \$27,600 was received from the Tahlequah Fire Department County Sales Tax Fund to make Lease-Purchase Payments on the new fire station built in Southridge addition. Total Lease-Purchase Payments, including interest of \$27,517 were made. \$827,740 was spent from this fund for the purchase of equipment and capital projects.
- The **Tahlequah Police Canine Fund** received \$2,225 for service fees of the drug dogs. The fund has a balance of \$6,128.
- The **Tahlequah Police Dare Fund** Expenditures totaled \$2,425 leaving a fund balance of \$111.
- **The Restricted Sales & Use Tax Fund** was established to account for an earmarked one-half of one percent (.5%) sales and use tax that was approved by the voters at a special election held on August 7, 2009. The new tax was effective on October 1, 2009 and will end on September 30, 2019 or at such a time as the indebtedness issued pursuant to the tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Works for payment on the indebtedness. Funds are to be used for Tahlequah Public Schools construction fund in an amount of \$3,200,000 and the City of Tahlequah for public improvements in the amount of \$4,800,000. Funds were received in December 2009. Total receipts from earmarked sales and use tax were \$1,426,473 and total transferred to Tahlequah Public Works was \$1,426,473.

- The **Winter Wonderland Fund** was established to account for the funds received from donations, skate fee revenues and a transfer this fiscal year from the City of Tahlequah General Fund in the amount of \$113,874. After operating expenses were paid this fund ended with a balance of \$49,089.
- **The Restricted Sales & Use Tax Fund II** was established to account for earmarked three-quarters of one percent (.75%) sales and use tax that was approved by the voters at a special election held on January 8, 2013. The new tax was effective on April 1, 2013 and is to end on or before April 1, 2028 or at such time as the indebtedness issued pursuant to the excise tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Facilities Authority for payment on the indebtedness. Funds are to be used by the City of Tahlequah for public improvements in the amount of \$21,112,339. Funds were received beginning in June 2013. Total receipts from the ¾ cent earmarked sales and use tax were \$2,139,709 and transfers to Tahlequah Public Facilities Authority were \$2,139,709.
- **The Bond Improvement Fund II** was established to account for the funds which were received from the above bond issue in the amount of \$21,116,265 which included interest and dividends. These funds are to be used for public improvements which include Northeastern State University Event Center, Fire Engine and Equipment, Police Technology, Call out Sirens, Traffic and Pedestrian Safety, Sports Complex-Phase II, Phoenix Park Renovations, Greenbelt Development, CNG Truck Conversion, Swimming Pool, City Library, New Armory on Highway 51 (Remodel for Police Department and Emergency Management) and various Street Improvements. A total of \$4,975,708 was expended this year.
- The **Cops in School Retention Fund** is for the purpose of accounting for the expenses of providing four School Resource Officers for the Tahlequah Public School System. The expense, including salaries and fringe benefits, of two officers was paid by Tahlequah Public Schools in the amount of \$101,763. Two officers were funded by a transfer from the general fund of the City in the amount of \$81,860.
- Funds were received from the **Bullet Proof Vest Grant Program** this fiscal year in the amount of \$1,598. This is an ongoing 50% reimbursement grant.
- The **Relocate and Rehabilitate Taxiway Grant** fund has been kept open in anticipation of receipt of an award from the Oklahoma Aeronautics Commission. The funds are interest which has accrued on the match funds that were on the previous grant. OAC requires a separate fund and banking account and checks for their grants.
- **The Eastern Oklahoma Department of Libraries.** Funds in the amount of \$29,662.67 were expended for furnishings at the City Library. Construction is complete.
- A **Land Acquisition Grant** was approved by the Federal Aviation Administration in the amount of \$95,712.00 in FY 2012-2013. City match funds of \$5,038.00 were transferred to the fund. Expenditures of \$1,000 were made during this fiscal year. There is a law suit for breach of contract pending on the purchase of the property from Hazel Bryant.
- The **TMA FAA Grant** was approved by the Federal Aviation Administration in the amount of \$483,137.00. City match funds of \$53,682.65. Expenditures of \$536,819.65 were made during this fiscal year. There is a grant amendment in the amount of \$31,733.30 in the process on this grant.
- Of the award received from the Department of Justice, **DOJ/Overtime Grant** in the amount of \$2,760.00 expenditures of \$737.15 were made and reimbursements of \$737.15 were received.
- Tahlequah Police Department received a grant award from the Oklahoma Highway Safety Office, **Tahlequah Impaired Driving Enforcement Grant V** in the amount of \$20,500.
- Tahlequah Police Department received a grant award from the District Attorney's Council **JAG LLE 13 Grant** in the amount of \$9,727.00.
- The City of Tahlequah received a total of \$594,348 in grant funds this fiscal year.

- **USING THIS ANNUAL REPORT**

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

Basis of Accounting

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

Reporting the City as a Whole

The City's Reporting Entity Presentation

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

The primary government includes the following legal entity:

- The City of Tahlequah

The component unit presentation includes the following legal entities:

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

The Government-Wide Statement of Net Assets and Statement of Activities

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

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

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

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

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

Component unit activities.

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

Reporting the City's Most Significant Funds

The Fund Financial Statements

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

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

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

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Governmental Activities

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

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund Budget at various times. For the year ended June 30, 2014, General Fund expenditures were \$1,155,789 below final budgeted amounts, and General Fund revenues were \$95,186 below final budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the City had 35,415,088 million invested in capital assets, net of depreciation, including land, buildings, improvements, machinery, equipment, autos, infrastructure, computers and software, office equipment, furniture and work in progress.

This year's more significant capital assets additions included:

Purchase Bryant Property	\$ 65,666
Service Road - Bryant	\$ 45,067
Computer Upgrades	\$ 59,950
Animal Shelter Truck	\$ 30,734
North Cedar North of Bypass	\$ 477,497
Douglas Avenue	\$ 80,160
Widening Willis Road	\$ 152,347
Bliss Avenue Chip & Seal	\$ 30,563
Fox Street Chip & Seal	\$ 15,219
SCBA Units (16)	\$ 80,000
Call out Siren	\$ 49,216
Purchase of Property and Right of Way	\$ 65,666
Police Vehicles	\$ 131,539
Police Technology	\$ 442,197
Equipment for Police Units	\$ 29,238
Airport Credit Card Reader System	\$ 14,832
Jet Fuel System Separator	\$ 6,000
Street Department Tractor	\$ 33,300
Pot Hole Patcher	\$ 76,731
Traffic and Pedestrian Safety	\$ 64,896
Library Improvements	\$ 390,637
Sidewalks & Drainage Projects	\$ 18,560
Parks & Golf Course Improvements	\$ 13,668
Phoenix Park Renovations	\$ 21,364
Recreation Department Mowers	\$ 28,905
Stormwater Truck	\$ 30,734

SOLID WASTE SERVICES FUND-ENTERPRISE FUND

New Transfer Station	\$ 1,514,135
Solid Waste Office Building	\$ 33,986
Solid Waste Warehouse	\$ 93,696
Solid Waste Shop Building	\$ 87,251
Solid Waste Scale House	\$ 81,334
New Semi Freightliners (5)	\$ 694,645
Waste Handler	\$ 284,610
New Packer Body (3)	\$ 200,495
New Roll off Hoist (2)	\$ 69,092
Dumpsters	\$ 25,900
Parking lot	\$ 499,170
Solid waste Roads	\$ 18,911
Retention Pond	\$ 34,816

Long-Term Debt

At June 30, 2014 the City had \$70,833.84 in a lease purchase agreement with BancFirst, Tahlequah, Oklahoma for the purchase of a portion of the new Fire Station #2 located in the Southridge Subdivision.

At June 30, 2014 the City had \$68,539.28 in a lease-purchase agreement with Welch State Bank, Welch, Oklahoma, for the purchase of a 2011 Case Dozer

At June 30, 2014 the City had \$84,574.95 in a lease-purchase agreement with Welch State Bank, Welch, Oklahoma, for a 2012 Hitachi Excavator.

At June 30, 2014 the City had \$98,794.43 in a lease-purchase agreement with BancFirst for the property and building located at 120 E Morgan Street, Tahlequah, Oklahoma.

At June 30, 2014 the City had \$53,764.15 in a lease-purchase agreement with Welch State Bank for Dura-patcher skid mounted road repair machine.

At June 30, 2014 the City had \$217,883.26 in a lease-purchase agreement with BancFirst for a 2011 Case Waste Handler.

Total Long Term Debt is \$594,389.91

ECONOMIC FACTORS AND NEXT YEAR'S BUDGT AND RATES

For the upcoming fiscal year ending June 30, 2015, the City's budget is fairly consistent with this year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

CITY OF TAHLEQUAH, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 2,219,347	\$ 463,370	\$ 2,682,717	\$ 18,988,924
Restricted Cash	-	-	-	9,356,000
Investments	3,124,666	362,500	3,487,166	437,860
Federal Treasury Obligations	20,425,326	-	20,425,326	-
Meter Deposits	-	-	-	-
Due From Other Funds	41,250	-	41,250	-
Bond Issuance Fees	-	-	-	-
Accumulated Amortization	-	-	-	-
Accounts Receivable	23,258,006	50	23,258,056	13,936,992
Prepays	-	-	-	1,306,974
Other	-	-	-	18,861,126
Unamortized Loan Organization Costs	-	-	-	-
Inventory and Supplies	-	-	-	3,750,852
Investment in Joint Ventures	-	-	-	6,082,534
Capital Assets (page 29)	47,370,006	6,116,706	53,486,712	70,774,628
Accumulated Depreciation	(16,993,980)	(1,053,804)	(18,047,784)	-
Total Assets	<u>79,444,621</u>	<u>5,888,822</u>	<u>85,333,444</u>	<u>143,495,890</u>
LIABILITIES				
Due to Other Funds	41,896	-	41,896	-
Bonds Outstanding	42,471,219	-	42,471,219	-
Long-Term Liabilities (Note 8):				
Due Within One Year	194,109	30,886	224,995	3,857,105
Due in More Than One Year	182,398	186,997	369,395	44,094,026
Due to TPWA	-	-	-	102,073
Federal Withholding	300,698	-	300,698	-
Accounts Payable	548,226	-	548,226	5,150,447
Accrued Expenses	68,000	27,181	95,181	5,632,925
Accrued Compensated Absences	131,505	-	131,505	-
Bond / Cleet Deposits Payable	28,408	-	28,408	1,356,583
Deferred Revenue/Minority Interest in Joint Venture:	22,242,600	-	22,242,600	-
Total Liabilities	<u>66,209,059</u>	<u>245,064</u>	<u>66,454,123</u>	<u>60,193,159</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	29,999,519	4,845,019	34,844,538	29,890,077
Restricted for Statutory Requirements	(21,501,265)	-	(21,501,265)	-
Restricted for Exteneral Contracts	-	-	-	3,607,172
Unrestricted	4,737,308	798,739	5,536,047	49,805,482
Total Net Assets	<u>\$ 13,235,562</u>	<u>\$ 5,643,758</u>	<u>18,879,320</u>	<u>\$ 83,302,731</u>

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

CITY OF TAHLLEQUAH, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Subsidies	Capital Grants and Contributions	Primary Government			Total
					Governmental Activities	Business-Type Activities		
Primary Government:								
General Government	\$ 9,706,253	\$ -	\$ -	\$ -	\$ (9,706,253)	\$ (9,706,253)	\$ -	
Public Safety	3,706,041	386,759	928,106	-	(2,391,176)	(2,391,176)	-	
Public Services	2,205,806	2,649,612	-	-	443,805	443,805	-	
Culture and Recreation	1,021,398	115,295	-	-	(906,102)	(906,102)	-	
Total Governmental Activities	16,639,498	3,151,666	928,106	-	(12,559,726)	(12,559,726)	-	
Business Type Activities:								
Sanitation	1,502,955	1,970,586	-	-	467,631	467,631	-	
Total Business-Type Activities	1,502,955	1,970,586	-	-	467,631	467,631	-	
Total Primary Government	18,142,453	5,122,252	928,106	-	(12,559,726)	(12,092,095)	-	
Component Units	100,410,082	107,451,263	-	-	-	-	7,041,181	
General Revenues:								
Tax Revenue					8,478,681	8,478,681	-	
Investment Income					49,345	49,345	4,547,821	
Bond Proceeds					-	-	(3,651,529)	
Other					432,721	432,721	-	
Transfers - Internal Activity					1,030,110	5,965,970	-	
Total General Revenues and Transfers					13,896,607	14,926,717	896,292	
Change in Net Assets					1,336,881	2,834,622	7,937,473	
Net Assets - Beginning					11,898,681	16,044,698	75,365,258	
Net Assets - Ending					\$ 13,235,562	\$ 18,879,320	\$ 83,302,731	

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

**CITY OF TAHLEQUAH, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Tahlequah Public Facility Authority</u>	<u>Tahlequah Educational Facility Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	529,000	\$ 629,260	\$ 509,271	\$ 35,737	\$ 516,080	\$ 2,219,347
Federal Treasury Obligations	-	-	17,661,586	2,763,740	-	20,425,326
Investments	3,124,666	-	-	-	-	3,124,666
Due from Other Funds	41,250	-	-	-	-	41,250
Accounts Receivable	803,967	-	-	22,242,600	211,439	23,258,006
Bond Issuance Fees	-	-	-	-	-	-
Accumulated Amortization	-	-	-	-	-	-
Total Assets	<u>4,498,883</u>	<u>629,260</u>	<u>18,170,857</u>	<u>25,042,077</u>	<u>727,519</u>	<u>49,068,595</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Bonds Outstanding	-	-	23,936,219	18,535,000	-	42,471,219
Deferred Revenue	-	-	-	22,242,600	-	22,242,600
Accounts Payable	378,016	-	288	92	169,830	548,226
Payable to TPWA	300,698	-	-	-	0	300,698
Accrued Payroll	65,344	-	-	-	2,656	68,000
Bond / Cleet Deposits Payable	28,408	-	-	-	-	28,408
Due to Other Funds	646	-	-	-	41,250	41,896
Total Liabilities	<u>773,111</u>	<u>-</u>	<u>23,936,507</u>	<u>40,777,692</u>	<u>213,736</u>	<u>65,701,047</u>
Fund Balances:						
Unassigned	3,725,771	629,260	-	-	513,783	4,868,814
Assigned	-	-	(5,765,650)	(15,735,615)	-	(21,501,265)
Total Fund Balances	<u>3,725,771</u>	<u>629,260</u>	<u>(5,765,650)</u>	<u>(15,735,615)</u>	<u>513,783</u>	<u>(16,632,451)</u>
Total Liabilities and Fund Balance	<u>\$ 4,498,883</u>	<u>\$ 629,260</u>	<u>\$ 18,170,857</u>	<u>\$ 25,042,077</u>	<u>\$ 727,519</u>	

Reconciliation to Statement of Net Assets:

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Accrued Compensated Absences not payable out of current funds	(131,505)
Capital Assets Used in Governmental Activities of \$47,370,006 net of accumulated depreciation of \$16,993,980 are not Financial Resources and, therefore, are not Reported in the Funds.	30,376,026
Capital Lease not payable out of current funds	(376,508)
Net Assets of Governmental Activities	<u>\$ 13,235,562</u>

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

CITY OF TAHLEQUAH, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Tahlequah Public Facility Authority</u>	<u>Tahlequah Educational Facility Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 6,075,975	\$ 16,836	\$ 2,139,709	\$ -	\$ 246,160	\$ 8,478,681
Charges for Services	355,482	-	9,782	2,035,923	248,424	2,649,612
Fines and Forfeitures	386,759	-	-	-	-	386,759
Licenses and Permits	115,295	-	-	-	-	115,295
Investment Income	-	-	49,043	302	-	49,345
Miscellaneous	252,517	27,600	-	-	152,605	432,723
Bond Proceeds	-	-	-	-	-	-
Grants and Subsidies	-	960	-	323,176	603,970	928,106
Total Revenues	<u>7,186,030</u>	<u>45,396</u>	<u>2,198,534</u>	<u>2,359,401</u>	<u>1,251,159</u>	<u>13,040,520</u>
Expenditures:						
General Government:						
Managerial	1,470,575	-	-	-	-	1,470,575
City Clerk	53,583	-	-	-	-	53,583
City Treasurer	13,962	-	-	-	-	13,962
City Attorney	53,989	-	-	-	-	53,989
Municipal Judge	113,684	-	-	-	-	113,684
Maintenance	125,551	-	-	-	66,539	192,090
Hotel/Motel	-	-	-	-	91,205	91,205
Tahlequah Facility Authority	-	-	5,685,515	1,069,971	-	6,755,486
Public Safety:						
Law Enforcement	2,172,752	-	-	-	225,217	2,397,969
Fire	989,355	-	-	-	-	989,355
Building Inspector	-	-	-	-	-	-
Emergency Management	79,353	-	-	-	-	79,353
Public Services:						
Cemetery	232,370	-	-	-	-	232,370
Animal Shelter	-	-	-	-	-	-
Streets	1,039,376	-	-	-	219,212	1,258,588
Airport	227,900	-	-	-	-	227,900
Culture and Recreation:						
Parks and Recreation	803,980	-	-	-	64,951	868,931
Library	25,915	-	-	-	-	25,915
Capital Outlay	4,380,588	855,257	-	-	619,212	5,855,057
Total Expenditures	<u>11,782,932</u>	<u>855,257</u>	<u>5,685,515</u>	<u>1,069,971</u>	<u>1,286,336</u>	<u>20,680,011</u>
Excess (deficiency) of Revenues Over Expenditures	(4,596,903)	(809,861)	(3,486,981)	1,289,430	(35,176)	(7,639,492)
Other Financing Sources (Uses)						
Transfers In	5,023,576	295,966	-	-	81,860	5,401,402
Transfers Out	(465,543)	-	-	-	-	(465,543)
Total Other Financing Sources (Uses)	<u>4,558,033</u>	<u>295,966</u>	<u>-</u>	<u>-</u>	<u>81,860</u>	<u>4,935,859</u>
Net Change in Fund Balance	<u>(38,870)</u>	<u>(513,895)</u>	<u>(3,486,981)</u>	<u>1,289,430</u>	<u>46,684</u>	<u>(2,703,632)</u>
Fund Balances - Beginning	<u>3,764,641</u>	<u>1,143,155</u>	<u>(2,278,669)</u>	<u>(17,025,045)</u>	<u>467,099</u>	<u>(13,928,819)</u>
Fund Balances - Ending	<u>\$ 3,725,771</u>	<u>\$ 629,260</u>	<u>\$ (5,765,650)</u>	<u>\$ (15,735,615)</u>	<u>\$ 513,783</u>	<u>\$ (16,632,451)</u>

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

**CITY OF TAHLEQUAH, OKLAHOMA
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2013**

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

Net change in fund balances - total governmental funds	\$ (2,703,632)
Governmental funds report outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciated expenses. This is the amount by which capital outlays exceeded depreciation net of gain/loss on desposial of assets in the current period.	\$ 4,040,513
Change in Net Assets - Statement of Activities	<u>\$ 1,336,881</u>

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

**CITY OF TAHLEQUAH, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 463,370
Investments	362,500
Accounts receivable	50
Total Current Assets	825,920
Noncurrent Assets	
Land and construction in progress	76,100
Other capital assets, net of accumulated depreciation	4,986,802
Total Noncurrent Assets	5,062,902
Total Assets	5,888,822
LIABILITIES	
CURRENT LIABILITIES	
Accrued Payroll	27,181
Capital Lease Payable Current	30,886
Total Current Liabilities	58,067
NONCURRENT LIABILITIES	
Total Noncurrent Liabilities	186,997
Total Liabilities	245,064
NET ASSETS	
Invested in capital assets, net of related debt	4,845,019
Reserved	-
Unrestricted	798,739
Total Net Assets	\$ 5,643,758

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

CITY OF TAHLEQUAH, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2014

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services:	
Transfer station fees	\$ 163,524
Sanitation/TPWA	1,769,852
Miscellaneous operating revenue	<u>37,210</u>
Total Operating Revenues	<u>1,970,586</u>
 OPERATING EXPENSES	
Salaries and Employee Benefits	517,843
Materials and Supplies	845,410
Other Expenses	-
Depreciation	<u>132,291</u>
Total Operating Expenses	<u>1,495,544</u>
 OPERATING INCOME	 <u>475,042</u>
 NON OPERATING REVENUES (EXPENSES)	
Interest Expenses	<u>(7,411)</u>
Total Non-Operating Revenues (Expenses)	<u>(7,411)</u>
 Net Income (Loss) Before Transfers	 467,631
 TRANSFERS	
Transfers in	1,030,110
Transfers out	-
 CHANGES IN NET ASSETS	 <u>1,497,741</u>
 TOTAL NET ASSETS - BEGINNING	 <u>4,146,017</u>
 TOTAL NET ASSETS - ENDING	 <u><u>\$ 5,643,758</u></u>

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

**CITY OF TAHLEQUAH, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 1,934,082
Other	37,210
Personnel Services	(517,843)
Maintenance and Operations	(848,616)
Net Cash Provided by Operations	<u>604,833</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	1,030,110
Net Cash Provided by Noncapital Financing Activities	<u>1,030,110</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets Net of Retirements	(1,593,732)
Cash used by Capital Leasing Activity's	75,049
Net Cash Used by Capital and Related Financing Activities	<u>(1,518,683)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Cash Used by Investing Activities	<u>(362,500)</u>
Net Increase in cash and cash equivalents	<u>(246,240)</u>
Beginning cash and cash equivalents	709,610
Ending cash and cash equivalents	<u>\$ 463,370</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	467,631
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	132,291
Decrease in Accounts Receivable	705
Increase in Accrued Expenses	4,206
Net cash provided by operating activities	<u>\$ 604,833</u>

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

**NOTES TO
FINANCIAL STATEMENTS**

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

Tahlequah Public Works Authority

The Tahlequah Public Works Authority is a public trust created to provide utility services to the citizens of Tahlequah, Oklahoma, and the surrounding community. The City of Tahlequah is the beneficiary of the trust and the excess funds the trust generates. Audited financial statements for this component unit can be obtained at its general offices located at 103 North College. During the 2013-2014 fiscal year, the TPWA transferred \$1,769,852 (cash basis) to the City of Tahlequah through the City Light and Water Department.

Tahlequah Hospital Authority

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

Tahlequah Industrial Authority

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

Tahlequah Redevelopment Authority

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

City Light and Water Department (Tahlequah)

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Northeastern Oklahoma Public Facilities Authority

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

B. FUND ACCOUNTING

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

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Fiduciary Fund Types

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

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

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

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

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

Cash in Escrow	2014
Court Bonds	\$ 23,937
Cleet Account	4,470

Government-Wide Statements

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Fund Financial Statements

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

C. BASIS OF ACCOUNTING

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

Revenue Recognition

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Expenditure Recognition

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

Reservations of Fund Equity

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

Compensated Absences

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

D. ENCUMBRANCES

Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed purchase orders in process are completed. Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in the governmental funds. Unencumbered appropriations lapse at the end of the fiscal year. Such encumbrances constitute the equivalent of expenditures for budgetary purposes and accordingly, the accompanying financial statements present comparisons of actual results to the budgets of governmental funds on the same basis of accounting that the financial statements are presented. The unencumbered balance of each appropriation lapses at year end, reverts to the respective fund from which it was appropriated, and becomes available for future appropriation.

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Requirement for All Budgeted Funds

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

Unassigned Fund Balance

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

E. REVENUES, EXPENDITURES, AND INTERFUND TRANSACTIONS

Tax Revenues

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

Licenses and Permits

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

Charges for Services

Primary revenues consist of transfer station fees; cemetery lot sales; cemetery openings and closings; airport, golf course, and pool income from operations; and sanitation trash service revenue that will be more appropriately identified as an enterprise fund in the next fiscal year.

Fines and Forfeitures

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

Intergovernmental Programs

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

Miscellaneous Revenue

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Expenditures

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

<p><u>General Government</u></p> <ul style="list-style-type: none"> Managerial City Clerk City Treasurer City Attorney Municipal Judge Maintenance Department Fringe Benefits Purchasing 	<p><u>Public Safety</u></p> <ul style="list-style-type: none"> Building Inspector Civil Defense Fire Department Law Enforcement <p><u>Culture and Recreation</u></p> <ul style="list-style-type: none"> Library Park Department
<p><u>Public Services</u></p> <ul style="list-style-type: none"> Street Department Animal Shelter City Airport Cemetery 	<p><u>Capital Outlay</u></p> <p>Consists of all capital expenditures of all departments.</p>

Interfund Transactions

Loans to funds are properly classified as due to and due from amounts, and transactions which constitute reimbursements to a fund appropriately cancel the original transactions. Expenditures initially made with loaned funds are properly classified within the fund (see Note 4). All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Operating transfers are identified as other financing sources (uses) in the financial statements. No residual equity transfers occurred during the fiscal year 2013.

Investments

Investments on hand at June 30, 2014, consist of the following.

<u>Number - Type</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Market Value</u>
FHL Mortgage Corp	09-06-19	1.500%	549,987.00	549,987.00
FHL Mortgage Corp.	09-06-19	1.500%	550,000.00	550,000.00
FHL Banks	03-12-21	3.625%	198,424.00	198,424.00
#Various CD's Various Bank's	Various	Various	<u>2,188,755.00</u>	<u>2,188,755.00</u>
		Total	<u>\$3,487,166.00</u>	<u>\$3,487,166.00</u>

The City's bank balance in all depository accounts at year end was \$2,682,717 at June 30, 2014.

At June 30, 2014 all cash deposits and certificates of deposits were either FDIC insured or covered by collateral pledged by the banks trust department.

**CITY OF TAHLEQUAH, OKLAHOMA,
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

F. ASSETS, LIABILITIES AND FUND EQUITY

Capital Assets and Property, Plant, and Equipment

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital Assets not being Depreciated				
Land	\$ 3,102,100	\$ 65,677		\$ 3,167,777
Construction in Progress	3,109,300	2,943,406		6,052,706
Capital Assets being Depreciated				
Automobiles and Trucks	3,621,487		60,920	3,560,567
Buildings and Building Improvements	7,717,743	405,655		8,123,398
Infrastructure	19,750,624	1,158,729		20,909,353
Computers and Office Equipment	565,669	504,868		1,070,537
Machinery and Equipment	4,053,057	432,611		4,485,668
Total Capital Assets being Depreciated	35,708,580	2,501,863	60,920	38,149,523
Total Capital Assets	41,919,980	5,510,946	60,920	47,370,006
Less Accumulated Depreciation	15,483,762	1,814,544	304,326	16,993,980
Governmental Activities, Capital Assets, Net	<u>\$ 26,436,218</u>	<u>\$ 3,696,402</u>	<u>\$ (243,406)</u>	<u>\$ 30,376,026</u>

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

General Government	\$ 961,679
Public Safety	239,364
Public Services	486,949
Culture and Recreation	126,552
Total Depreciation from Governmental Activities	<u>\$ 1,814,544</u>

**CITY OF TAHLEQUAH, OKLAHOMA,
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

Capital Assets and Property, Plant, and Equipment

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital Assets, not being Depreciated				
Land	\$ 76,100	\$ -	\$ -	\$ 76,100
Construction in Progress	2,029,438	-	2,029,438	-
Total Capital Assets not being Depreciated	2,105,538	-	2,029,438	76,100
Capital Assets being Depreciated				
Other Capital Assets	2,660,136	3,623,170	242,700	6,040,606
Total Capital Assets	4,765,674	3,623,170	2,272,138	6,116,706
Less Accumulated Depreciation				
Other Capital Assets	1,164,214	132,291	242,701	1,053,804
Total Accumulated Depreciation	1,164,214	132,291	242,701	1,053,804
Business-Type Activities, Capital Assets, Net	<u>\$ 3,601,460</u>	<u>\$ 3,490,879</u>	<u>\$ 2,029,437</u>	<u>\$ 5,062,902</u>

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The difference between the carrying amount and market value has not been reflected as unrealized gains, and is considered immaterial to the overall financial statement presentation. A detail of Certificate of Deposits can be obtained at the city offices.

Inventories

The value of consumable inventories at June 30, 2014, is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

Cash and Cash Equivalentents

The City considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalentents.

Investments

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

NOTE 2: CASH AND INVESTMENTS

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

Deposits

The City's cash deposits at June 30, 2014, are categorized to give an indication of the level of risk assumed by the City at year end as follows:

**CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

Deposit Categories of Credit Risk

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

	<u>CATEGORY</u>			<u>BANK BALANCE</u>	<u>CARRYING AMOUNT</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>		
CASH/ INVESTMENTS	\$ 1,298,411	\$4,871,472	\$ 0.00	\$6,169,883	\$ 6,169,883

NOTE 3: INTERFUND RECEIVABLES AND PAYABLES

Short term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. The interfund receivables or payables at June 30, 2013, were as follows:

Governmental General Fund (due to)	\$ 41,250
Bullet Proof Vest Special Revenue Fund (due from)	(3,763)
TIDE Grant (due from)	(25,000)
Dept. of Justice Grant (due from)	(2,760)
JAG LLE Grant Fund (due from)	<u>(9,727)</u>
NET	<u><u>\$ -0-</u></u>

NOTE 4: GENERAL LONG-TERM DEBT

None

NOTE 5: OTHER POST EMPLOYMENT BENEFITS

The City does not offer any early retirement incentive plans.

NOTE 6: EMPLOYMENT RETIREMENT SYSTEM

Employees and Plans

Each qualified employee is included in one of the three retirement plans in which the City of Tahlequah participates. These are the Oklahoma Public Employees Retirement system, Oklahoma Firefighters Pension and Retirement System, and the Oklahoma Police Pension and Retirement System. The City does not maintain the accounting records, hold the investments, or administer the retirement funds. The retirement plans are statewide systems administered by the State of Oklahoma.

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Oklahoma Public Employees Retirement System

The plan covers qualified city employees and provides certain retirement death and disability benefits. The City contributes 14.5% of the total wages paid to covered employees. Contributions by the City of Tahlequah amount to \$404,492 for the fiscal year ended June 30, 2014. Each covered employee contributes 3.5% of individual compensation. The plan provides for retirement benefits upon reaching normal retirement age. Employees become vested after ten (10) years of service receiving benefits upon reaching normal retirement age based on the number of years of service.

Oklahoma Firefighters Pension and Retirement System

Members of the City's Fire Department participate in the Oklahoma Firefighters Pension and Retirement System, a system administered by the State of Oklahoma. In conformity with the state law, the plan covers all full time firemen of the City of Tahlequah and provides certain retirement, death, and disability benefits. In conformity with state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are established by the State, and the City is required to contribute 13% of total compensation paid to the firefighters. The firefighters contribute 8% of their compensation to the plan. Contributions by the City of Tahlequah to the system for the fiscal year ended June 30, 2014 amounted to \$86,725, paid primarily by the General Fund.

Oklahoma Police Pension and Retirement system

Members of the City's Police Department participate in the Oklahoma Police Pension and Retirement System, a system administered by the State of Oklahoma. The plan covers full time police officers of the City of Tahlequah, and provides retirement, death, and disability benefits. In conformity with state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are 13% of total compensation paid to police officers. Each police officer contributes 8% of his/her individual compensation. Contributions by the City of Tahlequah amounted to \$133,037 for the fiscal year ended June 30, 2014, paid primarily by the General Fund.

NOTE 7: CONTINGENCIES AND OTHER COMMITMENTS

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Pending Litigation

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

A listing of all court cases filed against the City of Tahlequah and their status can be found at the website odcr.com.

NOTE 8: LEASE COMMITMENTS

At June 30, 2014 the City and the Solid Waste Services Fund (Enterprise Fund) had several lease purchase agreements which consisted of the following:

Lessors	Asset	Interest Rate	Current Portion	Non-Current Portion	Balance
BancFirst	Fire Station	3.75%	\$ 24,317	\$ 46,517	\$ 70,834
BancFirst	Waste Handler	3.20%	30,886	186,998	217,883
BancFirst	Property	3.38%	98,794	0	98,794
Welch State Bank	Equipment	3.38%	22,966	30,798	53,764
Welch State Bank	Excavator	2.78%	33,364	51,211	84,576
Welch State Bank	Dozer	2.89%	14,668	53,871	68,539
Total			\$ 224,995	\$ 369,395	\$ 594,390

NOTE 9: ECONOMIC DEPENDENCY

As of June 2014, the City of Tahlequah sales tax revenue (58.6% of general revenue) consisted of the following business types:

REVENUE	TYPE OF BUSINESS	SALES		TAX	
		2011	2012	2013	2014
	General Merchandise Stores	32.80%	32.98%	32.24%	32.30%
	Food Stores	10.74%	11.41%	10.85%	10.85%
	Restaurants	13.47%	13.88%	14.71%	14.71%
	Building Material & Hardware Stores	8.88%	8.55%	8.65%	8.65%
	Other	34.11%	33.18%	33.55%	33.55%

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10: USE OF ESTIMATES

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAHLEQUAH, OKLAHOMA
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2014

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Balance 6/30/13</u>	<u>Awarded (Closed)</u>	<u>Current Year Expenditures</u>	<u>Balance 6/30/14</u>
<u>Federal Awards</u>						
<u>U.S. Department of Justice</u>						
Bullet Proof Vest	16.607	\$ 9,090	\$ -	\$ -	\$ 1,926	\$ 1,926
DOJ Overtime Grant	16.590	\$ 2,760	\$ -	\$ 737	\$ 737	\$ -
Sub-Total Department of Justice		11,850	-	737	2,663	1,926
<u>Pass Through the State of Oklahoma</u>						
Land Acquisition Grant	20.106	95,712	50	-	-	50
CDBG Grant	14.228	193,898	160,886	107,352	6,551	60,085
JAG LLE Grant	16.738	17,277	-	7,550	9,727	2,177
Impaired Driving Enforcement Grant	20.60	50,000	15,027	16,795	14,996	13,228
TMA FAA Grant	20.106	483,137	-	436,914	445,340	8,426
Civil Emergency Mangment	97.042	25,000	-	25,000	-	(25,000)
Sub-Total Pass Through State of Oklahoma		865,024	175,963	593,611	476,614	58,966
Total Federal Awards		876,874	175,963	594,348	479,277	60,892
<u>State Awards</u>						
Oklahoma Dept of Libraries		108,875	70,212	-	663	70,875
Total State Awards		108,875	70,212	-	663	70,875
Total Federal and State Awards		\$ 985,749	\$ 246,175	\$ 594,348	\$ 479,940	\$ 131,767

**CITY OF TAHLEQUAH, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows):				
Taxes	\$ 6,141,000	\$ 6,141,000	\$ 6,090,754	\$ (50,246)
Licenses and Permits:	79,300	79,300	115,295	35,995
Charges for Services	400,000	400,000	355,482	(44,518)
Fines and Forfeitures	460,000	460,000	386,759	(73,241)
Miscellaneous	130,576	140,415	250,890	110,475
Intergovernmental Revenue:	1,289,826	1,319,826	1,318,933	(893)
Total Resources	<u>8,500,702</u>	<u>8,540,541</u>	<u>8,518,114</u>	<u>(22,427)</u>
Transfers:				
Refunds of income	-	-	-	-
Transfers to other funds	(30,000)	(30,000)	30,000	60,000
Total Other Financing Sources	<u>(30,000)</u>	<u>(30,000)</u>	<u>30,000</u>	<u>60,000</u>
Amounts available for appropriation	<u>8,470,702</u>	<u>8,510,541</u>	<u>8,548,114</u>	<u>37,573</u>
Charges to Appropriations (Outflows):				
Managerial:				
Personal services	1,046,164	1,025,214	852,153	173,061
Materials and supplies	57,180	76,830	93,775	(16,945)
Other services and charges	577,000	654,650	524,325	130,325
Capital outlay	192,000	301,999	291,102	10,897
Transfers	707,043	752,617	476,911	275,706
Total Managerial	<u>2,579,387</u>	<u>2,811,310</u>	<u>2,238,266</u>	<u>573,044</u>
City Clerk:				
Personal Services	55,566	55,566	53,566	2,000
Total City Clerk	<u>55,566</u>	<u>55,566</u>	<u>53,566</u>	<u>2,000</u>
City Treasurer:				
Personal services	14,544	14,544	13,962	582
Total City Treasurer	<u>14,544</u>	<u>14,544</u>	<u>13,962</u>	<u>582</u>
City Attorney:				
Personal services	55,012	55,012	53,957	1,055
Total City Attorney	<u>55,012</u>	<u>55,012</u>	<u>53,957</u>	<u>1,055</u>
Municipal Judge:				
Personal services	116,714	118,190	113,613	4,577
Other services and charges	-	-	-	-
Total Municipal Judge	<u>116,714</u>	<u>118,190</u>	<u>113,613</u>	<u>4,577</u>

**CITY OF TAHLEQUAH, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Cemetery:				
Personal services	209,352	221,271	205,526	15,745
Materials and supplies	12,608	12,186	24,378	(12,192)
Other services and charges	5,500	2,374	2,374	-
Capital outlay	5,000	-	-	-
Total Cemetery	232,460	235,831	232,278	3,553
Building Inspector:				
Personnel services	-	-	-	-
Materials and supplies	-	-	-	-
Total Building Inspector	-	-	-	-
Emergency Management:				
Personal services	67,960	67,960	66,332	1,628
Materials and supplies	9,880	9,880	5,530	4,350
Other services and charges	10,000	10,000	7,463	2,537
Capital outlay	-	-	-	-
Total Civil Defense	87,840	87,840	79,325	8,515
Fire Department:				
Personal services	963,581	966,803	910,302	56,501
Materials and supplies	53,310	50,737	43,582	7,155
Other services and charges	38,080	38,080	32,778	5,302
Capital outlay	15,950	17,993	12,922	5,071
Total Fire Department	1,070,921	1,073,613	999,584	74,029
Law Enforcement:				
Personal services	2,037,867	2,031,623	1,969,868	61,755
Materials and supplies	168,441	167,266	146,128	21,138
Other services and charges	38,689	59,838	53,945	5,893
Capital outlay	161,818	167,628	166,366	1,262
Total Law Enforcement	2,406,815	2,426,355	2,336,307	90,048
Recreation Department:				
Personal services	287,057	298,450	276,634	21,816
Materials and supplies	59,000	55,448	52,338	3,110
Other services and charges	78,873	96,496	96,205	291
Capital outlay	55,000	48,137	48,131	6
Total Animal Shelter	479,930	498,531	473,308	25,223
City Airport:				
Personal services	49,215	50,100	49,901	199
Materials and supplies	233,056	232,572	160,091	72,481
Other services and charges	18,904	19,188	17,883	1,305
Capital outlay	21,000	21,000	20,832	168
Total City Airport	322,175	322,860	248,707	74,153

**CITY OF TAHLEQUAH, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Street:				
Personal services	799,330	809,661	768,597	41,064
Materials and supplies	307,876	314,376	258,205	56,171
Other services and charges	13,540	13,540	12,297	1,243
Capital outlay	406,248	113,848	86,761	27,087
Total Street	<u>1,526,994</u>	<u>1,251,425</u>	<u>1,125,860</u>	<u>125,565</u>
Library:				
Materials and supplies	2,100	2,100	1,752	348
Other services and charges	26,000	26,000	24,163	1,837
Capital outlay	-	-	-	-
Total Library	<u>28,100</u>	<u>28,100</u>	<u>25,915</u>	<u>2,185</u>
Parks and Recreation:				
Personal services	303,303	307,609	300,616	6,993
Materials and supplies	52,808	53,727	48,198	5,529
Other services and charges	22,350	30,107	29,907	200
Capital outlay	64,676	55,500	49,831	5,669
Total Parks and Recreation	<u>443,137</u>	<u>446,943</u>	<u>428,552</u>	<u>18,391</u>
Maintenance:				
Personal services	113,827	115,641	73,877	41,764
Materials and supplies	44,172	43,339	36,032	7,307
Other services and charges	15,000	15,833	15,409	424
Capital outlay	-	-	-	-
Total Maintenance	<u>172,999</u>	<u>174,813</u>	<u>125,318</u>	<u>49,495</u>
Total Charges to Appropriations	9,562,594	9,600,933	8,548,518	1,052,415
Ending Budgetary Fund Balance	<u>\$ (1,061,892)</u>	<u>\$ (1,060,392)</u>	<u>\$ (30,404)</u>	<u>\$ (1,029,988)</u>

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

Accrued Tax Revenues 06/30/13	\$ (796,595)
Accrued Tax Revenue 06/30/14	781,816
Accrued Payroll 06/30/13	(59,030)
Accrued Payroll 06/30/14	<u>65,343</u>

Net Change In Fund Balance \$ (38,870)

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2014

BUDGETS AND BUDGETARY ACCOUNTING

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

1. A proposed operating budget is submitted to the City Council for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. Any revisions that alter the total expenditures of any department generally must be approved by the City Council. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations ordinance.
5. Formal budgetary integration is employed as a management control device during the year to the following funds:
 - General Fund
 - Hotel/Motel Fund
 - Street and Alley Fund
 - Cemetery Care Fund
 - Capital Improvement Fund
 - Brookside Restoration Fund
6. Annual budgets are legally adopted for the General Fund, Street and Alley Fund, Hotel/Motel Fund, Cemetery Care Fund, Brookside Restoration Fund, and Capital Improvement Fund. The budget of expenditures and encumbrances for these funds cannot exceed the estimated revenues. Budgetary control is maintained by department and by the following categories of expenditures: personal services, materials and supplies, other services and charges, transfers and capital outlay. A comparison of budget to actual for the General Fund has been presented.

CITY OF TAHLEQUAH
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FIDUCIARY FUNDS
JUNE 30, 2014

	RESTRICTED SALES TAX FUND
Revenues:	
Sales Tax and Use Tax	\$ 3,566,182
Total Revenue	3,566,182
Expenditures:	
Total Expenditures	
Excess (deficiency) of revenues over expenditures	3,566,182
Other Financing Sources (uses):	
Transferred to Other Funds	3,566,182
Total Other Financing Sources (Uses)	3,566,182
Net Change in fund balance	-
Fund balance - beginning	-
Fund balance - ending	\$ -

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

The Honorable Mayor and City Council
City of Tahlequah, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma, 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 my report thereon dated February 17, 2015

Internal Control Over Financial Reporting

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

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

My consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

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

Michael Green, CPA
February 17, 2015