



THE CITY OF ADA, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

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

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Ada, Oklahoma

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Valley View Hospital Authority or the Ada Arts and Heritage Authority, component units of the City of Ada. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Valley View Hospital Authority and the Ada Arts and Heritage Authority, is based on the reports of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

The beginning net assets of the business-type activities, beginning net assets of the utility enterprise fund, and beginning net assets of the governmental activities of the City have been restated due to calculation errors of accrued compensated absences as described in Note 7. Additionally, the beginning fund balance of the Special 1568 Account Fund and the beginning net assets of the governmental activities of the City have been restated due to an overstatement of the amount owed for residual sales tax collected by the City as described in Note 7.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 5 through 15, pages 54 through 56, and page 57 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 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.

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

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

Shawnee, Oklahoma
March 11, 2013

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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, 2012. 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 assets increased by \$826,382 and the assets of the City continued to exceed its liabilities at June 30, 2012, by \$83,502,838 (net assets). Of this amount, \$23,256,482 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2012, the City's governmental funds reported combined ending fund balances of \$20,770,567. Of this amount, \$1,054,515 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2012, unassigned fund balance for the General Fund was \$1,054,515 or 9 percent 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 Assets 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 Assets and the Statement of Activities (on pages 16 & 17, 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
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These two statements report the City's net assets and changes in net assets from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets 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 Assets 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, and solid waste collections utilities 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.)

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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 Assets

For the year ended June 30, 2012, net assets for the governmental activities and business-type activities increased \$944,284. 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 assets from last year for the City of Ada.

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2012</u>	restated		<u>2012</u>	restated		<u>2012</u>	restated	
		<u>2011</u>			<u>2011</u>			<u>2011</u>	
Current assets	\$ 22,755	\$ 20,101	13%	\$ 22,443	\$ 21,613	4%	\$ 45,198	\$ 41,714	8%
Capital assets, net	<u>25,686</u>	<u>27,287</u>	-6%	<u>22,013</u>	<u>23,269</u>	-5%	<u>47,699</u>	<u>50,556</u>	-6%
Total assets	<u>48,441</u>	<u>47,388</u>	2%	<u>44,456</u>	<u>44,882</u>	-1%	<u>92,897</u>	<u>92,270</u>	1%
Current liabilities	1,250	2,027	-38%	1,071	565	90%	2,321	2,592	-10%
Non-current liabilities	<u>879</u>	<u>4,692</u>	-81%	<u>6,194</u>	<u>2,310</u>	168%	<u>7,073</u>	<u>7,002</u>	1%
Total liabilities	<u>2,129</u>	<u>6,719</u>	-68%	<u>7,265</u>	<u>2,875</u>	153%	<u>9,394</u>	<u>9,594</u>	-2%
Net assets									
Invested in capital assets, net of related debt	25,570	22,962	11%	17,958	23,269	-23%	43,528	46,231	-6%
Restricted	<u>13,646</u>	<u>10,865</u>	26%	<u>3,072</u>	<u>3,766</u>	-18%	<u>16,718</u>	<u>14,631</u>	14%
Unrestricted	<u>7,096</u>	<u>6,842</u>	4%	<u>16,161</u>	<u>14,972</u>	8%	<u>23,257</u>	<u>21,814</u>	7%
Total net assets	<u>\$ 46,312</u>	<u>\$ 40,669</u>	14%	<u>\$ 37,191</u>	<u>\$ 42,007</u>	-11%	<u>\$ 83,503</u>	<u>\$ 82,676</u>	1%

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the investment in capital assets, net of related debt, amounted to \$43.5 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.

Business-Type activities reported an increase in non-current liabilities of 168% due to refinancing the previously governmental Honeywell debt with a business-type revenue note.

(Unaudited. See accompanying auditor's report.)

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A portion of the City's net assets, \$16.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$23 million, may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Assets

For the year ended June 30, 2012 net assets of the primary government changed as follows:

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues									
Charges for service	\$ 908	\$ 942	-4%	\$ 10,270	\$ 9,178	12%	\$ 11,178	\$ 10,120	10%
Operating grants and contributions	726	687	6%	-	-	0%	726	687	6%
Capital grants and contributions	242	449	-46%	95	-	100%	337	449	-25%
Taxes	16,571	15,870	4%	-	-	0%	16,571	15,870	4%
Intergovernmental revenue	299	288	4%	-	-	0%	299	288	4%
Investment income	53	103	-49%	61	91	-33%	114	194	-41%
Miscellaneous	355	560	-37%	378	349	8%	733	909	-19%
Total revenues	19,154	18,899	1%	10,804	9,618	12%	29,958	28,517	5%
Expenses									
General government	3,699	3,826	-3%	-	-	-	3,699	3,826	-3%
Streets	4,157	3,545	17%	-	-	-	4,157	3,545	17%
Public Safety	5,722	6,112	-6%	-	-	-	5,722	6,112	-6%
Cemetery	194	185	5%	-	-	-	194	185	5%
Legal and Judicial	191	208	-8%	-	-	-	191	208	-8%
Culture and Recreation	1,369	1,334	3%	-	-	-	1,369	1,334	3%
Community Development	342	325	5%	-	-	-	342	325	5%
Airport	1,496	487	207%	-	-	-	1,496	487	207%
Interest on long-term debt	315	226	39%	-	-	-	315	226	39%
Water	-	-	-	3,942	3,582	10%	3,942	3,582	10%
Sewer	-	-	-	2,946	2,752	7%	2,946	2,752	7%
Sanitation	-	-	-	3,169	2,376	33%	3,169	2,376	33%
Payment to Hospital Authority	-	-	-	-	726	-100%	-	726	-100%
Economic Development	-	-	-	1,589	237	570%	1,589	237	570%
Total expenses	17,485	16,248	8%	11,646	9,673	20%	29,131	25,921	12%
Excess (deficiency) before transfers	1,669	2,651	-37%	(842)	(55)	1431%	827	2,596	-68%
Transfers	3,974	(578)	-788%	(3,974)	578	788%	-	-	-
Prior period adjustment	(176)	-	100%	(254)	1,338	119%	(430)	1,338	-132%
Increase (decrease) in net assets	\$ 5,467	\$ 2,073	164%	\$ (5,070)	\$ 1,861	-372%	\$ 397	\$ 3,934	-90%

The city's governmental activities' airport expenses increased 207% because of reimbursements of prior years grant revenue of \$624,216 and \$402,354 respectively to the OAC and the FAA. The business-type activities' payment to Hospital Authority decreased 100% because sales tax designated for the hospital expired. The business-type activities' economic development expenses increased 570% because the City paid \$1.25 million to East Central University for matching costs towards university projects. Transfers for both governmental activities and business-type activities changed significantly because the previously governmental Honeywell debt was refinanced with a business-type revenue note in the current year.

(Unaudited. See accompanying auditor's report.)

**CITY OF ADA, OKLAHOMA
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Governmental Activities

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

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

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
General government	3,699	3,826	-3%	(\$3,564)	(\$3,568)	0%
Streets	4,157	3,545	17%	(4,009)	(3,401)	18%
Public Safety	5,722	6,112	-6%	(4,545)	(4,938)	-8%
Cemetery	194	185	5%	(128)	(126)	2%
Legal and Judicial	191	208	-8%	(191)	(208)	-8%
Culture and Recreation	1,369	1,334	3%	(1,215)	(1,156)	5%
Community Development	342	325	5%	(342)	(325)	5%
Airport	1,496	487	207%	(1,301)	(221)	489%
Interest on long-term debt	315	226	39%	(315)	(226)	39%
Total	<u>17,485</u>	<u>16,248</u>	8%	<u>(\$15,610)</u>	<u>(\$14,169)</u>	10%

For the year ended June 30, 2012, total expenses for governmental activities amounted to \$17.5 million which is an 8% increase from the prior year.

The city's airport activities reported an increase in expenses of 207% because of reimbursements of prior years grant revenue of \$624,216 and \$402,354 respectively to the OAC and the FAA.

(Unaudited. See accompanying auditor's report.)

**CITY OF ADA, OKLAHOMA
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Business-type Activities

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2012	2011		2012	2011	
Water	\$ 3,942	\$ 3,582	10%	\$ 1,644	\$ 1,077	53%
Sewer	2,946	2,752	7%	(1,369)	(1,443)	-5%
Sanitation	3,169	2,376	33%	32	833	-96%
Payment to hospital authority	-	726	-100%	-	(726)	-100%
Economic development	1,589	237	570%	(1,589)	(237)	570%
Total	\$ 11,646	\$ 9,673	20%	\$ (1,282)	\$ (496)	158%

The city's business-type activities include utility services for water, sewer, sanitation and economic development. The business-type activities had a decrease in net assets of \$4.8 million or an 11 percent decrease. The payment to Hospital Authority decreased 100% because sales tax designated for the hospital expired. The economic development expenses increased 570% because the City paid \$1.25 million to East Central University for matching costs towards university projects.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$20.8 million, or an 18 percent increase from the prior year. The enterprise funds reported combined net assets of \$37.2 million, or 11 percent decrease from 2011. The fund balance constraints and net asset restrictions are listed below:

Fund Balance Constraints:	
Restricted	\$ 13,503,502
Committed	1,684,005
Assigned	4,528,545
Total Fund Balance Constraints	<u>\$ 19,716,052</u>
Net Asset Restrictions:	
Invested in capital assets, net of related debt	\$ 17,958,304
Restricted for economic development	3,072,119
Total Enterprise Fund Net Asset Restrictions	<u>\$ 21,030,423</u>

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Other fund highlights include:

- For the year ended June 30, 2012, the General Fund's total fund balance increased by \$239,579, or 5 percent, largely due to the increase in sales tax revenue.
- The Street and Alley Fund's total fund balance decreased by \$836,792, due to a transfer out to the Airport Agriculture Fund for \$1 million to reimburse grant revenue.
- The Utility Enterprise Fund reported a net increase before contributions and transfers of \$1,025,663.

General Fund Budgetary Highlights

For the year ended June 30, 2012, the General Fund reported actual budgetary basis revenues above final estimates by \$422,433 or a 2% positive variance. General Fund actual expenditures were under final appropriations by \$2.5 million or a 12% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had approximately \$47.7 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 decrease of approximately \$2.9 million over last year.

Below are details regarding the City's capital assets for the years ended June 30, 2012 and 2011.¹

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 1,296	\$ 1,296	\$ 2,211	\$ 2,211	\$ 3,507	\$ 3,507
Buildings and improvements	10,384	10,120	8,668	8,613	19,052	18,733
Machinery, furniture and equipment	3,105	3,410	1,615	1,670	4,720	5,080
Infrastructure	8,450	10,288	9,122	10,009	17,572	20,297
Construction in progress	2,451	2,173	397	766	2,848	2,939
Totals	\$ 25,686	\$ 27,287	\$ 22,013	\$ 23,269	\$ 47,699	\$ 50,556

This year's more significant capital asset additions include North Annex building in the amount of \$250,373, sewer department pumps in the amount of \$288,380, phase II of the wastewater treatment plant improvements in the amount of \$326,980, and completion of the Scissor Tail Lake feasibility study for \$415,619.

(Unaudited. See accompanying auditor's report.)

¹ For more detailed information on capital asset activity please refer to page 36-38, Note 4. Capital Assets and Depreciation

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Long-Term Debt

At year-end, the City had \$7.9 million in long-term debt outstanding, which represents a \$647,000 increase from the prior year.²

**TABLE 6
Primary Government Long-Term Debt
(In Thousands)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Accrued Compensation	702	440	436	262	1,138	702	62.1%
Deposits subject to refund	-	-	654	611	654	611	7.0%
Landfill closure liability	-	-	1,624	1,460	1,624	1,460	11.2%
Capital leases	116	4,325	-	-	116	4,325	-97.3%
Notes payable	-	-	4,055	-	4,055	-	100%
OPEB obligations	177	179	96	-	273	179	52.5%
Totals	\$ 995	\$ 4,944	\$ 6,865	\$ 2,333	\$ 7,860	\$ 7,277	8.0%

ECONOMIC OUTLOOK

Fiscal Year 2011-2012 was another 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.

Employment/New Business

The following information is courtesy of the July 2012 Economic Report created by the Ada Jobs Foundation, which contracts with the city to promote and recommend economic development opportunities.

Fiscal Year 2011-2012 sales tax data for the City of Ada indicates that 51% of all the sales taxes generated were attributed to general merchandise stores, eating establishments, and miscellaneous retail. Building materials, food stores, and wholesale trade made up the next 19% of retail sales.

Of the largest sectors, communications is the only sector that experienced a decline from the previous fiscal year. General merchandise, which was the largest sector, experienced a 5% increase.

The largest growth rates were hotel and lodging (20%), auto service stations (16%), wholesale trade (12%), apparel stores (10%), and eating establishments (10%).

Overall sales tax receipts grew by 3.71% compared to the previous fiscal year. The trends are especially positive when comparing the second halves of the past two fiscal years. Retail sales have increased by 8.3% for this time period.

Local employment figures continue to outpace the state and country. Ada's labor market has been above 21,000 in size for a record seven consecutive months. From June 2011 to May 2012, the Ada labor force has grown by more than 1,400 which is a 7% increase. Oklahoma's labor force grew by 3.5% and the country's grew by 1% during this same period.

² For more detailed information on long-term debt activity please refer to page 38-40, Note 5. Long-Term Debt and Debt Service Requirements

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“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 and 911 station, and a new sports complex.

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

Through the end of Fiscal Year 2011-2012, the city has collected \$5,804,242. In the meantime, citizen advisory committees have been working to evaluate and select architects for the various projects, as well as gathering input from citizens and city staff to help shape the progress of the projects.

Technological Advances

The City of Ada embraced several new technological advances in Fiscal Year 2011-2012, designed to improve communications, cut spending, and benefit the environment.

Two such improvements were implemented in the name of efficiency as well as customer convenience – the ability to pay utility bills and municipal court fines online. Customers can now make these online payments by following links on the city’s website.

With another technological advance, the city cut spending and waste in terms of costs, raw materials, and employee hours in one fell swoop by replacing paper city council agenda packets with digital tablets. A cost analysis estimated the digital tablets will save the city approximately \$10,000 over the next five years, and those savings will continue into the future. The switch to a paperless agenda also benefits the environment.

The city also expanded its venture into social media, adding a Twitter account and a YouTube channel. This decision was made after the city’s Facebook rapidly grew in popularity, demonstrating that more and more citizens exchange information in this way.

In more of a lateral technological move, the city’s government access channel – which features the long-running and award-winning “Explore Ada” was changed from 11 to 6 by Cable One.

Privatization of Sanitation Services/Curbside Recycling

In Fiscal Year 2011-2012, for the first time, the City of Ada privatized its sanitation service and offered curbside recycling.

The Ada City Council voted to privatize the garbage collection system and implement curbside recycling in an effort to minimize costs and streamline operations. The decision to privatize came after months of study by council members and city staff. The sanitation contract was awarded to WCA Waste Corporation, which operates in 14 states.

The move to a privatized sanitation department did not cause any city employees to lose their jobs. Instead, employees who wanted to stay on with the city have been placed in other departments.

WCA uses standardized poly carts. Under the new system, garbage collection occurs once a week, as does curbside recycling collection.

Drought and Water Restrictions

In what is becoming an all-too-familiar scenario, the City of Ada was forced to implement water restrictions in Fiscal Year 2011-2012 due to extreme heat and lack of rainfall in the late spring and summer months.

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By law, the city is limited by how much it can pump from the Arbuckle-Simpson Aquifer and of course water usage spikes during times of heat and drought, which creates the shortages. The city rescinds the restrictions at the first occurrence of significant and sustained rainfall.

This marked the third time in six years the restrictions were implemented.

GIS

The City of Ada ramped up its GIS program significantly in Fiscal Year 2011-2012.

GIS stands for Geographic Information Systems and refers to the computer mapping of all city infrastructure through the use of available technology such as GPS points, field hardware, and comprehensive mapping software.

The created maps reveal rich and precise data relating to city-owned infrastructure, including taps, manholes, easements, water lines, and other vital pieces of property.

The increased usage of this GIS technology has allowed the city to discover forgotten or “missing” pieces of infrastructure as well as provided current and future employees with an exhaustive database that will make future projects much more efficient both in terms of planning and execution.

Advisory Committee on Multiculturalism

In Fiscal Year 2011-2012, the City of Ada established the Advisory Committee on Multiculturalism. The duties of the committee include making recommendations to the city manager and city staff, and serving as positive advocates for all citizens in Ada in regard to multicultural issues.

The volunteer advisory committee will be made up of five community members and, ideally, will represent the diverse cultures found in Ada. As an advisory committee, it will consult with the city manager on administrative affairs and with the Ada City Council on matters of policy.

Public Works Improvements

Utilizing Proposition 1 and use tax funds, the Ada Public Works Authority continued to improve, upgrade, and rebuild infrastructure in Fiscal Year 2011-2012.

Many city streets were resurfaced with asphalt, restriped, and fog sealed in an effort to maximize their quality and longevity.

Other significant infrastructure projects took place during the fiscal year, including drainage work, and water and sewer line replacement.

Customer Service Specialist

In an effort to address issues in a more efficient manner, the City of Ada designated one of its employees as a Customer Service Specialist in Fiscal Year 2011-2012.

Citizens can contact the Customer Service Specialist directly to report perceived city-related issues, regardless of their nature. Issues may be related to utility billing, potholes, code violations, or anything else pertaining to city services.

Fire Department

The Ada Fire Department made some improvements in Fiscal Year 2011-2012.

The AFD received a donation from area natural gas supplier CenterPoint Energy in the amount of \$2,500 to purchase a gas monitor and a \$64,553 grant that has been used to purchase bunker gear like helmets,

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coats, pants, boots, gloves, and hoods. The AFD also received a truck from the Department of Homeland Security valued at \$96,718.

East Main Street (Arts District of Ada)

Activity continued on Ada's Main Street near the East Central University campus. During Fiscal Year 2011-2012, the second block of the three-block arts district saw the reconstruction of the street, sidewalks, and accessibility approaches.

Decorative lighting has also been installed in this block, down a brick center median. The first block underwent complete reconstruction the previous fiscal year (2010-2011).

Other phases of this project started in Fiscal Year 2011-2012 include reconstructing intersecting streets one block north and one block south of East Main. ECU's new business and community center is well under way in this district as well.

Activities in Wintersmith Park

In June 2012, near the end of Fiscal Year 2011-2012, the City of Ada hosted the first-ever movie night in the park. The free event was a huge success, and has since been repeated with another movie night and a musical performance.

More free, family-centered activities are scheduled for the future.

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
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BASIC FINANCIAL STATEMENTS - STATEMENTS OF NET ASSETS AND ACTIVITIES

CITY OF ADA, OKLAHOMA
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Statement of Net Assets– June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Valley View Hospital Authority	Ada Arts and Heritage Authority
ASSETS:					
Cash and cash equivalents	\$19,852,003	\$20,347,378	\$40,199,381	\$6,659	\$109,515
Investments	172,280	-	172,280	-	25,884
Interest receivable	398	28,886	29,284	-	-
Accounts receivable, net of allowance	-	1,682,767	1,682,767	-	-
Franchise tax receivable	96,840	-	96,840	-	-
Court fines receivable, net of allowance	630,007	-	630,007	-	-
Internal balances	(288,698)	288,698	-	-	-
Due from other governments	2,094,559	-	2,094,559	-	-
Prepaid expenses	-	-	-	-	204
Other receivables	162,407	-	162,407	-	-
Inventory	34,535	-	34,535	-	-
Notes receivable:					
Due within one year	-	-	-	779,632	-
Due in more than one year	-	-	-	239,078	-
Unamortized issue costs	-	94,870	94,870	-	-
Capital assets:					
Land and construction in progress	3,746,647	2,608,168	6,354,815	-	-
Other capital assets, net of depreciation	21,939,851	19,405,136	41,344,987	152,552	46,705
Total assets	48,440,829	44,455,903	92,896,732	1,177,921	182,308
LIABILITIES:					
Accounts payable	311,841	279,899	591,740	-	-
Accrued payroll liabilities	232,349	119,288	351,637	-	674
Accrued interest payable	456	-	456	-	-
Due to other governments	6,392	-	6,392	-	-
Due to bondholders	6,526	-	6,526	-	-
Deposits subject to refund	-	-	-	-	1,529
Due to component unit	555,320	-	555,320	-	-
Deferred Revenue	20,871	-	20,871	-	-
Long-term liabilities:					
Due within one year	116,741	671,426	788,167	779,632	-
Due in more than one year	878,746	6,194,039	7,072,785	239,078	-
Total liabilities	2,129,242	7,264,652	9,393,894	1,018,710	2,203
NET ASSETS:					
Invested in capital assets, net of related debt	25,570,086	17,958,304	43,528,390	-	46,705
Restricted for:					
State statutes, debt indentures and external parties	3,912,509	-	3,912,509	-	-
Enabling legislation	9,733,338	3,072,119	12,805,457	-	-
Unrestricted	7,095,654	16,160,828	23,256,482	159,211	133,400
Total net assets	\$46,311,587	\$37,191,251	\$83,502,838	\$159,211	\$180,105

See accompanying notes to the basic financial statements.

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Statement of Activities –Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Valley View Hospital Authority	Ada Arts and Heritage Authority
Primary Government:									
Governmental activities:									
General government	\$3,699,490	\$135,678	-	-	(\$3,563,812)	-	(\$3,563,812)	-	-
Streets	4,157,084	-	148,104	-	(4,008,980)	-	(4,008,980)	-	-
Public safety	5,721,500	457,421	557,568	161,271	(4,545,240)	-	(4,545,240)	-	-
Cemetery	194,331	66,425	-	-	(127,906)	-	(127,906)	-	-
Legal and judicial	190,924	-	-	-	(190,924)	-	(190,924)	-	-
Culture and recreation	1,368,767	133,389	20,090	-	(1,215,288)	-	(1,215,288)	-	-
Community development	342,261	-	-	-	(342,261)	-	(342,261)	-	-
Airport	1,495,954	114,798	-	80,767	(1,300,389)	-	(1,300,389)	-	-
Interest on long-term debt	315,246	-	-	-	(315,246)	-	(315,246)	-	-
Total governmental activities	17,485,557	907,711	725,762	242,038	(15,610,046)	-	(15,610,046)	-	-
Business-type activities:									
Water operations	3,942,484	5,586,710	-	-	-	\$1,644,226	1,644,226	-	-
Sewer operations	2,945,792	1,482,301	-	94,846	-	(1,368,645)	(1,368,645)	-	-
Sanitation operations	3,168,707	3,200,624	-	-	-	31,917	31,917	-	-
Economic development	1,589,265	-	-	-	-	(1,589,265)	(1,589,265)	-	-
Total business-type activities	11,646,248	10,269,635	-	94,846	-	(1,281,767)	(1,281,767)	-	-
Total primary government	\$29,131,805	\$11,177,346	\$725,762	\$336,884	(\$15,610,046)	(\$1,281,767)	(\$16,891,813)	-	-
Component Units:									
Arts, culture and recreation	\$40,552	-	\$31,921	-	-	-	-	-	(\$8,631)
Hospital and health care	96,994	-	25,438	-	-	-	(\$71,556)	-	-
Total Component Units	\$137,546	-	\$57,359	-	-	-	\$ (71,556)	\$ (8,631)	-
General revenues:									
Taxes:									
Sales and use taxes					14,999,957	-	14,999,957	-	-
Property taxes					115,031	-	115,031	-	-
Franchise and public service taxes					828,700	-	828,700	-	-
Payment in lieu of tax					75,776	-	75,776	-	-
E-911 taxes					551,355	-	551,355	-	-
Intergovernmental revenue not restricted to specific programs					298,645	-	298,645	-	-
Investment income					53,026	61,307	114,333	66,572	6,516
Miscellaneous					355,834	378,564	734,398	5,000	-
Transfers - Internal activity					3,974,257	(3,974,257)	-	-	-
Total general revenues and transfers before special item					21,252,581	(3,534,386)	17,718,195	71,572	6,516
Change in net assets					5,642,535	(4,816,153)	826,382	16	(2,115)
Net assets - beginning					40,844,926	42,261,800	83,106,726	159,195	182,220
Prior period adjustments for due to, accrued comp absence and OPEB liabilities (See Note 7.)					(175,874)	(254,396)	(430,270)	-	-
Net assets - ending					\$46,311,587	\$37,191,251	\$83,502,838	\$159,211	\$180,105

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF ADA, OKLAHOMA
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Governmental Funds Balance Sheet - June 30, 2012

	Special Revenue Funds			Capital Project Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	EMS Fund	Street & Alley Fund	Sales Tax Infrastructure Fund	Special 1568 Account Fund	Sales Tax Capital Facilities Fund		
ASSETS:								
Cash and cash equivalents	\$4,035,986	\$1,670,862	\$3,670,467	\$3,335,653	\$555,320	\$5,683,318	\$899,131	\$19,850,737
Investments	172,280	-	-	-	-	-	-	172,280
Receivables:								
Accrued interest receivable	-	398	-	-	-	-	-	398
Due from other funds	-	-	-	997	-	-	-	997
Due from other governments	1,066,055	-	81,486	404,461	-	449,475	93,082	2,094,559
Franchise tax receivable	96,840	-	-	-	-	-	-	96,840
Court fines receivable, net of allowance of \$630,007	630,007	-	-	-	-	-	-	630,007
Other receivables	114,076	-	-	-	-	-	48,331	162,407
Total assets	<u>6,115,244</u>	<u>1,671,260</u>	<u>3,751,953</u>	<u>3,741,111</u>	<u>555,320</u>	<u>6,132,793</u>	<u>1,040,544</u>	<u>23,008,225</u>
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts payable	137,378	-	14,760	33,927	-	9,691	116,085	311,841
Accrued payroll liabilities	195,106	-	-	24,421	-	-	12,822	232,349
Due to other funds	289,695	-	-	-	-	-	-	289,695
Due to other governments	6,392	-	-	-	-	-	-	6,392
Due to component unit	-	-	-	-	555,320	-	-	555,320
Due to bondholders	6,526	-	-	-	-	-	-	6,526
Deferred revenue	655,381	398	-	67,355	-	-	112,401	835,535
Total liabilities	<u>1,290,478</u>	<u>398</u>	<u>14,760</u>	<u>125,703</u>	<u>555,320</u>	<u>9,691</u>	<u>241,308</u>	<u>2,237,658</u>
Fund Balances:								
Restricted	1,104	-	3,643,728	3,450,377	-	6,110,536	297,757	13,503,502
Committed	-	1,670,862	-	-	-	-	13,143	1,684,005
Assigned	3,769,147	-	93,465	165,031	-	12,566	488,336	4,528,545
Unassigned	1,054,515	-	-	-	-	-	-	1,054,515
Total fund balances	<u>4,824,766</u>	<u>1,670,862</u>	<u>3,737,193</u>	<u>3,615,408</u>	<u>-</u>	<u>6,123,102</u>	<u>799,236</u>	<u>20,770,567</u>
Total liabilities and fund balances	<u>\$6,115,244</u>	<u>\$1,671,260</u>	<u>\$3,751,953</u>	<u>\$3,741,111</u>	<u>\$555,320</u>	<u>\$6,132,793</u>	<u>\$1,040,544</u>	<u>\$23,008,225</u>

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2012

	Special Revenue Funds			Capital Project Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	EMS Fund	Street & Alley Fund	Sales Tax Infrastructure Fund	Special 1568 Account Fund	Sales Tax Capital Facilities Fund		
Revenues:								
Taxes	\$8,926,994	-	\$743,158	\$2,673,150	\$-	\$3,564,199	\$662,730	\$16,570,231
Intergovernmental	922,712	-	146,158	-	-	-	108,600	1,177,470
Charges for services	217,923	-	-	-	-	-	137,581	355,504
Fines and forfeitures	469,148	-	-	-	-	-	-	469,148
Licenses and permits	97,587	-	-	-	-	-	-	97,587
Investment income	24,821	\$1,551	9,551	6,376	875	8,533	1,021	52,728
Miscellaneous	620,407	-	-	377,159	-	-	15,237	1,012,803
Total Revenues	11,279,592	1,551	898,867	3,056,685	875	3,572,732	925,169	19,735,471
Expenditures:								
Current:								
General government	3,493,436	-	-	-	-	-	122,893	3,616,329
Streets and highways	709,362	-	208,381	1,169,937	-	-	-	2,087,680
Public safety	5,076,707	144,000	-	-	-	-	577,002	5,797,709
Cemetery	182,286	-	-	-	-	-	-	182,286
Legal and judicial	174,722	-	-	-	-	-	-	174,722
Culture and recreation	1,247,667	-	-	-	-	-	-	1,247,667
Community development	331,142	-	-	-	-	-	-	331,142
Airport	-	-	-	-	-	-	1,156,313	1,156,313
Sewer	-	-	-	361,421	-	-	-	361,421
Capital outlay	512,721	-	139,978	580,606	-	80,158	130,652	1,444,115
Debt service:								
Principal retirement	4,208,267	-	-	-	-	-	89,648	4,297,915
Interest and fiscal charges	315,246	-	-	-	-	-	15,698	330,944
Total Expenditures	16,251,556	144,000	348,359	2,111,964	-	80,158	2,092,206	21,028,243
Excess (deficiency) of revenues over expenditures	(4,971,964)	(142,449)	550,508	944,721	875	3,492,574	(1,167,037)	(1,292,772)
Other Financing Sources (Uses):								
Transfers in	6,290,144	-	-	15,000	-	-	1,104,450	7,409,594
Transfers out	(1,078,601)	-	(1,387,300)	(449,268)	-	(63,023)	(64,320)	(3,042,512)
Proceeds from judgments incurred	-	-	-	-	-	-	104,950	104,950
Total Other Financing Sources (Uses)	5,211,543	-	(1,387,300)	(434,268)	-	(63,023)	1,145,080	4,472,032
Net change in fund balances	239,579	(142,449)	(836,792)	510,453	875	3,429,551	(21,957)	3,179,260
Fund balances - beginning, restated for overstatement of liability in Special 1568 Account Fund (see Note 7.)	4,585,187	1,813,311	4,573,985	3,104,955	(875)	2,693,551	821,193	17,591,307
Fund balances - ending	\$4,824,766	\$1,670,862	\$3,737,193	\$3,615,408	\$-	\$6,123,102	\$799,236	\$20,770,567

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

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

Total fund balances - governmental funds \$20,770,567

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$49,687,314 25,686,498

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 \$630,007	556,979
Property taxes receivable	17,415
E-911 taxes receivable	57,575
Grant receivable	107,817
Insurance premium revenue	74,480
Interest receivable	398
	<u>814,664</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 Assets.

Net assets of the Internal Service Fund 35,801

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

Accrued interest payable	(456)
Capital lease obligations payable	(116,412)
Accrued compensated absences	(701,606)
Unfunded OPEB obligations	(177,469)
	<u>(995,943)</u>

Net assets of governmental activities \$46,311,587

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Net change in fund balances - total governmental funds	\$3,179,260
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays 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	1,261,271
Depreciation expense	<u>(2,861,706)</u>
	<u>(1,600,435)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred revenue	<u>(101,421)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital lease obligation principal payments	<u>4,208,267</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:	
Accrued compensated absences expenses	9,000
Unfunded OPEB obligations	<u>(61,142)</u>
	<u>(52,142)</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 is included in governmental activities in the Statement of Net Assets.	
Change in net assets of the Internal Service Fund	<u>9,006</u>
Change in net assets of governmental activities	\$5,642,535

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Proprietary Funds Statement of Net Assets - June 30, 2012

	Enterprise Funds			Internal Service Fund
	Utility Enterprise Fund	Economic Development Enterprise Fund	Total	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$16,621,506	\$3,072,119	\$19,693,625	\$1,266
Restricted cash and cash equivalents	653,753	-	653,753	-
Accounts receivable, net of allowance of \$61,130	1,682,767	-	1,682,767	-
Interest receivable	28,886	-	28,886	-
Inventory	-	-	-	34,535
Due from other funds	291,042	-	291,042	-
Total current assets	19,277,954	3,072,119	22,350,073	35,801
Noncurrent Assets:				
Capital assets:				
Land and other non-depreciable assets	2,608,168	-	2,608,168	-
Other capital assets, net of depreciation	19,405,136	-	19,405,136	-
Unamortized issue costs	94,870	-	94,870	-
Total noncurrent assets	22,108,174	-	22,108,174	-
Total assets	41,386,128	3,072,119	44,458,247	35,801
LIABILITIES:				
Current Liabilities:				
Accounts payable	279,899	-	279,899	-
Accrued payroll liabilities	119,288	-	119,288	-
Due to other funds	2,344	-	2,344	-
Notes payable	400,000	-	400,000	-
Due to depositors	65,375	-	65,375	-
Landfill closure liability	162,409	-	162,409	-
Accrued compensated absences	43,642	-	43,642	-
Total current liabilities	1,072,957	-	1,072,957	-
Noncurrent liabilities:				
Due to depositors	588,378	-	588,378	-
Landfill closure liability	1,461,679	-	1,461,679	-
Accrued compensated absences	392,780	-	392,780	-
Notes payable	3,655,000	-	3,655,000	-
Net OPEB obligation	96,202	-	96,202	-
Total noncurrent liabilities	6,194,039	-	6,194,039	-
Total liabilities	7,266,996	-	7,266,996	-
NET ASSETS:				
Invested in capital assets, net of related debt	17,958,304	-	17,958,304	-
Restricted for Economic Development	-	3,072,119	3,072,119	-
Unrestricted	16,160,828	-	16,160,828	35,801
Total net assets	\$34,119,132	\$3,072,119	\$37,191,251	\$35,801

See accompanying notes to the basic financial statements.

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets - Year Ended June 30, 2012

	Enterprise Funds			Internal Service Fund
	Utility Enterprise Fund	Economic Development Enterprise Fund	Total	
Operating Revenues:				
Charges for services:				
Water charges	\$5,407,557	-	\$5,407,557	-
Sewer charges	1,434,767	-	1,434,767	-
Sanitation charges	2,745,105	-	2,745,105	-
Solid waste fee	131,320	-	131,320	-
Recycling center	233,253	-	233,253	-
Lease revenue	52,395	-	52,395	-
Charges for inventory	-	-	-	\$96,544
Miscellaneous	317,633	-	317,633	-
Total operating revenues	<u>10,322,030</u>	<u>-</u>	<u>10,322,030</u>	<u>96,544</u>
Operating Expenses:				
Administration	1,432,507	-	1,432,507	-
Billing and collecting	615,278	-	615,278	-
Public works director	278,293	-	278,293	-
Water and sewer line maintenance	802,727	-	802,727	-
Water plant	564,153	-	564,153	-
Liquid waste	627,029	-	627,029	-
Solid waste	1,441,852	-	1,441,852	-
Landfill	760,469	-	760,469	-
Construction	507,838	-	507,838	-
Economic development	-	1,589,265	1,589,265	-
Cost of inventory	-	-	-	87,538
Amortization expense	2,564	-	2,564	-
Depreciation expense	2,650,628	-	2,650,628	-
Total operating expenses	<u>9,683,338</u>	<u>1,589,265</u>	<u>11,272,603</u>	<u>87,538</u>
Operating income (loss)	638,692	(1,589,265)	(950,573)	9,006
Non-Operating Revenues				
Investment income	54,955	6,352	61,307	-
Miscellaneous	322,737	3,432	326,169	-
Gain on disposal of capital assets	9,279	-	9,279	-
Total non-operating revenues	<u>386,971</u>	<u>9,784</u>	<u>396,755</u>	<u>-</u>
Net income (loss) before transfers	1,025,663	(1,579,481)	(553,818)	9,006
Contributed capital revenue	94,846	-	94,846	-
Transfers in	2,453,934	885,737	3,339,671	-
Transfer out	<u>(7,696,852)</u>	<u>-</u>	<u>(7,696,852)</u>	<u>-</u>
Change in net assets	(4,122,409)	(693,744)	(4,816,153)	9,006
Total net assets - beginning	38,495,937	3,765,863	42,261,800	26,795
Prior period adjustment (see Note 7.)	(254,396)	-	(254,396)	-
Total net assets - ending	<u>\$34,119,132</u>	<u>\$3,072,119</u>	<u>\$37,191,251</u>	<u>\$35,801</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, 2012

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2012

	Enterprise Funds			Internal Service Fund
	Utility Enterprise Fund	Economic Development Enterprise Fund	Total	
	Fund	Enterprise Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$9,536,746	-	\$9,536,746	\$96,544
Payments to suppliers	(2,668,579)	(\$1,589,265)	(4,257,844)	(95,278)
Payments to employees	(4,069,493)	-	(4,069,493)	-
Receipts of customer meter deposits	42,459	-	42,459	-
Interfund receipts/payments	(224,224)	-	(224,224)	-
Other receipts	640,370	3,432	643,802	-
Net Cash Provided by (Used in) Operating Activities	<u>3,257,279</u>	<u>(1,585,833)</u>	<u>1,671,446</u>	<u>1,266</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	2,453,934	885,737	3,339,671	-
Transfers to other funds	(7,696,852)	-	(7,696,852)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(5,242,918)</u>	<u>885,737</u>	<u>(4,357,181)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(1,290,337)	-	(1,290,337)	-
Proceeds from note	4,055,000	-	4,055,000	-
Unamortized debt issuance fees	(97,434)	-	(97,434)	-
Net Cash Provided by Capital and Related Financing Activities	<u>2,667,229</u>	<u>-</u>	<u>2,667,229</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	26,069	6,352	32,421	-
Net Cash Provided by Investing Activities	<u>26,069</u>	<u>6,352</u>	<u>32,421</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	707,659	(693,744)	13,915	1,266
Balances - beginning of the year	16,567,600	3,765,863	20,333,463	-
Balances - end of the year	<u>\$17,275,259</u>	<u>\$3,072,119</u>	<u>\$20,347,378</u>	<u>\$1,266</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$638,692	(\$1,589,265)	(\$950,573)	\$9,006
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	2,650,628	-	2,650,628	-
Amortization expense	2,564	-	2,564	-
Other non-operating revenues	322,737	3,432	326,169	-
Change in assets and liabilities:				
Receivables, net	(467,651)	-	(467,651)	-
Due from other funds	(223,488)	-	(223,488)	-
Inventory	-	-	-	4,006
Accounts payable	246,803	-	246,803	-
Accrued payroll liabilities	(135,524)	-	(135,524)	-
Due to other funds	(736)	-	(736)	(11,746)
Due to depositors	42,459	-	42,459	-
Landfill closure liability	164,224	-	164,224	-
Other post employment liability	33,144	-	33,144	-
Accrued compensated absences	(16,573)	-	(16,573)	-
Net Cash Provided by (Used in) Operating Activities	<u>\$3,257,279</u>	<u>(1,585,833)</u>	<u>\$1,671,446</u>	<u>\$ 1,266</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, 2012**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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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) and a blended component unit 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 – 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 hospital has a year end of September 30; therefore, the financial data included in this report is for the year ending September 30, 2011. Separate audited component unit financial statements are issued by the Valley View Hospital Authority and may be obtained by contacting their administrative offices.

The Ada Arts and Heritage Authority – that operates The Arts and Heritage Center. Separate 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" 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 statement of net assets and activities is 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.
- Street and Alley Fund – accounts for receipt and use of motor vehicle tax, gasoline excise tax, and use tax.

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- Sales Tax Infrastructure Fund – accounts for dedicated sales tax to be used for capital improvements to streets and alleys, water system, and sewer system.
- Special 1568 Account Fund – accounts for the residual of the VVRH sales tax allocation and the interest earned now that the tax has ended.
- 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.

**CITY OF ADA, OKLAHOMA
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The General Fund, EMS Fund, Street & Alley Fund, Sales Tax Infrastructure Fund, Special 1568 Account 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:

- Utility 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 business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For purposes of the statement of revenues, expenses and changes in fund net assets, 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 assets, 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.

**CITY OF ADA, OKLAHOMA
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As of and for the Year Ended June 30, 2012**

At June 30, 2012, the primary government held the following deposits and investments:

	Carrying Value			
Deposits:				
Demand deposits	\$ 40,184,258			
	Fair Value	Credit Rating	Maturity Date	
Investments:				
Investment in Judgments	\$ 172,280	N/A	N/A	
GNMA Bonds	571	Aaa	6/15/2016	
GNMA Bonds	236	Aaa	5/20/2018	
FNMA Bonds - Callable	1,929	Aaa	8/25/2020	
GNMA Bonds	12,387	Aaa	5/15/2025	
Total investments	\$ 187,403			
 Total deposits and investments	 \$ 40,371,661			
 Reconciliation to Statement of Net Assets:				
Cash and cash equivalents	\$ 40,199,381			
Investments	172,280			
	\$ 40,371,661			

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, 2012, the City was fully collateralized.

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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 and the Sewer System Funds only.
- 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.

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, 2012, 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 and the Sewer System 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, 2012, the investments held by the City mature between 2016 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, 2012, the City had \$15,123 (or 8%) of its investments in GNMA and FNMA Bonds and \$172,280 (or 92%) in judgments.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net assets are comprised of \$653,753 held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill).

**CITY OF ADA, OKLAHOMA
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Component Units:

Valley View Hospital Authority

Deposits

At September 30, 2011, the Authority had bank balances of \$6,659, none of which was uninsured or under collateralized. The carrying value of these deposits was \$6,659.

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 September 30, 2011, the Authority had no investments.

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 September 30, 2011 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, 2012, the Authority had a bank balance of \$109,780. The carrying value of these deposits is \$109,780 at June 30, 2012.

CITY OF ADA, OKLAHOMA
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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, 2012, the Authority had the following investments:

Arts and Heritage	Fair Value
Type	Value
Demand Deposits	\$ 57,116
Certificates of Deposit	52,399
Bristol Myers Squibb Company Common Stock	25,884
	\$ 135,399

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, 2012, capital assets balances changed as follows:

	Balance at July 1, 2011	Additions	Disposals	Interfund Transfers	Balance at June 30, 2012
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 1,295,579	\$ -	\$ -	\$ -	\$ 1,295,579
Construction in progress	2,172,926	743,531	465,389	-	2,451,068
Total capital assets not being depreciated	3,468,505	743,531	465,389	-	3,746,647
Other capital assets:					
Buildings and Improvements	15,121,812	691,252	-	-	15,813,064
Machinery, furniture and equipment	8,227,543	306,158	67,592	(7,647)	8,458,462
Infrastructure	47,327,846	27,793	-	-	47,355,639
Total other capital assets at historical cost	70,677,201	1,025,203	67,592	(7,647)	71,627,165
Less accumulated depreciation for:					
Buildings and Improvements	5,001,638	426,798	-	-	5,428,436
Machinery, furniture and equipment	4,817,580	568,663	24,405	(8,760)	5,353,078
Infrastructure	37,039,555	1,866,245	-	-	38,905,800
Total accumulated depreciation	46,858,773	2,861,706	24,405	(8,760)	49,687,314
Other capital assets, net	23,818,428	(1,836,503)	43,187	1,113	21,939,851
Governmental activities capital assets, net	\$ 27,286,933	\$ (1,092,972)	\$ 508,576	\$ 1,113	\$ 25,686,498

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	Balance at July 1, 2011	Additions	Disposals	Interfund Transfers	Balance at June 30, 2012
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 938,890	\$ -	\$ -	\$ -	\$ 938,890
Land-water development	1,271,707	-	-	-	1,271,707
Construction in progress	766,316	855,347	1,224,092	-	397,571
Total capital assets not being depreciated	<u>2,976,913</u>	<u>855,347</u>	<u>1,224,092</u>	<u>-</u>	<u>2,608,168</u>
Other capital assets:					
Buildings and Improvements	17,562,767	670,643		-	18,233,410
Machinery, furniture and equipment	6,191,056	291,532	526,216	7,647	5,964,019
Utility property improvements	47,703,952	850,791		-	48,554,743
Total other capital assets at historical cost	<u>71,457,775</u>	<u>1,812,966</u>	<u>526,216</u>	<u>7,647</u>	<u>72,752,172</u>
Less accumulated depreciation for:					
Buildings and Improvements	8,949,191	615,928		-	9,565,119
Machinery, furniture and equipment	4,521,219	296,505	477,570	8,760	4,348,914
Utility property improvements	37,694,808	1,738,195		-	39,433,003
Total accumulated depreciation	<u>51,165,218</u>	<u>2,650,628</u>	<u>477,570</u>	<u>8,760</u>	<u>53,347,036</u>
Other capital assets, net	20,292,557	(837,662)	48,646	(1,113)	19,405,136
Business-type activities capital assets, net	<u>\$ 23,269,470</u>	<u>\$ 17,685</u>	<u>\$ 1,272,738</u>	<u>\$ (1,113)</u>	<u>\$ 22,013,304</u>

	Balance at October 1, 2010	Additions	Disposals	Interfund Transfers	Balance at September 30, 2011
Component units:					
Valley View Regional Hospital:					
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Other capital assets:					
Machinery, furniture and equipment	174,770	183,062	174,770	-	183,062
Total capital assets	<u>174,770</u>	<u>183,062</u>	<u>174,770</u>	<u>-</u>	<u>183,062</u>
Less accumulated depreciation for:					
Equipment	174,770	30,510	174,770	-	30,510
Total accumulated depreciation	<u>174,770</u>	<u>30,510</u>	<u>174,770</u>	<u>-</u>	<u>30,510</u>
Valley View Regional Hospital capital assets, net	<u>\$ -</u>	<u>\$ 152,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,552</u>

	Balance at July 1, 2011	Additions	Disposals	Interfund Transfers	Balance at June 30, 2012
Ada Arts and Heritage Authority:					
Capital assets:					
Buildings and improvements	\$ 54,325	\$ -	\$ -	\$ -	\$ 54,325
Furniture and equipment	39,053	-	-	-	39,053
Total capital assets	<u>93,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,378</u>
Less accumulated depreciation for:					
Buildings and improvements	15,096	397	-	-	15,493
Furniture and equipment	30,663	517	-	-	31,180
Total accumulated depreciation	<u>45,759</u>	<u>914</u>	<u>-</u>	<u>-</u>	<u>46,673</u>
Ada Arts and Heritage Authority capital assets, net	<u>\$ 47,619</u>	<u>\$ (914)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,705</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:

- 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

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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	\$ 89,961
Streets and Highways	2,066,976
Public Safety	250,273
Cemetery	9,930
Legal and Judicial	1,780
Culture and Recreation	101,439
Airport	336,107
Community Development	5,240
Total	<u>\$ 2,861,706</u>

Business-Type Activities:

Water	\$ 1,382,363
Sewer	1,111,382
Sanitation	156,883
Total	<u>\$ 2,650,628</u>

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2012, the reporting entity's long-term debt changed as follows:

Type of Debt	Restated Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 4,324,679	\$ -	\$ 4,208,267	\$ 116,412	\$ 46,580
Accrued compensated absences	710,606	-	9,000	701,606	70,161
Other post-employment benefit liability	116,327	61,142	-	177,469	-
Total Governmental Activities	<u>\$ 5,151,612</u>	<u>\$ 61,142</u>	<u>\$ 4,217,267</u>	<u>\$ 995,487</u>	<u>\$ 116,741</u>
Business-Type Activities:					
Notes payable	\$ -	\$ 4,055,000	\$ -	\$ 4,055,000	\$ 400,000
Accrued compensated absences	452,995	-	16,573	436,422	43,642
Deposits subject to refund	611,294	42,459	-	653,753	65,375
Landfill closure liability	1,459,864	164,224	-	1,624,088	162,409
Other post-employment benefit liability	63,058	33,144	-	96,202	-
Total Business-Type Activities	<u>2,587,211</u>	<u>4,294,827</u>	<u>-</u>	<u>6,865,465</u>	<u>671,426</u>
Total Long-Term Debt	<u>\$ 7,738,823</u>	<u>\$ 4,355,969</u>	<u>\$ 4,217,267</u>	<u>7,860,952</u>	<u>\$ 788,167</u>
Component Units:					
Valley View Hospital Authority:					
Capital lease payable	\$ 1,837,192	-	\$ 818,482	\$ 1,018,710	\$ 779,632
Total VVHA	<u>\$ 1,837,192</u>	<u>\$ -</u>	<u>\$ 818,482</u>	<u>\$ 1,018,710</u>	<u>\$ 779,632</u>

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	\$ 46,580
Noncurrent portion	<u>69,832</u>
Total Capital Lease Obligations	<u>\$116,412</u>

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Accrued Compensated Absences:

Current portion		\$ 70,161
Noncurrent portion		<u>631,445</u>
Total Accrued Compensated Absences		<u>\$ 701,606</u>

Business-type activities long-term debt:

Notes Payable:

\$4,055,000 Sales and Use Tax Revenue Note Series 2012 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		\$ 400,000
Noncurrent portion		<u>3,655,000</u>
Total Notes Payable		<u>\$ 4,055,000</u>

Accrued Compensated Absences:

Current portion		\$ 43,642
Noncurrent portion		<u>392,780</u>
Total Accrued Compensated Absences		<u>\$ 436,422</u>

Deposits Subject to Refund:

Current portion		\$ 65,375
Noncurrent portion		<u>588,378</u>
Total Deposits Subject to Refund		<u>\$ 653,753</u>

Landfill Closure Liability:

Current portion		\$ 162,409
Noncurrent portion		<u>1,461,679</u>
Total Landfill Closure Liability		<u>\$ 1,624,088</u>

Component Units have the following long-term debt at June 30, 2012:

Valley View Hospital Authority

Capital Lease Obligation:

\$3,156,286 lease obligations with local bank, payable in monthly installments with annual interest rates of 6.7%, final payment due October 2014.

Current portion		\$ 779,632
Noncurrent portion		<u>239,078</u>
Total Capital Lease Obligations		<u>\$ 1,018,710</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	
	Principal	Interest
2013	\$ 46,580	\$ 4,476
2014	48,817	2,239
2015	21,015	247
Totals	\$ 116,412	\$ 6,962

<u>Year Ending June 30,</u>	Business-Type Debt	
	Notes Payable	
	Principal	Interest
2013	\$ 400,000	\$ 60,801
2014	415,000	53,998
2015	420,000	47,652
2016	430,000	41,230
2017	435,000	34,694
2018-2022	1,955,000	71,782
Totals	\$ 4,055,000	\$ 310,157

<u>Year Ending September 30,</u>	Component Unit Debt	
	Capital Lease Obligations	
2012	\$ 811,226	
2013	227,565	
2014	14,697	
2015	1,237	
Totals	\$ 1,054,725	
	(36,015)	*
	\$ 1,018,710	

* Less amount representing interest

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6. Landfill Closure and Post Closure Requirements

A \$1,624,088 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 64.83% of the estimated capacity of the landfill. It is estimated that an additional \$880,979 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 August 2020. The estimated remaining landfill life is 98 months.

7. Net assets and Fund Balances

Net Assets:

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

- a. *Invested in capital assets, net of related debt* - 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.
- b. *Restricted net assets* - Consists of net assets 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 assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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- 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 Assets restrictions:

	General Fund	EMS Fund	Street & Alley Fund	Sales Tax Infrastructure Fund	Special 1568 Account Fund	Sales Tax Capital Facilities Fund	Other Governmental Funds	Total
Fund Balance:								
Restricted For:								
Grant purposes	1,104	-	-	-	-	-	-	1,104
Streets	-	-	3,643,728	-	-	-	-	3,643,728
Capital Improvements	-	-	-	3,450,377	-	6,110,536	-	9,560,913
D.A.R.E	-	-	-	-	-	-	5,668	5,668
Library	-	-	-	-	-	-	22,926	22,926
Police	-	-	-	-	-	-	1,121	1,121
E911	-	-	-	-	-	-	47,495	47,495
Parks	-	-	-	-	-	-	48,160	48,160
Cemetery	-	-	-	-	-	-	160,308	160,308
Little Red School House	-	-	-	-	-	-	140	140
Debt Service	-	-	-	-	-	-	11,939	11,939
Sub-total Restricted	1,104	-	3,643,728	3,450,377	-	6,110,536	297,757	13,503,502
Committed to:								
Ambulance Service	-	1,670,862	-	-	-	-	-	1,670,862
Library	-	-	-	-	-	-	13,143	13,143
Sub-total Committed	-	1,670,862	-	-	-	-	13,143	1,684,005
Assigned to:								
Cemetery	-	-	-	-	-	-	205,701	205,701
Airport	-	-	-	-	-	-	150,959	150,959
E911	-	-	-	-	-	-	7,905	7,905
Police	-	-	-	-	-	-	2,859	2,859
Library	-	-	-	-	-	-	205	205
Capital Improvements	-	-	-	165,031	-	12,566	120,376	297,973
Streets	-	-	93,465	-	-	-	-	93,465
CDBG Grants	10,318	-	-	-	-	-	-	10,318
Parks	4,665	-	-	-	-	-	331	4,996
Health Insurance	892,238	-	-	-	-	-	-	892,238
Self Insurance	618,490	-	-	-	-	-	-	618,490
Advance Travel	2,000	-	-	-	-	-	-	2,000
Unemployment	99,195	-	-	-	-	-	-	99,195
Workers' Comp	341,182	-	-	-	-	-	-	341,182
Budget balancing purposes	1,801,059	-	-	-	-	-	-	1,801,059
Sub-total Assigned	3,769,147	-	93,465	165,031	-	12,566	488,336	4,528,545
Unassigned								
	1,054,515	-	-	-	-	-	-	1,054,515
Total Fund Balance	\$ 4,824,766	\$ 1,670,862	\$ 3,737,193	\$ 3,615,408	\$ -	\$ 6,123,102	\$ 799,236	\$ 20,770,567

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Enterprise Funds:

Restricted For Economic Development	\$	3,072,119
Total Enterprise Fund Restrictions	\$	<u>3,072,119</u>

Restricted Net Assets – Governmental Activities:

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

Fund	Restricted By	Amount
Drug Forfeiture Fund	Statutory requirements	\$ 1,071
Drug Forfeiture Federal Fund	Statutory requirements	50
Cemetery Care Fund	Statutory requirements	160,308
Sinking Fund	Statutory requirements	29,354
Street and Alley Fund	Statutory requirements	3,643,728
Sudden/Severe Economic Dislocation Fund	Other contracts - Contributors	1,104
D.A.R.E Fund	Other contracts - Contributors	5,668
Library Memorial Fund	Other contracts - Contributors	20,906
Library State Aid Fund	Other contracts - Contributors	2,020
Parks Donation Fund	Other contracts - Contributors	48,160
Little Red School House Fund	Other contracts - Contributors	140
		<u>3,912,509</u>
E911 Fund	Enabling legislation	\$ 105,070
Sales Tax Infrastructure Fund	Enabling legislation	3,517,732
Sales Tax Capital Facilities Fund	Enabling legislation	6,110,536
		<u>9,733,338</u>

Prior Period Adjustments:

The following adjustments were made to beginning fund balance or net assets:

	Special 1568 Account Fund	Governmental Activities	Utility Enterprise Fund	Business-Type Activities
Beginning fund balance/net assets as previously reported	\$ (32,310)	\$ 40,844,926	\$ 38,495,937	\$ 42,261,800
Corrections:				
Overstated due to liability	31,435	31,435	-	-
Understated accrued comp liability	-	(270,367)	(191,338)	(191,338)
Overstated OPEB liability	-	63,058	-	-
Understated OPEB liability	-	-	(63,058)	(63,058)
Beginning fund balance/net assets as restated	<u>\$ (875)</u>	<u>\$ 40,669,052</u>	<u>\$ 38,241,541</u>	<u>\$ 42,007,404</u>

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The overstatement of the liability in the Special 1568 Account Fund was due to an overstatement of the amount owed to Valley View Regional Hospital for residual sales tax collected by the City. The understatements of the accrued compensated absence liabilities were due to calculation errors in the prior year. The restatements of the OPEB liabilities were due to an allocation of the liability to both the governmental activities and the business-type activities rather than all of the liability being recorded in the governmental activities.

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 and 06-15. 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 and 06-14.
- 1 cent is recorded in the Sales Tax Capital Facility Fund to be used for capital improvements as per Ordinance No. 10-13.

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, 2012, the City's net assessed valuation of taxable property was \$80,901,091. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2012 was \$1.32.

10. Internal and Interfund Balances and Transfers

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The City's policy is to eliminate interfund transfers and balances in the statement of activities and net assets 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, 2012, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Utility Enterprise Fund	\$ 885,737	Sales tax transfer
General Fund	Utility Enterprise Fund	182,003	Sales tax-2012 revenue bond
General Fund	Utility Enterprise Fund	12,210	Purchase of capital assets
Utility Enterprise Fund	Liability Self Insurance Fund	75,000	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	General Fund	677,686	Health insurance premium transfer
Airport/Agriculture Fund	General Fund	5,497	Health insurance premium transfer
E911 Fund	General Fund	57,823	Health insurance premium transfer
Sales Tax Infrastructure	General Fund	126,534	Health insurance premium transfer
General Fund	Sewer System Fund	2,112	Interest expense on interfund loan
General Fund	Solid Waste Development Fund	7,265	Interest expense on interfund loan
Utility Enterprise Fund	General Fund	182,003	Sales tax-2012 revenue bond
Utility Enterprise Fund	General Fund	327,350	Subsidy for shared costs and leasing of assets
Utility Enterprise Fund	General Fund	3,957,566	Pay off Honeywell debt
Utility Enterprise Fund	General Fund	423,601	Honeywell capital lease payments
Utility Enterprise Fund	Airport/Agriculture Fund	97,550	Operating Subsidy
Utility Enterprise Fund	Economic Development Fund	885,737	Sales tax transfer
Utility Enterprise Fund	Solid Waste Development Fund	7,327	Portion of landfill collections
Street & Alley	General Fund	250,000	Operating Subsidy
Street & Alley	General Fund	69,600	One time merit bonuses
Street & Alley	E911 Fund	6,300	One time merit bonuses
Street & Alley	Utility Enterprise Fund	45,800	One time merit bonuses
Street & Alley	Airport/Agriculture Fund	1,000,000	FAA grant reimbursement
Street & Alley	Airport/Agriculture Fund	600	One time merit bonuses
Street & Alley	Sales Tax Infrastructure	15,000	One time merit bonuses
Sales Tax Capital Facility	Utility Enterprise Fund	63,023	Purchase of capital assets
Solid Waste Development Fund	Utility Enterprise Fund	26,414	Purchase of capital assets
Sewer System Fund	Utility Enterprise Fund	165,000	Interfund loan
Sewer System Fund	Utility Enterprise Fund	616,878	Purchase of capital assets
Sales Tax Infrastructure	Utility Enterprise Fund	322,734	Purchase of capital assets
Drug Forfeiture Fund	General Fund	1,000	Move yearly activity
CDBG Grant Fund	General Fund	1,484	Close fund
Rural Water Dist. #2	Utility Enterprise Fund	117,431	Purchase of capital assets
Total		<u>\$ 10,749,265</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 7,409,594	\$ (3,042,512)	\$ 4,367,082
Proprietary Funds	3,339,671	(7,696,852)	(4,357,181)
Total	<u>\$ 10,749,265</u>	<u>\$ (10,739,364)</u>	<u>\$ 9,901</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ 4,367,082
Transfer capital asset to business-type activities	(9,901)
Transfer sewer expenses to business-type activities	(382,924)
Transfers - internal activity	<u>\$ 3,974,257</u>

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Balances:

Interfund receivables and payables at June 30, 2012, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	APWA	\$ 41,824	Interfund loan
General Fund	APWA	\$ 247,871	Interfund loan
Meter Deposit Fund	APWA	1,347	Interest due
APWA	Sales Tax Infrastructure Fund	997	Interest due
Total		<u>\$ 292,039</u>	

Reconciliation to Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 997	\$ (289,695)	\$ (288,698)
Proprietary Funds	291,042	(2,344)	288,698
Total	<u>\$ 292,039</u>	<u>\$ (292,039)</u>	<u>\$ -</u>

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 \$475,000 per occurrence for police and fire employees and \$400,000 per occurrence for all other employees. Additional coverage through National Safety.
- Dental Insurance – Self insured
- Employee's Group Medical – Self insured with Blue Cross as the third party administrator; stop loss insured up to \$60,000 not to exceed \$2,000,000.

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.

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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 2012, the City's involvement in federal and state award programs was not 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.

During fiscal year 2008, the City was notified by the Federal Aviation Administration (FAA) that there were deviations from federal specifications on an Airport Improvement Program construction grant to the City. The Federal Aviation Administration and the Oklahoma Aeronautics Commission (OAC) requested repayment of all grant funds received in the amounts of \$402,354 and \$624,216, respectively. The City paid these amounts in fiscal year 2012.

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

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vested after 10 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 22-102, 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 8% of their annual salary. The City is required by state law to contribute 13% 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 2012, the City's annual required contribution was \$179,869 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$368,039 (or 26.6% of covered payroll) for the fiscal year.

Police Pension System:

Plan Summary Information. Pursuant to the requirements of Title 11, section 22-102, 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 2012, the City's annual required contribution was \$192,491 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$164,987 (or 10.9% of covered payroll) for the fiscal year.

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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
2010	332,139	863,337	2010	109,197	176,446	100%	2010	114,295	185,729	100%
2011	333,180	866,267	2011	111,441	181,094	100%	2011	117,909	191,602	100%
2012	335,062	871,159	2012	110,688	179,869	100%	2012	118,456	192,491	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, Oklahoma Firefighter's Pension and Retirement System, or the City of Ada Retirement Plan. Retirees may continue coverage with the City by paying the carrier premium rate. Coverage is available for each of the lifetimes of retirees and their spouses. 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 Council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the actuarially expected City contributions in the form of net age adjustment were to be \$113,903 to the Plan. Plan members receiving benefits contributed \$28,493 of the total premiums, through their payment of the full determined premium in FY 2012.

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 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, 2012:

Normal Cost	\$ 71,471
Amortization of Actuarial Accrued Liability (AAL)	42,432
Annual OPEB cost (expense)	<u>113,903</u>
Expected net benefits during the year	<u>(28,493)</u>
Increase in net OPEB obligation	85,410
Net OPEB obligation - beginning of year	188,261
Net OPEB obligation - end of year	<u><u>\$ 273,671</u></u>

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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
6/30/10	\$94,658	43.2%	\$125,621
6/30/11	\$94,658	43.2%	\$179,385
6/30/12	\$113,903	25.0%	\$273,671

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, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$1,089,191, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,089,191. The covered payroll (annual payroll of active employees covered by the plan) was \$8.1 million, and the ratio of the UAAL to the covered payroll was 13 percent. Because the plan is a substantive plan there are no plan assets.

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 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, 2011, 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 2013. 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, 2011, was twenty-seven 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.

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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

On June 4, 2012 the City adopted ordinances 12-09 and 12-10, otherwise known as Proposition I (3/4 cent) and Proposition II (1/4 cent) dedicated sales taxes. The voters subsequently approved these ordinances which renewed the existing sales tax levies for another five years. Proposition I monies are to be used for capital improvements to the streets and alleys, water system, and sewer system. Proposition II monies are to be used for economic development.

The City hired a new City Manager on November 5, 2012.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule – Year Ended June 30, 2012

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning Budgetary Fund Balance:	\$3,546,608	\$3,546,608	\$4,557,166	\$1,010,558
Resources (Inflows):				
Taxes	7,945,400	8,145,200	8,926,994	781,794
Licenses and permits	88,800	88,800	97,587	8,787
Intergovernmental	430,800	408,358	389,686	(18,672)
Charges for services	182,000	182,000	217,923	35,923
Fines and forfeitures	434,600	434,600	469,148	34,548
Investment income	52,800	52,800	24,775	(28,025)
Miscellaneous	213,100	216,624	620,407	403,783
Other financing sources	3,231,820	8,305,213	7,509,508	(795,705)
Total Resources (Inflows):	<u>12,579,320</u>	<u>17,833,595</u>	<u>18,256,028</u>	<u>422,433</u>
Amounts available for appropriation	<u>\$16,125,928</u>	<u>\$21,380,203</u>	<u>\$22,813,194</u>	<u>\$1,432,991</u>
Charges to Appropriations (Outflows):				
General government	4,472,533	9,522,696	8,420,340	1,102,356
Streets and highways	915,275	1,058,125	821,615	236,510
Public safety	5,285,980	5,388,516	5,273,862	114,654
Cemetery	230,750	223,500	207,084	16,416
Legal and judicial	239,250	239,950	205,716	34,234
Culture and recreation	1,809,050	1,819,100	1,361,994	457,106
Community development	356,800	360,100	351,787	8,313
Other financing uses	994,800	1,362,200	1,362,117	83
Total Charges to Appropriations	<u>14,304,438</u>	<u>19,974,187</u>	<u>18,004,515</u>	<u>1,969,672</u>
Ending Budgetary Fund Balance	<u>\$1,821,490</u>	<u>\$1,406,016</u>	<u>\$4,808,679</u>	<u>\$3,402,663</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Sudden and Severe Economic Dislocation Fund Balance			1,104	
Parks and Recreation Fund Balance			4,665	
CDBG Home Grant Fund Balance			<u>10,318</u>	
Total General Fund Fund Balance			<u>\$4,824,766</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:	\$1,813,311	\$1,813,311	\$1,813,311	\$ -
Resources (Inflows):				
Investment income	9,000	9,000	1,551	(7,449)
Total Resources (Inflows):	<u>9,000</u>	<u>9,000</u>	<u>1,551</u>	<u>(7,449)</u>
Amounts available for appropriation	<u>\$1,822,311</u>	<u>\$1,822,311</u>	<u>\$1,814,862</u>	<u>(\$7,449)</u>
Charges to Appropriations (Outflows):				
Public safety	144,000	144,000	144,000	-
Other financing uses	1,250,000	1,250,000	-	1,250,000
Total Charges to Appropriations	<u>1,394,000</u>	<u>1,394,000</u>	<u>144,000</u>	<u>1,250,000</u>
Ending Budgetary Fund Balance	<u>\$428,311</u>	<u>\$428,311</u>	<u>\$1,670,862</u>	<u>\$1,242,551</u>

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$4,573,985	\$4,573,985	\$4,573,985	\$ -
Resources (Inflows):				
Taxes	143,300	143,300	743,158	599,858
Intergovernmental	750,000	750,000	146,158	(603,842)
Investment income	4,500	4,500	9,551	5,051
Other financing sources	173,600	173,600		(173,600)
Total Resources (Inflows):	<u>1,071,400</u>	<u>1,071,400</u>	<u>898,867</u>	<u>(172,533)</u>
Amounts available for appropriation	<u>\$5,645,385</u>	<u>\$5,645,385</u>	<u>\$5,472,852</u>	<u>(\$172,533)</u>
Charges to Appropriations (Outflows):				
Streets and highways	2,515,000	3,517,000	348,359	3,168,641
Other financing uses	250,000	1,588,900	1,387,300	201,600
Total Charges to Appropriations	<u>2,765,000</u>	<u>5,105,900</u>	<u>1,735,659</u>	<u>3,370,241</u>
Ending Budgetary Fund Balance	<u>\$2,880,385</u>	<u>\$539,485</u>	<u>\$3,737,193</u>	<u>\$3,197,708</u>

(Unaudited. See accompanying auditor's report.)

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a GAAP basis using the modified accrual basis with the exception of capital lease activities, on-behalf payments made by the state related to firefighter and police pension, and the portion of sales tax revenue allocated to Valley View Regional Hospital.
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, 2009
Actuarial accrued liability - AAL (a)	\$934,986
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$934,986
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$7,723,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	12%
	July 1, 2010
Actuarial accrued liability - AAL (a)	\$997,211
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$997,211
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$7,906,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	13%
	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%

(Unaudited. See accompanying auditor’s report.)

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SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – Nonmajor Governmental Funds - June 30, 2012

ASSETS	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 FUND	PARKS DONATION FUND
Cash and cash equivalents	\$ 5,668	\$ 34,210	\$ 242	\$ 3,835	\$ 50	\$ 134,403	\$ 20,966	\$ 48,491
Due from other governments	-	-	-	-	-	57,575	-	-
Other receivable	-	-	1,822	-	-	46,509	-	-
Total Assets	<u>\$5,668</u>	<u>\$34,210</u>	<u>\$2,064</u>	<u>\$3,835</u>	<u>\$50</u>	<u>\$238,487</u>	<u>\$20,966</u>	<u>\$48,491</u>
 LIABILITIES								
Accounts payable	-	-	-	-	-	115,717	-	-
Accrued payroll liabilities	-	-	-	-	-	9,795	-	-
Deferred revenue	-	-	-	-	-	57,575	20,871	-
Due to other funds	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,087</u>	<u>20,871</u>	<u>-</u>
 FUND EQUITY								
Fund Balance:								
Restricted	5,668	20,906	2,020	1,071	50	47,495	-	48,160
Committed	-	13,143	-	-	-	-	-	-
Assigned	-	161	44	2,764	-	7,905	95	331
Total Fund Equity	<u>5,668</u>	<u>34,210</u>	<u>2,064</u>	<u>3,835</u>	<u>50</u>	<u>55,400</u>	<u>95</u>	<u>48,491</u>
Total Liabilities and Fund Equity	<u>\$ 5,668</u>	<u>\$ 34,210</u>	<u>\$ 2,064</u>	<u>\$ 3,835</u>	<u>\$ 50</u>	<u>\$ 238,487</u>	<u>\$ 20,966</u>	<u>\$ 48,491</u>

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Combining Balance Sheet – Nonmajor Governmental Funds - June 30, 2012, (Continued)

<u>ASSETS</u>	<u>CAPITAL PROJECT FUNDS</u>				<u>DEBT SERVICE</u>	<u>TOTALS</u>
	<u>CEMETERY CARE FUND</u>	<u>LITTLE RED SCHOOL HOUSE FUND</u>	<u>PROPERTY OWNERS PART.</u>	<u>AIRPORT AGRICULTURE FUND</u>	<u>SINKING FUND</u>	
Cash and cash equivalents	\$ 366,009	\$ 140	\$ 120,376	\$ 154,354	\$ 10,387	\$ 899,131
Due from other governments	-	-	-	16,540	18,967	93,082
Other receivable	-	-	-	-	-	48,331
Total Assets	<u>\$366,009</u>	<u>\$140</u>	<u>\$120,376</u>	<u>\$170,894</u>	<u>\$29,354</u>	<u>\$1,040,544</u>
 <u>LIABILITIES</u>						
Accounts payable	-	-	-	368	-	116,085
Accrued payroll liabilities	-	-	-	3,027	-	12,822
Deferred revenue	-	-	-	16,540	17,415	112,401
Due to other funds	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,935</u>	<u>17,415</u>	<u>241,308</u>
 <u>FUND EQUITY</u>						
Fund Balance:						
Restricted	160,308	140	-	-	11,939	297,757
Committed	-	-	-	-	-	13,143
Assigned	205,701	-	120,376	150,959	-	488,336
Total Fund Equity	<u>366,009</u>	<u>140</u>	<u>120,376</u>	<u>150,959</u>	<u>11,939</u>	<u>799,236</u>
Total Liabilities and Fund Equity	<u>\$ 366,009</u>	<u>\$ 140</u>	<u>\$ 120,376</u>	<u>\$ 170,894</u>	<u>\$ 29,354</u>	<u>\$ 1,040,544</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2012

	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 FUND	PARKS DONATION FUND
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 551,355	\$ -	\$ -
Intergovernmental	-	-	20,090	7,743	-	-	-	-
Charges for services	-	6,678	-	-	-	-	-	-
Investment income	-	60	10	-	-	329	-	100
Miscellaneous	-	4,156	-	1,246	-	25	-	-
Total Revenues	-	10,894	20,100	8,989	-	551,709	-	100
EXPENDITURES:								
Current:								
General Government	-	-	-	-	-	-	-	-
Police	401	-	-	300	-	576,301	-	-
Judgements	-	-	-	-	-	-	-	-
Culture and recreation	-	353	17,341	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Capital outlay	-	1,000	3,000	5,372	-	116,258	-	63
Debt service	-	-	-	-	-	-	-	-
Total Expenditures	401	1,353	20,341	5,672	-	692,559	-	63
Revenues over (under) expenditures	(401)	9,541	(241)	3,317	-	(140,850)	-	37
Other Financing Sources (Uses):								
Judgement Proceeds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	6,300	-	-
Transfers out	-	-	-	(1,000)	-	(57,823)	-	-
Revenues and other sources over (under) expenditures and other use	(401)	9,541	(241)	2,317	-	(192,373)	-	37
Fund Balance - beginning of year	6,069	24,669	2,305	1,518	50	247,773	95	48,454
Fund Balance - end of year	\$ 5,668	\$ 34,210	\$ 2,064	\$ 3,835	\$ 50	\$ 55,400	\$ 95	\$ 48,491

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2012 (Continued)

	CAPITAL PROJECT FUNDS				DEBT SERVICE	TOTALS
	CEMETERY CARE FUND	LITTLE RED SCHOOL HOUSE FUND	PROPERTY OWNERS PART.	AIRPORT AGRICULTURE FUND	SINKING FUND	
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 111,375	\$ 662,730
Intergovernmental	-	-	-	80,767	-	108,600
Charges for services	16,105	-	-	114,798	-	137,581
Investment income	-	-	250	272	-	1,021
Miscellaneous	500	-	-	9,310	-	15,237
Total Revenues	<u>16,605</u>	<u>-</u>	<u>250</u>	<u>205,147</u>	<u>111,375</u>	<u>925,169</u>
EXPENDITURES:						
Current:						
General Government	-	249	-	-	-	249
Police	-	-	-	-	-	577,002
Judgements	-	-	-	-	104,950	104,950
Culture and recreation	-	-	-	-	-	17,694
Airport	-	-	-	1,156,313	-	1,156,313
Capital outlay	-	-	1,554	3,405	-	130,652
Debt service	-	-	-	-	105,346	105,346
Total Expenditures	<u>-</u>	<u>249</u>	<u>1,554</u>	<u>1,159,718</u>	<u>210,296</u>	<u>2,092,206</u>
Revenues over (under) expenditures	16,605	(249)	(1,304)	(954,571)	(98,921)	(1,167,037)
Other Financing Sources (Uses):						
Judgement Proceeds	-	-	-	-	104,950	104,950
Transfers in	-	-	-	1,098,150	-	1,104,450
Transfers out	-	-	-	(5,497)	-	(64,320)
Revenues and other sources over (under) expenditures and other uses	16,605	(249)	(1,304)	138,082	6,029	(21,957)
Fund Balance - beginning of year	349,404	\$389	121,680	12,877	5,910	821,193
Fund Balance - end of year	<u>\$ 366,009</u>	<u>\$ 140</u>	<u>\$ 120,376</u>	<u>\$ 150,959</u>	<u>\$ 11,939</u>	<u>\$ 799,236</u>

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Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2012

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>				
Passed through the Oklahoma Department of Emergency Management:				
Emergency Management	97.042	PL 85-606	10,000	2,500
Emergency Management	97.042	PL 85-606	<u>10,000</u>	<u>7,500</u>
Firefighter Assistance Grant	97.044	EMW-2010-FO-07240	<u>64,553</u>	<u>64,553</u>
Homeland Security Grant Program	97.073	#126.01	<u>96,718</u>	<u>96,718</u>
Total Department of Homeland Security			<u>181,271</u>	<u>171,271</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>				
US Environmental Protection Agency - 99 lift station	66.202	XP-00F33501-0	<u>485,000</u>	<u>5,302</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through the Oklahoma Highway Safety Office:				
Ada Traffic Enforcement	20.600	PT-11-03-01-03	20,000	6,238
Ada Traffic Enforcement	20.600	PT-12-03-01-04	18,000	8,303
E911 Grant	20.614	NHTSA20080142	<u>57,575</u>	<u>57,575</u>
Total Department of Transportation			<u>95,575</u>	<u>72,116</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Department of Commerce:				
2010 CDBG	14.228	14410 CDBG 10	94,846	94,846 *
Special Project Grant - Water Tower	14.225	B-08-SP-OK-0003	<u>245,000</u>	<u>14,866</u>
Total Department of Housing and Urban Development			<u>339,846</u>	<u>109,712</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,101,692</u>	<u>\$ 358,401</u>

* - The City had matching costs in the amount of \$123,814

Federal/State Grantor/Pass through agency Grantor/Program Title	Agency or Pass Thru Number	Award Amount	State Expenditures
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
FY11 State Aid		\$ 20,158	\$ 1,871
FY12 State Aid		<u>18,219</u>	<u>18,219</u>
TOTAL STATE AWARDS		<u>\$ 38,377</u>	<u>\$ 20,090</u>

Footnotes to Schedule of Expenditures of State Awards:

- The Schedule of Expenditures of Federal and 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, 2012**

INTERNAL CONTROL AND COMPLIANCE

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

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**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 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 11, 2013. Our report includes a paragraph which disclaims an opinion on the presented required supplementary information. The report also includes a statement that we did not audit the financial statements of the Valley View Hospital Authority or the Ada Arts and Heritage Authority, component units of the City of Ada. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Valley View Hospital Authority and the Ada Arts and Heritage Authority, is based on the reports of 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

(Continued)

**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

Our 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended solely for the information and use of the City Council, management of the City, the State of Oklahoma, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Finley + Cook, PLLC

Shawnee, Oklahoma
March 11, 2013