



THE CITY OF ADA, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

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

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

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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, 2011, 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 report 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, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), for the year ended June 30, 2011.

The beginning net assets of the business-type activities and the beginning net assets of the utility enterprise fund of the City have been restated due to a change in landfill closure and post-closure care costs liabilities related to the remaining capacity of the landfill as described in Note 6.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2012, 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 51 through 54, and page 55 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 basic financial statements. The nonmajor governmental combining 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 basic financial statements. The nonmajor governmental combining 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 basic financial statements taken as a whole.

Shawnee, Oklahoma
February 7, 2012

Finley & Cook, PLLC

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

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, 2011. 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 \$2,595,513 and the assets of the City continued to exceed its liabilities at June 30, 2011, by \$83,106,726 (net assets). Of this amount, \$22,243,965 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2011, the City's governmental funds reported combined ending fund balances of \$17,559,872. Of this amount, \$757,418 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2011, unassigned fund balance for the General Fund was \$789,728 or 7.3 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.)

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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 and solid waste collection and disposal services. 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, 2011, net assets for the governmental activities and business-type activities increased \$2,595,513. 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.)
	2011	2010		2011	(Restated) 2010		2011	(Restated) 2010	
Current assets	\$ 20,101	\$ 16,984	18%	\$ 21,613	\$ 19,869	9%	\$ 41,714	\$ 36,853	13%
Capital assets, net	27,287	27,526	-1%	23,269	24,765	-6%	50,556	52,291	-3%
Total assets	47,388	44,510	6%	44,882	44,634	1%	92,270	89,144	4%
Current liabilities	2,031	886	129%	546	814	-33%	2,577	1,700	52%
Non-current liabilities	4,512	4,853	-7%	2,075	2,080	0%	6,587	6,933	-5%
Total liabilities	6,543	5,739	14%	2,621	2,894	-9%	9,164	8,633	6%
Net assets									
Invested in capital assets, net of related debt	22,962	22,817	1%	23,269	24,745	6%	46,231	47,562	-3%
Restricted	10,865	10,701	2%	3,766	3,449	9%	14,631	14,150	3%
Unrestricted	7,018	5,253	34%	15,226	13,546	12%	22,244	18,799	18%
Total net assets	\$ 40,845	\$ 38,771	5%	\$ 42,261	\$ 41,740	1%	\$ 83,106	\$ 80,511	3%

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 \$46.2 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.

Governmental activities reported an increase in current liabilities of 129% due in part to an increase in the amount due to Valley View Regional Hospital.

(Unaudited. See accompanying auditor's report.)

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A portion of the City's net assets, \$14.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$22 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, 2011 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.)
	2011	2010		2011	2010		2011	2010	
Revenues									
Charges for service	\$ 942	\$ 1,114	-15%	\$ 9,178	\$ 8,279	11%	\$ 10,120	\$ 9,393	8%
Operating grants and contributions	687	840	-18%	-	-	0%	687	840	-18%
Capital grants and contributions	449	956	-53%	-	-	100%	449	956	-53%
Taxes	15,870	15,981	-1%	-	-	0%	15,870	15,981	-1%
Intergovernmental revenue	288	278	4%	-	-	0%	288	278	4%
Investment income	103	100	3%	91	45	102%	194	145	34%
Miscellaneous	560	231	142%	349	30	1063%	909	261	248%
Total revenues	18,899	19,500	-3%	9,618	8,354	15%	28,517	27,854	2%
Expenses									
General government	3,826	3,893	-2%	-	-		3,826	3,893	-2%
Streets	3,545	3,422	4%	-	-		3,545	3,422	4%
Public Safety	6,112	6,006	2%	-	-		6,112	6,006	2%
Cemetery	185	197	-6%	-	-		185	197	-6%
Legal and Judicial	208	211	-1%	-	-		208	211	-1%
Culture and Recreation	1,334	1,387	-4%	-	-		1,334	1,387	-4%
Community Development	325	322	1%	-	-		325	322	1%
Airport	487	211	131%	-	-		487	211	131%
Interest on long-term debt	226	249	-9%	-	-		226	249	-9%
Water	-	-		3,582	3,559	1%	3,582	3,559	1%
Sewer	-	-		2,752	2,731	1%	2,752	2,731	1%
Sanitation	-	-		2,376	2,943	-19%	2,376	2,943	-19%
Payment to Hospital Authority	-	-		726	3,378	-79%	726	3,378	-79%
Economic Development	-	-		237	269	-12%	237	269	-12%
Total expenses	16,248	15,898	2%	9,673	12,880	-25%	25,921	28,778	-10%
Excess (deficiency) before transfers	2,651	3,602	-26%	(55)	(4,526)	-99%	2,596	(924)	381%
Transfers	(578)	(3,353)	-83%	578	3,353	83%	-	-	
Prior period adjustment for landfill closure liability	-	-		1,338	-		1,338	-	
Increase in net assets	\$ 2,073	\$ 249	733%	\$ 1,861	\$(1,173)	259%	\$ 3,934	\$ (924)	526%

The city's governmental activities' reported an increase in miscellaneous income of 142% because of increased stop loss reimbursements and revenue from water tower rental. The business-type activities' miscellaneous income increased 1063% because a building bought by the City appraised for \$205,000 more than what the City actually paid for it.

(Unaudited. See accompanying auditor's report.)

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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)**

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
General government	3,826	3,893	-2%	(\$3,568)	(\$3,761)	-5%
Streets	3,545	3,422	4%	(3,401)	(3,097)	10%
Public Safety	6,112	6,006	2%	(4,938)	(4,875)	1%
Cemetery	185	197	-6%	(126)	(137)	-8%
Legal and Judicial	208	211	-1%	(208)	(211)	-1%
Culture and Recreation	1,334	1,387	-4%	(1,156)	(1,189)	-3%
Community Development	325	322	1%	(325)	(322)	1%
Airport	487	211	131%	(221)	853	-126%
Interest on long-term debt	226	249	-9%	(226)	(249)	-9%
Total	16,248	15,898	2%	(\$14,169)	(\$12,988)	9%

For the year ended June 30, 2011, total expenses for governmental activities amounted to \$16.2 million which is a 2% increase from the prior year.

The city's airport activities reported an increase in expenses of 131% because of an increase in depreciation expense due to the \$6.8 million airport taxiway project placed into service in the previous year. The airport also reported a decrease in net revenue of 126% due mainly to a reduction of capital grants in FY11.

(Unaudited. See accompanying auditor's report.)

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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.
	2011	2010		2011	2010	
Water	\$ 3,582	\$ 3,560	1%	\$ 1,077	\$ 572	88%
Sewer	2,752	2,731	1%	(1,443)	(1,554)	-7%
Sanitation	2,376	2,943	-19%	833	27	2985%
Payment to hospital authority	726	3,378	-79%	(726)	(3,378)	-79%
Economic development	237	269	-12%	(237)	(269)	-12%
Total	\$ 9,673	\$ 12,881	-25%	\$ (496)	\$ (4,602)	-89%

The city's business-type activities include utility services for water, sewer, and sanitation. The business-type activities had an increase in net assets of \$522,130 or a 1.3 percent increase. The large increase in the net revenue of sanitation is because of a decrease in sanitation expenses compared to prior years. Also, the payment to the hospital authority decreased by 79% due to the hospital authority loan being paid off in August of 2010.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$17.6 million, or an 11.6 percent increase from the prior year. The enterprise funds reported combined net assets of \$42 million, or 1.3 percent increase from 2010. The fund balance constraints and net asset restrictions are listed below:

Fund Balance Constraints:	
Restricted	\$ 10,804,230
Committed	1,819,776
Assigned	<u>4,178,448</u>
Total Fund Balance Constraints	<u>\$ 16,802,454</u>
Net Asset Restrictions:	
Invested in capital assets, net of related debt	\$ 23,269,470
Restricted for economic development	<u>3,765,863</u>
Total Enterprise Fund Net Asset Restrictions	<u>\$ 27,035,333</u>

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance decreased by \$551,091, or 10.7 percent, largely due to the decrease in interest income and fine and forfeiture revenue.

(Unaudited. See accompanying auditor's report.)

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- The Sales Tax Infrastructure Fund's total fund balance decreased by \$686,592, due to an increase in capital outlay expenditures.
- The Utility Enterprise Fund reported a net increase before contributions and transfers of \$1,000,879.

General Fund Budgetary Highlights

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues above final estimates by \$800,094 or a 6.2% positive variance. It is the City's policy to restrict the budgeting of revenue projections to 90%. As a result, the City estimates sales tax collections conservatively. General Fund actual expenditures were under final appropriations by \$784,689 or a 5.8% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had approximately \$51 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 \$1.7 million over last year.

Below are details regarding the City's capital assets for the years ended June 30, 2011 and 2010.¹

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,296	\$ 1,296	\$ 2,211	\$ 2,211	\$ 3,507	\$ 3,507
Buildings and improvements	10,120	9,697	8,613	8,938	18,733	18,635
Machinery, furniture and equipment	3,410	3,039	1,670	1,552	5,080	4,591
Infrastructure	10,288	11,806	10,009	11,293	20,297	23,099
Construction in progress	2,173	1,688	766	771	2,939	2,459
Totals	\$ 27,287	\$ 27,526	\$ 23,269	\$ 24,765	\$ 50,556	\$ 52,291

This year's more significant capital asset additions include Remington building on A Street in the amount of \$408,000, street department machinery in the amount of \$717,000, horizontal grinder in the amount of \$417,000, sewer line improvements in the amount of \$448,000, and park water sprinklers in the amount of \$288,000.

(Unaudited. See accompanying auditor's report.)

¹ For more detailed information on capital asset activity please refer to page 35-37, Note 4. Capital Assets and Depreciation

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Long-Term Debt

At year-end, the City had \$7.2 million in long-term debt outstanding, which represents a \$561,000 decrease from the prior year.²

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

	Governmental Activities		Business-Type Activities (Restated)		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Accrued Compensation	440	447	262	237	702	684	2.6%
Deposits subject to refund	-	-	611	591	611	591	3.4%
Landfill closure liability	-	-	1,460	1,446	1,460	1,446	1.0%
Capital leases	4,325	4,709	-	19	4,325	4,728	-8.5%
OPEB obligations	179	126	-	-	179	126	-
Totals	\$ 4,944	\$ 5,282	\$ 2,333	\$ 2,293	\$ 7,277	\$ 7,575	-3.9%

ECONOMIC OUTLOOK

Fiscal Year 2010-2011 was a busy one for the City of Ada. The following report is intended to illustrate some of the city’s activities during this period of time.

Employment/New Business

Although the country’s economic woes continued during Fiscal Year 2010-2011, the City of Ada continued to do relatively well. Sales tax collections for Fiscal Year 2010-2011 are up 1.2 percent over the previous fiscal year, but still down 4.34 percent from Fiscal Year 2008-2009 – a peak year.

According to the Ada Jobs Foundation, the community’s unemployment rate for June 2011 (the month at the end of the fiscal year) was 4.9 percent, a drop of 0.9 percent over the same time the year before. In the state of Oklahoma, Pontotoc County’s work force had the fifth lowest unemployment rate for labor forces greater than 10,000 in population – the same rank as the previous year. Compare that to the national unemployment rate of 9.2% in June 2011, and the state unemployment rate of 5.3% for the same month.

There was continued business growth in Ada this fiscal year. The Dollar Tree retail store moved into a larger space while remaining in the North Hills Center. In that same retail area, a new locally owned restaurant and bar called “The Fieldhouse” opened its doors for business. Vision Bank continued construction of its new branch on the east side of town.

(Unaudited. See accompanying auditor’s report.)

² For more detailed information on long-term debt activity please refer to page 37-39, Note 5. Long-Term Debt and Debt Service Requirements

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Penny Sales Tax Extension

On August 24, 2010 – in the second month of Fiscal Year 2010-2011 – Ada voters approved the extension of a one-cent sales tax that has been on the books, in one form or another, since 1983.

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.

Citizen advisory committees have been established for each individual project with intent of providing guidance to the Ada City Council on how to best proceed. During Fiscal Year 2010-2011, these committees have helped determine locations for new facilities as well as evaluate architectural proposals.

Proposition 1

Like last year, the city invested approximately \$2 million of Proposition 1 revenue into infrastructure improvements during this fiscal year.

Proposition 1 is a $\frac{3}{4}$ cent sales tax dedicated to infrastructure improvements throughout the city, including street projects. All street renovation projects are designed to increase safety and traffic flow. Along with the East Main Street project mentioned below, the city's primary Prop 1 project for this fiscal year was the reconstruction of Crown Point – a major north-south artery. This busy street was also widened with a turn lane and signal lights are soon to be added at the Arlington (State Highway 1) intersection.

A major downtown parking lot, located on the southwest corner of the intersection of 10th and Rennie streets, was also reconstructed during Fiscal Year 2010-2011. The public parking lot was extremely dilapidated before reconstruction. The new parking lot provides for more spaces and is handicapped accessible.

Pipebursting – which is the method of replacing worn-out clay sewer pipe with new heavy-duty plastic pipe without digging the pipes up – also continued throughout Ada. Prop 1 has funded, and will continue to fund, this ongoing project with the ultimate goal of having all new sewer pipes throughout the city. The city also continued developing and improving accessibility around town by constructing or refurbishing wheelchair ramps and other street level approaches.

(Unaudited. See accompanying auditor's report.)

East Main Street (Arts District of Ada)

Activity continued on Ada's Main Street near the East Central University campus. During Fiscal Year 2010-2011, the eastern-most 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 next phases of construction on this project, moving west, are now taking place (in Fiscal Year 2011-2012). Other phases include reconstructing intersecting streets one block north and one block south of East Main. ECU has plans to construct a new business and community center in the already-reconstructed block in the near future.

The Hallie Brown Ford Center, located at the terminus of East Main Street on ECU's campus and on the north side of the Centennial Plaza, continues to draw crowds for its arts events and generate traffic in this growing district. Mazin's Greek House, a locally owned restaurant previous located on North Broadway, relocated to this district to take advantage of increased traffic.

Ada Air Expo

The Ada Municipal Airport continued its growing popularity as a social gathering site, hosting the eighth annual Ray Stout Memorial Warbird Fly-In and Ada Air Expo. As in the past few years, the event has included a barbecue cook-off called "Pigs Can Fly" and this event has steadily grown in terms of attendance and number of competitors.

Household Hazardous Waste/e-Waste Collection

The city continued its dedication to cleaning up the local environment with two annual recycling events – the Household Hazardous Waste Collection Day and the recycling of e-waste.

Household Hazardous Waste Collection Day allows residents to recycle chemical products that pose potential threats to the landfill environment. These include pesticides, paints, fluorescent bulbs, oils, and batteries.

E-waste collection allows residents to recycle office machinery such as computers, monitors, fax machines, and copiers. Both events continue to grow in popularity; this marked the 12th consecutive year for the events.

Traces of Lead in Water Samples

For the first time since mandatory testing began in 1992, the Oklahoma Department of Environmental Quality issued the City of Ada a "notice of exceedance" in regard to the presence of lead in test water samples.

Although a notice of exceedance is not a violation, it represents an "action level" – an indicator for a water system to review its water process. Because of that, the city had to conduct a public awareness campaign, study and evaluate its water treatment process, and implement a ramped-up testing schedule. If test results come back favorable on two consecutive dates – spaced six months apart – within the next year, the notice of exceedance will be dropped.

(Unaudited. See accompanying auditor's report.)

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The city mailed out additional information to all its water customers as well as printed special utility bills that carried the information to customers.

Cold-Mix Asphalt Plant

The City of Ada became one of the few Oklahoma communities to manufacture of its own asphalt during Fiscal Year 2010-2011. The city built its own cold-mix asphalt plant, which also involved the development of the desired asphalt mixture recipe. This process also involved the purchase of new equipment to apply the asphalt in street reconstruction projects. Now, the city can control the quality of the process from beginning to end.

Smoke Testing

Near the end of Fiscal Year 2010-2011, the city started to perform smoke testing on its sanitary sewer system in order to identify defects in the collection system as well as customer drain lines. The identification and repair of these defects helps the city prevent unwanted infiltration as well as remedy potentially dangerous sewer gas situations.

Jail Consolidation

The City of Ada contracted with Pontotoc County to house its (the city's) prisoners, effectively closing the city jail. The Pontotoc County Justice Center was built on the north side of town in Fiscal Year 2010-2011, funded by a county sales tax. Now, under this new arrangement, no prisoners are incarcerated on city-owned property.

Channel 11

"Explore Ada" – the 30-minute show produced by the City of Ada that anchors Channel 11 – continued to inform and entertain local residents in its ninth year and for a fourth year it reached a statewide audience on Oklahoma's PBS affiliate.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 231 South Townsend, Ada, Oklahoma or phone at (580) 436-6300.

(Unaudited. See accompanying auditor's report.)

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS - STATEMENTS OF NET ASSETS AND ACTIVITIES

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Statement of Net Assets– June 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Valley View Hospital Authority	Ada Arts and Heritage Authority
ASSETS:					
Cash and cash equivalents	\$17,125,790	\$20,333,463	\$37,459,253	\$184,633	\$114,961
Investments	156,979	-	156,979	-	20,851
Interest receivable	100	-	100	6,074	-
Accounts receivable, net of allowance	-	1,215,116	1,215,116	-	-
Franchise tax receivable	110,653	-	110,653	-	-
Court fines receivable, net of allowance	604,446	-	604,446	-	-
Internal balances	(64,474)	64,474	-	-	-
Due from other governments	2,026,345	-	2,026,345	-	-
Prepaid expenses	-	-	-	-	630
Other receivables	102,661	-	102,661	-	-
Inventory	38,541	-	38,541	-	-
Notes receivable:					
Due within one year	-	-	-	818,485	-
Due in more than one year	-	-	-	1,018,707	-
Capital assets:					
Land and construction in progress	3,468,505	2,976,913	6,445,418	-	-
Other capital assets, net of depreciation	23,818,428	20,292,557	44,110,985	-	47,618
Total assets	47,387,974	44,882,523	92,270,497	2,027,899	184,060
LIABILITIES:					
Accounts payable	195,639	33,096	228,735	-	-
Accrued payroll liabilities	524,972	254,812	779,784	-	499
Accrued interest payable	456	-	456	6,074	-
Due to other governments	1,771	-	1,771	-	-
Due to bondholders	8,554	-	8,554	-	-
Deposits subject to refund	-	-	-	-	1,341
Due to component unit	867,353	-	867,353	-	-
Due to related party	-	-	-	25,438	-
Long-term liabilities:					
Due within one year	432,055	257,704	689,759	818,485	-
Due in more than one year	4,512,248	2,075,111	6,587,359	1,018,707	-
Total liabilities	6,543,048	2,620,723	9,163,771	1,868,704	1,840
NET ASSETS:					
Invested in capital assets, net of related debt	22,962,254	23,269,470	46,231,724	-	47,618
Restricted for:					
State statutes and debt indentures	4,717,279	-	4,717,279	-	-
Enabling legislation	6,071,686	3,765,863	9,837,549	-	-
External parties	76,209	-	76,209	-	-
Unrestricted	7,017,498	15,226,467	22,243,965	159,195	134,602
Total net assets	\$40,844,926	\$42,261,800	\$83,106,726	\$159,195	\$182,220

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Statement of Activities –Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		Valley View Hospital Authority	Ada Arts and Heritage Authority
					Governmental Activities	Business-Type Activities	Total			
Primary Government:										
Governmental activities										
General government	\$3,826,351	\$121,454	-	136,110	(\$3,568,787)	-	(\$3,568,787)	-	-	
Streets	3,545,142	-	143,994	-	(3,401,148)	-	(3,401,148)	-	-	
Public safety	6,111,802	488,550	524,785	159,873	(4,938,445)	-	(4,938,445)	-	-	
Cemetery	184,889	59,125	-	-	(125,864)	-	(125,864)	-	-	
Legal and judicial	207,832	-	-	-	(207,832)	-	(207,832)	-	-	
Culture and recreation	1,333,784	159,852	18,287	-	(1,155,845)	-	(1,155,845)	-	-	
Community development	324,744	-	-	-	(324,744)	-	(324,744)	-	-	
Airport	487,092	113,643	-	152,784	(220,865)	-	(220,865)	-	-	
Interest on long-term debt	225,980	-	-	-	(225,980)	-	(225,980)	-	-	
Total governmental activities	18,247,576	942,433	687,068	448,767	(14,169,310)	-	(14,169,310)	-	-	
Business-type activities										
Water operations	3,582,101	4,658,983	-	-	-	\$1,076,882	1,076,882	-	-	
Sewer operations	2,752,140	1,309,758	-	-	-	(1,442,382)	(1,442,382)	-	-	
Sanitation operations	2,378,052	3,209,436	-	-	-	833,384	833,384	-	-	
Healthcare	729,282	-	-	-	-	(726,282)	(726,282)	-	-	
Economic development	237,049	-	-	-	-	(237,049)	(237,049)	-	-	
Total business-type activities	9,678,604	9,178,157	-	-	-	(495,447)	(495,447)	-	-	
Total primary government	\$25,921,180	\$10,120,590	\$687,068	\$448,767	(\$14,169,310)	(\$495,447)	(\$14,664,757)	-	-	
Component Units:										
Arts, culture and recreation	\$37,890	-	\$29,035	-	-	-	-	-	(\$8,855)	
Hospital and health care	8,837,527	-	-	-	-	-	-	(\$8,837,527)	-	
Total Component Units	\$8,875,417	-	\$29,035	-	-	-	-	\$ (8,837,527)	\$ (8,855)	
General revenues:										
Taxes										
Sales and use taxes					14,327,853	-	14,327,853	-	-	
Property taxes					134,841	-	134,841	-	-	
Franchise and public service taxes					790,754	-	790,754	-	-	
Payment in lieu of tax					74,468	-	74,468	-	-	
E-911 taxes					542,565	-	542,565	-	-	
Intergovernmental revenue not restricted to specific programs					287,842	-	287,842	-	-	
Investment income					102,747	90,982	193,709	811,024	1,758	
Miscellaneous					674,394	348,329	1,022,723	-	2,894	
Special item: loss on disposal of property					(114,485)	-	(114,485 00)	-	-	
Special item: loss on extinguishment of debt					-	-	-	(243,428)	-	
Transfers from primary government					-	-	-	2,261,053	-	
Transfers - internal activity					(578,288)	578,288	-	-	-	
Total general revenues and transfers before special item					16,242,893	1,017,577	17,260,270	2,628,659	4,850	
Change in net assets					2,073,363	522,130	2,595,513	(8,208,868)	(4,205)	
Net assets - beginning					38,771,543	40,401,018	79,172,559	6,368,063	186,425	
Prior period adjustment for landfill closure liability (see note 6)					-	1,338,654	1,338,654	-	-	
Net assets - ending					\$40,844,926	\$42,261,800	\$83,106,726	\$150,195	\$182,220	

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Governmental Funds Balance Sheet - June 30, 2011

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
	<u>General Fund</u>	<u>EMS Fund</u>	<u>Street & Alley Fund</u>	<u>Sales Tax Infrastructure Fund</u>	<u>Special 1568 Account Fund</u>			<u>Sales Tax Capital Facilities Fund</u>
ASSETS:								
Cash and cash equivalents	\$3,953,345	\$1,813,311	\$4,496,639	\$2,926,534	\$835,043	\$2,265,326	\$835,592	\$17,125,790
Investments	156,979	-	-	-	-	-	-	156,979
Receivables:								
Accrued interest receivable	-	100	-	-	-	-	-	100
Due from other funds	11,746	-	-	-	-	-	-	11,746
Due from other governments	1,023,196	-	87,656	368,355	-	428,225	118,913	2,026,345
Franchise tax receivable	110,653	-	-	-	-	-	-	110,653
Court fines receivable, net of allowance of \$604,446	604,446	-	-	-	-	-	-	604,446
Other receivables	45,729	-	-	-	-	-	56,932	102,661
Total assets	<u>5,906,094</u>	<u>1,813,411</u>	<u>4,584,295</u>	<u>3,294,889</u>	<u>835,043</u>	<u>2,693,551</u>	<u>1,011,437</u>	<u>20,138,720</u>
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts payable	85,238	-	10,310	79,877	-	-	20,214	195,639
Accrued payroll liabilities	429,702	-	-	62,870	-	-	32,400	524,972
Due to other funds	64,474	-	-	-	-	-	-	64,474
Due to other governments	1,771	-	-	-	-	-	-	1,771
Due to component unit	-	-	-	-	867,353	-	-	867,353
Due to bondholders	8,554	-	-	-	-	-	-	8,554
Deferred revenue	731,168	100	-	47,187	-	-	137,630	916,085
Total liabilities	<u>1,320,907</u>	<u>100</u>	<u>10,310</u>	<u>189,834</u>	<u>867,353</u>	<u>-</u>	<u>190,244</u>	<u>2,578,848</u>
Fund Balances:								
Restricted	1,104	-	4,553,909	3,088,459	-	2,689,518	471,240	10,804,230
Committed	-	1,813,311	-	-	-	-	6,465	1,819,776
Assigned (See Note 7.)	3,794,355	-	20,076	16,496	-	4,033	343,488	4,178,448
Unassigned	789,728	-	-	-	(32,310)	-	-	757,418
Total fund balances (deficit)	<u>4,585,187</u>	<u>1,813,311</u>	<u>4,573,985</u>	<u>3,104,955</u>	<u>(32,310)</u>	<u>2,693,551</u>	<u>821,193</u>	<u>17,559,872</u>
Total liabilities and fund balances	<u>\$5,906,094</u>	<u>\$1,813,411</u>	<u>\$4,584,295</u>	<u>\$3,294,889</u>	<u>\$835,043</u>	<u>\$2,693,551</u>	<u>\$1,011,437</u>	<u>\$20,138,720</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, 2011

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2011

	General Fund	Special Revenue Funds		Capital Project Funds			Other Governmental Funds	Total Governmental Funds
		EMS Fund	Street & Alley Fund	Sales Tax Infrastructure Fund	Special 1568 Account Fund	Sales Tax Capital Facilities Fund		
Revenues:								
Taxes	\$8,550,725	-	\$664,737	\$2,561,834	\$726,262	\$2,689,518	\$762,369	\$15,955,445
Intergovernmental	886,937	-	143,994	88,923	-	-	268,893	1,388,747
Charges for services	240,360	-	-	-	-	-	128,200	368,560
Fines and forfeitures	421,244	-	-	-	-	-	-	421,244
Licenses and permits	92,044	-	-	-	-	-	-	92,044
Investment Income	47,305	\$10,696	20,076	16,496	5,567	4,033	2,162	106,335
Miscellaneous	525,880	-	-	-	-	-	43,697	569,577
Total Revenues	10,764,495	10,696	828,807	2,667,253	731,829	2,693,551	1,205,321	18,901,952
Expenditures:								
Current:								
General government	3,468,463	-	-	-	-	-	79,818	3,548,281
Streets and highways	672,520	-	195,804	657,322	-	-	-	1,525,646
Public safety	5,041,610	144,000	-	-	-	-	591,481	5,777,091
Cemetery	178,116	-	-	-	-	-	-	178,116
Legal and judicial	196,707	-	-	-	-	-	-	196,707
Culture and recreation	1,251,390	-	-	-	-	-	-	1,251,390
Community development	317,756	-	-	-	-	-	-	317,756
Airport	-	-	-	-	-	-	149,882	149,882
Sewer	-	-	-	309,891	-	-	-	309,891
Capital outlay	330,394	-	127,475	1,649,571	37,860	-	213,337	2,358,637
Debt service	-	-	-	-	-	-	-	-
Principal retirement	384,470	-	-	-	-	-	167,614	552,084
Interest and fiscal charges	198,771	-	-	-	-	-	27,410	226,181
Total Expenditures	12,040,197	144,000	323,279	2,616,784	37,860.00	-	1,229,542	16,391,662
Excess (deficiency) of revenues over expenditures	(1,275,702)	(133,304)	505,528	50,469	693,969	2,693,551	(24,221)	2,510,290
Other Financing Sources (Uses):								
Transfers in	1,703,306	-	-	-	-	-	54,650	1,757,956
Transfers out	(978,695)	-	-	(737,061)	(152)	-	(57,378)	(1,773,286)
Transfers out - component unit	-	-	-	-	(726,262)	-	-	(726,262)
Proceeds from judgments incurred	-	-	-	-	-	-	62,097	62,097
Total Other Financing Sources (Uses)	724,611	-	-	(737,061)	(726,414)	-	59,369	(679,495)
Net change in fund balances	(551,091)	(133,304)	505,528	(686,592)	(32,445)	2,693,551	35,148	1,830,795
Fund balances - beginning	5,136,278	1,946,615	4,068,457	3,791,547	135	-	786,045	15,729,077
Fund balances (deficit) - ending	\$4,585,187	\$1,813,311	\$4,573,985	\$3,104,955	(\$32,310)	\$2,693,551	\$821,193	\$17,659,872

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

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	\$17,559,872
 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 \$46,858,773	<u>27,286,933</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Court fines receivable, net of allowance for doubtful accounts of \$604,446	571,507
Property taxes receivable	13,757
Grant receivable	196,928
Insurance premium revenue	133,793
Interest receivable	100
	<u>916,085</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	<u>26,795</u>
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	(4,324,679)
Accrued compensated absences	(440,239)
Unfunded OPEB obligations	(179,385)
	<u>(4,944,759)</u>
 Net assets of governmental activities	 <u>\$40,844,926</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, 2011**

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	\$1,830,795
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	2,535,003
Depreciation expense	<u>(2,774,465)</u>
	<u>(239,462)</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>140,755</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>384,471</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 interest expense	201
Accrued compensated absences expenses	6,944
Unfunded OPEB obligations	<u>(53,764)</u>
	<u>(46,619)</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>3,443</u>
Change in net assets of governmental activities	<u>\$2,073,383</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, 2011**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Net Assets - June 30, 2011

	Enterprise Funds			Internal Service Fund
	Utility Enterprise Fund	Economic Development Enterprise Fund	Total	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$15,956,306	\$3,765,863	\$19,722,169	-
Restricted cash and cash equivalents	611,294	-	611,294	-
Accounts receivable, net of allowance of \$37,947	1,215,116	-	1,215,116	-
Inventory	-	-	-	\$38,541
Due from other funds	67,554	-	67,554	-
Total current assets	17,850,270	3,765,863	21,616,133	38,541
Noncurrent Assets:				
Capital assets:				
Land and other non-depreciable assets	2,976,913	-	2,976,913	-
Other capital assets, net of depreciation	20,292,557	-	20,292,557	-
Total noncurrent assets	23,269,470	-	23,269,470	-
Total assets	41,119,740	3,765,863	44,885,603	38,541
LIABILITIES:				
Current Liabilities:				
Accounts payable	23,807	-	23,807	-
Accrued payroll liabilities	254,812	-	254,812	-
Other liabilities	9,289	-	9,289	-
Due to other funds	3,080	-	3,080	11,746
Due to depositors	61,129	-	61,129	-
Landfill closure liability	170,409	-	170,409	-
Accrued compensated absences	26,166	-	26,166	-
Total current liabilities	548,692	-	548,692	11,746
Noncurrent liabilities:				
Due to depositors	550,165	-	550,165	-
Landfill closure liability	1,289,455	-	1,289,455	-
Accrued compensated absences	235,491	-	235,491	-
Total noncurrent liabilities	2,075,111	-	2,075,111	-
Total liabilities	2,623,803	-	2,623,803	11,746
NET ASSETS:				
Invested in capital assets, net of related debt	23,269,470	-	23,269,470	-
Restricted for Economic Development	-	3,765,863	3,765,863	-
Unrestricted	15,226,467	-	15,226,467	26,795
Total net assets	\$38,495,937	\$3,765,863	\$42,261,800	\$26,795

See accompanying notes to the basic financial statements.

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets - Year Ended June 30, 2011

	Enterprise Funds			Internal Service Fund
	Utility Enterprise Fund	Economic Development Enterprise Fund	Total	
Operating Revenues:				
Charges for services:				
Water charges	\$4,514,022	-	\$4,514,022	-
Sewer charges	1,269,496	-	1,269,496	-
Sanitation charges	2,574,992	-	2,574,992	-
Solid waste fee	290,969	-	290,969	-
Recycling center	260,268	-	260,268	-
Lease revenue	81,729	-	81,729	-
Charges for inventory	-	-	-	\$93,354
Miscellaneous	268,410	-	268,410	-
Total operating revenues	9,259,886	-	9,259,886	93,354
Operating Expenses:				
Administration	1,186,714	-	1,186,714	-
Billing and collecting	496,579	-	496,579	-
Public works director	312,161	-	312,161	-
Water and sewer line maintenance	742,580	-	742,580	-
Water plant	507,734	-	507,734	-
Liquid waste	599,917	-	599,917	-
Solid waste	922,640	-	922,640	-
Landfill	548,776	-	548,776	-
Construction	493,631	-	493,631	-
Economic development	-	237,049	237,049	-
Cost of inventory	-	-	-	89,911
Depreciation expense	2,650,369	-	2,650,369	-
Total operating expenses	8,461,101	237,049	8,698,150	89,911
Operating income (loss)	798,785	(237,049)	561,736	3,443
Non-Operating Revenues				
Investment income	74,625	16,337	90,962	-
Miscellaneous	61,573	205,027	266,600	-
Gain on sale of assets	65,896	-	65,896	-
Total non-operating revenues	202,094	221,364	423,458	-
Net income (loss) before transfers	1,000,879	(15,685)	985,194	3,443
Transfers in	1,736,089	854,014	2,590,103	-
Transfer out	(2,532,022)	(521,145)	(3,053,167)	-
Change in net assets	204,946	317,184	522,130	3,443
Total net assets - beginning	36,952,337	3,448,679	40,401,016	23,352
Prior period adjustment for landfill closure liability (see note 6)	1,338,654	-	1,338,654	-
Total net assets - ending	\$38,495,937	\$3,765,863	\$42,261,800	\$26,795

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2011

	Enterprise Funds			Internal Service Fund
	Utility Enterprise Fund	Economic Development Enterprise Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$8,729,374	-	\$8,729,374	\$93,354
Payments to suppliers	(1,772,920)	(32,049)	(1,804,969)	(93,354)
Payments to employees	(3,883,714)	-	(3,883,714)	-
Receipts of customer meter deposits	20,203	-	20,203	-
Payment to component unit	(428,500)	-	(428,500)	-
Interfund receipts/payments	420,732	-	420,732	-
Other receipts	329,983	27	330,010	-
Net Cash Provided by (Used in) Operating Activities	3,415,158	(32,022)	3,383,136	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	2,243,663	854,014	3,097,677	-
Transfers to other funds	(2,313,334)	(408,379)	(2,721,713)	-
Transfers to component unit	(726,262)	-	(726,262)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(795,933)	445,635	(350,298)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(1,089,424)	-	(1,089,424)	-
Principal payments on capital debt	(19,316)	-	(19,316)	-
Interest and fiscal charges paid on capital debt	(40)	-	(40)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,108,780)	-	(1,108,780)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	74,625	16,337	90,962	-
Net Cash Provided by Investing Activities	74,625	16,337	90,962	-
Net Increase in Cash and Cash Equivalents	1,585,070	429,950	2,015,020	-
Balances - beginning of the year	14,982,530	3,335,913	18,318,443	-
Balances - end of the year	\$16,567,600	\$3,765,863	\$20,333,463	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$798,785	(\$237,049)	\$561,736	\$3,443
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	2,650,369	-	2,650,369	-
Other non-operating revenues	61,573	205,027	266,600	-
Change in assets and liabilities:				
Receivables, net	(262,102)	-	(262,102)	-
Due from other funds	530,418	-	530,418	-
Prepaid expenses	-	-	-	-
Inventory	-	-	-	(2,261)
Accounts payable	10,557	-	10,557	-
Accrued payroll liabilities	105,287	-	105,287	-
Due to other funds	(109,686)	-	(109,686)	(1,182)
Due to component units	(428,500)	-	(428,500)	-
Due to depositors	20,203	-	20,203	-
Landfill closure liability	13,493	-	13,493	-
Accrued compensated absences	24,761	-	24,761	-
Net Cash Provided by (Used in) Operating Activities	\$3,415,158	(\$32,022)	\$3,383,136	\$ -
Non-Cash Capital and Related Financing Activities:				
Capital Assets Donated	-	\$205,000	\$205,000	-

See accompanying notes to the basic financial statements.

CITY OF ADA, OKLAHOMA
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As of and for the Year Ended June 30, 2011

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ADA, OKLAHOMA
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As of and for the Year Ended June 30, 2011**

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.

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, and parks and recreation.

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, 2010. 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 VVRH sales tax allocation and the interest earned before the sales tax is actually transferred to VVRH.
- 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.
- Park/ Tree Donations – accounts for donations for park and public facility improvements.
- Bureau of Justice Assistance Fund – accounts for the U.S. Department of Justice Recovery Act Justice Assistance Grant.

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.

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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.

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.

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At June 30, 2011, the primary government held the following deposits and investments:

	<u>Carrying Value</u>		
Deposits:			
Demand deposits	\$ 37,440,401		
	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
Investments:			
Investment in Judgments	\$ 156,979	N/A	N/A
GNMA Bonds	993	Aaa	6/15/2016
GNMA Bonds	265	Aaa	5/20/2018
FNMA Bonds - Callable	2,281	Aaa	8/25/2020
GNMA Bonds	15,145	Aaa	5/15/2025
FNMA Bonds - Callable	168	N/A	N/A
Total investments	<u>\$ 175,831</u>		
Total deposits and investments	<u>\$ 37,616,232</u>		
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	\$ 37,459,253		
Investments	156,979		
	<u>\$ 37,616,232</u>		

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 115% of the uninsured deposits and accrued interest thereon. The City has amended its policy beginning in July 2011 to reduce this amount to 103% to encourage more response from financial institutions. 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, 2011, the City was exposed to \$64,129 of custodial credit risk as defined above.

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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 deposit 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, 2011, 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, 2011, 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, 2011, the City had \$18,852 (or 11%) of its investments in GNMA and FNMA Bonds and \$156,979 (or 89%) in judgments.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net assets are comprised of \$611,294 held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill).

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Component Units:

Valley View Hospital Authority

Deposits

At September 30, 2010, the Authority had bank balances of \$184,633, none of which was uninsured or undercollateralized. The carrying value of these deposits was \$184,633.

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, 2010, 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, 2010 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, 2011, the Authority had a bank balance of \$115,353. The carrying value of these deposits is \$115,353 at June 30, 2011.

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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, 2011, the Authority had the following investments:

Investment in Judgments	\$	156,979
GNMA Bonds		993
GNMA Bonds		265
FNMA Bonds - Callable		2,281
GNMA Bonds		15,145
FNMA Bonds - Callable		168
Total investments	\$	175,831

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, 2011, capital assets balances changed as follows:

	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,295,579	\$ -	\$ -	\$ 1,295,579
Construction in progress	1,688,342	1,168,668	684,084	2,172,926
Total capital assets not being depreciated	2,983,921	1,168,668	684,084	3,468,505
Other capital assets:				
Buildings and Improvements	14,300,196	821,616	-	15,121,812
Machinery, furniture and equipment	7,975,770	1,031,402	779,629	8,227,543
Infrastructure	46,986,983	340,863	-	47,327,846
Total other capital assets at historical cost	69,262,949	2,193,881	779,629	70,677,201
Less accumulated depreciation for:				
Buildings and Improvements	4,603,425	398,213	-	5,001,638
Machinery, furniture and equipment	4,936,470	517,278	636,168	4,817,580
Infrastructure	35,180,580	1,858,975	-	37,039,555
Total accumulated depreciation	44,720,475	2,774,466	636,168	46,858,773
Other capital assets, net	24,542,474	(580,585)	143,461	23,818,428
Governmental activities capital assets, net	\$ 27,526,395	\$ 588,083	\$ 827,545	\$ 27,286,933

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	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,210,598	\$ -	\$ -	\$ 2,210,598
Construction in progress	771,163	794,625	799,473	766,315
Total capital assets not being depreciated	<u>2,981,761</u>	<u>794,625</u>	<u>799,473</u>	<u>2,976,913</u>
Other capital assets:				
Buildings and Improvements	17,281,758	281,009	-	17,562,767
Machinery, furniture and equipment	6,228,838	430,711	468,493	6,191,056
Utility property improvements	47,255,504	448,448	-	47,703,952
Total other capital assets at historical cost	<u>70,766,100</u>	<u>1,160,168</u>	<u>468,493</u>	<u>71,457,775</u>
Less accumulated depreciation for:				
Buildings and Improvements	8,343,846	605,345	-	8,949,191
Machinery, furniture and equipment	4,676,646	313,066	468,493	4,521,219
Utility property improvements	35,962,850	1,731,958	-	37,694,808
Total accumulated depreciation	<u>48,983,342</u>	<u>2,650,369</u>	<u>468,493</u>	<u>51,165,218</u>
Other capital assets, net	21,782,758	(1,490,201)	-	20,292,557
Business-type activities capital assets, net	<u>\$ 24,764,519</u>	<u>\$ (695,576)</u>	<u>\$ 799,473</u>	<u>\$ 23,269,470</u>

	Balance at October 1, 2009	Additions	Disposals	Balance at September 30, 2010
Component units:				
Valley View Regional Hospital:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Other capital assets:				
Machinery, furniture and equipment	236,931	-	62,161	174,770
Total capital assets	<u>236,931</u>	<u>-</u>	<u>62,161</u>	<u>174,770</u>
Less accumulated depreciation for:				
Equipment	174,770	-	-	174,770
Total accumulated depreciation	<u>174,770</u>	<u>-</u>	<u>-</u>	<u>174,770</u>
Valley View Regional Hospital capital assets, net	<u>\$ 62,161</u>	<u>\$ -</u>	<u>\$ 62,161</u>	<u>\$ -</u>

	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
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>93,378</u>
Less accumulated depreciation for:				
Buildings and improvements	14,700	397	-	15,097
Furniture and equipment	30,145	518	-	30,663
Total accumulated depreciation	<u>44,845</u>	<u>915</u>	<u>-</u>	<u>45,760</u>
Ada Arts and Heritage Authority capital assets, net	<u>\$ 48,533</u>	<u>\$ (915)</u>	<u>\$ -</u>	<u>\$ 47,618</u>

Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over useful lives. A capitalization threshold of \$5,000 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 5-24 years

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- Utility property and improvements 15-50 years
- General infrastructure 15-50 years

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

Governmental Activities:	
General Government	\$ 77,130
Streets and Highways	2,012,003
Public Safety	245,051
Cemetery	7,960
Legal and Judicial	2,167
Culture and Recreation	89,347
Airport	334,710
Community Development	6,098
Total	\$ 2,774,466
Business-Type Activities:	
Water	\$ 1,394,555
Sewer	1,102,367
Sanitation	153,447
Total	\$ 2,650,369

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2011, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Capital lease payable	\$ 4,709,150	\$ -	\$ 384,471	\$ 4,324,679	\$ 388,031
Accrued compensated absences	447,183	-	6,944	440,239	44,024
Total Governmental Activities	\$ 5,156,333	\$ -	\$ 391,415	\$ 4,764,918	\$ 432,055
Plus: OPEB obligations				179,385	-
				\$ 4,944,303	\$ 432,055
Business-Type Activities:					
Capital lease payable	\$ 19,316	\$ -	\$ 19,316	\$ -	\$ -
Accrued compensated absences	236,896	24,761	-	261,657	26,166
Deposits subject to refund	591,091	167,450	147,247	611,294	61,129
Landfill closure liability	1,446,371	13,493	-	1,459,864	170,409
Total Business-Type Activities	2,293,674	205,704	166,563	2,332,815	257,704
Total Long-Term Debt	\$ 7,450,007	\$ 205,704	\$ 557,978	7,277,118	\$ 689,759
Component Units:					
Valley View Hospital Authority:					
Revenue bonds payable	\$ 8,753,143	\$ -	\$ 8,753,143	\$ -	\$ -
Capital lease payable	2,611,222	-	774,030	1,837,192	818,485
Total VVRH	\$ 11,364,365	\$ -	\$ 9,527,173	\$ 1,837,192	\$ 818,485

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Governmental activities long-term debt:

Capital Lease Obligations:

\$5,115,000 lease obligation for the replacement or retrofitting of water meters and efficiency upgrades to various City facilities, payable in 186 monthly installments of \$39,786 with an annual interest rate of 4.37%, final payment due April 2022	4,123,503
\$244,900 lease obligation for the purchase of a gradall, payable in 60 monthly installments of \$4,563 with an annual interest rate of 4.37%, final payment due March 2012	40,326
\$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	<u>160,850</u>
Total Capital Lease Obligations	<u>\$4,324,679</u>
Current portion	\$ 388,031
Noncurrent portion	<u>3,936,648</u>
Total Capital Lease Obligations	<u>\$4,324,679</u>

Accrued Compensated Absences:

Current portion	\$ 44,024
Noncurrent portion	<u>396,215</u>
Total Accrued Compensated Absences	<u>\$ 440,239</u>

Business-type activities long-term debt:

Accrued Compensated Absences:

Current portion	\$ 26,166
Noncurrent portion	<u>235,491</u>
Total Accrued Compensated Absences	<u>\$ 261,657</u>

Deposits Subject to Refund:

Current portion	\$ 61,129
Noncurrent portion	<u>550,165</u>
Total Deposits Subject to Refund	<u>\$ 611,294</u>

Landfill Closure Liability:

Current portion	\$ 170,409
Noncurrent portion	<u>1,289,455</u>
Total Landfill Closure Liability	<u>\$ 1,459,864</u>

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Component Units have the following long-term debt at June 30, 2011:

Valley View Hospital Authority

Capital Lease Obligation:

\$3,156,286 lease obligations with local bank, payable in monthly installments with annual interest rates of 4.9% and 6.7%, final payment due May 2012 and October 2014, respectively	<u>\$1,837,192</u>
Current portion	\$ 818,485
Noncurrent portion	<u>1,018,707</u>
Total Capital Lease Obligations	<u><u>\$1,837,192</u></u>

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

<u>Year Ending June 30,</u>	Governmental Debt		Business-Type Debt	
	Capital Lease Obligations		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2012	\$ 388,031	\$ 181,523	\$ -	\$ -
2013	363,355	165,129	-	-
2014	379,718	148,768	-	-
2015	366,684	132,041	-	-
2016	361,070	116,364	-	-
2017-2021	2,061,674	325,497	-	-
2022-2023	404,147	8,380	-	-
Totals	\$ 4,324,679	\$ 1,077,702	\$ -	\$ -

Component Unit Debt

<u>Year Ending September 30,</u>	Capital Lease Obligations
2011	\$ 891,041
2012	811,223
2013	227,283
2014	15,926
2015	-
2016-2020	-
Totals	\$ 1,945,473
	(108,281) *
	\$ 1,837,192

* Less amount representing interest

6. Landfill Closure and Post Closure Requirements

A \$1,459,864 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 59% of the estimated capacity of the landfill. It is estimated that an additional \$1,022,453 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 April 2017. The estimated remaining landfill life is 70 months. A prior period adjustment in the amount of \$1,338,654 was recognized for the year ended 6/30/10 due to a change in accounting estimate by the City's engineer.

7. Net assets and Fund Balances

Net Assets:

Net assets are 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. The City has implemented GASB Statement 54 and 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.

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- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process. In addition, any fund balance used to assist balancing the subsequent year’s budget is considered assigned.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund. In addition, any governmental fund, other than the General Fund which reports a deficit fund balance in total, is shown as negative unassigned fund balance.

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

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54 and Proprietary Fund Statement of Net Assets restrictions:

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	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	-	-	4,553,909	-	-	-	-	4,553,909
Capital Improvements	-	-	-	3,088,459	-	2,689,518	-	5,777,977
D.A.R.E.	-	-	-	-	-	-	6,069	6,069
Library	-	-	-	-	-	-	20,374	20,374
Police	-	-	-	-	-	-	50	50
E911	-	-	-	-	-	-	246,522	246,522
Parks	-	-	-	-	-	-	48,223	48,223
Cemetery	-	-	-	-	-	-	143,703	143,703
Little Red School House	-	-	-	-	-	-	389	389
Debi Service	-	-	-	-	-	-	5,910	5,910
Sub-total Restricted	1,104	-	4,553,909	3,088,459	-	2,689,518	471,240	10,804,230
Committed to:								
Ambulance Service	-	1,813,311	-	-	-	-	-	1,813,311
Library	-	-	-	-	-	-	6,465	6,465
		1,813,311					6,465	1,819,776
Assigned to:								
Cemetery	-	-	-	-	-	-	205,701	205,701
Airport	-	-	-	-	-	-	12,877	12,877
E911	-	-	-	-	-	-	1,251	1,251
Police	-	-	-	-	-	-	1,613	1,613
Library	-	-	-	-	-	-	135	135
Capital Improvements	-	-	-	16,496	-	4,033	121,680	142,209
Streets	-	-	20,076	-	-	-	-	20,076
CDBG Grants	11,781	-	-	-	-	-	-	11,781
Parks	15,136	-	-	-	-	-	231	15,367
Health Insurance	571,632	-	-	-	-	-	-	571,632
Self Insurance	572,743	-	-	-	-	-	-	572,743
Advance Travel	1,167	-	-	-	-	-	-	1,167
Unemployment	97,221	-	-	-	-	-	-	97,221
Workers' Comp	311,384	-	-	-	-	-	-	311,384
Budget balancing purposes	2,213,291	-	-	-	-	-	-	2,213,291
Sub-total Assigned	3,794,355	-	20,076	16,496	-	4,033	343,488	4,178,448
Unassigned	789,728	-	-	-	(12,310)	-	-	757,418
Total Fund Balance	\$ 4,585,187	\$ 1,813,311	\$ 4,573,985	\$ 3,104,955	\$ (12,310)	\$ 2,693,551	\$ 821,193	\$ 17,559,872

Enterprise Funds:

Restricted For Economic Development

\$ 3,765,863

Total Enterprise Fund Restrictions

\$ 3,765,863

Restricted Net Assets – Governmental Activities:

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

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Fund	Restricted By	Amount
E911 Fund	Enabling legislation	\$ 246,522
Sales Tax Infrastructure Fund	Enabling legislation	3,135,646
Sales Tax Capital Facilities Fund	Enabling legislation	2,689,518
		6,071,686
Cemetery Care Fund	Statutory requirements	\$ 143,703
Sinking Fund	Statutory requirements	19,667
Street and Alley Fund	Statutory requirements	4,553,909
		4,717,279
Sudden/Severe Economic Dislocation Fund	Other contracts - Contributors	\$ 1,104
D.A.R.E Fund	Other contracts - Contributors	6,069
Library Memorial Fund	Other contracts - Contributors	18,103
Library State Aid Fund	Other contracts - Contributors	2,271
Federal Drug Forfeiture Fund	Other contracts - Contributors	50
Parks Donation Fund	Other contracts - Contributors	48,223
Little Red School House Fund	Other contracts - Contributors	389
		76,209

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.

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9. Property Tax Levy

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

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

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

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

For the year ended June 30, 2011, the City's net assessed valuation of taxable property was \$79,317,606. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2011 was \$2.49.

10. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net 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.

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2011, were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Utility Enterprise Fund	\$ 854,014	Sales tax transfer
General Fund	Utility Enterprise Fund	8,452	Purchase of capital assets
General Fund	Utility Enterprise Fund	115,564	Grant activity
Utility Enterprise Fund	General Fund	213,197	Subsidy for shared costs and leasing of assets
Utility Enterprise Fund	General Fund	426,826	Honeywell capital lease payments
Utility Enterprise Fund	Airport/Agriculture Fund	54,650	Operating Subsidy
Utility Enterprise Fund	Liability Self Insurance	65,000	Operating Subsidy
Utility Enterprise Fund	Unemployment Insurance Fund	7,500	Operating Subsidy
Utility Enterprise Fund	Workers Comp Fund	100,000	Operating Subsidy
Utility Enterprise Fund	Solid Waste Development Fund	132,453	Portion of landfill collections
Utility Enterprise Fund	Economic Development Fund	854,014	Sales tax transfer
Economic Development Fund	General Fund	112,766	Sales tax transfer
General Fund	Sewer System Fund	665	Interest expense on interfund loan
Segregated Sales Tax Fund	General Fund	152	Interest transferred
Drug Forfeiture Fund	General Fund	2,000	Operating subsidy
Sales Tax Infrastructure	Utility Enterprise Fund	624,941	Purchase of capital assets
Utility Enterprise Fund	General Fund	608,367	Health insurance premium transfer
Sales Tax Infrastructure	General Fund	112,120	Health insurance premium transfer
E911 Fund	General Fund	50,595	Health insurance premium transfer
Airport/Agriculture Fund	General Fund	4,783	Health insurance premium transfer
Total		<u>\$ 4,348,059</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 1,757,956	\$ (2,499,548)	\$ (741,592)
Proprietary Funds	2,590,103	(3,053,167)	(463,064)
Total	<u>\$ 4,348,059</u>	<u>\$ (5,552,715)</u>	<u>\$ (1,204,656)</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ (741,592)
Transfer capital asset from business-type activities	478,394
Transfer sewer expenses to business-type activities	(315,088)
Transfers - internal activity	<u>\$ (578,286)</u>

Balances:

Interfund receivables and payables at June 30, 2011, were as follows:

Due From	Due To	Amount	Nature of Balance
General Fund	APWA	\$ 64,474	Sales tax transfer
Internal Service Fund	GF	11,746	Cover negative cash
APWA	Meter Deposit Fund	3,080	Interest due
Total		<u>\$ 79,300</u>	

Reconciliation to Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	\$ 11,746	\$ (64,474)	\$ (52,728)
Internal Service Funds	-	(11,746)	(11,746)
Proprietary Funds	67,554	(3,080)	64,474
Total	<u>\$ 79,300</u>	<u>\$ (79,300)</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 \$400,000 per occurrence for police and fire employees and \$350,000 per occurrence for all other employees. Additional coverage through Midwest Employers Casualty Company. These amounts will change to \$475,000 and \$400,000 respectively for FY 2011-2012 and the additional coverage will be provided by National Safety in FY 2011-2012.
- Dental Insurance – Self insured
- Employee's Group Medical – Self insured with Blue Cross as the third party administrator; stop loss insured up to \$50,000 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.

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 2011, 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

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City. As a result, certain federal and state grant monies expended may be required to be repaid. The Federal Aviation Administration and the Oklahoma Aeronautics Commission (OAC) are requesting repayment of all grant funds received in the amounts of \$402,354 and \$624,216, respectively. Currently, the City is involved in negotiations with both the FAA and the OAC to reduce the amount of requested repayment. The repayment amount cannot be reasonably estimated at this time.

13. Pension Plan Participation

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

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

OMRF Defined Contribution Plan:

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

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contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Annual Contributions. For 2011, the City's annual required contribution was \$181,094 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$342,684 (or 24.6% 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 2011, the City's annual required contribution was \$191,602 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$148,674 (or 10.1% of covered payroll) for the fiscal year.

Summary of Contributions:

Oklahoma Municipal Retirement Fund			Oklahoma Firefighter's Pension and Retirement System				Oklahoma Police Pension and Retirement System			
Fiscal Year	Employee Contribution	Employer Contribution	Fiscal Year	Employee Contribution	Employer Contribution	Percentage Contributed	Fiscal Year	Employee Contribution	Employer Contribution	Percentage Contributed
2009	311,534	811,012	2009	104,920	170,495	100%	2009	111,969	181,777	100%
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%

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.

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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 2011, the actuarially expected City contributions in the form of net age adjustment were to be \$94,658 to the Plan. Plan members receiving benefits contributed \$40,894 of the total premiums, through their payment of the full determined premium in FY 2011.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment 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 to for the year ended June 30, 2011:

Normal Cost	\$	62,915
Amortization of Actuarial Accrued Liability (AAL)		31,743
Annual OPEB cost (expense)		94,658
Expected net benefits during the year		(40,894)
Increase in net OPEB obligation		53,764
Net OPEB obligation - beginning of year		125,621
Net OPEB obligation - end of year	\$	179,385

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$103,950	30.8%	\$71,857
6/30/10	\$94,658	43.2%	\$125,621
6/30/11	\$94,658	43.2%	\$179,385

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, 2010, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$934,986, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$934,986. The covered payroll (annual payroll of active employees covered by the plan) was \$9.4 million, and the ratio of the UAAL to the covered payroll was 9.9 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

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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, 2010, 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, 2010, was twenty-eight years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

15. Use of Estimates

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

16. Subsequent Events

In the current fiscal year the City completed work on the construction of Phase I and Phase II of their taxiway realignment project. This project is designed to make the municipal airport safer for the pilots. However, the City is waiting on additional funding from the Federal Aviation Administration before this project is officially closed.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule – Year Ended June 30, 2011

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning Budgetary Fund Balance:	\$3,940,148	\$3,940,148	\$5,108,375	\$1,168,227
Resources (Inflows):				
Taxes	7,577,100	7,697,100	8,550,725	853,625
Licenses and permits	70,000	70,000	92,044	22,044
Intergovernmental	546,700	815,140	280,015	(535,125)
Charges for services	168,100	168,100	240,360	72,260
Fines and forfeitures	558,300	558,300	421,244	(137,056)
Investment income	28,000	28,000	47,187	19,187
Miscellaneous	161,000	163,000	525,880	362,880
Other financing sources	2,625,200	2,625,200	2,767,479	142,279
Total Resources (Inflows):	<u>11,734,400</u>	<u>12,124,840</u>	<u>12,924,934</u>	<u>800,094</u>
Amounts available for appropriation	<u>\$15,674,548</u>	<u>\$16,064,988</u>	<u>\$18,033,309</u>	<u>\$1,968,321</u>
Charges to Appropriations (Outflows):				
General government	4,130,890	4,187,640	4,153,812	33,828
Streets and highways	951,265	1,148,303	883,196	265,107
Public safety	5,114,010	5,268,019	5,252,086	15,933
Cemetery	225,175	214,050	200,883	13,167
Legal and judicial	280,975	260,625	232,852	27,773
Culture and recreation	1,749,415	1,741,715	1,346,042	395,673
Community development	423,205	357,255	335,716	21,539
Other financing uses	927,300	1,083,225	1,071,556	11,669
Total Charges to Appropriations	<u>13,802,235</u>	<u>14,260,832</u>	<u>13,476,143</u>	<u>784,689</u>
Ending Budgetary Fund Balance	<u>\$1,872,313</u>	<u>\$1,804,156</u>	<u>\$4,557,166</u>	<u>\$2,753,010</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Sudden and Severe Economic Dislocation Fund Balance			1,104	
Parks and Recreation Fund Balance			15,136	
CDBG Home Grant Fund Balance			10,297	
CDBG Vo-Tech Fund Balance			1,484	
Total General Fund Fund Balance			<u>\$4,585,187</u>	

(Unaudited. See accompanying auditor's report.)

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Budgetary Comparison Schedule – Year Ended June 30, 2011, (Continued)

	EMS FUND			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning Budgetary Fund Balance:	\$1,946,615	\$1,946,615	\$1,946,615	-
Resources (Inflows):				
Investment income	17,000	17,000	10,696	(\$6,304)
Total Resources (Inflows):	17,000	17,000	10,696	(6,304)
Amounts available for appropriation	<u>\$1,963,615</u>	<u>\$1,963,615</u>	<u>\$1,957,311</u>	<u>(\$6,304)</u>
Charges to Appropriations (Outflows):				
Public safety	144,000	394,000	144,000	250,000
Total Charges to Appropriations	144,000	394,000	144,000	250,000
Ending Budgetary Fund Balance	<u>\$1,819,615</u>	<u>\$1,569,615</u>	<u>\$1,813,311</u>	<u>\$243,696</u>

	STREET AND ALLEY FUND			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning Budgetary Fund Balance:	\$4,068,457	\$4,068,457	\$4,068,457	-
Resources (Inflows):				
Taxes	-	-	664,737	\$664,737
Intergovernmental	641,700	641,700	143,994	(497,706)
Investment income	30,000	30,000	20,076	(9,924)
Total Resources (Inflows):	671,700	671,700	828,807	157,107
Amounts available for appropriation	<u>\$4,740,157</u>	<u>\$4,740,157</u>	<u>\$4,897,264</u>	<u>\$157,107</u>
Charges to Appropriations (Outflows):				
Streets and highways	4,001,000	4,001,000	323,279	3,677,721
Total Charges to Appropriations	4,001,000	4,001,000	323,279	3,677,721
Ending Budgetary Fund Balance	<u>\$739,157</u>	<u>\$739,157</u>	<u>\$4,573,985</u>	<u>\$3,834,828</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, 2008
Actuarial accrued liability - AAL (a)	\$899,047
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$899,047
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$8,892,181
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	10.1%

	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)	\$9,434,789
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	9.9%

Three year trend information is not available.

(Unaudited. See accompanying auditor's report.)

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SUPPLEMENTARY INFORMATION

CITY OF ADA, OKLAHOMA
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Combining Balance Sheet – Nonmajor Governmental Funds - June 30, 2011

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	
Cash and cash equivalents	\$ 6,069	\$ 24,669	\$ 2,808	\$ 4,593	\$ 50	\$ 217,729	\$ 20,966	\$ 48,454
Due from other governments	-	-	145	-	-	-	-	-
Other receivable	-	-	-	-	-	56,932	-	-
Total Assets	\$6,069	\$24,669	\$2,953	\$4,593	\$50	\$274,661	\$20,966	\$48,454
LIABILITIES								
Accounts payable	-	-	648	3,075	-	246	-	-
Accrued payroll liabilities	-	-	-	-	-	26,642	-	-
Deferred revenue	-	-	-	-	-	-	20,871	-
Due to other funds	-	-	-	-	-	-	-	-
Total Liabilities	-	-	648	3,075	-	26,888	20,871	-
FUND EQUITY								
Fund Balance:								
Restricted	6,069	18,103	2,271	-	50	246,522	-	48,223
Committed	-	6,465	-	-	-	-	-	-
Assigned	-	101	34	1,518	-	1,251	95	231
Total Fund Equity	6,069	24,669	2,305	1,518	50	247,773	95	48,454
Total Liabilities and Fund Equity	\$ 6,069	\$ 24,669	\$ 2,953	\$ 4,593	\$ 50	\$ 274,661	\$ 20,966	\$ 48,454

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Combining Balance Sheet – Nonmajor Governmental Funds - June 30, 2011, (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	\$ 349,404	\$ 389	\$ 121,680	\$ 34,880	\$ 3,901	\$ 835,592
Due from other governments	-	-	-	103,002	15,766	118,913
Other receivable	-	-	-	-	-	56,932
Total Assets	<u>\$349,404</u>	<u>\$389</u>	<u>\$121,680</u>	<u>\$137,882</u>	<u>\$19,667</u>	<u>\$1,011,437</u>
 <u>LIABILITIES</u>						
Accounts payable	-	-	-	16,245	-	20,214
Accrued payroll liabilities	-	-	-	5,758	-	32,400
Deferred revenue	-	-	-	103,002	13,757	137,630
Due to other funds	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,005</u>	<u>13,757</u>	<u>190,244</u>
 <u>FUND EQUITY</u>						
Fund Balance:						
Restricted	143,703	389	-	-	5,910	471,240
Committed	-	-	-	-	-	6,465
Assigned	205,701	-	121,680	12,877	-	343,488
Total Fund Equity	<u>349,404</u>	<u>389</u>	<u>121,680</u>	<u>12,877</u>	<u>5,910</u>	<u>821,193</u>
Total Liabilities and Fund Equity	<u>\$ 349,404</u>	<u>\$ 389</u>	<u>\$ 121,680</u>	<u>\$ 137,882</u>	<u>\$ 19,667</u>	<u>\$ 1,011,437</u>

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2011

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 569,919	\$ -	\$ -
Intergovernmental	-	-	18,287	3,684	-	-	79,161	-
Charges for services	-	-	-	-	-	-	-	-
Investment income	-	101	34	-	-	1,133	95	231
Miscellaneous	5,050	6,929	-	2,238	-	118	-	1,902
Total Revenues	5,050	7,030	18,321	5,922	-	571,170	79,256	2,133
EXPENDITURES:								
Current:								
Police	1,391	-	-	3,767	-	586,323	-	-
Judgements	-	-	-	-	-	-	-	-
Culture and recreation	-	-	17,721	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Capital outlay	-	-	566	-	-	3,000	79,161	4,904
Debt service	-	-	-	-	-	-	-	-
Total Expenditures	1,391	-	18,287	3,767	-	589,323	79,161	4,904
Revenues over (under) expenditures	3,659	7,030	34	2,155	-	(18,153)	95	(2,771)
Other Financing Sources (Uses):								
Judgement Proceeds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(2,000)	-	(50,595)	-	-
Revenues and other sources over (under) expenditures and other use	3,659	7,030	34	155	-	(68,748)	95	(2,771)
Fund Balance - beginning of year	2,410	17,639	2,271	1,363	\$50	316,521	-	51,225
Fund Balance - end of year	\$ 6,069	\$ 24,669	\$ 2,305	\$ 1,518	\$ 50	\$ 247,773	\$ 95	\$ 48,454

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2011 (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	\$ -	\$ -	\$ -	\$ -	\$ 192,450	\$ 762,369
Intergovernmental	-	-	-	167,761	-	268,893
Charges for services	14,557	-	-	113,643	-	128,200
Investment income	-	-	536	32	-	2,162
Miscellaneous	-	-	-	27,460	-	43,697
Total Revenues	14,557	-	536	308,896	192,450	1,205,321
EXPENDITURES:						
Current:						
Police	-	-	-	-	-	591,481
Judgements	-	-	-	-	62,097	62,097
Culture and recreation	-	-	-	-	-	17,721
Airport	-	-	-	149,882	-	149,882
Capital outlay	62,000	-	3,390	60,316	-	213,337
Debt service	-	-	-	-	195,024	195,024
Total Expenditures	62,000	-	3,390	210,198	257,121	1,229,542
Revenues over (under) expenditures	(47,443)	-	(2,854)	98,698	(64,671)	(24,221)
Other Financing Sources (Uses):						
Judgement Proceeds	-	-	-	-	62,097	62,097
Transfers in	-	-	-	54,650	-	54,650
Transfers out	-	-	-	(4,783)	-	(57,378)
Revenues and other sources over (under) expenditures and other uses	(47,443)	-	(2,854)	148,565	(2,574)	35,148
Fund Balance - beginning of year	396,847	\$389	124,534	(135,688)	8,484	786,045
Fund Balance - end of year	\$ 349,404	\$ 389	\$ 121,680	\$ 12,877	\$ 5,910	\$ 821,193

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2011

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	15,000	7,500
Emergency Management	97.042	PL 85-606	<u>10,000</u>	<u>7,500</u>
Firefighter Assistance Grant	97.044	EMW-2009-FO-06497	<u>59,841</u>	<u>59,841</u>
Total Department of Homeland Security			<u>84,841</u>	<u>74,841</u>
<u>FEDERAL AVIATION ADMINISTRATION:</u>				
Taxiway Realignment Project	20.106	3-40-0001-010-2009	<u>71,165</u>	<u>24,639</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Recovery Act Justice Assistance Grant 2009	16.804	2009-SB-B9-3212	<u>100,032</u>	<u>79,161</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	13,752
Ada Traffic Enforcement	20.600	PT-10-03-01-02	<u>20,000</u>	<u>991</u>
Total Department of Transportation			<u>40,000</u>	<u>14,743</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Department of Commerce:				
2009 CDBG	14.228	13894 CDBG 09	88,923	88,923
Special Project Grant - Water Tower	14.225	B-08-SP-OK-0003	<u>245,000</u>	<u>47,187</u>
Total Department of Housing and Urban Development			<u>333,923</u>	<u>136,110</u>
TOTAL FEDERAL AWARDS			<u>\$ 629,961</u>	<u>\$ 329,494</u>

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		<u>\$ 20,158</u>	<u>\$ 18,287</u>
TOTAL STATE AWARDS		<u>\$ 20,158</u>	<u>\$ 18,287</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.



**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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 7, 2012. Our report includes a disclaimer of 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. Our report includes an explanatory paragraph noting the implementation of GASB 54 for the year ended June 30, 2011. Our report also includes a paragraph noting that beginning net assets of the business-type activities and the beginning net assets of the utility enterprise fund have been restated. 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

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 would not necessarily identify all deficiencies in internal control 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
February 7, 2012