



CITY OF ADA, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2013

THE CITY OF ADA, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

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

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Ada, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ada, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Valley View Hospital Authority or the Ada Arts and Heritage Authority, which collectively represent 100% of discretely presented component units of the City. Those 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 solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' Responsibility, Continued

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matters

Change in Accounting Principle

As discussed in Notes 2 and 7 to the financial statements, in 2013 the City adopted new accounting guidance, Statements No. 63 and No. 65 of the Governmental Accounting Standards Board (GASB), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and *Items Previously Reported as Assets and Liabilities*, respectively. Beginning fund balance and net position were restated due to the implementation of GASB No. 65. Our opinions are not modified with respect to this matter.

Correction of an Error

As discussed in Note 7 to the financial statements, beginning net position was restated due to the correction of an error involving the prior year interest payable and trustee account balances. Our opinions are not modified with respect to this matter.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison information, and the schedule of OPEB funding progress on pages 7 through 17, pages 55 through 57, and page 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements of general fund accounts, combining statements of nonmajor governmental funds, combining statements of the PWA Enterprise Fund, 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 combining schedules of general fund accounts, combining statements of nonmajor governmental funds, combining schedules of the PWA Enterprise Fund, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters, Continued

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
January 17, 2014

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

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, 2013. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$6,074,707 and the assets of the City continued to exceed its liabilities at June 30, 2013, by \$89,586,458 (net position). Of this amount, \$22,554,938 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances of \$24,315,175. Of this amount, \$1,063,192 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2013, unassigned fund balance for the General Fund was \$1,063,192 or 9.4% of General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The governmental-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City of Ada's basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 19 & 20, respectively) report information about the City as a whole and about its activities in a way that helps answer questions. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

These two statements report the City's Net Position and changes in Net Position from the prior year. You can think of the City's Net Position – the difference between assets and deferred outflows and liabilities and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's Net Position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into three types of activities:

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** -- The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, 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.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Proprietary funds -- When the City charges customers for the services it provides -- whether to outside customers or to other units of the City -- these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, solid waste collection, disposal services, and economic development activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2013, net position for the governmental activities and business-type activities increased \$6,074,707. The results indicate the City, as a whole, incurred an increase in its financial condition from the prior year.

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

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
Current assets	\$ 25,667	\$ 22,755	13%	\$ 23,282	\$ 22,468	4%	\$ 48,949	\$ 45,223	8%
Capital assets, net	25,488	25,686	-1%	23,893	22,013	9%	49,381	47,699	4%
Total assets	51,155	48,441	6%	47,175	44,481	6%	98,330	92,922	6%
Current liabilities	670	1,250	-46%	1,162	1,087	7%	1,832	2,337	-22%
Non-current liabilities	949	879	8%	5,963	6,194	-4%	6,912	7,073	-2%
Total liabilities	1,619	2,129	-24%	7,125	7,281	-2%	8,744	9,410	-7%
Net position									
Net investment in capital assets	25,418	25,570	-1%	20,238	18,062	-12%	45,656	43,632	5%
Restricted	18,303	15,305	20%	3,885	3,072	26%	22,188	18,377	21%
Unrestricted	5,815	5,437	7%	15,927	16,066	-1%	21,742	21,503	1%
Total net position	\$ 49,536	\$ 46,312	7%	\$ 40,050	\$ 37,200	8%	\$ 89,586	\$ 83,512	7%

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the net investment in capital assets amounted to \$45.7 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$21.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$22.5 million, may be used to meet the government's ongoing obligations to citizens and creditors.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Change in Net Position

For the year ended June 30, 2013 net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	2012		2013	Restated 2012		2013	Restated 2012	
Revenues									
Charges for service	\$ 887	\$ 908	-2%	\$ 10,009	\$ 10,270	-3%	\$ 10,896	\$ 11,178	-3%
Operating grants and contributions	801	726	10%	-	-	-	801	726	10%
Capital grants and contributions	363	242	50%	93	95	-	456	337	35%
Taxes	16,677	16,571	1%	-	-	-	16,677	16,571	1%
Intergovernmental revenue	303	299	1%	-	-	-	303	299	1%
Investment income	132	53	149%	109	61	79%	241	114	111%
Miscellaneous	679	355	91%	337	378	-11%	1,016	733	39%
Total revenues	19,842	19,154	4%	10,548	10,804	-2%	30,390	29,958	1%
Expenses									
General government	3,871	3,699	5%	-	-	-	3,871	3,699	5%
Streets	2,266	4,157	-45%	-	-	-	2,266	4,157	-45%
Public safety	6,329	5,722	11%	-	-	-	6,329	5,722	11%
Cemetery	180	194	-7%	-	-	-	180	194	-7%
Legal and judicial	233	191	22%	-	-	-	233	191	22%
Culture and recreation	1,409	1,369	3%	-	-	-	1,409	1,369	3%
Community development	362	342	6%	-	-	-	362	342	6%
Airport	518	1,496	-65%	-	-	-	518	1,496	-65%
Interest on long-term debt	21	315	-93%	-	-	-	21	315	-93%
Water	-	-	-	2,964	3,933	-25%	2,964	3,933	-25%
Sewer	-	-	-	2,531	2,946	-14%	2,531	2,946	-14%
Sanitation	-	-	-	3,147	3,169	-1%	3,147	3,169	-1%
Economic development	-	-	-	485	1,589	-69%	485	1,589	-69%
Total expenses	15,189	17,485	-13%	9,127	11,637	-22%	24,316	29,122	-17%
Excess (deficiency) before transfers	4,653	1,669	179%	1,421	(833)	-271%	6,074	836	627%
Transfers	(1,429)	3,974	-136%	1,429	(3,974)	-136%	-	-	-
Change in net position	3,224	5,643	-43%	2,850	(4,807)	-159%	6,074	836	627%
Beginning net position, restated	46,312	40,669	14%	37,200	42,007	-11%	83,512	82,676	1%
Ending net position	\$ 49,536	\$ 46,312	7%	\$ 40,050	\$ 37,200	8%	\$ 89,586	\$ 83,512	7%

The city's airport activities reported a decrease in expenses of 65% due to grant revenue reimbursements to the OAC and the FAA that were made in the previous year. The business-type activities' economic development expenses decreased 69% due to additional payments in the prior year of \$1.25 million to East Central University for matching costs towards university projects. Transfers for both governmental activities and business-type activities changed significantly because the previously governmental Honeywell debt was refinanced with a business-type revenue note in the prior year.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Governmental Activities

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

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2013	2012		2013	2012	
	General government	\$ 3,871		\$ 3,699	5%	
Streets	2,266	4,157	-45%	(2,116)	(4,009)	-47%
Public Safety	6,329	5,722	11%	(5,188)	(4,545)	14%
Cemetery	180	194	-7%	(119)	(128)	-7%
Legal and Judicial	233	191	22%	(233)	(191)	22%
Culture and Recreation	1,409	1,369	3%	(1,225)	(1,215)	1%
Community Development	362	342	6%	(362)	(342)	6%
Airport	518	1,496	-65%	(197)	(1,301)	-85%
Interest on long-term debt	21	315	-93%	(21)	(315)	-93%
Total	<u>15,189</u>	<u>\$ 17,485</u>	-13%	<u>(\$13,137)</u>	<u>(\$15,610)</u>	-16%

For the year ended June 30, 2013, total expenses for governmental activities amounted to \$15.2 million which is a 13% decrease from the prior year.

The city's airport activities reported a decrease in expenses of 65% due to grant revenue reimbursements to the OAC and the FAA that were made in the previous year.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Business-type Activities

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

	<u>Total Expense</u> <u>of Services</u>		<u>% Inc.</u> <u>Dec.</u>	<u>Net Revenue</u> <u>(Expense)</u> <u>of Services</u>		<u>% Inc.</u> <u>Dec.</u>
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Water	\$ 2,964	\$ 3,942	-25%	\$ 2,779	\$ 1,644	69%
Wastewater	2,531	2,946	-14%	(1,068)	(1,369)	-22%
Sanitation	3,147	3,169	-1%	(251)	32	-884%
Economic development	485	1,589	-69%	(485)	(1,589)	-69%
Total	<u>\$ 9,127</u>	<u>\$11,646</u>	-22%	<u>\$ 975</u>	<u>\$ (1,282)</u>	-176%

The city's business-type activities include utility services for water, sewer, sanitation and economic development. The economic development expenses decreased 69% because in the prior year the City paid \$1.25 million to East Central University for matching costs towards university projects.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$24.3 million, or a 17 percent increase from the prior year. The enterprise funds reported combined Net position of \$40.1 million, or 7.7% percent increase from 2012.

Other fund highlights include:

- For the year ended June 30, 2013, the General Fund's total fund balance increased by \$353,674, or 7.3 percent, largely due to the increase in sales tax revenue.
- The Street and Alley Fund's total fund balance increased by \$578,547, due to a prior year transfer out to the Airport Agriculture Fund for \$1 million to reimburse grant revenue that did not recur in the current year. The PWA reimbursed the Street & Alley Fund \$250,000 of this amount in the current year.
- The PWA Enterprise Fund reported a net increase before contributions and transfers of \$2,167,707.

(Unaudited. See accompanying auditor's report.)

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

General Fund Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues above final estimates by \$1,456,345 or a 12.6% positive variance. General Fund actual expenditures were under final appropriations by \$2,459,332 or a 16.2% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the City had approximately \$49.4 million invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of approximately \$1.7 million over last year.

Below are details regarding the City's capital assets for the years ended June 30, 2013 and 2012.¹

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 1,315	\$ 1,296	\$ 2,211	\$ 2,211	\$ 3,526	\$ 3,507
Buildings and improvements	9,589	10,384	8,218	8,668	17,807	19,052
Machinery, furniture and equipment	2,961	3,105	1,782	1,615	4,743	4,720
Infrastructure	8,614	8,450	9,292	9,122	17,906	17,572
Water rights	-	-	1,182	-	1,182	-
Construction in progress	3,008	2,451	1,209	397	4,217	2,848
Totals	\$ 25,487	\$ 25,686	\$ 23,894	\$ 22,013	\$ 49,381	\$ 47,699

This year's more significant capital asset additions include a new dump truck for the cemetery department in the amount of \$66,411, police department vehicles in the amount of \$75,887, street improvements and dump trucks in the amount of \$881,873, and 2 sanitation trucks in the amount of \$297,129.

(Unaudited. See accompanying auditor's report.)

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

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Long-Term Debt

At year-end, the City had \$7.7 million in long-term debt outstanding, which represents a \$136,000 decrease from the prior year.²

TABLE 6
Long-Term Debt
(In Thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Accrued Compensation	\$ 764	\$ 702	\$ 454	\$ 436	\$ 1,218	\$ 1,138	7.0%
Deposits subject to refund	-	-	690	654	690	654	5.5%
Landfill closure liability	-	-	1,724	1,624	1,724	1,624	6.2%
Capital leases	70	116	-	-	70	116	-39.7%
Notes payable	-	-	3,655	4,055	3,655	4,055	-9.9%
OPEB obligations	240	177	127	96	367	273	34.4%
Totals	\$ 1,074	\$ 995	\$ 6,650	\$ 6,865	\$ 7,724	\$ 7,860	-1.7%

ECONOMIC OUTLOOK

Fiscal Year 2012-2013 was another busy one for the City of Ada. The following report is designed to illustrate some of the city's activities during this period of time.

Propositions 1 and 2

For the fourth time since 1998, Ada voters approved Propositions 1 and 2. These two measures combined make up a penny sales tax dedicated to improvements throughout the City of Ada. Proposition 1 is a three-quarter cent sales tax earmarked for infrastructure, such as streets, alleys, and water and sewer distribution systems. Proposition 2 is a quarter-cent sales tax earmarked for economic development inside Ada city limits.

Continued public support of these two sales tax measures is an extremely important factor to the continued growth and well-being of the city.

Employment

The following information is courtesy of the May 2013 Economic Report created by the Ada Jobs Foundation, the most recent available. The Ada Jobs Foundation contracts with the city to promote and recommend economic development opportunities.

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

**CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013**

The report addresses the jobless rate for Pontotoc County. According to the report, in April 2013 the county's unemployment rate sat at 3.8%, a significant improvement over January 2013 (5.1%). The report also states that the county's unemployment rate for April 2012 was 3.7%.

So despite a mid-year spike, the jobless rate has once again dropped. Compared to a state level of 4.9% unemployment in April 2013, Pontotoc County is doing well. The national jobless rate, for comparison, was at 7.5% for April 2013.

The Ada Jobs Foundation estimates that Ada's "Labor Market" is in excess of 36,000 people, which is double the city's population. This means, of course, that about half of the people who work and/or shop in Ada don't actually live inside city limits.

Here are some other interesting statistics provided by the Ada Jobs Foundation. The per capita adjusted retail sales receipts for Ada ranked in the top five in the entire state, based on the previous year's receipts. This means that despite its size, Ada has a healthy, bustling economy.

Also, in the year 2000 Ada's retail sales were valued at \$214 million, compared with \$325 million in 2012. This also reveals the growth of the local economy.

Because the unemployment rate is so low, the Ada Jobs Foundation has adjusted its approach toward economic development. The Ada Jobs Foundation is funded by the aforementioned Proposition 2, a quarter-cent sales tax. Since its inception in 1998, the Foundation has utilized that sales tax revenue stream to recruit employers to Ada in the form of manufacturers or service-based industries.

Now, the Foundation has switched its focus on retail recruitment in an attempt to grow the economy and add jobs through adding more retail businesses. The logic behind it is sound as the local job market is saturated and Ada is drawing a higher number of workers and shoppers into the community on a daily basis. These people have disposable income and are seeking more retail shopping options.

New Business/Construction

Cinemark is funding a major project in the North Hills Shopping Center. This project is an eight-screen movie theater with stadium seating and should be completed by the end of 2013.

Another project currently under construction is the Hampton Inn Hotel on Lonnie Abbott Industrial Boulevard. The addition of another hotel indicates the city's need for more bed space. The total investment for this project will exceed \$5 million. This Hilton-affiliated hotel will feature 77 rooms and employ up to 20 people. The hotel is scheduled for completion in early 2014.

East Central University also completed its state-of-the-art Chickasaw Business and Conference Center. The 59,111-square-foot facility is located on the west side of the ECU campus at the intersection of Main and Center streets in Ada.

The facility sits directly west of another of ECU's newer buildings, the Hallie Brown Ford Fine Arts Center (which opened in 2009). This building adds to the growing skyline of East Main Street in Ada and serves as another high-traffic anchor in the city's growing arts district, which adjoins the ECU campus.

**CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013**

“Penny For Our City” Sales Tax

Since August 2010, the City of Ada has been collecting a one-cent sales tax known as “Penny For Our City”. The penny is limited to a five-year lifespan and has been dedicated to a specific list of projects, including the construction of a new fire station, a new police and 911 station, and a new sports complex. Through the end of Fiscal Year 2012-2013, the city has collected more than \$9 million.

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.

After three years of study and discussion by citizen advisory committees, the Ada City Council has decided on locations for the new sports complex, the new fire station, and the new police/911 station.

The new sports complex will be built north of the city on State Highway 99, due east of the Council on Law Enforcement Education and Training facility. The new fire station will be built on the southeast corner of the intersection of 14th and Broadway. This site is very close to downtown and only two blocks south of the current Central Fire Station. The new police/911 station will be built on Craddock Road, which is located in the south part of town.

New Dog Park

The city answered the call of many dog owners and converted the north end of its Matthews Park property into a dog park. The new park is approximately 80,000 square feet and features two enclosed areas, one for larger dogs and one for smaller dogs.

Each side includes a two-tier water fountain designed for both dog and owner, as well as a bag dispenser and garbage receptacle so the owner can clean up after the dog.

Wintersmith Dam Rehabilitation Project/Other Park Improvements

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

Other improvements in Wintersmith Park include the construction of a new picnic pavilion on the southwest side of the lake; a new handicapped-accessible, concrete path on the park’s north side; and a new foot-bridge along the park’s walking path.

New handicapped-accessible, concrete paths – complete with signage and rails – were also installed south of the historic amphitheatre, allowing easier access to future events at the site.

CITY OF ADA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Community Visioning Project

The City of Ada, in conjunction with the Ada Chamber of Commerce and volunteer residents, has undertaken a "community visioning" project. This project has been titled, "Take P.A.R.T." – which stands for "Planning Ada Right, Together".

This project is designed to determine Ada's future trajectory, particularly in terms of quality of life. The process involves five committees focusing on particular tasks and goals. Those areas of study and discussion focus on economic development, education, parks and recreation, beautification, and leadership. Another important component to the process is branding, which involves the creation of a new seal/logo/slogan for the city. This is important, as the city has utilized the same logo for a very long time.

New Utility Billing System

For the first time in decades, the city switched to a paper insert bill that replaces the old index card bills. The insert billing format provides the utilities customer with more privacy, as the old card bills were not enclosed in any type of envelope. Some customers reported the card bills were easy to misplace. The new insert format allows the city to pass along important and often comprehensive information – such as the annual Water Quality Report – by inserting it along with the monthly bill. The new bills are easier to read and itemized. Online bill-pay was also launched and has been very popular.

Public Works Improvements

Utilizing the aforementioned Proposition 1 and use tax funds, the Ada Public Works Authority continued to improve, upgrade, and rebuild infrastructure in Fiscal Year 2012-2013. Major reconstruction projects include 18th, Oak, and Townsend streets, and Scenic Drive that connects the ECU campus to Wintersmith Park. Cottage Street also received a new asphalt overlay surface.

Airport Action Plan

The city contracted with Delta Airport Consultants to create an action plan for the Ada Municipal Airport, focusing on future commerce and economic development. The plan is under way, with input from the Ada Airport Commission, Ada City Council, city staff, the Federal Aviation Administration, and the Oklahoma Aeronautics Commission.

The 20-year plan includes a new terminal building and other infrastructure designed to accommodate, as well as facilitate, heavier air traffic at the airport.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

(Unaudited. See accompanying auditor's report.)

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS - STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Statement of Net Position— June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Valley View Hospital Authority	Ada Arts and Heritage Authority
ASSETS					
Cash and cash equivalents	\$ 22,628,833	\$ 21,366,242	\$ 43,994,875	\$ 56,684	\$ 106,512
Investments	235,892	-	235,892	-	32,177
Interest receivable	88	-	88	-	-
Accounts receivable, net of allowance	-	1,653,457	1,653,457	-	-
Franchise tax receivable	90,713	-	90,713	-	-
Court fines receivable, net of allowance	608,455	-	608,455	-	-
Internal balances	(282,348)	282,348	-	-	-
Due from other governments	2,230,259	-	2,230,259	-	-
Prepaid expenses	-	-	-	-	146
Other receivables	103,866	-	103,866	-	-
Inventory	31,247	-	31,247	-	-
Notes receivable:					
Due within one year	-	-	-	210,587	-
Capital Assets:					
Land and construction in progress	4,322,984	4,601,978	8,924,962	-	-
Other capital assets, net of depreciation	21,184,747	19,291,625	40,456,372	115,939	45,790
Total Assets	\$ 51,164,536	\$ 47,175,850	\$ 98,330,186	\$ 383,210	\$ 184,625
LIABILITIES					
Accounts payable	\$ 286,301	\$ 343,109	\$ 629,410	-	5,746
Accrued payroll liabilities	244,496	117,772	362,268	-	375
Accrued interest payable	-	13,736	13,736	-	-
Due to other governments	5,397	-	5,397	50,000	-
Due to bondholders	8,310	-	8,310	-	-
Deposits subject to refund	-	-	-	-	1,984
Long-term liabilities:					
Due within one year	125,192	687,634	812,826	210,587	-
Due in more than one year	949,086	5,962,895	6,911,781	-	-
Total liabilities	\$ 1,618,782	\$ 7,124,946	\$ 8,743,728	\$ 260,587	\$ 8,105
NET POSITION					
Net investment in capital assets	25,417,893	20,238,603	45,656,496	115,939	45,790
Restricted via:					
State statutes, debt indentures and external parties	263,524	-	263,524	-	-
Enabling legislation	18,039,381	3,884,625	21,924,006	-	-
Unrestricted	5,814,956	15,927,476	21,742,432	6,684	130,730
Total net position	\$ 49,535,754	\$ 40,050,704	\$ 89,586,458	\$ 122,623	\$ 176,520

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Statement of Activities – Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Valley View Hospital Authority	Ada Arts and Heritage Authority
Primary government									
Governmental Activities:									
General Government:									
Streets	\$ 3,870,967	\$ 108,285	\$ -	\$ 86,586	\$ (3,676,086)	\$ -	\$ (3,676,086)	\$ -	\$ -
Public Safety	2,268,353	-	150,528	-	(2,115,827)	-	(2,115,827)	-	-
Cemetery	6,328,725	434,514	630,872	75,840	(5,187,699)	-	(5,187,699)	-	-
Legal and Judicial	183,282	60,901	-	-	(119,161)	-	(119,161)	-	-
Culture and Recreation	233,483	-	-	-	(233,483)	-	(233,483)	-	-
Community Development:	1,408,645	164,143	19,323	-	(1,225,179)	-	(1,225,179)	-	-
Airport	381,897	-	-	-	(381,897)	-	(381,897)	-	-
Interest on Long-term debt	617,507	119,324	-	200,825	(187,356)	-	(187,356)	-	-
Total governmental activities	21,253	-	-	-	(21,253)	-	(21,253)	-	-
Total primary government	<u>15,158,872</u>	<u>887,177</u>	<u>800,521</u>	<u>383,251</u>	<u>(13,137,823)</u>	<u>-</u>	<u>(13,137,823)</u>	<u>-</u>	<u>-</u>
Business-Type Activities:									
Water operations	2,983,706	5,742,678	-	-	-	2,778,972	2,778,972	-	-
Sewer operations	2,530,876	1,373,192	-	63,169	-	(1,087,517)	(1,087,517)	-	-
Sanitation operations	3,147,169	2,896,201	-	-	-	(250,968)	(250,968)	-	-
Economic Development	485,178	-	-	-	-	(485,178)	(485,178)	-	-
Total business-type activities	<u>9,126,831</u>	<u>10,009,071</u>	<u>-</u>	<u>63,169</u>	<u>-</u>	<u>975,309</u>	<u>975,309</u>	<u>-</u>	<u>-</u>
Total primary government	\$ 24,315,933	\$ 10,896,248	\$ 800,521	\$ 466,420	\$ (13,137,823)	\$ 975,309	\$ (12,162,614)	\$ -	\$ -
Component Units:									
Arts, culture and recreation	\$ 41,888	\$ -	\$ 30,891	\$ -	-	-	-	\$ -	\$ (11,157)
Hospital and health care	67,593	-	-	-	-	-	-	(67,593)	-
Total Component Units	\$ 109,581	\$ -	\$ 30,891	\$ -	\$ -	\$ -	\$ -	\$ (67,593)	\$ (11,157)
General revenues:									
Taxes:									
Sales and Use taxes					\$ 15,219,771	\$ -	\$ 15,219,771	\$ -	\$ -
Property taxes					86,757	-	86,767	-	-
Franchise taxes and public service taxes					749,488	-	749,488	-	-
Payment in lieu of tax					72,815	-	72,815	-	-
E-911 taxes					549,183	-	549,183	-	-
Intergovernmental revenue not restricted to specific programs					303,206	-	303,206	-	-
Investment income					132,330	108,978	241,306	31,005	7,572
Miscellaneous					678,920	336,895	1,015,815	-	-
Transfers - Internal activity					(1,429,360)	1,429,360	-	-	-
Total general revenues and transfers					16,362,597	1,875,293	18,237,891	31,005	7,572
Change in net position					3,224,187	2,850,540	6,074,727	(86,588)	(3,585)
Net position - beginning, restated (See Note 7)					48,311,587	37,200,164	83,511,751	159,211	180,105
Net position - ending					\$ 49,535,754	\$ 40,050,704	\$ 89,586,458	\$ 122,823	\$ 176,520

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Governmental Funds Balance Sheet - June 30, 2013

	Special Revenue Funds			Capital Project Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	EMS Fund	Street and Alley Fund	Sales Tax Infrastructure Fund	Special 1568 Fund	Sales Tax Capital Facility		
ASSETS								
Cash and cash equivalents	\$ 4,250,227	\$ 1,536,273	\$ 4,224,404	\$ 2,923,995	\$ -	\$ 8,866,249	\$ 813,093	\$ 22,614,241
Investments	235,892	-	-	-	-	-	-	235,892
Receivables:								
Accrued interest receivable	-	88	-	-	-	-	-	88
Due from other governments	1,066,728	-	92,705	487,976	-	445,381	137,469	2,230,259
Franchise taxes receivable	90,713	-	-	-	-	-	-	90,713
Court fines receivable	608,455	-	-	-	-	-	-	608,455
Other receivables	58,277	-	-	-	-	-	45,589	103,866
Total assets	\$ 6,310,292	\$ 1,536,361	\$ 4,317,109	\$ 3,411,971	\$ -	\$ 9,311,630	\$ 996,151	\$ 25,883,514
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 80,004	\$ -	\$ 1,369	\$ 114,292	\$ -	\$ 8,741	\$ 81,895	\$ 286,301
Accrued payroll liabilities	203,635	-	-	27,167	-	-	13,694	244,496
Due to other funds	262,348	-	-	-	-	-	-	262,348
Due to other governments	5,397	-	-	-	-	-	-	5,397
Due to bondholders	8,310	-	-	-	-	-	-	8,310
Total liabilities	559,694	-	1,369	141,459	-	8,741	95,589	806,852
Deferred inflows of resources:								
Deferred revenue	572,158	88	-	68,807	-	-	120,434	761,487
Fund balances:								
Restricted	11,478	1,514,615	4,201,128	2,996,460	-	9,250,895	266,342	18,240,916
Committed	-	-	-	-	-	-	20,183	20,183
Assigned	4,103,772	21,658	114,612	205,245	-	51,994	493,603	4,990,884
Unassigned	1,063,192	-	-	-	-	-	-	1,063,192
Total fund balances	5,178,440	1,536,273	4,315,740	3,201,705	-	9,302,889	780,128	24,315,175
Total liabilities, deferred inflows and fund balances	\$ 6,310,292	\$ 1,536,361	\$ 4,317,109	\$ 3,411,971	\$ -	\$ 9,311,630	\$ 996,151	\$ 25,883,514

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2013

	Special Revenue Funds			Capital Project Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	EMS Fund	Street and Alley Fund	Sales Tax Infrastructure Fund	Special 1568 Fund	Sales Tax Capital Facility		
REVENUES								
Taxes	\$ 8,980,751	\$ -	\$ 729,961	\$ 2,716,839	\$ -	\$ 3,622,453	\$ 846,911	\$ 16,896,915
Intergovernmental	964,059	-	150,526	85,134	-	-	202,089	1,401,808
Licenses and permits	105,745	-	-	-	-	-	-	105,745
Charges for services	215,330	-	-	-	-	-	141,227	356,557
Fees and fines	451,166	-	-	-	-	-	-	451,166
Investment earnings	42,588	9,411	21,147	17,355	1,531	38,428	2,733	134,171
Miscellaneous	598,918	-	-	62,080	-	-	126,774	787,772
Total revenues	11,358,635	9,411	901,634	2,881,408	1,531	3,681,881	1,119,734	19,934,134
EXPENDITURES								
Current:								
General government	3,390,448	-	-	278,399	-	-	149,095	3,817,942
Public Safety	5,207,288	144,000	-	-	-	-	590,565	5,941,853
Streets and highways	689,591	-	215,730	620,877	-	-	-	1,526,198
Legal and judicial	205,546	-	-	-	-	-	-	205,546
Cemetery	153,081	-	-	-	-	-	-	153,081
Culture and recreation	1,286,198	-	-	-	-	-	43,584	1,309,780
Community development	354,996	-	-	-	-	-	-	354,996
Airport	-	-	-	-	-	-	174,795	174,795
Water	-	-	-	2,405	-	-	-	2,405
Sewer	-	-	-	364,372	-	-	-	364,372
Capital outlay	228,887	-	57,357	1,198,377	-	81,712	354,562	1,840,905
Debt service:								
Principal	46,574	-	-	-	-	-	85,483	132,057
Interest and other charges	4,481	-	-	-	-	-	17,228	21,709
Total expenditures	11,547,088	144,000	273,087	2,404,430	-	81,712	1,415,312	15,845,629
Excess (deficiency) of revenues over expenditures	(188,553)	(134,589)	628,547	476,978	1,531	3,600,169	(295,578)	4,088,505
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt	-	-	-	-	-	-	149,095	149,095
Transfers in	2,282,887	-	868,153	-	-	-	180,250	3,451,270
Transfers out	(1,750,640)	-	(1,018,153)	(890,681)	(1,531)	(420,382)	(62,875)	(4,144,262)
Total other financing sources and uses	542,227	-	(60,000)	(890,681)	(1,531)	(420,382)	276,470	(643,897)
Net change in fund balances	353,674	(134,589)	578,547	(413,703)	-	3,179,787	(19,108)	3,544,606
Fund balances - beginning	4,824,766	1,670,962	3,737,193	3,615,408	-	8,123,102	799,236	20,770,567
Fund balances - ending	\$ 5,178,440	\$ 1,536,273	\$ 4,315,740	\$ 3,201,705	\$ -	\$ 9,302,889	\$ 780,128	\$ 24,315,175

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

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

Total fund balance, governmental funds	\$	24,315,175
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds, net of accumulated depreciation of \$50,951,583		25,487,731
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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 \$608,455		539,289
Property taxes receivable		5,444
Grant receivable		216,666
Interest receivable		88
		761,487

Internal service funds are used by management to charge the costs of certain activities, such as inventory, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position:

Net Position of the Internal Service Fund		45,639
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Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:

Capital lease obligations payable		(69,838)
Accrued compensated absences		(763,752)
Unfunded OPEB obligations		(240,688)
		(1,074,278)

Net Position of Governmental Activities in the Statement of Net Position	\$	49,535,754
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See accompanying notes to the basic financial statements.

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds: \$ 3,544,608

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlay and issue costs as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	1,318,182
Depreciation expense	(1,516,949)
	(198,767)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenue	(53,177)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Capital lease obligation principal payments	46,574
Interest expense	456
	47,030

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued compensated absences expenses	(62,146)
Unfunded OPEB obligations	(63,219)
	(125,365)

Internal service funds are used by management to charge the costs of certain activities, such as inventory, to individual funds. The asset and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position:

Change in net position of the Internal Service Fund	9,838
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Change in net position of governmental activities	\$ 3,224,167
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See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Proprietary Funds Statement of Net Position - June 30, 2013

	Enterprise Funds			Internal Service Fund
	PWA Enterprise Fund	Economic Development Enterprise Fund	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 16,791,137	3,884,625	\$ 20,675,762	\$ 14,392
Restricted:				
Cash and cash equivalents	690,480	-	690,480	-
Accounts receivable, net of allowance of \$61,130	1,653,457	-	1,653,457	-
Inventory	-	-	-	31,247
Due from other funds	282,348	-	282,348	-
Total current assets	19,397,422	3,884,625	23,282,047	45,639
Non-current assets:				
Capital assets:				
Land and construction in progress	4,601,978	-	4,601,978	-
Other capital assets, net of accumulated depreciation	19,291,625	-	19,291,625	-
Total non-current assets	23,893,603	-	23,893,603	-
Total assets	\$ 43,291,025	\$ 3,884,625	\$ 47,175,650	\$ 45,639
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 343,109	\$ -	\$ 343,109	\$ -
Accrued payroll liabilities	117,772	-	117,772	-
Accrued interest payable	13,736	-	13,736	-
Due to depositors	69,048	-	69,048	-
Accrued compensated absences	45,406	-	45,406	-
Landfill closure liability	158,180	-	158,180	-
Notes payable	415,000	-	415,000	-
Total current liabilities	1,182,251	-	1,182,251	-
Non-current liabilities:				
Due to depositors	621,432	-	621,432	-
Accrued compensated absences	408,656	-	408,656	-
Landfill closure liability	1,565,339	-	1,565,339	-
Notes payable	3,240,000	-	3,240,000	-
Net OPEB obligation	127,268	-	127,268	-
Total non-current liabilities	5,962,695	-	5,962,695	-
Total liabilities	7,124,946	-	7,124,946	-
NET POSITION				
Net investment in capital assets	\$ 20,238,603	\$ -	\$ 20,238,603	\$ -
Restricted for economic development	-	3,884,625	3,884,625	-
Unrestricted	15,927,476	-	15,927,476	45,639
Total net position	\$ 36,166,079	\$ 3,884,625	\$ 40,050,704	\$ 45,639

See accompanying notes to the basic financial statements.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2013

	Enterprise Funds			Internal Service Fund
	PWA Enterprise Fund	Economic Development Enterprise Fund	Total	
REVENUES				
Water	\$ 5,582,050	\$ -	\$ 5,582,050	\$ -
Sewer	1,331,915	-	1,331,915	-
Sanitation	2,651,096	-	2,651,096	-
Solid waste fee	1,357	-	1,357	-
Recycling center	168,062	-	168,062	-
Lease revenue	5,812	-	5,812	-
Charges for inventory	-	-	-	90,334
Miscellaneous	275,245	-	275,245	-
Total operating revenues	<u>10,015,537</u>	<u>-</u>	<u>10,015,537</u>	<u>90,334</u>
OPERATING EXPENSES				
Administration	1,381,553	-	1,381,553	-
Billing and collecting	492,410	-	492,410	-
Public works director	226,970	-	226,970	-
Water and sewer line maintenance	939,916	-	939,916	-
Water plant	557,944	-	557,944	-
Liquid waste	570,032	-	570,032	-
Solid waste	2,244,809	-	2,244,809	-
Landfill	99,431	-	99,431	-
Other utility purposes	453,739	-	453,739	-
Economic development	-	485,178	485,178	-
Cost of inventory	-	-	-	80,496
Depreciation	1,309,511	-	1,309,511	-
Total Operating Expenses	<u>8,276,315</u>	<u>485,178</u>	<u>8,761,493</u>	<u>80,496</u>
Operating income (loss)	<u>1,739,222</u>	<u>(485,178)</u>	<u>1,254,044</u>	<u>9,838</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	91,612	17,364	108,976	-
Miscellaneous revenue	322,746	373,683	696,429	-
Gain on disposal of capital assets	75,086	-	75,086	-
Interest expense	(60,959)	-	(60,959)	-
Total non-operating revenue (expenses)	<u>428,485</u>	<u>391,047</u>	<u>819,532</u>	<u>-</u>
Income (loss) before transfers	2,167,707	(94,131)	2,073,576	9,838
Capital contributions	93,169	-	93,169	-
Transfers in	4,029,055	906,637	4,935,692	-
Transfers out	(4,251,897)	-	(4,251,897)	-
Change in net position	<u>2,038,034</u>	<u>812,506</u>	<u>2,850,540</u>	<u>9,838</u>
Total net position - beginning, restated	34,128,045	3,072,119	37,200,164	35,801
Total net position - ending	<u>\$ 36,166,079</u>	<u>\$ 3,884,625</u>	<u>\$ 40,050,704</u>	<u>\$ 45,639</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, 2013**

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2013

	Enterprise Funds			Internal Service Fund
	PWA Enterprise Fund	Economic Development Enterprise Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,044,847	\$ -	\$ 10,044,847	\$ 90,334
Payments to suppliers	(3,107,472)	(485,178)	(3,592,650)	(77,208)
Payments to employees	(3,649,501)	-	(3,649,501)	-
Receipts of customer meter deposits	36,727	-	36,727	-
Interfund receipts/payments	26,350	-	26,350	-
Other receipts	322,746	373,683	696,429	-
Net cash provided by (used in) operating activities	3,673,697	(111,495)	3,562,202	13,126
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	4,029,055	906,637	4,935,692	-
Transfers to other funds	(4,251,897)	-	(4,251,897)	-
Net cash provided by (used in) capital financing activities	(222,842)	906,637	683,795	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(3,202,554)	-	(3,202,554)	-
Proceeds from sale of capital assets	87,830	-	87,830	-
Capital contributions	93,169	-	93,169	-
Principal paid on debt	(400,000)	-	(400,000)	-
Interest and fiscal agent fees paid on debt	(62,801)	-	(62,801)	-
Net cash provided by (used in) capital and related financing activities	(3,484,356)	-	(3,484,356)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	120,498	17,364	137,862	-
Net cash provided by investing activities	120,498	17,364	137,862	-
Net increase in cash and cash equivalents	86,997	812,506	899,503	13,126
Balances - beginning of year	17,394,820	3,072,119	20,466,739	1,266
Balances - end of year	\$ 17,481,817	\$ 3,884,625	\$ 21,366,242	\$ 14,392
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 16,791,137	\$ 3,884,625	\$ 20,675,762	\$ 14,392
Restricted cash and cash equivalents - current	690,480	-	690,480	-
Total cash and cash equivalents, end of year	\$ 17,481,617	\$ 3,884,625	\$ 21,366,242	\$ 14,392
	(Continued)	(Continued)	(Continued)	(Continued)
Reconciliation of operating income (loss) to net cash provided by Operating Activities:				
Operating income	\$ 1,739,222	\$ (485,178)	\$ 1,254,044	\$ 9,838
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,309,511	-	1,309,511	-
Other non-operating revenues	322,746	373,683	696,429	-
Change in assets and liabilities:				
Due from other funds	28,694	-	28,694	-
Due to other funds	(2,344)	-	(2,344)	-
Inventory	-	-	-	3,288
Receivables, net	29,310	-	29,310	-
Accounts payable	63,210	-	63,210	-
Accrued payroll liabilities	(1,516)	-	(1,516)	-
Due to depositors	36,727	-	36,727	-
Landfill closure liability	99,431	-	99,431	-
Other post employment liability	31,066	-	31,066	-
Accrued compensated absences	17,640	-	17,640	-
Net cash provided by (used in) operating activities	\$ 3,673,697	\$ (111,495)	\$ 3,562,202	\$ 13,126

See accompanying notes to the basic financial statements.

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

**CITY OF ADA, OKLAHOMA
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Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

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

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

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

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager.

Component Units:

The Ada Public Works Authority – 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, 2012. 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" as amended by Statement 61, and includes all component units for which the City is financially accountable. Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

Governmental Funds:

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

Major Funds:

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

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- Street and Alley Fund – accounts for receipt and use of motor vehicle tax, gasoline excise tax, and use tax.
- Sales Tax Infrastructure Fund – accounts for dedicated sales tax to be used for capital improvements to streets and alleys, water system, and sewer system.
- Special 1568 Account Fund – accounts for the residual of the VVRH sales tax allocation and the interest earned now that the tax has ended.
- Sales Tax Capital Facilities Fund – accounts for dedicated sales tax to be used for capital improvements.

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

Special Revenue Funds:

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

Capital Project Funds:

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

Debt Service Fund:

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

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

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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:

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

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

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

New Accounting Pronouncements

The City implemented the following accounting standards during fiscal year ended June 30, 2013:

Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements – This had no impact on the city's financial report.

Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus – This had no impact on the city's financial report.

Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements – A few sentences were removed from “Section B – Proprietary Funds” note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

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Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – The only change required from the early implementation of this statement are changing the words “Net Assets” in the city’s financial report to “Net Position”.

Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – This was early implemented, and required the reporting of deferred inflows and deferred outflows.

3. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less, and money market investments. Investments consist of time deposits and U.S. agency bonds and notes. Certificates of deposit are reported at cost while investments in the U.S. agency bonds and notes are reported at fair value.

At June 30, 2013, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 43,981,589
			<u>43,981,589</u>
Investments:			
Investment in judgements	n/a	n/a	235,892
GNMA Bonds	6/15/2016	Aaa	108
GNMA Bonds	5/20/2018	Aaa	203
FNMA Bonds - callable	8/25/2020	Aaa	1,408
GNMA Bonds	5/15/2025	Aaa	11,567
			<u>249,178</u>
Total deposits and investments			<u><u>\$ 44,230,767</u></u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 43,994,875
Investments			235,892
			<u><u>\$ 44,230,767</u></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.

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The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 103% of the uninsured deposits and accrued interest thereon. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013, the City was fully insured or collateralized.

Investment Credit Risk – The City's investment policy limits investments to the following:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged. U.S. agency mortgage-backed securities are permitted for the Emergency Medical Services Fund.
- b. Certificates of deposit or other evidences of deposits that are either insured or secured with acceptable collateral with an in-state financial institution.
- c. No-load money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a. and b.

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, 2013, all of the City's investments in debt securities were rated Aaa by Moody's Investor Service.

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

As noted in the schedule of deposits and investments above, at June 30, 2013, 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

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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, 2013, the City had \$13,286 (or 5%) of its investments in GNMA and FNMA Bonds and \$235,892 (or 95%) in judgments.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of Net Position are comprised of \$690,480 held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill).

Component Units:

Valley View Hospital Authority

Deposits

At September 30, 2012, the Authority had bank balances of \$56,684, none of which was uninsured or under collateralized. The carrying value of these deposits was \$56,684.

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, 2012, 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, 2012 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.

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Ada Arts and Heritage Authority

Deposits

At June 30, 2013, the Authority had a bank balance of \$107,223. The carrying value of these deposits is \$107,223 at June 30, 2013.

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, 2013, the Authority had the following investments:

Arts and Heritage	Fair Value
Type	
Demand Deposits	\$ 106,512
Bristol Myers Squibb Company Common Stock	32,177
	\$ 138,689

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, 2013, capital assets balances changed as follows:

	Balance at July 1, 2012	Additions	Disposals	Interfund Transfers	Balance at June 30, 2013
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 1,295,579	\$ 19,000	\$ -	\$ -	\$ 1,314,579
Construction in progress	2,451,068	1,279,671	722,334	-	3,008,405
Total capital assets not being depreciated	3,746,647	1,298,671	722,334	-	4,322,984
Other capital assets:					
Buildings and Improvements	15,813,064	26,000	408,379	-	15,430,685
Machinery, furniture and equipment	8,458,462	435,956	232,674	(14,605)	8,647,139
Infrastructure	47,355,639	682,867	-	-	48,038,506
Total other capital assets at historical cost	71,627,165	1,144,823	641,053	(14,605)	72,116,330
Less accumulated depreciation for:					
Buildings and Improvements	5,428,436	433,264	20,419	-	5,841,281
Machinery, furniture and equipment	5,353,078	565,169	217,607	(14,654)	5,685,986
Infrastructure	38,905,800	518,516	-	-	39,424,316
Total accumulated depreciation	49,687,314	1,516,949	238,026	(14,654)	50,951,583
Other capital assets, net	21,939,851	(372,126)	403,027	49	21,164,747
Governmental activities capital assets, net	\$ 25,686,498	\$ 926,545	\$ 1,125,361	\$ 49	\$ 25,487,731

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	Balance at July 1, 2012	Additions	Disposals	Interfund Transfers	Balance at June 30, 2013
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 938,890	\$ -	\$ -	\$ -	\$ 938,890
Land-water development	1,271,707	-	-	-	1,271,707
Water rights	-	1,182,231	-	-	1,182,231
Construction in progress	397,571	1,456,353	644,774	-	1,209,150
Total capital assets not being depreciated	<u>2,608,168</u>	<u>2,638,584</u>	<u>644,774</u>	<u>-</u>	<u>4,601,978</u>
Other capital assets:					
Buildings and Improvements	18,233,410	185,421	-	-	18,418,831
Machinery, furniture and equipment	5,964,019	510,440	432,402	14,605	6,056,662
Utility property improvements	48,554,743	512,883	-	-	49,067,626
Total other capital assets at historical cost	<u>72,752,172</u>	<u>1,208,744</u>	<u>432,402</u>	<u>14,605</u>	<u>73,543,119</u>
Less accumulated depreciation for:					
Buildings and Improvements	9,565,119	636,135	-	-	10,201,254
Machinery, furniture and equipment	4,348,914	330,308	419,707	14,654	4,274,169
Utility property improvements	39,433,003	343,068	-	-	39,776,071
Total accumulated depreciation	<u>53,347,036</u>	<u>1,309,511</u>	<u>419,707</u>	<u>14,654</u>	<u>54,251,494</u>
Other capital assets, net	19,405,136	(100,767)	12,695	(49)	19,291,625
Business-type activities capital assets, net	<u>\$ 22,013,304</u>	<u>\$ 2,537,817</u>	<u>\$ 657,469</u>	<u>\$ (49)</u>	<u>\$ 23,893,603</u>

	Balance at October 1, 2011	Additions	Disposals	Interfund Transfers	Balance at September 30, 2012
Component units:					
Valley View Regional Hospital:					
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Other capital assets:					
Machinery, furniture and equipment	183,062	-	-	-	183,062
Total capital assets	<u>183,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,062</u>
Less accumulated depreciation for:					
Equipment	30,510	36,613	-	-	67,123
Total accumulated depreciation	<u>30,510</u>	<u>36,613</u>	<u>-</u>	<u>-</u>	<u>67,123</u>
Valley View Regional Hospital capital assets, net	<u>\$ 152,552</u>	<u>\$ (36,613)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,939</u>

	Balance at July 1, 2012	Additions	Disposals	Interfund Transfers	Balance at June 30, 2013
Ada Arts and Heritage Authority:					
Capital assets:					
Buildings and improvements	\$ 54,325	\$ -	\$ -	\$ -	\$ 54,325
Furniture and equipment	39,053	-	-	-	39,053
Total capital assets	<u>93,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,378</u>
Less accumulated depreciation for:					
Buildings and improvements	15,493	397	-	-	15,890
Furniture and equipment	31,180	517	-	-	31,697
Total accumulated depreciation	<u>46,673</u>	<u>914</u>	<u>-</u>	<u>-</u>	<u>47,587</u>
Ada Arts and Heritage Authority capital assets, net	<u>\$ 46,705</u>	<u>\$ (914)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,791</u>

Depreciation:

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

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

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

Governmental Activities:	
General Government	\$ 83,596
Streets and Highways	730,927
Public Safety	240,698
Cemetery	12,802
Legal and Judicial	8,934
Culture and Recreation	95,675
Airport	340,640
Community Development	3,677
Total	\$ 1,516,949
Business-Type Activities:	
Water	\$ 459,953
Sewer	758,043
Sanitation	91,515
Total	\$ 1,309,511

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 116,412	\$ -	\$ 46,574	\$ 69,838	\$ 48,817
Accrued compensated absences	701,606	62,146	-	763,752	76,375
Other post-employment benefit liability	177,469	63,219	-	240,688	-
Total Governmental Activities	\$ 995,487	\$ 125,365	\$ 46,574	\$ 1,074,278	\$ 125,192
Business-Type Activities:					
Notes payable	\$ 4,055,000	\$ -	\$ 400,000	\$ 3,655,000	\$ 415,000
Accrued compensated absences	436,422	17,640	-	454,062	45,406
Deposits subject to refund	653,753	36,727	-	690,480	69,048
Landfill closure liability	1,624,088	99,431	-	1,723,519	158,180
Other post-employment benefit liability	96,202	31,066	-	127,268	-
Total Business-Type Activities	6,865,465	184,864	400,000	6,650,329	687,634
Total Long-Term Debt	\$ 7,860,952	\$ 310,229	\$ 446,574	7,724,607	\$ 812,826
Component Units:					
Valley View Hospital Authority:					
Capital lease payable	\$ 1,018,710	-	\$ 808,123	\$ 210,587	\$ 210,587
Total VVHA	\$ 1,018,710	\$ -	\$ 808,123	\$ 210,587	\$ 210,587

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Governmental activities long-term debt:

Capital Lease Obligations:

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

Current portion		\$ 48,817
Noncurrent portion		<u>21,021</u>
	Total Capital Lease Obligations	<u>\$69,838</u>

Accrued Compensated Absences:

Current portion		\$ 76,375
Noncurrent portion		<u>687,377</u>
	Total Accrued Compensated Absences	<u>\$ 763,752</u>

Business-type activities long-term debt:

Notes Payable:

\$4,055,000 Sales and Use Tax Revenue Note Series 2013 to Vision Bank, a current refunding of the outstanding portion of the lease/purchase agreement with Honeywell Global Finance, LLC for the replacement or retrofitting of water meters and efficiency upgrades to various City facilities, payable in 19 semi-annual principal installments ranging from \$125,000 to \$235,000 with an annual interest rate of 1.52%, final payment due October 1, 2021.

Current portion		\$ 415,000
Noncurrent portion		<u>3,240,000</u>
	Total Notes Payable	<u>\$ 3,655,000</u>

Accrued Compensated Absences:

Current portion		\$ 45,406
Noncurrent portion		<u>408,656</u>
	Total Accrued Compensated Absences	<u>\$ 454,062</u>

Deposits Subject to Refund:

Current portion		\$ 69,048
Noncurrent portion		<u>621,432</u>
	Total Deposits Subject to Refund	<u>\$ 690,480</u>

Landfill Closure Liability:

Current portion		\$ 158,180
Noncurrent portion		<u>1,565,339</u>
	Total Landfill Closure Liability	<u>\$ 1,723,519</u>

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

Valley View Hospital Authority

Capital Lease Obligation:

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

Current portion		\$ 210,587
Noncurrent portion		-
Total Capital Lease Obligations		<u>\$210,587</u>

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

<u>Year Ending June 30,</u>	Governmental Debt	
	Capital Lease Obligations	
	Principal	Interest
2014	\$ 48,817	\$ 2,239
2015	21,021	252
Totals	\$ 69,838	\$ 2,491

<u>Year Ending June 30,</u>	Business-Type Debt	
	Notes Payable	
	Principal	Interest
2014	\$ 415,000	\$ 53,998
2015	420,000	47,652
2016	430,000	41,230
2017	435,000	34,694
2018	445,000	28,044
2019-2022	1,510,000	43,738
Totals	\$ 3,655,000	\$ 249,356

<u>Year Ending September 30,</u>	Component Unit Debt	
	Capital Lease Obligations	
2013	\$ 212,718	
Totals	\$ 212,718	
	(2,131) *	
	\$ 210,587	

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6. Landfill Closure and Post Closure Requirements

A \$1,723,519 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 68.63% of the estimated capacity of the landfill. It is estimated that an additional \$787,737 will be recognized as closure and postclosure expense between the current balance sheet date and the date the landfill is expected to be filled to capacity. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulation. The City expects to close the landfill in June 2018. The estimated remaining landfill life is 60 months.

7. Net Position and Fund Balances

Net Position:

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

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net position* - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

Fund Balances:

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

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

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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 and Proprietary Fund Statement of Net Position restrictions:

	General Fund	EMS Fund	Street & Alley Fund	Sales Tax Infrastructure Fund	Special 1568 Account Fund	Sales Tax Capital Facilities Fund	Other Governmental Funds	Total
Fund Balance:								
Restricted For:								
Grant purposes	11,476							11,476
EMS		1,514,615						1,514,615
Streets			4,201,128					4,201,128
Capital Improvements				2,996,460		9,250,895		12,247,355
D.A.R.E							5,273	5,273
Library							108,056	108,056
Police							50	50
E911							7,476	7,476
Parks							47,866	47,866
Cemetery							99,525	99,525
Little Red School House							140	140
Debt Service							6,956	6,956
Sub-total Restricted	11,476	1,514,615	4,201,128	2,996,460	-	9,250,895	266,342	18,249,916
Committed to:								
Ambulance Service								
Library							20,183	20,183
Sub-total Committed	-	-	-	-	-	-	20,183	20,183
Assigned to:								
Cemetery							205,701	205,701
Airport							125,479	125,479
E911							45,062	45,062
Police							1,784	1,784
Library							732	732
Capital improvements				205,245		51,994	114,261	371,500
Streets			114,612					114,612
EMS		21,658						21,658
CDBG Grants	10,372							10,372
Parks	4,665						584	5,249
Health Insurance	1,104,114							1,104,114
Self Insurance	648,004							648,004
Advance Travel	2,000							2,000
Unemployment	102,790							102,790
Workers' Comp	526,764							526,764
Budget balancing purposes	1,715,435							1,715,435
Sub-total Assigned	4,114,144	21,658	114,612	205,245	-	51,994	493,603	5,001,256
Unassigned	1,063,192	-	-	-	-	-	-	1,063,192
Total Fund Balance	\$ 5,188,812	\$ 1,536,273	\$ 4,315,740	\$ 3,201,705	\$ -	\$ 9,302,889	\$ 780,128	\$ 24,325,547

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Enterprise Funds:
 Restricted For Economic Development \$ 3,884,625

Restricted Net Position – Governmental Activities:

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

Fund	Restricted By	Amount
Drug Forfeiture Federal Fund	Statutory requirements	\$ 50
Cemetery Care Fund	Statutory requirements	90,525
Sinking Fund	Statutory requirements	12,400
Sudden/Severe Economic Dislocation Fund	Other contracts - Contributors	1,104
D.A.R.E Fund	Other contracts - Contributors	5,273
Library Memorial Fund	Other contracts - Contributors	99,598
Library State Aid Fund	Other contracts - Contributors	6,568
Parks Donation Fund	Other contracts - Contributors	47,866
Little Red School House Fund	Other contracts - Contributors	140
		263,524
EMS Fund	Enabling legislation	\$ 1,514,615
Street and Alley Fund	Enabling legislation	4,201,128
E911 Fund	Enabling legislation	7,476
Sales Tax Infrastructure Fund	Enabling legislation	3,065,267
Sales Tax Capital Facilities Fund	Enabling legislation	9,250,895
		18,039,381

Prior Period Adjustments:

The following adjustments were made to beginning net position:

	PWA Enterprise Fund	Business-Type Activities
Beginning net position as previously reported	\$ 34,119,132	\$ 37,191,251
Corrections:		
Elimination of note issuance costs due to Statement 65	(94,870)	(94,870)
Understated interest payable	(15,578)	(15,578)
Understated trustee account balances	119,361	119,361
Beginning net position as restated	\$ 34,128,045	\$ 37,200,164

The overstatement (understatement) of the due to/due from is an interfund loan between the Public Works Authority and the Sewer System account for a sanitation street sweeper. The elimination of unamortized note issuance costs were due to the new GASB pronouncement implemented in the current year. The understatement of interest payable was related to a correction in prior year interest payable. The understatement of trustee account balances relates to recording the 2012A trustee balances in the previous year.

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8. Sales Tax Revenue

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

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

9. Property Tax Levy

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

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

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

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

For the year ended June 30, 2013, the City's net assessed valuation of taxable property was \$83,357,825. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2013 was \$1.16 mills.

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10. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2013, were as follows:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Utility Enterprise Fund	\$ 906,637	Sales tax transfer
General Fund	Utility Enterprise Fund	725,309	Sales tax-2012 revenue bond
General Fund	Utility Enterprise Fund	19,261	Grant reimbursement
General Fund	Utility Enterprise Fund	48,913	Debt payments
General Fund	Utility Enterprise Fund	5,765	Purchase of capital assets
General Fund	E911 Fund	37,000	Operating subsidy
Utility Enterprise Fund	Liability Self Insurance Fund	75,000	Operating subsidy
Utility Enterprise Fund	Unemployment Insurance Fund	15,000	Operating subsidy
Utility Enterprise Fund	Workers Comp Fund	250,000	Operating subsidy
Utility Enterprise Fund	Utility Enterprise Fund (Sewer System)	4,574	Interest expense on interfund loan
Utility Enterprise Fund	General Fund	519,216	Health insurance premium transfer
Airport/Agriculture Fund	General Fund	5,168	Health insurance premium transfer
E911 Fund	General Fund	54,707	Health insurance premium transfer
Sales Tax Infrastructure	General Fund	116,737	Health insurance premium transfer
General Fund	Sewer System Fund	1,213	Interest expense on interfund loan
General Fund	Solid Waste Development Fund	12,307	Interest expense on interfund loan
Utility Enterprise Fund	General Fund	725,309	Sales tax-2012 revenue bond
Utility Enterprise Fund	General Fund	228,730	Subsidy for shared costs and leasing of assets
Utility Enterprise Fund	Airport/Agriculture Fund	153,250	Operating subsidy
Utility Enterprise Fund	Economic Development Fund	906,637	Sales tax transfer
Utility Enterprise Fund	Utility Enterprise Fund (Solid Waste Dev)	147,793	Portion of landfill collections
Utility Enterprise Fund	Street & Alley	250,000	Reimbursement of FAA/OAC grant
Utility Enterprise Fund	Street & Alley	718,153	Use tax - 2012 revenue bond
Street & Alley	General Fund	300,000	Operating subsidy
Street & Alley	Utility Enterprise Fund	718,153	Use tax - 2012 revenue bond
Sales Tax Capital Facility	Utility Enterprise Fund	420,382	Purchase of capital assets
Utility Enterprise Fund (Solid Waste Development Account)	Utility Enterprise Fund	132,336	Purchase of capital assets
Utility Enterprise Fund (Overhead Water Storage Account)	Utility Enterprise Fund	17,976	Purchase of capital assets
Utility Enterprise Fund (Sewer System Fund)	Utility Enterprise Fund	86,609	Purchase of capital assets
Sales Tax Infrastructure	Utility Enterprise Fund	773,944	Purchase of capital assets
Drug Forfeiture Fund	General Fund	3,000	Move yearly activity
Utility Enterprise Fund (Rural Water Dist. #3 Account)	Utility Enterprise Fund	6,212	Purchase of capital assets
Utility Enterprise Fund (Environmental Projects Account)	Utility Enterprise Fund	1,671	Purchase of capital assets
Total		<u>\$ 8,386,962</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 3,451,270	\$ (4,144,262)	\$ (692,992)
Proprietary Funds	4,935,692	(4,251,897)	683,795
Total	<u>\$ 8,386,962</u>	<u>\$ (8,396,159)</u>	<u>\$ (9,197)</u>

Reconciliation to Statement of Activities:

Net Transfers	\$ (692,992)
Transfer capital asset from business-type activities	13,431
Transfer capital asset to business-type activities	(371,765)
Transfer sewer expenses to business-type activities	(379,565)
Transfer to VVRH component unit	1,531
Transfers - internal activity	<u>\$ (1,429,360)</u>

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Balances:

Interfund receivables and payables at June 30, 2013, were as follows:

Due From	Due To	Amount	Nature of Balance
General Fund	APWA	\$ 18,274	Interfund loan
General Fund	APWA	244,074	Interfund loan
Total		\$ 262,348	

Reconciliation to Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	\$ -	\$ (262,348)	\$ (262,348)
Proprietary Funds	262,348	-	262,348
Total	\$ 262,348	\$ (262,348)	\$ -

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool
- Physical Property – Covered through commercial insurance purchased from Central Insurance Companies
- Workers' Compensation – Self insured up to \$500,000 per occurrence for all employees, including police and fire employees. Additional coverage through National Safety.
- Dental Insurance – Self insured
- Employee's Group Medical – Self insured with Blue Cross as the third party administrator; stop loss insured up to \$60,000 not to exceed \$2,000,000.

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

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

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12. Contingencies

Litigation:

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Ada participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan.

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

13. Pension Plan Participation

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

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

OMRF Defined Contribution Plan:

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

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

Annual Contributions. For 2013, the City's annual required contribution was \$187,136 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$431,851 (or 30% 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 2013, the City's annual required contribution was \$196,047 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$177,950 (or 12% of covered payroll) for the fiscal year.

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Summary of Contributions:

Oklahoma Municipal Retirement Fund			Oklahoma Firefighter's Pension and Retirement System				Oklahoma Police Pension and Retirement System			
Fiscal Year	Employee Contribution	Employer Contribution	Fiscal Year	Employee Contribution	Employer Contribution	Percentage Contributed	Fiscal Year	Employee Contribution	Employer Contribution	Percentage Contributed
2011	333,180	866,267	2011	111,441	181,094	100%	2011	117,909	191,602	100%
2012	335,062	871,159	2012	110,688	179,869	100%	2012	118,456	192,491	100%
2013	327,484	851,458	2013	115,160	187,136	100%	2013	120,644	196,047	100%

14. Postemployment Healthcare Plan

Plan Description. The City sponsors Medical, Rx, and Dental insurance to qualifying retirees and their dependents. Coverage is provided through fully-insured arrangements that collectively operate as a substantive single-employer defined benefit plan. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter's Pension and Retirement System, or the City of Ada Retirement Plan. Retirees may continue coverage with the City by paying the carrier premium rate. Coverage is available for each of the lifetimes of retirees and their spouses. Authority to establish and amend benefit provisions rest with the City Council. Benefits are paid from general operating assets of the City.

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the City during the budgeting process. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the actuarially expected City contributions in the form of net age adjustment were to be \$113,903 to the Plan. Plan members receiving benefits contributed \$19,617 of the total premiums, through their payment of the full determined premium in FY 2013.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2013:

Normal Cost	\$ 71,471
Amortization of Actuarial Accrued Liability (AAL)	42,432
Annual OPEB cost (expense)	113,903
Expected net benefits during the year	(19,617)
Increase in net OPEB obligation	94,286
Net OPEB obligation - beginning of year	273,671
Net OPEB obligation - end of year	<u>\$ 367,957</u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$94,658	43%	\$179,385
6/30/2012	\$113,903	25%	\$273,671
6/30/2013	\$113,903	17%	\$367,957

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

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$1,089,191, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,089,191. The covered payroll (annual payroll of active employees covered by the plan) was \$8.1 million, and the ratio of the UAAL to the covered payroll was 13 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.3 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2013. The UAAL is being amortized over 30 years based on a level percent-of-pay open-period basis. The remaining amortization period at July 1, 2011, was twenty-seven years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

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15. Use of Estimates

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

16. Subsequent Events

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

On July 15, 2013 the City approved an agreement for engineering services with MKEC Engineering Consultants, Inc. for the Wintersmith Dam Spillway structural design. The City also accepted a bid from Traffic Signals, Inc. for the traffic signal project at the intersection of Main and Mississippi.

On August 5, 2013, the City approved an agreement with Cowan Group Engineering, LLC for the Arlington Street Improvements. The City also approved a contract with C3 Construction, Inc. for the construction of the Wintersmith Dam Apron Repair in the amount of \$247,519.

On November 4, 2013 the City approved a contract for the purchase of real property from Ada Industrial Development Corporation.

On November 18, 2013 the City approved a Safe Oklahoma Grant Program contract with the Oklahoma Office of Attorney General in the amount of \$100,000. The City also approved a professional services agreement with Intera, Inc. for a study to support new groundwater wells for the City of Ada water supply. Also on that date, the City approved a professional services agreement with Delta Airport Consultants for the design of a new airport terminal building.

On December 2, 2013 the City approved an agreement with Economists.com to perform a comprehensive cost of service and rate model study for water, sewer, and solid waste services.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule – Year Ended June 30, 2013

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning Budgetary Fund Balance:	\$3,777,938	\$3,826,236	\$4,808,679	\$982,443
Resources (Inflows):				
Taxes	7,837,800	7,957,800	8,980,751	1,022,951
Licenses and permits	81,200	81,200	105,745	24,545
Intergovernmental	572,800	601,884	354,258	(247,626)
Charges for services	184,600	184,600	215,330	30,730
Fines and forfeitures	365,300	365,300	451,166	85,866
Investment income	35,800	35,800	42,512	6,712
Miscellaneous	271,900	337,218	598,918	261,700
Other financing sources	1,925,400	2,021,400	2,292,867	271,467
Total Resources (Inflows):	<u>11,274,800</u>	<u>11,585,202</u>	<u>13,041,547</u>	<u>1,456,345</u>
Amounts available for appropriation	<u>\$15,052,738</u>	<u>\$15,411,438</u>	<u>\$17,850,226</u>	<u>\$2,438,788</u>
Charges to Appropriations (Outflows):				
General government	4,407,659	4,304,928	3,411,413	893,515
Streets and highways	1,013,050	976,250	699,522	276,728
Public safety	5,036,225	5,352,356	4,791,424	560,932
Cemetery	219,300	180,300	153,081	27,219
Legal and judicial	262,450	261,650	225,470	36,180
Culture and recreation	1,791,925	1,774,325	1,301,391	472,934
Community development	379,950	389,550	354,986	34,564
Other financing uses	1,654,900	1,907,900	1,750,640	157,260
Total Charges to Appropriations	<u>14,765,459</u>	<u>15,147,259</u>	<u>12,687,927</u>	<u>2,459,332</u>
Ending Budgetary Fund Balance	<u>\$287,279</u>	<u>\$264,179</u>	<u>\$5,162,299</u>	<u>\$4,898,120</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Sudden and Severe Economic Dislocation Account			1,104	
Parks and Recreation Fund Account			4,665	
CDBG Home Grant Fund Account			10,372	
Total General Fund Fund Balance			<u>\$5,178,440</u>	

(Unaudited. See accompanying auditor's report.)

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	EMS FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$1,670,862	\$1,670,862	\$1,670,862	\$ -
Resources (Inflows):				
Investment income	14,000	14,000	9,411	(4,589)
Total Resources (Inflows):	14,000	14,000	9,411	(4,589)
Amounts available for appropriation	<u>\$1,684,862</u>	<u>\$1,684,862</u>	<u>\$1,680,273</u>	<u>(\$4,589)</u>
Charges to Appropriations (Outflows):				
Public safety	144,000	394,000	144,000	250,000
Total Charges to Appropriations	<u>144,000</u>	<u>394,000</u>	<u>144,000</u>	<u>250,000</u>
Ending Budgetary Fund Balance	<u>\$1,540,862</u>	<u>\$1,290,862</u>	<u>\$1,536,273</u>	<u>\$245,411</u>

	STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$3,737,193	\$3,737,193	\$3,737,193	\$ -
Resources (Inflows):				
Taxes	75,000	75,000	729,961	654,961
Intergovernmental	893,300	893,300	150,526	(742,774)
Investment income	20,100	20,100	21,147	1,047
Other financing sources	950,000	950,000	968,153	18,153
Total Resources (Inflows):	1,938,400	1,938,400	1,869,787	(68,613)
Amounts available for appropriation	<u>\$5,675,593</u>	<u>\$5,675,593</u>	<u>\$5,606,980</u>	<u>(\$68,613)</u>
Charges to Appropriations (Outflows):				
Streets and highways	3,215,000	3,295,500	273,087	3,022,413
Other financing uses	1,000,000	1,073,500	1,018,153	55,347
Total Charges to Appropriations	<u>4,215,000</u>	<u>4,369,000</u>	<u>1,291,240</u>	<u>3,077,760</u>
Ending Budgetary Fund Balance	<u>\$1,460,593</u>	<u>\$1,306,593</u>	<u>\$4,315,740</u>	<u>\$3,009,147</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 and on-behalf payments made by the state related to firefighter and police pension.
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, 2010
Actuarial accrued liability - AAL (a)	\$997,211
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$997,211
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$7,906,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	13%

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

	July 1, 2012
Actuarial accrued liability - AAL (a)	\$1,089,191
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$1,089,191
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$8,090,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	13%

(Unaudited. See accompanying auditor’s report.)

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SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts - June 30, 2013

	<u>General Fund</u>	<u>Sudden and Severe Economic Dislocation</u>	<u>Parks and Recreation Account</u>	<u>CDBG Home Grant Account</u>	<u>CDBG VO-TECH Account</u>	<u>Total General Fund</u>
ASSETS						
Cash and cash equivalents	\$ 4,234,086	\$ 1,104	\$ 4,665	\$ 10,372	\$ -	\$ 4,250,227
Investments	235,892	-	-	-	-	235,892
Receivable from other governments	1,066,728	-	-	-	-	1,066,728
Taxes receivable, net	90,713	-	-	-	-	90,713
Court fines receivable, net	608,455	-	-	-	-	608,455
Other receivables	58,277	-	-	-	-	58,277
Total assets	<u>\$ 6,294,151</u>	<u>\$ 1,104</u>	<u>\$ 4,665</u>	<u>\$ 10,372</u>	<u>\$ -</u>	<u>\$ 6,310,292</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 80,004	-	-	-	-	\$ 80,004
Accrued payroll liabilities	203,635	-	-	-	-	203,635
Due to other funds	262,348	-	-	-	-	262,348
Due to bondholders	8,310	-	-	-	-	8,310
Payable to other governments	5,397	-	-	-	-	5,397
Total liabilities	<u>559,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559,694</u>
Deferred Inflows of resources:						
Deferred revenue	572,158	-	-	-	-	572,158
Fund balances:						
Restricted	-	1,104	-	10,372	-	11,476
Assigned	4,099,107	-	4,665	-	-	4,103,772
Unassigned	1,063,192	-	-	-	-	1,063,192
Total fund balances	<u>5,162,299</u>	<u>1,104</u>	<u>4,665</u>	<u>10,372</u>	<u>-</u>	<u>5,178,440</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,294,151</u>	<u>\$ 1,104</u>	<u>\$ 4,665</u>	<u>\$ 10,372</u>	<u>\$ -</u>	<u>\$ 6,310,292</u>

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Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2013

	General Fund	Sudden and Severe Economic Dislocation	Parks and Recreation Account	CDBG Home Grant Account	CDBG VO- TECH Account	Total General Fund
REVENUES						
Taxes	\$ 8,980,751	\$ -	\$ -	\$ -	\$ -	\$ 8,980,751
Fees and fines	451,166	-	-	-	-	451,166
Licenses and permits	105,745	-	-	-	-	105,745
Intergovernmental	964,059	-	-	-	-	964,059
Charges for services	215,330	-	-	-	-	215,330
Investment income	42,512	-	-	54	-	42,566
Miscellaneous	598,918	-	-	-	-	598,918
Total revenues	11,358,481	-	-	54	-	11,358,535
EXPENDITURES						
Current:						
General government	3,390,448	-	-	-	-	3,390,448
Public safety	5,207,288	-	-	-	-	5,207,288
Streets and highways	689,591	-	-	-	-	689,591
Legal and judicial	205,546	-	-	-	-	205,546
Cemetery	153,081	-	-	-	-	153,081
Culture and recreation	1,266,196	-	-	-	-	1,266,196
Economic development	354,986	-	-	-	-	354,986
Capital outlay	228,897	-	-	-	-	228,897
Debt service:						
Principal	46,574	-	-	-	-	46,574
Interest and other charges	4,481	-	-	-	-	4,481
Total expenditures	11,547,088	-	-	-	-	11,547,088
Excess (deficiency) of revenues over expenditures	(188,607)	-	-	54	-	(188,553)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,292,867	-	-	-	-	2,292,867
Transfers out	(1,750,640)	-	-	-	-	(1,750,640)
Total other financing sources and uses	542,227	-	-	-	-	542,227
Net change in fund balances	353,620	-	-	54	-	353,674
Fund balances - beginning	4,808,679	1,104	4,665	10,318	-	4,824,766
Fund balances - ending	\$ 5,162,299	\$ 1,104	\$ 4,665	\$ 10,372	\$ -	\$ 5,178,440

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Combining Balance Sheet – Nonmajor Governmental Funds - June 30, 2013

	SPECIAL REVENUE FUNDS							
	Dare Fund	Library Memorial Fund	Library State Aid Fund	Drug Forfeiture Fund	Federal Drug Forfeiture Fund	Emergency 911 Fund	Bureau of Justice Assistance	Parks Donation Fund
ASSETS								
Cash and cash equivalents	\$ 5,273	\$ 120,418	\$ 9,022	\$ 1,780	\$ 50	\$ 19,147	\$ 4	\$ 48,450
Due from other governments	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	45,589	-	-
Total Assets	\$ 5,273	\$ 120,418	\$ 9,022	\$ 1,780	\$ 50	\$ 64,736	\$ 4	\$ 48,450
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ 469	\$ -	\$ -	\$ 1,265	-	\$ -
Accrued payroll liabilities	-	-	-	-	-	10,933	-	-
Total Liabilities	-	-	469	-	-	12,198	-	-
Deferred inflows of resources:								
Deferred revenue	-	-	-	-	-	-	-	-
FUND EQUITY								
Fund balances:								
Restricted	5,273	99,598	8,458	-	50	7,476	-	47,866
Committed	-	20,183	-	-	-	-	-	-
Assigned	-	637	95	1,780	-	45,062	4	584
Total Fund Equity	5,273	120,418	8,553	1,780	50	52,538	4	48,450
Total Liabilities, Deferred Inflows and Fund Equity	\$ 5,273	\$ 120,418	\$ 9,022	\$ 1,780	\$ 50	\$ 64,736	\$ 4	\$ 48,450

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Combining Balance Sheet – Nonmajor Governmental Funds - June 30, 2013, (Continued)

	CAPITAL PROJECT FUNDS			DEBT SERVICE		TOTALS
	Cemetery Care Fund	Little Red School House Fund	Property Owners Part.	Airport AG/Cash Fund	Sinking Fund	
ASSETS						
Cash and cash equivalents	\$ 296,226	\$ 140	\$ 114,261	\$ 192,651	\$ 5,671	\$ 813,093
Due from other governments	-	-	-	130,740	6,729	137,469
Other receivables	-	-	-	-	-	45,589
Total Assets	\$ 296,226	\$ 140	\$ 114,261	\$ 323,391	\$ 12,400	\$ 996,151
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 80,161	\$ -	\$ 81,895
Accrued payroll liabilities	-	-	-	2,761	-	13,694
Total Liabilities	-	-	-	82,922	-	95,589
Deferred inflows of resources:						
Deferred revenue	-	-	-	114,990	5,444	120,434
FUND EQUITY						
Fund balances:						
Restricted	90,525	140	-	-	6,956	266,342
Committed	-	-	-	-	-	20,183
Assigned	205,701	-	114,261	125,479	-	493,603
Total Fund Equity	296,226	140	114,261	125,479	6,956	780,128
Total Liabilities, Deferred Inflows and Fund Equity	\$ 296,226	\$ 140	\$ 114,261	\$ 323,391	\$ 12,400	\$ 996,151

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2013

	SPECIAL REVENUE FUNDS							
	Dare Fund	Library Memorial Fund	Library State Aid Fund	Drug Forfeiture Fund	Federal Drug Forfeiture Fund	Emergency 911 Fund	Bureau of Justice Assistance	Parks Donation Fund
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,183	\$ -	\$ -
Intergovernmental	-	-	19,323	1,945	-	57,575	20,871	-
Charges for services	-	7,040	-	-	-	-	-	-
Investment earnings	-	476	51	-	-	82	44	253
Miscellaneous	-	107,501	1,890	-	-	75	-	-
Total revenues	<u>-</u>	<u>115,017</u>	<u>21,264</u>	<u>1,945</u>	<u>-</u>	<u>606,915</u>	<u>20,915</u>	<u>253</u>
EXPENDITURES								
Current:								
Public Safety	395	-	-	1,000	-	589,170	-	-
Judgments	-	-	-	-	-	-	-	-
Culture and recreation	-	28,809	14,775	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	2,900	21,006	294
Debt Service:	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-
Total Expenditures	<u>395</u>	<u>28,809</u>	<u>14,775</u>	<u>1,000</u>	<u>-</u>	<u>592,070</u>	<u>21,006</u>	<u>294</u>
Excess (deficiency) of revenues over expenditures	<u>(395)</u>	<u>86,208</u>	<u>6,489</u>	<u>945</u>	<u>-</u>	<u>14,845</u>	<u>(91)</u>	<u>(41)</u>
OTHER FINANCING SOURCES (USES)								
Judgment proceeds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	37,000	-	-
Transfers out	-	-	-	(3,000)	-	(54,707)	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(17,707)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(395)	86,208	6,489	(2,055)	-	(2,862)	(91)	(41)
Fund balances - beginning	5,868	34,210	2,064	3,835	50	55,400	95	48,491
Fund balances - ending	<u>\$ 5,273</u>	<u>\$ 120,418</u>	<u>\$ 8,553</u>	<u>\$ 1,780</u>	<u>\$ 50</u>	<u>\$ 52,538</u>	<u>\$ 4</u>	<u>\$ 48,450</u>

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2013 (Continued)

	CAPITAL PROJECT FUNDS				DEBT SERVICE FUND	TOTALS
	Cemetery Care Fund	Little Red School House Fund	Property Owners Part.	Airport AG/Cash Fund	Sinking Fund	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 97,728	\$ 646,911
Intergovernmental	-	-	-	102,375	-	202,089
Charges for services	14,863	-	-	119,324	-	141,227
Investment earnings	-	-	607	1,220	-	2,733
Miscellaneous	16,766	-	-	543	-	128,774
Total revenues	<u>31,628</u>	<u>-</u>	<u>607</u>	<u>223,462</u>	<u>97,728</u>	<u>1,119,734</u>
EXPENDITURES						
Current:						
Public Safety	-	-	-	-	-	590,565
Judgments	-	-	-	-	149,095	149,095
Culture and recreation	-	-	-	-	-	43,584
Airport	-	-	-	174,795	-	174,795
Capital Outlay	101,411	-	6,722	222,229	-	354,562
Debt Service:						
Principal	-	-	-	-	85,483	85,483
Interest and other charges	-	-	-	-	17,228	17,228
Total Expenditures	<u>101,411</u>	<u>-</u>	<u>6,722</u>	<u>397,024</u>	<u>251,806</u>	<u>1,415,312</u>
Excess (deficiency) of revenues over expenditures	<u>(69,783)</u>	<u>-</u>	<u>(6,115)</u>	<u>(173,562)</u>	<u>(154,078)</u>	<u>(295,578)</u>
OTHER FINANCING SOURCES (USES)						
Judgment proceeds	-	-	-	-	149,095	149,095
Transfers in	-	-	-	153,250	-	190,250
Transfers out	-	-	-	(5,168)	-	(62,875)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,082</u>	<u>149,095</u>	<u>278,470</u>
Net change in fund balances	(69,783)	-	(6,115)	(25,480)	(4,983)	(19,108)
Fund balances - beginning	366,009	140	120,376	150,959	11,939	799,236
Fund balances - ending	<u>\$ 296,226</u>	<u>\$ 140</u>	<u>\$ 114,261</u>	<u>\$ 125,479</u>	<u>\$ 6,956</u>	<u>\$ 780,128</u>

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Combining Schedule of Net Position – PWA Enterprise Fund Accounts - June 30, 2013

	<u>Public Works Authority</u>	<u>Solid Waste Development Account</u>	<u>Water Meter Account</u>	<u>RWD #3 Account</u>	<u>Water Development Account</u>	<u>Sewer System Account</u>	<u>RWD #2 Account</u>
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 2,651,382	\$ 5,383,043	\$ 690,480	\$ 363,194	\$ 1,397,501	\$ 3,572,270	\$ 315,140
Due from other funds	-	244,074	-	-	-	18,274	-
Accounts Receivable, net	1,377,829	-	-	-	174,984	57,611	-
Total current assets	<u>4,029,211</u>	<u>5,627,117</u>	<u>690,480</u>	<u>363,194</u>	<u>1,572,485</u>	<u>3,648,155</u>	<u>315,140</u>
Non-current assets:							
Restricted:							
Land and construction in progress	2,148,039	-	-	-	2,453,939	-	-
Other capital assets, net of accumulated depreciation	19,291,625	-	-	-	-	-	-
Total non-current assets	<u>21,439,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,453,939</u>	<u>-</u>	<u>-</u>
Total assets	<u>25,468,875</u>	<u>5,627,117</u>	<u>690,480</u>	<u>363,194</u>	<u>4,026,424</u>	<u>3,648,155</u>	<u>315,140</u>
LIABILITIES							
Current Liabilities:							
Accounts payable	337,151	-	-	-	1,035	-	-
Accrued payroll liabilities	117,772	-	-	-	-	-	-
Accrued interest payable	13,736	-	-	-	-	-	-
Due to other funds	111,775	-	-	-	-	(111,775)	-
Other liabilities	4,923	-	-	-	-	-	-
Due to depositors	-	-	69,048	-	-	-	-
Accrued compensated absences	45,406	-	-	-	-	-	-
Landfill closure liability	158,180	-	-	-	-	-	-
Notes payable	415,000	-	-	-	-	-	-
Total current liabilities	<u>1,203,943</u>	<u>-</u>	<u>69,048</u>	<u>-</u>	<u>1,035</u>	<u>(111,775)</u>	<u>-</u>
Non-current liabilities:							
Due to depositors	-	-	621,432	-	-	-	-
Accrued compensated absences	408,656	-	-	-	-	-	-
Landfill closure liability	1,565,339	-	-	-	-	-	-
Notes payable	3,240,000	-	-	-	-	-	-
Net OPEB obligation	127,268	-	-	-	-	-	-
Total non-current liabilities	<u>5,341,263</u>	<u>-</u>	<u>621,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,545,206</u>	<u>-</u>	<u>690,480</u>	<u>-</u>	<u>1,035</u>	<u>(111,775)</u>	<u>-</u>
NET POSITION							
Net investment in capital assets	17,784,664	-	-	-	2,453,939	-	-
Unrestricted	1,139,005	5,627,117	-	363,194	1,571,450	3,759,930	315,140
Total net position	<u>\$ 18,923,669</u>	<u>\$ 5,627,117</u>	<u>\$ -</u>	<u>\$ 363,194</u>	<u>\$ 4,025,389</u>	<u>\$ 3,759,930</u>	<u>\$ 315,140</u>

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

**Combining Schedule of Net Position – PWA Enterprise Fund Accounts - June 30, 2013,
(Continued)**

	<u>Water System Improvement Account</u>	<u>Overhead Water Storage Account</u>	<u>Water Wells and Trans. Account</u>	<u>RWD #4 Account</u>	<u>Environmental Projects Account</u>	<u>RSD #6 Account</u>	<u>Total</u>
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,637,701	\$ 93,243	\$ 524,256	\$ 65,288	\$ 511,949	\$ 276,170	\$ 17,481,617
Due from other funds	-	-	-	-	-	-	262,348
Accounts Receivable, net	-	-	-	-	43,033	-	1,853,457
Total current assets	<u>1,637,701</u>	<u>93,243</u>	<u>524,256</u>	<u>65,288</u>	<u>554,982</u>	<u>276,170</u>	<u>19,397,422</u>
Non-current assets:							
Restricted:							
Land and construction in progress	-	-	-	-	-	-	4,601,978
Other capital assets, net of accumulated depreciation	-	-	-	-	-	-	19,291,625
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,893,603</u>
Total assets	<u>1,637,701</u>	<u>93,243</u>	<u>524,256</u>	<u>65,288</u>	<u>554,982</u>	<u>276,170</u>	<u>43,291,025</u>
LIABILITIES							
Current Liabilities:							
Accounts payable	-	-	-	-	-	-	338,186
Accrued payroll liabilities	-	-	-	-	-	-	117,772
Accrued interest payable	-	-	-	-	-	-	13,736
Due to other funds	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	4,823
Due to depositories	-	-	-	-	-	-	69,048
Accrued compensated absences	-	-	-	-	-	-	45,406
Landfill closure liability	-	-	-	-	-	-	158,180
Notes payable	-	-	-	-	-	-	415,000
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,162,251</u>
Non-current liabilities:							
Due to depositories	-	-	-	-	-	-	821,432
Accrued compensated absences	-	-	-	-	-	-	408,656
Landfill closure liability	-	-	-	-	-	-	1,565,339
Notes payable	-	-	-	-	-	-	3,240,000
Net OPEB obligation	-	-	-	-	-	-	127,268
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,962,696</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,124,948</u>
NET POSITION							
Net investment in capital assets	-	-	-	-	-	-	20,238,603
Unrestricted	1,637,701	93,243	524,256	65,288	554,982	276,170	15,927,476
Total net position	<u>\$ 1,637,701</u>	<u>\$ 93,243</u>	<u>\$ 524,256</u>	<u>\$ 65,288</u>	<u>\$ 554,982</u>	<u>\$ 276,170</u>	<u>\$ 36,166,079</u>

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

**Combining Schedule of Revenues, Expenses and Changes in Net Position – PWA Enterprise Fund
Accounts -Year Ended June 30, 2013**

	<u>Public Works Authority</u>	<u>Solid Waste Development Account</u>	<u>Water Meter Account</u>	<u>RWD #3 Account</u>	<u>Water Development Account</u>	<u>Sewer System Account</u>	<u>RWD #2 Account</u>
REVENUES							
Charges for services:							
Water	\$ 4,516,710	-	-	\$ 40,005	\$ 1,025,305	-	\$ 28
Sewer	933,572	-	-	-	-	341,705	-
Sanitation	2,651,096	-	-	-	-	-	-
Solid waste fee	-	1,357	-	-	-	-	-
Recycling income	188,082	-	-	-	-	-	-
Lease revenue	3,860	-	-	-	2,132	-	-
Miscellaneous	275,245	-	-	-	-	-	-
Total operating revenues	8,548,365	1,357	-	40,005	1,027,436	341,705	28
OPERATING EXPENSES							
Public works director	226,970	-	-	-	-	-	-
Billing and collecting	482,410	-	-	-	-	-	-
Water plant	537,987	-	-	200	12,122	-	-
Liquid waste	585,048	-	-	-	-	-	-
Administration	1,381,553	-	-	-	-	-	-
Water and sewer line maintenance	939,916	-	-	-	-	-	-
Solid waste	2,244,180	629	-	-	-	-	-
Landfill operations	99,431	-	-	-	-	-	-
Construction	453,739	-	-	-	-	-	-
Depreciation	1,309,511	-	-	-	-	-	-
Total operating expenses	9,250,725	629	-	200	12,122	-	-
Operating income (loss)	297,640	728	-	39,805	1,015,314	341,705	28
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment revenue	18,074	28,478	-	1,778	8,243	17,961	1,005
Miscellaneous revenue	87,078	-	-	6	-	-	-
Gain (loss) on capital asset disposal	75,088	-	-	-	-	-	-
Interest expense	(80,959)	-	-	-	-	-	-
Total non-operating revenue (expenses)	99,277	28,478	-	1,784	8,243	17,961	1,005
Income (loss) before transfers	396,917	29,206	-	41,589	1,023,557	359,666	1,633
Capital contributions	-	-	-	-	-	83,169	-
Transfers in	3,863,168	160,100	-	-	-	5,787	-
Transfers out	(4,007,093)	(132,335)	-	(6,212)	-	(86,899)	-
Change in net position	252,892	56,970	-	35,377	1,023,559	372,013	1,633
Total net position - beginning, restated	18,670,677	5,570,147	-	327,817	3,001,830	3,387,917	313,697
Total net position - ending	\$ 18,923,569	\$ 5,627,117	\$ -	\$ 363,194	\$ 4,025,389	\$ 3,759,930	\$ 315,140

CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Schedule of Revenues, Expenses and Changes in Net Position – PWA Enterprise Fund
Accounts -Year Ended June 30, 2013

	<u>Water System Improvement Account</u>	<u>Overhead Water Storage Account</u>	<u>Water Wells and Trans Account</u>	<u>RWD #4 Account</u>	<u>Environmental Projects Account</u>	<u>RWD #5 Account</u>	<u>Total</u>
REVENUES							
Charges for services:							
Water	\$	\$	\$	\$ 1	\$ -	\$ -	\$ 5,582,060
Sewer						50,638	1,331,916
Sanitation							2,651,080
Solid waste fee							1,367
Recycling income							188,082
Lease revenue							5,812
Miscellaneous							275,245
Total operating revenues				1		56,638	10,016,537
OPERATING EXPENSES							
Public works director							226,970
Billing and collecting							492,410
Water plant					7,656		537,944
Liquid waste						4,984	570,032
Administration							1,331,593
Water and sewer line maintenance							839,916
Solid waste							2,244,800
Landfill operations							98,431
Construction							453,739
Depreciation							1,308,511
Total operating expenses					7,655	4,984	6,276,315
Operating income (loss)				1	(7,655)	51,654	1,739,222
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment revenue	8,527	656	2,729	332	2,042	1,288	91,812
Miscellaneous revenue					255,984		322,748
Gain (loss) on capital asset disposal							75,088
Interest expense							(80,858)
Total non-operating revenue (expenses)	8,527	656	2,729	332	257,706	1,288	426,485
Income (loss) before transfers	8,527	656	2,729	333	250,051	52,942	2,187,707
Capital contributions							93,169
Transfers in							4,029,056
Transfers out		(17,878)			(1,871)		(4,251,897)
Change in net position	8,527	(17,421)	2,729	333	248,180	52,942	2,036,034
Total net position - beginning, related	1,629,174	110,864	521,527	64,955	308,602	223,228	34,128,045
Total net position - ending	\$ 1,837,701	\$ 93,243	\$ 524,256	\$ 65,288	\$ 554,982	\$ 276,170	\$ 36,166,079

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2013

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Recovery Act Justice Assistance Grant 2009	16.804	2009-SB-B9-3212	100,032	20,871
Passed through District Attorney's Council:				
2010 Justice Assistance Grant	16.738	2010-DJ-BX-1197	18,609	12,172
2011 Justice Assistance Grant	16.738	2011-DJ-BX-2123	15,037	8,890
2012 Justice Assistance Grant	16.738	2012-DJ-BX-0948	12,292	6,288
Sub-total CFDA 16.738			45,938	27,350
2012 Justice Assistance Grant - Bulletproof Vest Partnership	16.607	2012-BU-BX-12063117	5,918	5,519
Total U.S. Department of Justice			151,888	53,740
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Aeronautics Commission:				
Airport Improvement Program	20.106	3-40-0001-012-2012	180,000	102,375
Airport Improvement Program	20.106	3-40-0001-008-2005	401,851	98,450
Sub-total CFDA 20.106			581,851	200,825
Passed through Oklahoma Highway Safety Office:				
Ada Traffic Enforcement	20.600	PT-12-03-01-04	18,000	6,623
Ada Traffic Enforcement	20.600	K8-13-03-02-05	23,000	12,948
Sub-total CFDA 20.600			41,000	19,571
Total U.S. Department of Transportation			622,851	220,396
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>				
Passed through Oklahoma Department of Emergency Management:				
11-12 Emergency Management	97.042	PL-85-606	10,000	2,500
12-13 Emergency Management	97.042	PL-85-606	10,000	7,500
Total Federal Emergency Management Agency			20,000	10,000
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce:				
CDBG - Phase III	14.228	14834 CDBG 1i	93,169	86,609
Special Project Grant - Water Tower	14.225	B-08-SP-OK-0003	245,000	6,755
Total U.S. Department of Housing and Urban Development			338,169	93,364
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>				
US Environmental Protection Agency - 99 Lift Station	66.202	XP-00F33501-0	485,000	79,832
Total U.S. Environmental Protection Agency			485,000	79,832
<u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</u>				
Passed through Oklahoma Department of Libraries:				
Collection Enhancement E-Book Grant	45.310	N/A	3,000	3,000
Total U.S. Institute of Museum and Library Services			3,000	3,000
TOTAL FEDERAL ASSISTANCE			\$ 1,620,908	\$ 460,332

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
OKLAHOMA DEPARTMENT OF LIBRARIES:			
FY 13 State Aid	N/A	<u>\$18,137</u>	<u>\$11,775</u>
TOTAL STATE AWARDS		<u><u>\$18,137</u></u>	<u><u>\$11,775</u></u>

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedule of Expenditures of Federal and State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

**CITY OF ADA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

INTERNAL CONTROL AND COMPLIANCE



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

Honorable Mayor and City Council
City of Ada, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ada, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 17, 2014. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information and an explanatory paragraph to emphasize the adoption of GASB Statements No. 63 and No. 65 by the City, as well as an explanatory paragraph to note the correction of an error. Our report also includes a reference to other auditors who audited the financial statements of the Valley View Hospital Authority and the Ada Arts and Heritage Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

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

(Continued)

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

Internal Control Over Financial Reporting, Continued

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Shawnee, Oklahoma
January 17, 2014

Finley + Cook, PLLC