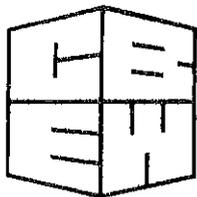


**CITY OF CATOOSA**  
**Catoosa, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**CITY OF CATOOSA  
TABLE OF CONTENTS  
FINANCIAL STATEMENTS  
JUNE 30, 2014**

	<b>Page</b>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Management's Discussion and Analysis (Unaudited)</b>	<b>3</b>
<b>Statement of Net Position</b>	<b>14</b>
<b>Statement of Activities and Changes in Net Position</b>	<b>15</b>
<b>Balance Sheet- Governmental Funds</b>	<b>16</b>
<b>Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position</b>	<b>17</b>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds</b>	<b>18</b>
<b>Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to The Government-Wide Statement of Activities and Changes in Net Position</b>	<b>19</b>
<b>Statement of Net Position- Proprietary Funds</b>	<b>20</b>
<b>Statement of Revenues, Expenses and Changes in Fund Net Position- Proprietary Funds</b>	<b>21</b>
<b>Statement of Cash Flows- Proprietary Funds</b>	<b>22</b>
<b>Notes to Basic Financial Statements</b>	<b>23</b>
<b>Required Supplementary Information</b>	<b>47</b>
<b>Notes to Required Supplementary Information</b>	<b>51</b>
<b>Combining Balance Sheet - Non-Major Governmental Funds</b>	<b>52</b>
<b>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds</b>	<b>53</b>
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i></b>	<b>54</b>
<b>Schedule of Findings and Responses</b>	<b>56</b>



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## INDEPENDENT AUDITOR'S REPORT

December 19, 2014

Honorable Board of City Council Members  
City of Catoosa  
Catoosa, Oklahoma

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Catoosa, Oklahoma, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 13 and 47 – 50 and the notes on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements 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 of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants



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**CITY OF CATOOSA, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2014**

The discussion and analysis of the City of Catoosa's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the accompanying basic financial statements.

**WHO WE ARE**

As of June 30, 2014 the mayor, council members, clerk and treasurer consisted of the following:

Mayor	Harold "Red" Statum
Council Members	Thomas Sweet Brenda Conley Russ White Ralph McLaughlin Shawn Battles Greg Williams
City Manager	David Tillotson
Clerk	Judy Scullawl
Acting Treasurer	Myrna Barbee

The Clerk, Treasurer and City Manager are appointed positions. The council members are elected and the Mayor is voted and approved by the council.

## FINANCIAL HIGHLIGHTS

- The total assets of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2014 by \$21,147,081 as reflected in the Statement of Net Position, an increase of \$1,435,528 from the prior year. This excess is summarized for both years as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Invested in capital assets, net of related debt	\$ 10,543,883	\$ 10,450,441
Restricted for various purposes	5,762,900	5,277,952
Unassigned	<u>4,840,298</u>	<u>3,983,160</u>
	<u>\$ 21,147,081</u>	<u>\$ 19,711,553</u>

- The City's (including the PWA) net position increased \$1,435,528 during the year. The amounts of the increase were as follows:

Invested in capital assets, net of related debt	\$ 93,442
Restricted	484,948
Unrestricted	<u>857,138</u>
	<u>\$1,435,528</u>

- Invested in capital assets, net of related debt was due to asset additions of \$503,330 slightly less than depreciation of \$509,296 with net reduction of long-term debt of \$99,408.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the City's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, library,	Activities the City operates similar to private businesses such as water and sewer
Required financial statements	-Statement of net position -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net position -Statement of revenues, expenses, and changes in net position -Statement of cash funds

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business.

The statement of net position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety activities, streets, cultural, library, parks and recreation activities and general government activities. The business-type activities of the City include utilities.

A component unit is included in the basic financial statements and consists of a legally separate entity for which the City is financially accountable and that has the same governing board as the City. This blended component unit is the Catoosa Public Works Authority.

Catoosa Economic Development Authority is another component unit of the City. Currently, there are no assets or liabilities, and there were no activities during the year.

The government-wide financial statements can be found on pages 14 and 15 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The City maintains 13 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Recreational Services Fund, Fire Department Fund and the PWA Operation and Maintenance Fund, which are considered to be major funds. Data for the other 7 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the basic financial statements.

The governmental funds financial statements can be found on pages 16 through 19 of this report.

**Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide separate information for the utility operations. Combining schedules for the proprietary funds are presented in the supplementary information. The proprietary funds financial statements can be found on pages 20 through 22 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 23 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$21,147,081 at the close of the current fiscal year, a 7.28% increase over the prior year.

As shown on Table 1, the largest portion of the City's net position, \$10,543,883, reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net position, \$5,762,900 represents resources that are subject to external restrictions on how they may be used. The major restrictions on net position are funding source restrictions. \$4,051,818 pertains to the PWA Operating and Maintenance Fund. \$435,035 is reserved for Storm Water Management Projects, \$385,105 is restricted for Fire Department use, and \$820,691 is restricted for use between the library and community center and park and recreation improvements or amenities.

The remaining balance of total net position of \$4,840,298 is unrestricted and may be used to meet the City's obligations to citizens and creditors in accordance with the finance-related legal requirements reflected in the City's fund structure.

At the end of the fiscal year ended June 30, 2014, The City reported positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**TABLE 1**  
**SUMMARY OF NET POSITION**  
**JUNE 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 9,954,363	\$ 8,498,262	\$ 1,129,732	\$ 1,175,789	\$11,084,095	\$ 9,674,051
Capital assets	<u>5,027,966</u>	<u>5,056,806</u>	<u>5,761,939</u>	<u>5,739,065</u>	<u>10,789,905</u>	<u>10,795,871</u>
Total assets	<u>14,982,329</u>	<u>13,555,068</u>	<u>6,891,671</u>	<u>6,914,854</u>	<u>21,874,000</u>	<u>20,469,922</u>
Current and other liabilities	366,080	293,573	182,869	203,162	548,949	496,735
Long-term liabilities	<u>106,564</u>	<u>219,270</u>	<u>71,406</u>	<u>69,747</u>	<u>177,970</u>	<u>288,017</u>
Total liabilities	<u>472,644</u>	<u>512,843</u>	<u>254,275</u>	<u>272,909</u>	<u>726,919</u>	<u>784,752</u>
Net position						
Invested in capital assets, net of related debt	4,781,944	4,711,376	5,761,939	5,739,065	10,543,883	10,450,441
Restricted for specific purposes	5,327,865	4,777,205	435,035	500,747	5,762,900	5,277,952
Unrestricted	<u>4,399,876</u>	<u>3,553,644</u>	<u>440,422</u>	<u>429,516</u>	<u>4,840,298</u>	<u>3,983,160</u>
Total net position	<u>\$14,509,685</u>	<u>\$13,042,225</u>	<u>\$ 6,637,396</u>	<u>\$ 6,669,328</u>	<u>\$21,147,081</u>	<u>\$19,711,553</u>

**TABLE 2**  
**CITY OF CATOOSA**  
**Changes in Net position**  
**Year Ended June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 699,612	\$ 428,925	\$ 1,891,810	\$ 1,725,894	\$ 2,591,422	\$ 2,154,819
Operating grants & Contributions	215,577	248,242	--	--	215,577	248,242
Capital grants & Contributions	--	--	--	27,383	--	27,383
<b>General revenues:</b>						
Sales tax	3,581,122	3,593,729	--	--	3,581,122	3,593,729
Other taxes	1,103,280	802,242	--	--	1,103,280	802,242
Other general revenues	( 5,604)	35,590	115,843	114,878	110,239	150,468
<b>Total revenues</b>	<u>5,593,987</u>	<u>5,108,728</u>	<u>2,007,653</u>	<u>1,868,155</u>	<u>7,601,640</u>	<u>6,976,883</u>
<b>Expenses</b>						
General government	1,000,765	820,473	--	--	1,000,765	820,473
Public safety	2,305,760	2,231,019	--	--	2,305,760	2,231,019
Street	488,650	343,949	--	--	488,650	343,949
Cultural, recreation & Library	331,352	321,086	--	--	331,352	321,086
Utilities	--	--	2,039,585	2,121,211	2,039,585	2,121,211
<b>Total expenses</b>	<u>4,126,527</u>	<u>3,716,527</u>	<u>2,039,585</u>	<u>2,121,211</u>	<u>6,166,112</u>	<u>5,837,738</u>
<b>Increase in net position</b>	<u>\$ 1,467,460</u>	<u>\$ 1,392,201</u>	<u>\$( 31,932)</u>	<u>\$( 253,056)</u>	<u>\$ 1,435,528</u>	<u>\$ 1,139,145</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$1,467,460 for the current fiscal year, which is a 11.25% increase in Governmental Funds. This is approximately the same as the previous years increase.

**Business-type Activities.** Business-type activities decreased the City's net position by \$31,932 for the current fiscal year, accounting for a 0.16% decrease in the net position of the City and a 0.48% decrease in business-type activities.

## **FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS**

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported total fund balances of \$9,842,876 compared to \$8,330,849 for the prior year end. The \$1,512,027 increase is due primarily to a general increase in revenues of \$300,000, but with an overall slight increase in expenses. The previous year's increase was \$1,147,243.

### **General Fund**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved (designated and undesignated) fund balance of the General Fund was \$4,205,790 constituting 100% of the fund balance, which was \$910,827 or 27.64% more than the prior year's General Fund balance. Revenues increased by \$259,000 and expenses decreased by 81,000.

### **Fire Department Fund**

This fund is dedicated to collecting a .5 cent sales tax for construction and operation of the City's Fire Department. The fund balance increased \$19,712 as the City's General Fund transferred \$135,519 in the process of fully equipping the fire department.

### **PWA Operating and Maintenance Fund**

This fund is dedicated to collecting a .5 cent sales tax for construction, maintenance and operation of utility systems owned by the Catoosa PWA. All of the fund balance of \$4,051,818 is restricted for such usage. The fund balance increased by \$457,673, as the fund spent \$111,507 via transfer on maintenance and system additions for the PWA.

### **CDBG Fund**

This fund is used for occasional CDBG grants received by the City.

## GENERAL FUND BUDGETARY

The following Table 3 presents a summary analysis of the General Fund budget and actuals for the current fiscal year.

**TABLE 3**  
**CITY OF CATOOSA**  
**SUMMARY ANALYSIS OF GENERAL BUDGET**  
**FISCAL YEAR ENDING JUNE 30, 2014**

Category	Budgeted Amounts		Actual (Budget Basis)	Variance Positive (Negative)
	Adopted	Final		
Revenue				
Sales tax	\$ 1,982,021	\$ 1,982,021	\$ 2,169,650	\$ 187,629
All other taxes	719,292	719,292	936,971	217,679
All other revenues	508,439	508,439	580,623	72,184
Total revenues	<u>3,209,752</u>	<u>3,209,752</u>	<u>3,687,244</u>	<u>477,492</u>
Expenditures				
General government (1)	1,036,756	1,076,676	971,698	104,978
Public safety (2)	1,748,814	1,791,814	1,568,950	222,864
Street	662,932	580,012	471,040	108,972
Cultural and recreation services (3)	117,370	117,370	82,144	35,226
Emergency reserve	2,542,002	2,542,002	--	2,542,002
Total expenditures	<u>6,107,874</u>	<u>6,107,874</u>	<u>3,093,832</u>	<u>3,014,042</u>
Total excess (deficiency) of revenues over expenditures	(2,898,122)	(2,898,122)	593,412	3,491,534
Beginning fund balance	<u>2,898,122</u>	<u>2,898,122</u>	<u>2,898,122</u>	<u>--</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ --	\$ --	\$ 3,491,534	\$ 3,491,534

(1) Includes general government, City Clerk, Code Enforcement, Planning and Building Inspector

(2) Includes Municipal Court, Police, Ambulance and City Attorney

(3) Includes Parks, Senior Citizens and Museum

The basis of accounting for budgetary purposes for the General Fund is the modified accrual, i. e., revenues are recognized when received and expenses are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended. The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the City attempts to prepare a budget that will result in a small positive increase in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets as of June 30, 2014 and 2013 amounted to \$10,789,905 and \$10,795,871 respectively (net of accumulated depreciation) This investment, detailed in Table 4, in a broad range of capital assets includes structures and improvements, equipment, and construction in progress.

**TABLE 4**  
**CAPITAL ASSETS (NET OF DEPRECIATION)**  
**June 30, 2014 and 2013**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Storm water improvements	\$ --	\$ --	\$ 436,171	\$ 338,965	\$ 436,171	\$ 338,965
Land and easements	85,211	85,211	51,442	51,442	136,653	136,653
Buildings and real estate	1,861,734	1,916,818	--	--	1,861,734	1,916,818
Machinery and equipment	2,334,487	2,293,784	222,411	194,242	2,556,898	2,488,026
Infrastructure	746,534	760,993	--	--	746,534	760,993
Utility property	--	--	5,051,915	5,154,416	5,051,915	5,154,416
Capital assets, net	<u>\$5,027,966</u>	<u>\$5,056,806</u>	<u>\$5,761,939</u>	<u>\$5,739,065</u>	<u>\$10,789,905</u>	<u>\$10,795,871</u>

Some of the City's major capital assets events in the current fiscal year were:

- The asset additions in Government Activities of \$282,689 include equipment purchases for various funds.
- PWA additions amounted to \$220,641 for utility lines, \$116,476 for storm water improvements, \$49,920 for utility system improvements and \$54,245 for equipment.

## **ECONOMIC FACTORS AND NEW YEAR'S BUDGET**

The City's major governmental revenue, sales tax, increased from the prior year. This local economic trend generally mirrored the similar economic effects experienced at the national and state levels. City growth, as a suburb of Tulsa, has aided in increased revenues.

The long-term economic forecast for the City is quite good. Business and commercial and residential construction is increasing within the city limits. All of this should increase the City's revenue and allow the City to provide full and expanded services to its citizens in the future.

## **CONTACTING THE CITY'S FINANCE DEPARTMENT**

This managements' discussion and analysis is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions or need additional financial information, please contact the City of Catoosa at (918) 266-2505.

**CITY OF CATOOSA**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash & cash equivalents (Note 1)	\$ 8,967,726	\$ 427,820	\$ 9,395,546
Due from restricted	-	7,543	7,543
Due from other funds	25,480	-	25,480
Receivables:			
Accounts receivable	-	187,927	187,927
Fines receivable	130,812	-	130,812
Taxes	830,345	-	830,345
Noncurrent assets:			
Restricted assets:			
Cash and investments (Note 1)	-	462,831	462,831
Accounts receivable	-	18,868	18,868
Due from other funds	-	32,286	32,286
Due to general operations	-	(7,543)	(7,543)
<b>Capital assets:</b>			
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	5,027,966	5,761,939	10,789,905
<b>Total assets</b>	<u>14,982,329</u>	<u>6,891,671</u>	<u>21,874,000</u>
<b>Deferred outflows of resources:</b>			
<b>Total deferred outflows</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	34,146	110,723	144,869
Accrued compensated absences	123,139	7,760	130,899
Accrued payroll	69,337	6,620	75,957
Due to other funds	-	57,766	57,766
Notes payable (Note 2)	139,458	-	139,458
Non-current liabilities:			
Reserve for deposits	-	71,406	71,406
Notes payable (Note 2)	106,564	-	106,564
<b>Total liabilities</b>	<u>472,644</u>	<u>254,275</u>	<u>726,919</u>
<b>Deferred inflows of resources:</b>			
<b>Total deferred inflows</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position:</b>			
Invested in capital assets, net of related debt	4,781,944	5,761,939	10,543,883
Restricted	5,327,865	435,035	5,762,900
Unrestricted	4,399,876	440,422	4,840,298
<b>Total net position</b>	<u>\$ 14,509,685</u>	<u>\$ 6,637,396</u>	<u>\$ 21,147,081</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF CATOOSA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government	\$ 1,000,765	\$ 113,546	\$ 31,642	\$ -	\$ (855,577)
Public safety and judiciary	2,305,760	576,830	175,911	-	(1,553,019)
Highway, roads & airport	488,650	-	-	-	(488,650)
Cultural, parks & recreation	331,352	9,236	8,024	-	(314,092)
<b>Total governmental activities</b>	<b>4,126,527</b>	<b>699,612</b>	<b>215,577</b>	<b>-</b>	<b>(3,211,338)</b>
<b>Business-type activities</b>					
Water service	682,605	552,594	-	-	(130,011)
Sewer service	1,302,286	1,254,313	-	-	(47,973)
Storm water	54,694	84,903	-	-	30,209
<b>Total business-type activities</b>	<b>2,039,585</b>	<b>1,891,810</b>	<b>-</b>	<b>-</b>	<b>(147,775)</b>
<b>Total</b>	<b>\$ 6,166,112</b>	<b>\$ 2,591,422</b>	<b>\$ 215,577</b>	<b>\$ -</b>	<b>\$ (3,359,113)</b>

	Net (Expense) Revenue and Changes in Position		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	(3,211,338)	(147,775)	(3,359,113)
<b>General revenues:</b>			
Taxes:			
Sales tax	3,581,122	-	3,581,122
Use tax	417,510	-	417,510
Cigarette tax	41,962	-	41,962
Alcohol beverage tax	42,021	-	42,021
Hotel/motel tax	242,748	-	242,748
Gasoline tax	13,046	-	13,046
Motor vehicle tax	55,057	-	55,057
Franchise taxes	290,936	-	290,936
Investment income	51,213	4,077	55,290
Miscellaneous revenue	54,690	259	54,949
Transfers	(111,507)	111,507	-
<b>Total general revenues and transfers</b>	<b>4,678,798</b>	<b>115,843</b>	<b>4,794,641</b>
<b>Change in net position</b>	<b>1,467,460</b>	<b>(31,932)</b>	<b>1,435,528</b>
<b>Net position - beginning of year</b>	<b>13,042,225</b>	<b>6,669,328</b>	<b>19,711,553</b>
<b>Net position - end of year</b>	<b>\$ 14,509,685</b>	<b>\$ 6,637,396</b>	<b>\$ 21,147,081</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF CATOOSA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	General Fund	CDBG Fund	Fire Department Funds	Recreation Center Funds	PWA Operation & Maintenance Funds	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>							
Cash and Investments:							
Cash & cash equivalents (Note 1)	\$ 3,256,595	\$ 42,478	\$ 473,676	\$ 830,842	\$ 3,967,408	\$ 396,727	\$ 8,967,226
Taxes receivable	591,448	-	95,559	47,779	95,559	-	830,345
Fines receivable	122,808	-	-	-	-	-	122,808
Due from other funds	321,940	-	-	-	-	-	321,940
<b>Total assets</b>	<b>\$ 4,292,791</b>	<b>\$ 42,478</b>	<b>\$ 569,235</b>	<b>\$ 878,621</b>	<b>\$ 4,062,967</b>	<b>\$ 396,727</b>	<b>\$ 10,242,819</b>
<b>Liabilities:</b>							
Accounts payable	\$ 32,707	\$ -	\$ 417	\$ 24	\$ -	\$ 998	\$ 34,146
Accrued payroll	54,294	-	11,004	4,039	-	-	69,337
Due to other funds	-	42,478	172,709	53,867	11,149	16,257	296,460
<b>Total liabilities</b>	<b>87,001</b>	<b>42,478</b>	<b>184,130</b>	<b>57,930</b>	<b>11,149</b>	<b>17,255</b>	<b>399,943</b>
<b>Fund balance:</b>							
<b>Restricted for:</b>							
Debt service	-	-	246,022	-	-	-	246,022
Other purposes	-	-	139,083	820,691	4,051,818	70,251	5,081,843
<b>Assigned to:</b>							
Other purposes	-	-	-	-	-	309,221	309,221
Unassigned	4,205,790	-	-	-	-	-	4,205,790
<b>Total fund balance</b>	<b>4,205,790</b>	<b>-</b>	<b>385,105</b>	<b>820,691</b>	<b>4,051,818</b>	<b>379,472</b>	<b>9,842,876</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,292,791</b>	<b>\$ 42,478</b>	<b>\$ 569,235</b>	<b>\$ 878,621</b>	<b>\$ 4,062,967</b>	<b>\$ 396,727</b>	<b>\$ 10,242,819</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF CATOOSA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT**  
**OF NET POSITION**  
**June 30, 2014**

<b>Total Fund Balances - Total Governmental Funds</b>	\$ 9,842,876
Amounts reported for governmental activities in the statement of net assets are different because:	
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in governmental funds: Fines and forfeitures	8,004
Accrued compensated absences payable	(123,139)
Long term note payable	(246,022)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Depreciable buildings, property & equipment, net of depreciation	<u>5,027,966</u>
<b>Net assets of governmental activities</b>	<b>\$ <u>14,509,685</u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF CATOOSA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	General Fund	CDBG Fund	Fire Department Funds	Recreation Center Funds	PWA Operation & Maintenance Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Sales Tax	\$ 2,203,767	\$ -	\$ 550,942	\$ 275,471	\$ 550,942	\$ -	\$ 3,581,122
Other Taxes	812,344	-	-	-	-	-	812,344
Licenses and permits	113,546	-	-	-	-	-	113,546
Franchise fees	290,936	-	-	-	-	-	290,936
Interest	27,200	-	1,401	2,714	18,236	1,660	51,213
Fees and services	-	-	350	4,530	-	3,000	7,880
Fines and forfeitures	410,400	-	-	-	-	158,076	568,476
Miscellaneous revenue	35,470	-	25	3,051	-	16,144	54,690
Grants and donations	110,996	-	66,567	-	-	19,720	217,283
<b>Total revenues</b>	<b>4,004,659</b>	<b>-</b>	<b>639,285</b>	<b>285,766</b>	<b>569,180</b>	<b>198,600</b>	<b>5,687,490</b>
<b>Expenditures:</b>							
Current:							
General government	828,405	-	-	-	-	12,893	841,298
Public safety & Judiciary	1,485,665	-	581,810	-	-	34,013	2,101,488
Highways and roads	453,396	-	-	-	-	-	453,396
Cultural and recreational	82,144	-	-	168,247	-	15,206	285,597
Cemetery	-	-	-	-	-	348	348
Debt service	1,621	-	135,519	-	-	-	137,140
Capital outlay	102,682	-	37,763	28,695	-	85,649	254,689
<b>Total expenditures</b>	<b>2,953,813</b>	<b>-</b>	<b>755,092</b>	<b>216,942</b>	<b>-</b>	<b>148,109</b>	<b>4,073,956</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,050,846</b>	<b>-</b>	<b>(115,807)</b>	<b>68,824</b>	<b>569,180</b>	<b>50,491</b>	<b>1,623,534</b>
<b>Other financing uses:</b>							
Transfers in	-	-	135,519	-	-	4,500	140,019
Transfers out	(140,019)	-	-	-	(111,507)	-	(251,526)
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>910,827</b>	<b>-</b>	<b>19,712</b>	<b>68,824</b>	<b>457,673</b>	<b>54,991</b>	<b>1,512,027</b>
<b>Fund balance - beginning of year</b>	<b>3,294,963</b>	<b>-</b>	<b>365,393</b>	<b>751,667</b>	<b>3,594,145</b>	<b>324,461</b>	<b>8,330,649</b>
<b>Fund balance - end of year</b>	<b>\$ 4,205,790</b>	<b>\$ -</b>	<b>\$ 385,105</b>	<b>\$ 820,691</b>	<b>\$ 4,051,818</b>	<b>\$ 379,472</b>	<b>\$ 9,842,676</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF CATOOSA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2014**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,512,027</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the statement of activities that do not provide current financial resources (are not collected within 60 days) are deferred in the governmental funds. Therefore, the recognition of revenue differs between the two statements. The following represents the net change in deferred revenue for: Fines and forfeitures	8,004
Governmental Funds report note payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.	127,408
Governmental Funds report loan proceeds as income. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the loan proceeds is applied as a liability. This is the amount of loan proceeds recorded in the current period.	(28,000)
Government-Wide Statement of Activities and Changes in Net Assets report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.	(123,139)
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(311,529)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	<u>282,689</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u><u>1,467,460</u></u></b>

The accompanying notes are an integral part of the basic financial statements.

CITY OF CATOOSA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014

Business-type Activities - Enterprise Funds

	<u>Municipal Authority</u>
<b>Assets:</b>	
Current assets:	
Cash & cash equivalents (Note 1)	\$ 427,820
Due from restricted	7,543
Accounts receivables	187,927
Noncurrent assets:	
Restricted:	
Cash & cash equivalents (Note 1)	462,831
Due to general operations	(7,543)
Due from other funds	32,286
Accounts receivables	18,868
<b>Capital assets:</b>	
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	5,761,939
<b>Total assets</b>	\$ 6,891,671
 <b>Deferred outflows of resources:</b>	
<b>Total deferred outflows</b>	-
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 110,723
Accrued compensated absences	7,760
Accrued payroll	6,620
Due to other funds	57,766
Non-current liabilities:	
Reserve for depositors	71,406
<b>Total liabilities</b>	254,275
 <b>Deferred inflows of resources:</b>	
<b>Total deferred inflows</b>	-
 <b>Net position:</b>	
Invested in capital assets, net of related debt	5,761,939
Restricted	435,035
Unrestricted	440,422
<b>Total net position</b>	\$ 6,637,396

The accompanying notes are an integral part of the basic financial statements.

CITY OF CATOOSA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

Business-type Activities - Enterprise Funds

	Municipal Authority
<b>Revenues:</b>	
Utility charges	\$ 1,891,810
Miscellaneous revenue	259
	1,892,069
<b>Operating expenses:</b>	
General and administrative	15,229
Purchased utilities	1,278,318
Personnel services	386,588
Plant and distribution expense	161,504
Other	179
Depreciation expense	197,767
	2,039,585
<b>Income before non-operating revenues, expenses &amp; transfers</b>	(147,516)
<b>Non-operating revenues (expenses):</b>	
Investment income	4,077
	4,077
<b>Income (loss) before operating transfers</b>	(143,439)
<b>Transfers in (out)</b>	111,507
<b>Change in net position</b>	(31,932)
<b>Net position at beginning of year</b>	6,669,328
<b>Net position at end of year</b>	\$ 6,637,396

The accompanying notes are an integral part of the basic financial statements.

**CITY OF CATOOSA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2014  
**Business-type Activities - Enterprise Funds**

	<u>Municipal Authority</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers & service users	\$ 1,862,298
Cash payments for goods & services	(1,350,703)
Cash payments to employees and benefits	(380,738)
Other operating revenues	259
Receipts over refunds of customer meter deposits	1,659
<b>Net cash provided by operating activities</b>	<u>132,775</u>
 <b>Cash flows from capital and related financing activities:</b>	
Acquisition & construction of capital assets	(220,641)
Capital grant revenues and receipts	56,474
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(164,167)</u>
 <b>Cash flows from investing activities:</b>	
Interest on investments	4,077
<b>Net cash provided by investing activities</b>	<u>4,077</u>
 <b>Net increase (decrease) in cash &amp; cash equivalents</b>	(27,315)
 <b>Cash and cash equivalents - beginning of year</b>	<u>917,966</u>
 <b>Cash and cash equivalents - end of year</b>	<u>\$ 890,651</u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ (147,516)
 <b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	197,767
Expenses paid by other city fund	111,507
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(29,512)
Increase (decrease) in due to other funds	77,652
Increase (decrease) in reserve for depositors	1,659
Increase (decrease) in accounts payable and accrued expenses	(78,782)
<b>Total adjustments</b>	<u>280,291</u>
 <b>Net cash provided by operating activities</b>	<u>\$ 132,775</u>

The accompanying notes are an integral part of the basic financial statements.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Catoosa was created in 1902 and operates under a Council-Manager form of government. The City's major operations include public safety, (Police and Fire), recreation, parks and library, provision and maintenance of streets and drainage, utility service (water and sewer), and general administrative services. In addition, the City exercises sufficient control over other governmental agencies that are included as part of the City's reporting entity.

The financial statements of the City of Catoosa have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below:

**A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity comprises the following:

Primary Government:	City of Catoosa
Blended Component Unit:	Catoosa Public Works Authority

In determining the financial reporting entity, The City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Unit*

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

The Catoosa Public Works Authority was created in 1965 and operates as a public trust. On January 19, 1965, the City of Catoosa, Oklahoma accepted beneficial interest in the trust pursuant to resolution. The Authority's major operations consist of providing water and sewage disposal and storm water management to the citizens of the City of Catoosa, Oklahoma. The trustees of the Authority consist of the acting members of the governing body of the City of Catoosa.

### *Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

### *Other Component Units*

In 1976, the Catoosa Economic Development Authority (CEDA) was created by Trust Indenture for the benefit of the City of Catoosa, Oklahoma. The Authority was established to serve all citizens of the City. There are currently no assets or liabilities of CEDA and there were no activities during the year.

## **B. BASIS OF PRESENTATION**

### *Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

## **Governmental Funds**

### *General Fund*

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounting for in other funds.

### *Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

### *Capital Project Funds*

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. These funds generally receive grant money that requires separate bank accounts, and thus separate funds are established to account for grant activity.

### *Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by other funds. Although not anticipated, the City may assess a property tax if such sales tax is insufficient.

## **Proprietary Fund**

### *Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Catoosa Public Works Authority is the only enterprise fund.

## **Major and Non major Funds**

The funds are further classified as major or non major as follows:

<b>Fund</b>	<b>Brief Description</b>
<b>Major:</b>	
General	See above for description

PWA Operation and Maintenance	Primarily used for the construction of utility related assets. Funds can also be used for operation and maintenance of the Authority's systems.
CDBG Grant Fund	Received grant money for projects.
Special Revenue Funds Fire Department	Primary funding for Fire Department with a .5 cent sales tax as its revenue source.
Recreational Services Fund	A .25 cent sales tax is used to fund the operation of the City's Library, Community Center, and park and recreation improvements or amenities.
Proprietary Fund: Catoosa Public Works Authority	Accounts for activities of providing water and wastewater, services to the public. See below for pertinent information pertaining to this fund including the dedication of revenues.
<b>Non major:</b>	
Special Revenue Funds: Special Events	Accounts for revenues and expenditures related to Catoosa's annual Fourth of July celebration.
Cemetery	Accounts for cemetery revenue restricted by State law for cemetery capital improvements.
Technology Fund	Fees collected with police fines to be used to purchase computers and related technology equipment.
A & D Fund	Fees collected with police fines to be used for drug and alcohol enforcement.
Police training	Accounts for police fine revenues and expenditures dedicated to provide for Police Department training and related supplies and equipment
Fire Department Special	Grants revenues and collected fees associated with the Fire Department are accounted for in this fund, along with associated Fire Department expenditures.
Retirement	Former Police Chief pension funds
Library Contribution Fund	Accounts for donations and grants received by the library.

## C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the government-wide Statement of Net Position and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Licenses and permits, franchise fees, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. Sales and other taxes and investment earnings are recorded when earned (when they are measurable and available). Specifically, taxes received in July following the end of the year are reflected as income in June, as such funds were in the possession of other governmental units awaiting distribution to the City. Grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt services, prepaid expenses, and other long-term obligations which are recognized when paid.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

### **Budget Basis of Accounting**

Formal budgetary accounting is employed as a management control for the governmental funds of the City. An annual operating budget is adopted each fiscal year for the general fund. The basis of accounting for budgetary purposes is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next

fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

## **D. ASSETS, LIABILITIES, AND EQUITY**

### **Cash and Investments**

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposit of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit.

Additional cash and investment disclosures are presented in Notes 2B and 3A.

### **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." See Note 3I for details of interfund transactions, including receivables and payables at year end.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Fair Value of Financial Instruments**

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

### **Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The General Fund and Catoosa Public Works Authority are the only funds that have receivables that are essentially subject to bad debts. An allowance for uncollectible accounts

has not been established, as is more fully explained in Note 3C. Such receivables consist of fines charged and utility charges to customers.

### **Inventories**

Inventories in governmental funds and other funds normally consist of minimal amounts of expendable supplies held for consumption. The cost of such inventories is recorded as expenditures when purchased rather than when consumed.

### **Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

#### *Government-wide statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The City maintains a capitalization threshold of \$1,000.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 - 50 years
Machinery and Equipment	3 - 20 years
Utility System	25 - 50 years

#### *Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

### **Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.

## **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. No more than 520 hours of vacation time can be carried over to the following year. Vacation leave which is unused and vested to the employee is payable upon separation of employment, which have been accrued. Employees are granted sick leave at the rate of 8 hours per month. Unused sick leave is not payable to an employee upon separation of employment; therefore, there is no liability for unpaid accumulated sick leave.

## **Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consist primarily of customer meter deposits, lease purchase of a fire truck, and vehicles.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

## **Equity Classifications**

### *Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement 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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

The Catoosa Public Works Authority requires meter deposits for utility services. Such deposits are retained until services are discontinued. At that time, the deposits are applied first to any outstanding balances owed by the customers and the excess, if any, is refunded. No interest is paid on the deposits.

- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### *Fund Statements*

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non spendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Proprietary fund equity is classified the same as in the government-wide statements. See Note 3H for additional disclosures.

### **Resource Use Policy**

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

## E. REVENUES, EXPENDITURES, AND EXPENSES

### Sales Tax

The City levies a 3.25 cent sales tax. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is allocated to the various funds by ordinance:

General Fund	2.00 cent
Public Works Authority	.50 cent
Fire Department	.50 cent
Recreation Services Fund	<u>.25 cent</u>
	<u>3.25 cent</u>

### Use Tax

The City levies a 3.25 cent use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund.

### Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

### Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

## **Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

## **2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City of Catoosa's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

### **A. FUND ACCOUNTING REQUIREMENTS**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<b>Fund</b>	<b>Required By</b>
Cemetery Fund	State Law
Public Works Authority	Trust Indenture

### **B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As required by 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.

### **C. REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<b>Revenue Source</b>	<b>Legal Restrictions of Use</b>
Sales Tax	See Notes 1.E. and 3.J.
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
E-911 revenue	E-911 Emergency Services Purposes
Water, Sewer and Storm water Revenue	Utility Operations
Cemetery Revenue	Cemetery Capital Improvements

For the year ended June 30, 2014, the City complied, in all material respects, with these revenue restrictions.

## **D. DEBT RESTRICTIONS AND COVENANTS**

### **General Obligation Debt**

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2014, the City has no general obligation debt.

### **Other Long-term Debt**

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2014, the City incurred no such indebtedness.

## **E. FUND EQUITY RESTRICTIONS**

### **Deficit Prohibition**

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City of Catoosa complied with this statute in all material respects for the year ended June 30, 2014.

## **3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### **A. CASH AND INVESTMENTS**

#### **Deposits**

##### *Custodial Credit Risk*

The City's policies regarding deposits of cash are discussed in Note 1D. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2014. The categories of credit risk are defined as follows:

Category 1 - Insured by Federal Depository Insurance (FDIC) or collateralized with securities held by the City (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3 - Uninsured and uncollateralized; or 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 with no written or approved collateral agreement.

Type of Deposits	Total Bank Balance	Custody 1	Credit Risk 2	Category 3	Total Carrying Value
Demand deposits	<u>\$10,465,445</u>	<u>\$ 500,000</u>	<u>\$ --</u>	<u>\$ 9,965,445</u>	<u>\$ 9,858,377</u>
Time deposits					
Total Deposits					
Reconciliation to Government-wide Statement of Net Position:					
Unrestricted cash, including time deposits					\$ 9,395,546
Restricted cash, including time deposits					<u>462,831</u>
					<b>\$ 9,858,377</b>

At June 30, 2014, the City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or its agent in the City's name.

#### *Investment Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### *Investment Credit Risk*

The City has no policy that limits its investment choices other than the limitation of state law as follows:

- 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, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

**B. RESTRICTED ASSETS**

Restricted assets consist of cash, certificates of deposit, and account receivable, reserved as follows:

Customer meter deposits - reflected as a long-term liability on the balance sheet	\$ 71,406
Less: Due to general operations	<u>( 7,543)</u>
	63,863
Reserve for storm water management - reflected as a reservation of retained earnings on the balance sheet	
Cash	383,881
Grant receivable	18,868
Due from other funds	<u>32,286</u>
	<u>435,035</u>
	<u>\$ 498,898</u>
Total restricted assets	
Cash	\$ 455,287
Accounts receivable	18,868
Due from other funds	32,286
Payable from restricted assets	<u>( 7,543)</u>
	<u>\$ 498,898</u>

**C. ACCOUNTS RECEIVABLE**

Accounts receivable of the Catoosa Public Works Authority are reported at their gross value without an allowance for doubtful accounts. All accounts have utility deposits with the Authority which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible. Accordingly, no allowance for uncollectible accounts has been established. There were no bad debts expensed for the year.

**D. CAPITAL ASSETS**

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

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2014</u>
Governmental activities:				
Land	\$ 85,211	\$ --	\$ --	\$ 85,211
Buildings	2,699,955	--	--	2,699,955

Machinery and equipment	4,470,702	282,689	--	4,753,391
Infrastructure	<u>791,824</u>	<u>--</u>	<u>--</u>	<u>791,824</u>
Totals at historical cost	<u>8,047,692</u>	<u>282,689</u>	<u>--</u>	<u>8,330,381</u>
Less accumulated depreciation				
Buildings	( 783,137)	( 55,084)	--	( 838,221)
Machinery and equipment	(2,176,918)	( 241,986)	--	(2,418,904)
Infrastructure	<u>( 30,831)</u>	<u>( 14,459)</u>	<u>--</u>	<u>( 45,290)</u>
Total accumulated depreciation	<u>(2,990,886)</u>	<u>( 311,529)</u>	<u>--</u>	<u>( 3,302,415)</u>
Governmental activities capital assets, net	<u>\$ 5,056,806</u>	<u>\$( 28,840)</u>	<u>\$ --</u>	<u>\$ 5,027,966</u>
Business-type activities:				
Land and easements	\$ 51,442	\$ --	\$ --	\$ 51,442
Storm water improvements	384,052	116,476	--	500,528
Machinery and equipment	533,638	54,245	--	587,883
Utility property	<u>7,516,981</u>	<u>49,920</u>	<u>--</u>	<u>7,566,901</u>
Totals at historical cost	<u>8,486,113</u>	<u>220,641</u>	<u>--</u>	<u>8,706,754</u>
Less accumulated depreciation:				
Storm water improvement	( 45,087)	( 19,270)	--	( 64,357)
Machinery and equipment	( 339,396)	( 26,076)	--	( 365,472)
Utility property	<u>(2,362,565)</u>	<u>( 152,421)</u>	<u>--</u>	<u>(2,514,986)</u>
Total accumulated depreciation	<u>(2,747,048)</u>	<u>( 197,767)</u>	<u>--</u>	<u>(2,944,815)</u>
Business-type capital assets, net	<u>\$ 5,739,065</u>	<u>\$ 22,874</u>	<u>\$ --</u>	<u>\$ 5,761,939</u>

\* Depreciation expense was charged to governmental activities as follows:

General government:	
City Clerk	\$ 3,317
Code enforcement	330
General government	31,519
Building inspector	583
Planning	<u>459</u>
Total general government	<u>36,208</u>
Public safety and judiciary:	
Police	68,216
Fire	124,055
Animal control	883
Municipal court	1,162
Emergency management	<u>344</u>
Total public safety and judiciary	<u>194,660</u>
Transportation:	
Streets	<u>35,254</u>

Total transportation	<u>35,254</u>
Cemetery	<u>243</u>
Cultural, parks and recreation:	
Library	26,538
Parks	4,389
Museum	13,305
Other recreation	<u>932</u>
Total cultural, parks and recreation	<u>45,164</u>
Total depreciation expense	<u>\$ 311,529</u>

The City has not capitalized assets under \$1,000 or library books, most of which would be under \$1,000.

#### E. ACCOUNTS PAYABLE

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll and accrued compensated absences.

#### F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

##### Governmental Activities

The following is a summary of the City's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2014:

Debt outstanding, July 1, 2013	\$ 345,430	
Issued	28,000	
Retirements	<u>( 127,408)</u>	
Debt outstanding June 30, 2014	<u>\$ 246,022</u>	
	<u>Total</u>	<u>Due Within One Year</u>

Notes payable at June 30, 2014 for the City of Catoosa consists of the following, all of which are from the Fire Department:

Lease/purchase option on City Manager vehicle in monthly installments of \$810.37, including 2.64% interest in the original amount of \$28,000	\$ 26,499	\$ 9,144
--	-----------	----------

Lease/purchase option on fire truck in monthly installments of \$11,293.21 including 3.25% interest in the original amount of \$823,849	<u>219,523</u>	<u>130,314</u>
	\$ 246,022	139,458
Less: current portion	<u>139,458</u>	
Long term portion	<u>\$ 106,564</u>	

Long-term debt maturities for each of the next three years and until maturity:

June 30, 2015	\$139,458
June 30, 2016	\$ 98,589
June 30, 2017	\$ 7,975

#### Business-Type Activities

Long-term debt of the Catoosa Public Works Authority consists of customer meter deposits.

Cash has been reserved in an amount equal to customer meter deposits, which are refundable only when services are terminated. This liability is not interest bearing.

#### G. DUE TO/FROM OTHER FUNDS - OPERATING AND CAPITAL TRANSFERS

As of June 30, 2014, interfund receivables and payables which resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$321,940	\$ --
Police Training Fund	--	6,513
Cemetery Fund	--	75
CDBG Grant Fund	--	42,478
Fire Department	--	172,709
Recreational Services	--	53,867
Technology Fund	--	2,446
Fire Department Special Fund	--	3,700
Library Contribution Fund	--	3,523
PWA Operation and Maintenance Fund	--	11,149
Catoosa PWA	<u>--</u>	<u>25,480</u>
	<u>\$321,940</u>	<u>\$321,940</u>

Operating transfers during the year consisted of the following:

	<u>From</u>		<u>To</u>	
	<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
Sanitary Sewer Lines/ System Maintenance	PWA O & M Fund	\$111,507	Catoosa PWA	\$111,507
Centennial Clock/ Hometown Halloween	General Fund	4,500	Special Events	4,500
Purchase and payments of fire trucks for Fire Department	General Fund	<u>135,519</u>	Fire Department	<u>135,519</u>
		<u>\$251,526</u>		<u>\$251,526</u>

## H. FUND EQUITY

Reservations of retained earnings of the Catoosa Public Works Authority were created to allocate funds for storm water management, as indicated below.

**Reserved for Storm Water Management** - This reserve is funded by a charge assessed to each water and sewer customer. The Authority is utilizing such revenues to fund improvements to storm water drainage system in the City of Catoosa. The activity in this reserve account is summarized as follows:

Balance - July 1, 2013	<u>\$ 500,747</u>
Additions	
Storm water management fees	84,903
Interest income applicable to reserve balance	<u>1,284</u>
	<u>86,187</u>
Subtractions	
Equipment, maintenance and system additions paid for from reserves	<u>151,899</u>
	<u>151,899</u>
Balance - June 30, 2014	<u>\$ 435,035</u>

## I. NET POSITION

The fund balances at June 30, 2014 consist of:

	<u>Unassigned</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
General Fund	\$4,205,790	\$ --	\$ --	\$ --	\$4,205,790
Fire Department	--	385,105	--	--	385,105
PWA Operation & Maintenance	--	4,051,818	--	--	4,051,818
Cemetery Operations	--	42,992	--	--	42,992

Police Training	--	--	--	34,336	34,336
Special Events	--	--	--	20	20
Fire Department Special Retirement Fund	--	15,732	--	--	15,732
Library Contribution	--	11,527	--	--	11,527
Recreational Services	--	820,691	--	--	820,691
Enhanced 911	--	--	--	18,755	18,755
Technology Fund	--	--	--	103,513	103,513
A & D Fund	--	--	--	18,837	18,837
	<u>\$4,205,790</u>	<u>\$5,327,865</u>	<u>\$ --</u>	<u>\$ 309,221</u>	<u>\$9,842,876</u>

## OTHER NOTES

### A. Employee Pension

#### The Oklahoma Firefighters Pension and Retirement System (OFPRS)

##### Plan Description:

All firemen, both full time employees and volunteers, of the City of Catoosa, Oklahoma are covered by the Oklahoma Firefighters Pension and Retirement System, which is a cost-sharing multiple-employer PERS

All firemen, except those under 18 years of age and an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65 are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the City or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50. The benefit for full-time fireman is 2.5% of the average of the final 30 months salary times the years of service, with a maximum of 30 years. The benefit for volunteer fireman is \$5.33 per month times the years of service, with a maximum of 30 years.

Pension provisions include deferred allowances whereby a firefighter may terminate with the City after accumulating 10 years of service but not before reaching the age of 50. The firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he would have completed 20 years of service, whichever is later. Pension provisions include death and disability benefits, whereby the disabled firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.

The City's current-year covered payroll and its total current-year payroll for full-time employees is \$254,583. Contributions and benefits for volunteer firemen are not based on payroll.

##### Contributions Required and Made:

The City's contribution to the plan is 13.0% of the salaries for full-time firemen and an annual contribution of \$60 for each volunteer fireman. The full-time firemen contribute

8% of their salaries. Volunteer firemen do not make contributions to the plan. \$1,200 for 20 volunteers was paid.

Total contributions made during fiscal year 2014 amounted to \$56,814, of which \$34,874 was made by the City and \$21,940 was made by firefighters. Total contributions are allocated between the Municipality and the state. The contribution amounts for municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State. The contribution from the City for this plan was \$30,404 in 2013 and \$24,219 in 2012.

#### Funding Status and Progress:

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of July 1, 2013, was as follows:

Total pension benefit obligations	\$3,081,900,000
Net position available for pension benefits, at market	<u>1,811,700,000</u>
Unfunded pension benefit obligation	<u>\$1,270,200,000</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2013. Net position available to pay pension benefits were valued as of the same date.

The City's 2013 required contribution to the State PERS represents .006% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

#### Related Party Investments

During the fiscal year and as of June 30, 2014, the Oklahoma Firefighter Pension and Retirement System held no securities issued by the City of other related parties.

## Oklahoma Police Pension and Retirement System (OPPRS)

### Plan Description:

All policemen of the City of Catoosa, Oklahoma are covered by the Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer PERS.

All policemen are covered except those less than 21 years of age or over 35 years of age when accepted for initial membership. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Upon completion of 20 years of credited service, a member is eligible for a normal retirement benefit payable immediately for life. The amount of the benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of service considered. Final average salary means the average base salary of an officer over the highest 30 consecutive months of the last 60 months of credited service.

Prior to completion of 10 years of service, a member receives a refund of contributions without interest. A member with 10 or more years of credited service, but not eligible for the normal retirement benefit, is eligible for a deferred vested benefit payable at the later of the date the member would have had 20 years of service or attained age 50. The amount of the deferred vested benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service.

Disability and death benefits differ based upon whether the death or disability resulted in the line of duty or not. If in the line of duty, a benefit is payable immediately equal to the greater of 2 1/2% of the final average salary times the years of credited service (maximum 30 years), and 50% of the final average salary. If not in the line of duty, a benefit is payable for a member who has completed 10 or more years of service equal to 2 1/2% of the final average salary times the years of credited service (maximum of 30 years). Additionally, upon the death of an active or retired member, the beneficiary shall receive a lump-sum of \$4,000. The City's covered payroll for the current year is \$579,979.

### Contributions Required and Made:

The City's contribution to the plan is 13.0% of the covered payroll. Additionally, the policemen contribute 8% of their salaries.

Total contributions made in the current year amounted to \$121,795, of which \$75,397 was made by the City and \$46,398 made by the policemen. Total contributions are allocated between the Municipalities and the State. The contribution amounts for the Municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State. The contribution from the City for this plan was \$70,215 in 2013 and \$63,088 in 2012.

Funding Status and Progress:

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present values of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of June 30, 2014, was as follows:

Total pension benefit obligations	\$2,204,800,000
Net position available for pension benefits, at market	<u>2,086,300,000</u>
Unfunded pension benefit obligation	<u>\$ 118,500,000</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2013. Net position available to pay pension benefits were valued as of the same date.

The City's current year required contribution to the State PERS represents .461% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

Related Party Investments:

During the fiscal year and as of June 30, 2014, the Oklahoma Police Pension and Retirement System held no securities issued by the City of other related parties.

City of Catoosa Employee Pension Plan

The City has adopted a Code Section 457 Retirement Plan for all city employees not covered by other plans. Under this plan, which is a defined contributions plan, the employees may elect to contribute up to the lesser of \$7,500 or 25% of compensation annually. The employer contributes 12% of covered payroll annually. Employees have a 100% nonforfeitable interest in their contributions. The vesting schedule for City contributions to the plan is 0% to 6 years of service and 100% after 7 years. However, employees are fully vested at age 65 or upon death or disability regardless of the number of years of service. The contributions to the plan by employees and the City were \$46,879 and \$44,672 respectively in 2014. The contribution from the City for this plan was \$42,598 in 2013 and \$55,305 in 2012.

## Other Post-Employment Benefits

*Plan Description:* The City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2014, no retired employees are receiving benefits under this plan.

*Funding Policy:* The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier.

There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

*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. 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 not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2014 since no one is participating at this time.

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.

*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.

## **B. 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; and natural disasters. The City manages these various risks through the purchase of commercial insurance with varying deductibles. These deductibles are well below materiality levels for the City. During the last three years no claim has been settled for amounts in excess of insurance coverage.

## **C. Contingent Liabilities**

The City is a defendant in ongoing litigation and various legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the City. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the City.

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

## **D. Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

The Catoosa Economic Development Authority has approved the issue of Tax Apportionment Notes which have been issued in August of 2014.

**CITY OF CATOOSA**  
**Catoosa, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2014**

**CITY OF CATOOSA, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BUDGETARY BASIS)  
AND ACTUAL GOVERNMENTAL FUNDS  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Beginning budgetary fund balance	\$ 2,898,122	\$ 2,898,122	\$ 2,898,122	\$ --
Resources (inflows)				
Taxes				
Gas tax	11,993	11,993	12,982	989
Cigarette tax	40,161	40,161	41,649	1,488
Franchise taxes	222,656	222,656	259,384	36,728
Use tax	207,076	207,076	306,013	98,937
Sales tax	1,982,021	1,982,021	2,169,650	187,629
Motel tax	<u>154,638</u>	<u>154,638</u>	<u>219,662</u>	<u>65,024</u>
Total taxes	<u>2,618,545</u>	<u>2,618,545</u>	<u>3,009,340</u>	<u>390,795</u>
Intergovernmental				
Motor vehicle tax	46,289	46,289	55,120	8,831
Alcoholic beverage tax	36,479	36,479	42,161	5,682
Grants and donations	<u>95,894</u>	<u>95,894</u>	<u>97,972</u>	<u>2,078</u>
Total intergovernmental	<u>178,662</u>	<u>178,662</u>	<u>195,253</u>	<u>16,591</u>
Fines and forfeitures				
Police fines	<u>261,567</u>	<u>261,567</u>	<u>287,342</u>	<u>25,775</u>
Total fines and forfeitures	<u>261,567</u>	<u>261,567</u>	<u>287,342</u>	<u>25,775</u>
Licenses and permits				
Various licenses	<u>41,689</u>	<u>41,689</u>	<u>113,546</u>	<u>71,857</u>
Total licenses and permits	<u>41,689</u>	<u>41,689</u>	<u>113,546</u>	<u>71,857</u>
Investment income	<u>25,348</u>	<u>25,348</u>	<u>30,351</u>	<u>5,003</u>
Other income				
Rentals	--	--	10,513	10,513
E-911 fees	4,218	4,218	5,820	1,602
Miscellaneous	<u>79,723</u>	<u>79,723</u>	<u>35,079</u>	<u>( 44,644)</u>
Total other income	<u>83,941</u>	<u>83,941</u>	<u>51,412</u>	<u>( 32,529)</u>
Amounts available for appropriation	<u>6,107,874</u>	<u>6,107,874</u>	<u>6,585,366</u>	<u>477,492</u>

**CITY OF CATOOSA, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BUDGETARY BASIS)  
AND ACTUAL GOVERNMENTAL FUNDS  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Charges to appropriations (outflows)				
General government				
Personal services	413,199	433,199	444,689	( 11,490)
Maintenance and operation	144,850	163,350	188,471	( 25,121)
Capital outlay	145,519	145,519	143,046	2,473
Total General Government	<u>703,568</u>	<u>742,068</u>	<u>776,206</u>	<u>( 34,138)</u>
City Clerk				
Personal services	68,134	68,134	52,154	15,980
Maintenance and operation	13,400	13,400	7,280	6,120
Capital outlay	2,000	2,000	--	2,000
Total City Clerk	<u>83,534</u>	<u>83,534</u>	<u>59,434</u>	<u>24,100</u>
Code Enforcement				
Personal services	61,768	61,768	62,211	( 443)
Maintenance and operation	750	1,900	1,733	167
Capital outlay	1,000	1,270	1,269	1
Total Code Enforcement	<u>63,518</u>	<u>64,938</u>	<u>65,213</u>	<u>( 275)</u>
City Attorney				
Personal services	85,931	128,931	104,736	24,195
Maintenance and operation	150	150	--	150
Total City Attorney	<u>86,081</u>	<u>129,081</u>	<u>104,736</u>	<u>24,345</u>
Municipal Court				
Personal services	65,370	65,370	29,221	36,149
Maintenance and operation	3,425	3,425	2,057	1,368
Total Municipal Court	<u>68,795</u>	<u>68,795</u>	<u>31,278</u>	<u>37,517</u>
Police				
Personal services	1,124,388	1,124,388	1,110,515	13,873
Maintenance and operation	176,938	176,938	116,308	60,630
Capital outlay	118,264	118,264	68,267	49,997
Total Police	<u>1,419,590</u>	<u>1,419,590</u>	<u>1,295,090</u>	<u>124,500</u>
Catoosa Economic Development Authority				
Personal services	15,000	15,000	--	15,000
Maintenance and operation	20,000	20,000	687	19,313
Total CEDA	<u>35,000</u>	<u>35,000</u>	<u>687</u>	<u>34,313</u>

**CITY OF CATOOSA, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BUDGETARY BASIS)  
AND ACTUAL GOVERNMENTAL FUNDS  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Street and Maintenance				
Personal services	327,582	324,082	307,128	16,954
Maintenance and operation	295,350	215,930	146,267	69,663
Capital outlay	40,000	40,000	17,645	22,355
Total Street and Maintenance	<u>662,932</u>	<u>580,012</u>	<u>471,040</u>	<u>108,972</u>
Building Inspector				
Personal services	58,483	58,483	4,713	53,770
Maintenance and operation	600	600	--	600
Total Building Inspector	<u>59,083</u>	<u>59,083</u>	<u>4,713</u>	<u>54,370</u>
Planning				
Personal services	61,803	61,803	49,030	12,773
Maintenance and Operation	11,650	11,650	9,664	1,986
Capital outlay	2,500	2,500	2,356	144
Total planning	<u>75,953</u>	<u>75,953</u>	<u>61,050</u>	<u>14,903</u>
Parks				
Maintenance and operation	13,300	13,300	7,360	5,940
Capital outlay	15,000	15,000	--	15,000
Total Parks	<u>28,300</u>	<u>28,300</u>	<u>7,360</u>	<u>20,940</u>
Senior Citizens				
Maintenance and operation	650	650	233	417
Total Senior Citizens	<u>650</u>	<u>650</u>	<u>233</u>	<u>417</u>
Museum				
Personal services	65,120	65,120	60,849	4,271
Maintenance and operation	20,300	20,300	13,702	6,598
Capital outlay	3,000	3,000	--	3,000
Total Museum	<u>88,420</u>	<u>88,420</u>	<u>74,551</u>	<u>13,869</u>
Ambulance				
Maintenance and operation	51,450	51,450	51,450	--
Total ambulance	<u>51,450</u>	<u>51,450</u>	<u>51,450</u>	<u>--</u>
Emergency Management				
Maintenance and operation	16,100	18,100	938	17,162
Capital outlay	20,000	18,000	26,301	( 8,301)
Total Emergency Management	<u>36,100</u>	<u>36,100</u>	<u>27,239</u>	<u>8,861</u>

**CITY OF CATOOSA, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BUDGETARY BASIS)  
AND ACTUAL GOVERNMENTAL FUNDS  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
IT Department				
Maintenance and operation	6,100	6,100	3,492	2,608
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>903</u>	<u>9,097</u>
Total IT Department	<u>16,100</u>	<u>16,100</u>	<u>4,395</u>	<u>11,705</u>
Animal control				
Personal services	69,048	67,048	40,747	26,301
Maintenance and operation	<u>17,750</u>	<u>19,750</u>	<u>18,410</u>	<u>1,340</u>
Total animal control	<u>86,798</u>	<u>86,798</u>	<u>59,157</u>	<u>27,641</u>
Emergency Reserve				
Maintenance and operation	<u>2,542,002</u>	<u>2,542,002</u>	<u>--</u>	<u>2,542,002</u>
Total Emergency Reserve	<u>2,542,002</u>	<u>2,542,002</u>	<u>--</u>	<u>2,542,002</u>
Total Charges to Operations	<u>6,107,874</u>	<u>6,107,874</u>	<u>3,093,832</u>	<u>3,014,042</u>
Ending Budgetary Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$3,491,534</u>	<u>\$3,491,534</u>
Adjustments to reconcile to balance sheet				
Increase in beginning fund balance (prior year taxes receivable)			396,841	
Increase (decrease) in taxes receivable			194,607	
Increase (decrease) in fines receivable			<u>122,808</u>	
Fund Balance			<u>\$ 4,205,790</u>	

**CITY OF CATOOSA**  
**Catoosa, Oklahoma**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

**BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Budgetary data for enterprise funds are not presented in these financial statements.

The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

**CITY OF CATOOSA**  
**Catoosa, Oklahoma**

**OTHER INFORMATION**  
**June 30, 2014**

CITY OF CATOOSA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2014

	Special Events Fund	911 Enhancement Fund	Cemetery Fund	Technology Fund	Special Revenue Fire Dept. Special Fund	A & D Fund	Retirement Fund	Police Training Fund	Library Contribution Fund	Total Non-Major Governmental Funds
<b>Assets:</b>										
Cash and equivalents	\$ 20	\$ 18,755	\$ 43,067	\$ 106,957	\$ 19,432	\$ 18,837	\$ 133,760	\$ 40,849	\$ 15,050	\$ 396,727
<b>Total assets</b>	\$ 20	\$ 18,755	\$ 43,067	\$ 106,957	\$ 19,432	\$ 18,837	\$ 133,760	\$ 40,849	\$ 15,050	\$ 396,727
<b>Liabilities:</b>										
Accounts payable	\$ -	\$ -	\$ -	\$ 998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 998
Due to others	-	-	75	2,446	3,700	-	-	6,513	3,523	16,257
<b>Total liabilities</b>	-	-	75	3,444	3,700	-	-	6,513	3,523	17,255
<b>Fund balances:</b>										
Assigned	20	18,755	-	103,513	-	18,837	133,760	34,336	-	309,221
Restricted	-	-	42,992	-	15,732	-	-	-	11,527	70,251
<b>Total fund balances</b>	20	18,755	42,992	103,513	15,732	18,837	133,760	34,336	11,527	379,472
<b>Total liabilities and fund balances</b>	\$ 20	\$ 18,755	\$ 43,067	\$ 106,957	\$ 19,432	\$ 18,837	\$ 133,760	\$ 40,849	\$ 15,050	\$ 396,727

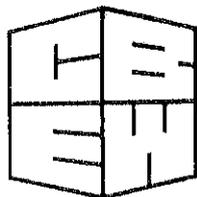
**CITY OF CATOOSA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	Special Events Fund	911 Enhancement Fund	Special Revenue					Police Training Fund	Library Contribution Fund	Total Non-Major Governmental Funds
			Cemetery Fund	Technology Fund	Fire Dept. Special Fund	A & D Fund	Retirement Fund			
<b>Revenues:</b>										
Interest	7	56	145	307	68	50	154	50	1,680	
Miscellaneous income	-	5,340	-	-	4,027	-	5,726	1,051	16,144	
Fines & fees	-	-	3,000	46,970	-	8,600	102,506	-	161,076	
Grants & contributions	1,706	-	-	-	6,224	-	3,766	8,024	19,720	
Taxes	-	-	-	-	-	-	10	-	10	
<b>Total revenues</b>	<b>1,713</b>	<b>5,396</b>	<b>3,145</b>	<b>47,277</b>	<b>10,319</b>	<b>8,650</b>	<b>112,162</b>	<b>9,125</b>	<b>198,610</b>	
<b>Expenditures:</b>										
Streets & highways	-	-	-	-	-	-	-	-	-	
General government	-	-	-	12,893	-	-	-	-	12,893	
Cemetery	-	-	348	-	-	-	-	-	348	
Library	-	-	-	-	-	-	-	6,434	6,434	
Other recreation	8,772	-	-	-	-	-	-	-	8,772	
Public safety	-	-	-	-	5,847	-	17,651	-	34,013	
Capital outlay	-	-	-	-	2,985	-	80,139	2,515	85,649	
<b>Total expenditures</b>	<b>8,772</b>	<b>-</b>	<b>346</b>	<b>12,893</b>	<b>8,842</b>	<b>-</b>	<b>97,790</b>	<b>8,949</b>	<b>148,109</b>	
<b>Excess of revenues over (under) expenditures</b>	<b>(7,059)</b>	<b>5,396</b>	<b>2,797</b>	<b>34,384</b>	<b>1,477</b>	<b>8,650</b>	<b>14,372</b>	<b>176</b>	<b>50,501</b>	
<b>Other financing uses:</b>										
Operating transfers in	4,500	-	-	-	-	-	-	-	4,500	
Operating transfers out	-	-	-	-	-	-	-	-	-	
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>(2,559)</b>	<b>5,396</b>	<b>2,797</b>	<b>34,384</b>	<b>1,477</b>	<b>8,650</b>	<b>14,372</b>	<b>176</b>	<b>55,001</b>	
<b>Fund balance - beginning of year</b>	<b>2,579</b>	<b>13,359</b>	<b>40,195</b>	<b>69,129</b>	<b>14,255</b>	<b>10,187</b>	<b>19,974</b>	<b>11,351</b>	<b>324,481</b>	
<b>Fund balance - end of year</b>	<b>20</b>	<b>18,755</b>	<b>42,992</b>	<b>103,513</b>	<b>15,732</b>	<b>18,837</b>	<b>34,346</b>	<b>11,527</b>	<b>379,482</b>	

The accompanying notes are an integral part of the basic financial statements.

**CITY OF CATOOSA**  
**Catoosa, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS***  
**June 30, 2014**



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

December 19, 2014

Honorable Board of City Council Members  
City of Catoosa  
Catoosa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Catoosa, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Catoosa, Oklahoma's basic financial statements, and have issued our report thereon dated December 19, 2014.

***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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as finding 14-1.

***Compliance and Other Matters***

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

***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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

CITY OF CATOOSA  
Catoosa, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2014

14-1. Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the city's assets and ensure accurate financial reporting.

Condition: Presently the same individual is responsible for issuing purchase orders, writing checks, posting transactions, and reconciles the monthly bank statements, while another individual is responsible for receiving payments and making deposits.

Cause: The city's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and depositing activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts.

Responsible Official's Response: The city concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the city will strive to make changes in procedures that will improve the overall lack of segregation of duties.