

**BASIC FINANCIAL STATEMENTS**

**for the**

***CITY OF TAHLEQUAH***

**FOR THE YEAR ENDED JUNE 30, 2013**

# ***CITY OF TAHLEQUAH***

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# **AUDIT REPORT**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Tahlequah, Oklahoma

***Report on Financial Statements***

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

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

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

***Auditor's Responsibility***

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

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

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

**Opinions**

In My opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tahlequah's basic financial statements. The schedule of expenditures of federal and state financial assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 28, 2014 on my consideration of the City of Tahlequah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Michael Green  
Certified Public Accountant  
Stilwell, Ok  
January 28, 2014

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the City of Tahlequah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements. All discreetly presented component units which issued separate financial reports are disclosed in Note I to the financial statements.

### FINANCIAL HIGHLIGHTS

- As reported on the statement of Net Assets, Net Assets decreased by \$ 1,812,949.  
**The following highlights relate to the General Fund:**
- Overall General Fund revenues of \$9,355,713 exceeded budget projections by \$95,186.
- Collections of the 2% sales tax in the General Fund fell below budget projections by \$14,816. Total 2% sales tax revenue was \$5,485,184, which was an increase over last fiscal year in the amount of \$35,345 or approximately .006%. Sales Tax accounted for 58.6% of this year's total revenues for the general fund.
- Transfers from City Light & Water are the General Fund's second largest source of revenue. This year's transfer of \$1,228,046 accounted for 13.1% of total revenues, and was an increase over last year of \$41,765.
- Use tax collections of 2% were above budget projections by \$26,282 and were up \$23,125 from the previous year.
- Northeast Public Facilities Authority again made a transfer in the amount of \$80,000 which was the budgeted amount for this fiscal year.
- Revenue from building permits fell below this year's budget projection by \$2,988, and the revenue decreased \$4,410 from last year's collections. Revenues from inspection fees fell short of budget by \$3,727. This is the second consecutive year that these revenues have decreased.
- Sales of Aviation Gasoline and Jet Fuel were below budget by a total of \$62,748. Several companies are no longer using the airport for their corporate jets.
- Revenues from the City Golf Course decreased this year by \$3,578.
- Municipal Court Fines, Fees, Costs and Forfeitures fell below projections in the amount of \$37,654. A total of \$425,346 was collected. This amount is \$33,476 less than the previous year. The City has continued the contract with American Municipal Services to collect warrants and old fines. Through the services of this company several thousand dollars have been received that would not have been collected otherwise.
- Interest income was below budget projections by \$459. The revenues from interest again fell from the previous year in the amount of \$5,423. As older investments have matured the current interest rate available has continued to drop, causing a decrease in interest income. Current funds invested as of June 30, 2013 are \$2,967,409. \$3,051,033 was being held in the general operating account for daily operations.
- The cost of gasoline and diesel stayed below estimated budget costs. A total of \$367,291 was budgeted, and \$281,881 was spent. The amount spent for fuel is an increase over the previous year of \$2,748.
- Employee health insurance costs continue to increase. This year's increase was due to additional fixed costs for the insurance carrier. These costs are for administration of our health plan, along with the costs of re-insurance for claims exceeding \$30,000 per employee and a stop-loss carrier. Annual amount expensed per employee was \$6,324 up \$300 from the

previous year. The City continues to be on a partially self-funded insurance plan. Funds available for the payment of claims (under the specific limit of \$30,000) grew from \$401,720 on June 30, 2012 to \$585,993 on June 30, 2013. This amount is reflected in the Health Insurance Contra-Account. Employees were still required to pay \$25.00 per month for their health insurance.

- Transfers of \$388,015 were made to the Capital Improvement Fund from the General Fund for reserves to purchase equipment and for capital projects.
- Transfer of \$20,000 from general funds was made to Tahlequah Industrial Authority to meet debt requirements.
- Transfers of match funds for grants were \$116,235.
- A transfer was made to the Cops-In-Schools fund in the amount of \$48,143 for salary and fringe benefits for one school resource officer.
- A transfer of \$80,000 was made from the General Fund to the Solid Waste Services fund to be used for construction costs related to the building of the new Solid Waste Transfer station.
- A transfer of \$117,000 was made to Winter Wonderland Fund for the purchase of an ice rink and related expenses.
- All departments within the General Fund were under projected budget expenditures. Expenditures exceeded revenues by a total of \$59,397 for a decrease in fund balance June 30, for a total of \$3,322,622.
- **Street and Alley Revenues** of \$145,682 were exceeded by expenditures of \$192,834 for a decreased fund balance of \$246,039.
- **Hotel Motel Tax** revenues exceeded projections by \$2,073. Revenues exceeded expenditures in the amount of \$6,844, resulting in a fund balance carryover of \$41,538.
- **Cemetery Care Fund** received \$6,359 from 12.5% of all cemetery lot sales and grave openings and closings. A new roof was put on the existing gazebo at the cemetery at a cost of \$6,903 leaving a fund balance carryover of \$41,538.
- The City's enterprise fund-**Solid Waste Services** Department-expended \$83,903 more than received in revenues and transfers from the General Fund. Sanitation receipts from Tahlequah Public Works exceeded budget expectations in the amount of \$24,196. Transfer station fees were below budget by \$24,196. Expenditures were at 83.8% of the year's budget. Construction on the new transfer station, parking lots and streets continued this fiscal year with expenditures totaling \$567,761. A transfer was made from the General Fund in the amount of \$80,000 for use on the construction project. Lease Purchase payments were made in the amount of \$106,480 on the buildings and \$57,334 on vehicles. Construction of the new plant, adjacent buildings and streets and parking areas is projected to be completed during the 2013-2014 fiscal year.
- **Stormwater Management Fund** received \$198,950 from stormwater management fees collected by Tahlequah Public Works Authority on customer utility billings. Permit fees of \$1,025 were collected. Expenditures totaled \$173,721. Revenues exceeded expenditures in the amount of \$26,253. Drainage projects in the amount of \$37,601 were completed. Land purchases were made in the amount of \$50,000.
- **Brookside Restoration Fund** received \$5,545 in rental fees. A major expenditure for the year was \$14,540 for a new fence around the property.
- The **School Resource Officer Expense Fund** received \$4,000 from Tahlequah Public Schools to be used for expenses related to the officers hired from the Cops in Schools Retention Fund. Expenditures were made from the fund in the amount of \$3,202 leaving a fund balance of \$3,766.
- The **Capital Improvement Fund** received transfers from the General Fund in the amount of \$388,015 for various reserves for equipment and capital projects. Donations were received this fiscal year from the Cherokee Nation and private individual to be used for the construction



of a signal light at the intersection of SH 62 and Southridge. \$27,600 was received from the Tahlequah Fire Department County Sales Tax Fund to make Lease-Purchase Payments on the new fire station built in Southridge addition. Total Lease-Purchase Payments, including interest of \$27,517 were made. \$331,927 was spent from this fund for the purchase of equipment and capital projects.

- The **Tahlequah Police Canine Fund** received \$2,500 for service fees of the drug dogs. A used canine unit vehicle was purchased for \$13,000. The fund has a balance of \$3,903.
- The **Tahlequah Police Dare Fund** received additional donations in the amount of \$3,100 to be used for the purpose of training & supplies for the Dare Officer in the Police Department. Expenditures totaled \$1,389 leaving a fund balance of \$2,535.
- The **Restricted Sales & Use Tax Fund** was established to account for an earmarked one-half of one percent (.5%) sales and use tax that was approved by the voters at a special election held on August 7, 2009. The new tax was effective on October 1, 2009 and will end on September 30, 2019 or at such a time as the indebtedness issued pursuant to the tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Works for payment on the indebtedness. Funds are to be used for Tahlequah Public Schools construction fund in an amount of \$3,200,000 and the City of Tahlequah for public improvements in the amount of \$4,800,000. Funds were received in December 2009. Total receipts from earmarked sales and use tax were \$1,417,866 and total transferred to Tahlequah Public Works was \$1,417,866.
- The **Bond Improvement Fund** was established to account for the funds which were received from the bond issue in the amount of \$4,782,419. These funds are to be spent on public improvements which include street projects on West Allen Road, East Ross Street and West Fourth Street. Other projects are the Sports Complex, Community Beautification and Fire Station Annex. The remaining balance of funds, \$311,712, was expended this fiscal year.
- The **Winter Wonderland Fund** was established to account for the funds received from donations, skate fee revenues and a transfer this fiscal year from the City of Tahlequah General Fund in the amount of \$117,000. The ice rink was purchased this year for \$128,230 along with a Zamboni for \$25,884, construction of a "skate shack" in the amount of \$5,168 and lights and decorations for \$1,860. After operating expenses were paid from this fund a balance of \$30,421 was transferred back to the general fund.
- The **Restricted Sales & Use Tax Fund II** was established to account for earmarked three-quarters of one percent (.75%) sales and use tax that was approved by the voters at a special election held on January 8, 2013. The new tax was effective on April 1, 2013 and is to end on or before April 1, 2028 or at such time as the indebtedness issued pursuant to the excise tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Facilities Authority for payment on the indebtedness. Funds are to be used by the City of Tahlequah for public improvements in the amount of \$21,112,339. Funds were received beginning in June 2013. Total receipts from the ¾ cent earmarked sales and use tax were \$185,382 and transfers to Tahlequah Public Facilities Authority were \$185,382.
- The **Bond Improvement Fund II** was established to account for the funds which were received from the above bond issue in the amount of \$21,116,265 which included interest and dividends. These funds are to be used for public improvements which include Northeastern State University Event Center, Fire Engine and Equipment, Police Technology, Call Out Sirens, Traffic and Pedestrian Safety, Sports Complex-Phase II, Phoenix Park Renovations, Greenbelt Development, CNG Truck Conversion, Swimming Pool, City Library, New Armory on Highway 51 (Remodel for Police Department and Emergency Management) and various Street Improvements. A total of \$1,500,000 was expended this year on the NSU Event Center
- The **Cops in School Retention Fund** is for the purpose of accounting for the expenses of providing three School Resource Officers for the Tahlequah Public School System. The expense, including salaries and fringe benefits, of two officers was paid by Tahlequah Public

Schools in the amount of \$95,709. One officer was funded by a transfer from the general fund of the City in the amount of \$48,143.

- Funds were received from the **Bullet Proof Vest Grant Program** this fiscal year in the amount of \$2786. This is an ongoing 50% reimbursement grant.
- The **Relocate and Rehabilitate Taxiway Grant** fund has been kept open in anticipation of receipt of an award from the Oklahoma Aeronautics Commission. The funds are interest which has accrued on the match funds that were on the previous grant. OAC requires a separate fund and banking account and checks for their grants.
- The **Encourage to Arrest Grant Fund & Community Solutions to Violence Against Women Grant Funds** are to account for the ongoing grant from the Department of Justice, Office on Violence Against Women. This grant period ended on March 31, 2013. Total funds in the amount of \$161,163 were expended and reimbursements from the Department of Justice in the amount of \$172,646 were received. Awarded funds in the amount of \$56,150 were not used.
- Of the award received from the Department of Justice, **Swat/Reserve Equipment Grant** in the amount of \$26,416 no expenditures were made this fiscal year, and therefore no reimbursements were received. This grant has been closed out and \$4,846 in awarded funds was not used.
- A grant in the amount of \$70,875 was received from the **Eastern Oklahoma Department of Libraries**. The general fund provided \$25,000 in match funds. Funds in the amount of \$2,658 were expended for construction, re-model and equipment for a new computer center at the City Library. Construction is scheduled to be completed in FY 2013-2014.
- Tahlequah Police Department received a grant award from the Oklahoma Highway Safety Office, **Tahlequah Impaired Driving Enforcement Grant III** in the amount of \$21,000. Expenditures were \$5,191.56 and reimbursements received were \$8,121.75. This grant period ended September 30, 2012. \$1,103.12 in awarded funds was not used.
- A **Land Acquisition Grant** was approved by the Federal Aviation Administration in the amount of \$95,712.00. City match funds of \$5,038.00 were transferred to the fund. Expenditures of \$1,000 were made during this fiscal year. There is a law suit for breach of contract pending on the purchase of the property from Hazel Bryant.
- A contract was awarded from the Oklahoma Department of Commerce, **Community Development Block Grants 14898-11**, in the amount of \$98,199. Match funds required from the City in the amount of \$98,633 were transferred to the fund. Grant funds received were \$86,112 and \$191,110 was expended on the construction at the Sr. Citizens Building.
- A contract was awarded from the Oklahoma Department of Commerce, **Community Development Block Grants 15250-12**, in the amount of \$95,265. City Match funds required in the amount of \$116,235 were transferred to the fund. Expenditures made to complete the Sr. Citizens Center were \$203,298
- Tahlequah Police Department received a grant award from the Oklahoma Highway Safety Office, **Tahlequah Impaired Driving Enforcement Grant IV** in the amount of \$25,000.
- Tahlequah Police Department received a grant award from the District Attorney's Council **JAG LLE 12 Grant** in the amount of \$9,572.20. \$7,550.00 was encumbered on June 30, and paid in July 2013.
- The City of Tahlequah received a total of \$308,147 in grant funds this fiscal year, including the reimbursement of \$3,585 from FEMA.
- **USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirement of the Governmental Accounting Standards Board (GASB) Statement No.34. The report consists of a

series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the city as a whole and present a longer-view of the City's finances. Fund financial statements, for governmental activities, tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

### **Basis of Accounting**

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

### **Reporting the City as a Whole**

#### ***The City's Reporting Entity Presentation***

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

The primary government includes the following legal entity:

- The City of Tahlequah

The component unit presentation includes the following legal entities:

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

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

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

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

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

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

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

*Component unit activities.*

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

- City Light and Water Development was originally the Municipal Utility Board of Tahlequah. When Tahlequah Public Works was established, this board continued as a legal entity to pay director's fees, legal fees, and municipal lighting expenses. Funds are transferred to this entity from TPWA to pay the above expenses with the balance reverting to the City of Tahlequah General Fund.

## **Reporting the City's Most Significant Funds**

### ***The Fund Financial Statements***

Our analysis of the City's major funds begins on page 12. The fund financial statements begin on page 14 and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes certain other funds, like the Tahlequah Public School Tax Fund, to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money such as the grant from the Federal Aviation Administration. The City's three kinds of funds—*governmental, proprietary and fiduciary*—use different accounting approaches.

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

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

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

## **A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

### **Governmental Activities**

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

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

### **General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the General Fund Budget at various times. For the year ended June 30, 2013, General Fund expenditures were \$1,155,789 below final budgeted amounts, and General Fund revenues were \$95,186 below final budgeted amounts.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2013, the City had \$ 29,831,415 million invested in capital assets, net of depreciation, including land, buildings, improvements, machinery, equipment, autos, infrastructure, computers and software, office equipment, furniture and work in progress.

This year's more significant capital assets additions included:

Brush Chipper	\$ 36,975
Traffic Signal US 62 & Southridge Road	\$ 66,131
Drainage Ditch-Cedar & Maple	\$ 13,637
Purchase of Property and Right of Way	\$ 148,990
Sports Complex	\$ 997,496
Fiber Optic Cable	\$ 36,694
Fire Tanker Truck	\$ 35,648
Police Vehicles	\$ 150,324
Equipment for Police Units	\$ 34,805
Sidewalks & Drainage Projects	\$ 18,238
Capital Street Projects	\$ 306,951
Parks & Golf Course Improvements	\$ 46,849
Building Improvements	\$ 37,600
Fence at Brookside	\$ 14,540
Narrow Band Communications	\$ 29,774
North Cedar Avenue	\$ 47,790
Police Canine Unit	\$ 13,000
Ice Skating Rink	\$ 128,320
Zamboni	\$ 25,884

E Ross Street	\$ 320,465
NSU Event Center	\$1,500,000
Sr. Citizen's Building	\$ 394,280

**SOLID WASTE SERVICES FUND-ENTERPRISE FUND**

Construction Dumpsters	\$ 21,208
Construction in Progress-Transfer Station	\$ 567,761

**Long-Term Debt**

At June 30, 2013 the City had \$95,150.93 in a lease purchase agreement with BancFirst, Tahlequah, Oklahoma for the purchase of a portion of the new Fire Station #2 located in the Southridge Subdivision.

At June 30, 2013 the Solid Waste Services Fund (Enterprise Fund) had \$90,940.12 in a lease purchase agreement with BancFirst for the purchase of the following buildings at the new solid waste plant; Transfer Station, Warehouse and Shop Building.

At June 30, 2013 the Solid Waste Services Fund (Enterprise Fund) had \$51,826.90 in a lease purchase agreement with Welch State Bank, Welch, Oklahoma, for the purchase of a 2012 Freightliner Semi-Tractor.

At June 30, 2013 the City had \$88,393.70 in a lease-purchase agreement with Welch State Bank, Welch, Oklahoma, for the purchase of a 2011 Case Dozer

At June 30, 2013 the City had \$117,939.47 in a lease-purchase agreement with Welch State Bank, Welch, Oklahoma, for a 2012 Hitachi Excavator.

At June 30, 2013 the City had \$183,863.44 in a lease-purchase agreement with BancFirst for the property and building located at 120 E Morgan Street, Tahlequah, Oklahoma.

Total Long Term Debt is \$628,114.56.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGT AND RATES**

For the upcoming fiscal year ending June 30, 2014, the City's budget is fairly consistent with this year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

# **FINANCIAL STATEMENTS**



**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2013**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,592,475	\$ 709,610	\$ 3,302,085	\$ 29,614,264
Restricted Cash	-	-	-	8,004,616
Investments	2,967,410	-	2,967,410	-
Federal Treasury Obligations	25,122,536	-	25,122,536	-
Meter Deposits	-	-	-	-
Due From Other Funds	38,335	-	38,335	-
Bond Issuance Fees	-	-	-	-
Accumulated Amortization	-	-	-	-
Accounts Receivable	25,180,145	755	25,180,900	17,361,635
Prepays	-	-	-	1,187,244
Other	-	-	-	9,090,629
Unamortized Loan Organization Costs	-	-	-	-
Inventory and Supplies	-	-	-	3,830,973
Investment in Joint Ventures	-	-	-	-
Capital Assets (page 29)	41,919,980	4,765,674	46,685,654	71,749,981
Accumulated Depreciation	(15,483,762)	(1,164,214)	(16,647,976)	-
Total Assets	<u>82,337,118</u>	<u>4,311,825</u>	<u>86,648,944</u>	<u>140,839,342</u>
<b>LIABILITIES</b>				
Due to Other Funds	38,336	-	38,336	-
Bonds Outstanding	44,522,432	-	44,522,432	-
Long-Term Liabilities (Note 8):				
Due Within One Year	162,654	142,834	305,488	4,020,495
Due in More Than One Year	322,623	-	322,623	46,801,971
Due to TPWA	-	-	-	-
Federal Withholding	306,382	-	306,382	-
Accounts Payable	637,636	-	637,636	5,166,485
Accrued Expenses	61,050	22,975	84,024	7,120,101
Accrued Compensated Absences	123,441	-	123,441	-
Bond / Cleet Deposits Payable	26,734	-	26,734	1,292,993
Deferred Revenue/Minority Interest in Joint Ventures:	24,237,150	-	24,237,150	-
Total Liabilities	<u>70,438,437</u>	<u>165,809</u>	<u>70,604,246</u>	<u>64,402,045</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	25,950,941	3,458,626	29,409,567	28,510,247
Restricted for Statutory Requirements	(19,303,714)	-	(19,303,714)	-
Restricted for Externel Contracts	-	-	-	4,051,848
Unrestricted	5,251,455	687,390	5,938,845	43,875,202
Total Net Assets	<u>\$ 11,898,682</u>	<u>\$ 4,146,016</u>	<u>16,044,699</u>	<u>\$ 76,437,297</u>

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

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Subsidies	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
General Government	\$ 8,896,508	\$ -	\$ -	\$ -	\$ (8,896,508)	\$ -	\$ (8,896,508)	\$ -
Public Safety	3,587,633	425,346	826,157	-	(2,336,130)	-	(2,336,130)	-
Public Services	2,235,834	1,091,653	-	-	(1,144,181)	-	(1,144,181)	-
Culture and Recreation	886,391	88,177	-	-	(798,213)	-	(798,213)	-
Total Governmental Activities	<u>15,606,366</u>	<u>1,605,177</u>	<u>826,157</u>	<u>-</u>	<u>(13,175,032)</u>	<u>-</u>	<u>(13,175,032)</u>	<u>-</u>
Business Type Activities:								
Sanitation	1,479,080	1,964,446	-	-	-	485,366	485,366	-
Total Business-Type Activities	<u>1,479,080</u>	<u>1,964,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,366</u>	<u>485,366</u>	<u>-</u>
Total Primary Government	<u>17,085,446</u>	<u>3,569,623</u>	<u>826,157</u>	<u>-</u>	<u>(13,175,032)</u>	<u>485,366</u>	<u>(12,689,665)</u>	<u>-</u>
Component Units	<u>91,762,359</u>	<u>101,382,367</u>	<u>-</u>	<u>-</u>				<u>9,620,008</u>
General Revenues:								
Tax Revenue					7,246,597	-	7,246,597	-
Investment Income					50,126	-	50,126	1,488,525
Bond Proceeds					-	-	-	-
Other					1,700,713	-	1,700,713	(5,763,361)
Transfers - Internal Activity					1,799,282	80,000	1,879,282	-
Total General Revenues and Transfers					<u>10,796,717</u>	<u>80,000</u>	<u>10,876,717</u>	<u>(4,274,836)</u>
Change in Net Assets					(2,378,315)	565,366	(1,812,949)	5,345,172
Net Assets - Beginning					14,276,997	3,580,650	17,857,648	71,092,125
Net Assets - Ending					<u>\$ 11,898,682</u>	<u>\$ 4,146,016</u>	<u>\$ 16,044,699</u>	<u>\$ 76,437,297</u>

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

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Bond Improvement Fund</u>	<u>Tahlequah Public Facility Authority</u>	<u>Tahlequah Educational Facility Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 927,366	\$ 1,143,155	\$ -	\$ 65,539	\$ 30,831	\$ 425,584	\$ 2,592,475
Federal Treasury Obligations	-	-	-	22,328,320	2,794,216	-	25,122,536
Investments	2,967,410	-	-	-	-	-	2,967,410
Due from Other Funds	38,335	-	-	-	-	-	38,335
Accounts Receivable	826,467	-	-	-	24,237,150	116,528	25,180,145
Bond Issuance Fees	-	-	-	-	-	-	-
Accumulated Amortization	-	-	-	-	-	-	-
Total Assets	<u>4,759,577</u>	<u>1,143,155</u>	<u>-</u>	<u>22,393,859</u>	<u>27,062,197</u>	<u>542,112</u>	<u>55,900,900</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Bonds Outstanding	-	-	-	24,672,432	19,850,000	-	44,522,432
Deferred Revenue	-	-	-	-	24,237,150	-	24,237,150
Accounts Payable	602,790	-	-	96	92	34,658	637,636
Payable to TPWA	306,382	-	-	-	-	0	306,382
Accrued Payroll	59,030	-	-	-	-	2,019	61,050
Bond / Cleet Deposits Payable	26,734	-	-	-	-	-	26,734
Due to Other Funds	-	-	-	-	-	38,336	38,336
Total Liabilities	<u>994,936</u>	<u>-</u>	<u>-</u>	<u>24,672,528</u>	<u>44,087,242</u>	<u>75,013</u>	<u>69,829,719</u>
Fund Balances:							
Unassigned	3,764,641	1,143,155	-	-	-	467,099	5,374,895
Assigned	-	-	-	(2,278,669)	(17,025,045)	-	(19,303,714)
Total Fund Balances	<u>3,764,641</u>	<u>1,143,155</u>	<u>-</u>	<u>(2,278,669)</u>	<u>(17,025,045)</u>	<u>467,099</u>	<u>(13,928,819)</u>
Total Liabilities and Fund Balances	<u>\$ 4,759,577</u>	<u>\$ 1,143,155</u>	<u>\$ -</u>	<u>\$ 22,393,859</u>	<u>\$ 27,062,197</u>	<u>\$ 542,112</u>	

**Reconciliation to Statement of Net Assets:**

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

Accrued Compensated Absences not payable out of current funds	(123,441)
Capital Assets Used in Governmental Activities of \$41,919,980 net of accumulated depreciation of \$15,483,762 are not Financial Resources and, therefore, are not Reported in the Funds.	26,436,218
Capital Lease not payable out of current funds	(485,277)
Net Assets of Governmental Activities	<u>\$ 11,898,682</u>

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

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

	General Fund	Capital Improvement Fund	Bond Improvement Fund	Tahlequah Public Facility Authority	Tahlequah Educational Facility Authority	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$ 6,255,755	\$ 567,600	\$ -	\$ 185,382	\$ -	\$ 237,860	\$ 7,246,597
Charges for Services	417,729	-	-	24,455	405,325	244,144	1,091,653
Fines and Forfeitures	425,346	-	-	-	-	-	425,346
Licenses and Permits	88,177	-	-	-	-	-	88,177
Investment Income	49,541	-	7	175	403	-	50,126
Miscellaneous	1,595,459	-	-	-	-	105,254	1,700,713
Bond Proceeds	-	-	-	-	-	-	-
Grants and Subsidies	-	14,591	-	-	355,591	455,975	826,157
<b>Total Revenues</b>	<b>8,832,008</b>	<b>582,191</b>	<b>7</b>	<b>210,012</b>	<b>761,319</b>	<b>1,043,233</b>	<b>11,428,769</b>
<b>Expenditures:</b>							
<b>General Government:</b>							
Managerial	1,499,535	-	-	-	-	-	1,499,535
City Clerk	52,177	-	-	-	-	-	52,177
City Treasurer	13,989	-	-	-	-	-	13,989
City Attorney	53,858	-	-	-	-	-	53,858
Municipal Judge	107,019	-	-	-	-	-	107,019
Maintenance	158,881	-	-	-	-	85,191	244,072
Hotel/Motel	-	-	-	-	-	88,229	88,229
Tahlequah Facility Authority	-	-	-	2,488,681	3,459,710	-	5,948,391
<b>Public Safety:</b>							
Law Enforcement	2,125,870	-	-	-	-	332,475	2,458,345
Fire	805,692	-	-	-	-	-	805,692
Building Inspector	-	-	-	-	-	-	-
Emergency Management	84,232	-	-	-	-	-	84,232
<b>Public Services:</b>							
Cemetery	223,487	-	-	-	-	-	223,487
Animal Shelter	-	-	-	-	-	-	-
Streets	1,027,343	-	-	-	-	192,834	1,220,177
Airport	305,221	-	-	-	-	-	305,221
<b>Culture and Recreation:</b>							
Parks and Recreation	675,952	-	-	-	-	55,891	731,843
Library	25,337	-	-	-	-	2,658	27,995
<b>Capital Outlay</b>	<b>2,890,944</b>	<b>359,444</b>	<b>311,719</b>	<b>-</b>	<b>-</b>	<b>689,405</b>	<b>4,251,513</b>
<b>Total Expenditures</b>	<b>10,049,538</b>	<b>359,444</b>	<b>311,719</b>	<b>2,488,681</b>	<b>3,459,710</b>	<b>1,446,682</b>	<b>18,115,774</b>
Excess (deficiency) of Revenues Over Expenditures	(1,217,531)	222,747	(311,712)	(2,278,669)	(2,698,391)	(403,449)	(6,687,005)
<b>Other Financing Sources (Uses)</b>							
Transfers In	2,114,741	388,015	-	-	-	281,378	2,784,134
Transfers Out	(954,431)	-	-	-	-	(30,421)	(984,853)
<b>Total Other Financing Sources (Uses)</b>	<b>1,160,310</b>	<b>388,015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,957</b>	<b>1,799,282</b>
<b>Net Change in Fund Balance</b>	<b>(57,221)</b>	<b>610,762</b>	<b>(311,712)</b>	<b>(2,278,669)</b>	<b>(2,698,391)</b>	<b>(152,492)</b>	<b>(4,887,724)</b>
<b>Fund Balances - Beginning</b>	<b>3,821,862</b>	<b>532,393</b>	<b>311,712</b>	<b>-</b>	<b>(14,326,654)</b>	<b>619,591</b>	<b>(9,041,095)</b>
<b>Fund Balances - Ending</b>	<b>\$ 3,764,641</b>	<b>\$ 1,143,155</b>	<b>\$ -</b>	<b>\$ (2,278,669)</b>	<b>\$ (17,025,045)</b>	<b>\$ 467,099</b>	<b>\$ (13,928,819)</b>

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

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

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

Net change in fund balances - total governmental funds	\$ (4,887,724)
Change in Accrued Compensated Absences not payable out of current funds	(3,361)
Governmental funds report outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciated expenses. This is the amount by which capital outlays exceeded depreciation net of gain/loss on desposial of assets in the current period.	\$ 2,512,770
Change in Net Assets - Statement of Activities	<u>\$ (2,378,315)</u>

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

**CITY OF TAHLEQUAH, OKLAHOMA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u><b>Enterprise Fund</b></u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 709,610
Accounts receivable	755
Total Current Assets	<u>710,365</u>
Noncurrent Assets	
Land and construction in progress	2,105,538
Other capital assets, net of accumulated depreciation	1,495,922
Total Noncurrent Assets	<u>3,601,460</u>
Total Assets	<u>4,311,825</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accrued Payroll	22,975
Capital Lease Payable Current	142,834
Total Current Liabilities	<u>165,809</u>
<b>NONCURRENT LIABILITIES</b>	
Total Noncurrent Liabilities	-
Total Liabilities	<u>165,809</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,458,626
Reserved	-
Unrestricted	687,390
Total Net Assets	<u>\$ 4,146,016</u>

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

**CITY OF TAHLEQUAH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUND**  
**JUNE 30, 2013**

	<u><b>Enterprise Fund</b></u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Transfer station fees	\$ 196,350
Sanitation/TPWA	1,734,196
Miscellaneous operating revenue	33,900
Total Operating Revenues	<u>1,964,446</u>
 <b>OPERATING EXPENSES</b>	
Salaries and Employee Benefits	816,848
Materials and Supplies	545,591
Other Expenses	-
Depreciation	109,004
Total Operating Expenses	<u>1,471,443</u>
 <b>OPERATING INCOME</b>	 <u>493,003</u>
 <b>NON OPERATING REVENUES (EXPENSES)</b>	
Interest Expenses	<u>(7,637)</u>
Total Non-Operating Revenues (Expenses)	<u>(7,637)</u>
 Net Income (Loss) Before Transfers	 485,366
 <b>TRANSFERS</b>	
Transfers in	80,000
Transfers out	
 <b>CHANGES IN NET ASSETS</b>	 <u>565,366</u>
 <b>TOTAL NET ASSETS - BEGINNING</b>	 <u>3,580,650</u>
 <b>TOTAL NET ASSETS - ENDING</b>	 <u><u>\$ 4,146,016</u></u>

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

**CITY OF TAHLEQUAH, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 1,931,252
Other	33,900
Personnel Services	(816,848)
Maintenance and Operations	(553,661)
Net Cash Provided by Operations	<u>594,643</u>
 <b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds	-
Transfers from Other Funds	80,000
Net Cash Provided by Noncapital Financing Activities	<u>80,000</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets Net of Retirements	(743,742)
Cash used by Capital Leasing Activity's	(15,509)
Net Cash Used by Capital and Related Financing Activities	<u>(759,251)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Cash Provided by Investing Activities	<u>-</u>
Net Increase in cash and cash equivalents	(84,608)
Beginning cash and cash equivalents	794,218
Ending cash and cash equivalents	<u>\$ 709,610</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	485,366
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	109,004
Decrease in Accounts Receivable	705
Increase in Accrued Expenses	(432)
Net cash provided by operating activities	<u>\$ 594,643</u>

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



**NOTES TO  
FINANCIAL STATEMENTS**

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

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

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

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**Tahlequah Public Works Authority**

The Tahlequah Public Works Authority is a public trust created to provide utility services to the citizens of Tahlequah, Oklahoma, and the surrounding community. The City of Tahlequah is the beneficiary of the trust and the excess funds the trust generates. Audited financial statements for this component unit can be obtained at its general offices located at 103 North College. During the 2011-2012 fiscal year, the TPWA transferred \$1,228,046 (cash basis) to the City of Tahlequah through the City Light and Water Department.

**Tahlequah Hospital Authority**

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

**Tahlequah Industrial Authority**

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

**Tahlequah Redevelopment Authority**

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

**City Light and Water Department (Tahlequah)**

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

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Northeastern Oklahoma Public Facilities Authority**

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

**B. FUND ACCOUNTING**

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

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

**Governmental Fund Types**

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

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

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

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

**Proprietary Fund Types**

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

**CITY OF TAHLEQUAH, OKLAHOMA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013**

**Fiduciary Fund Types**

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

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

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

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

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

Cash in Escrow	2013
Court Bonds	\$ 22,199
Cleet Account	4,534

**Government-Wide Statements**

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

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**Fund Financial Statements**

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

**C. BASIS OF ACCOUNTING**

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

**Revenue Recognition**

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

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Expenditure Recognition**

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

**Reservations of Fund Equity**

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

**Compensated Absences**

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

**D. ENCUMBRANCES**

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

**Requirement for All Budgeted Funds**

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

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Unreserved Fund Balance**

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

**E. REVENUES, EXPENDITURES, AND INTERFUND TRANSACTIONS**

**Tax Revenues**

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

**Licenses and Permits**

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

**Charges for Services**

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

**Fines and Forfeitures**

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

**Intergovernmental Programs**

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

**Miscellaneous Revenue**

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



**CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Expenditures**

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

**General Government**

Managerial  
City Clerk  
City Treasurer  
City Attorney  
Municipal Judge  
Maintenance Department  
Fringe Benefits  
Purchasing

**Public Safety**

Building Inspector  
Civil Defense  
Fire Department  
Law Enforcement

**Culture and Recreation**

Library  
Park Department

**Public Services**

Street Department  
Animal Shelter  
City Airport  
Cemetery

**Capital Outlay**

Consists of all capital expenditures  
of all departments.

**Interfund Transactions**

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

**CITY OF TAHLEQUAH, OKLAHOMA,  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

***F. ASSETS, LIABILITIES AND FUND EQUITY***

***Capital Assets and Property, Plant, and Equipment***

Capital asset activity for governmental activities for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital Assets not being Depreciated				
Land	\$ 2,706,051	\$ 396,049	\$ -	\$ 3,102,100
Construction in Progress	2,950,772	1,406,780	1,248,252	3,109,300
Capital Assets being Depreciated				
Automobiles and Trucks	3,623,360	129,219	131,092	3,621,487
Buildings and Building Improvements	5,420,810	2,296,933	-	7,717,743
Infrastructure	19,133,362	617,262	-	19,750,624
Computers and Office Equipment	487,122	91,772	13,225	565,669
Machinery and Equipment	3,800,209	252,848	-	4,053,057
Total Capital Assets being Depreciated	32,464,863	3,388,034	144,317	35,708,580
Total Capital Assets	38,121,686	5,190,863	144,317	41,919,980
Less Accumulated Depreciation	13,745,019	1,738,743	-	15,483,762
Governmental Activities, Capital Assets, Net	<u>\$ 24,376,667</u>	<u>\$ 3,452,120</u>	<u>\$ 144,317</u>	<u>\$ 26,436,218</u>

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

General Government	\$ 885,878
Public Safety	239,364
Public Services	486,949
Culture and Recreation	126,552
Total Depreciation from Governmental Activities	<u>\$ 1,738,743</u>

**CITY OF TAHLEQUAH, OKLAHOMA,  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Capital Assets and Property, Plant, and Equipment**

Capital asset activity for business-type activities for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital Assets, not being Depreciated				
Land	\$ 76,100	\$ -	\$ -	\$ 76,100
Construction in Progress	<u>1,461,677</u>	<u>567,761</u>	<u>-</u>	<u>2,029,438</u>
Total Capital Assets not being Depreciated	1,537,777	567,761	-	2,105,538
Capital Assets being Depreciated				
Other Capital Assets	<u>2,633,993</u>	<u>205,583</u>	<u>179,440</u>	<u>2,660,136</u>
Total Capital Assets	4,171,770	773,344	179,440	4,765,674
Less Accumulated Depreciation				
Other Capital Assets	<u>1,063,833</u>	<u>109,004</u>	<u>8,623</u>	<u>1,164,214</u>
Total Accumulated Depreciation	1,063,833	109,004	8,623	1,164,214
Business-Type Activities, Capital Assets, Net	<u>\$ 3,107,937</u>	<u>\$ 664,340</u>	<u>\$ 170,817</u>	<u>\$ 3,601,460</u>

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Investments**

Investments on hand at June 30, 2013, consist of the following.

<u>Number - Type</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Market Value</u>
FHL Mortgage Corp	09-06-19	1.500%	549,986.00	549,986.00
FHL Mortgage Assoc.	Various	1.06-2.00%	194,000.00	194,000.00
FHL Banks	03-12-21	3.625%	198,424.00	198,424.00
#Various CD's Various Bank's	Various	5.16%-1.25%	2,025,000.00	2,025,000.00
		<b>Total</b>	<b><u>\$2,967,410.00</u></b>	<b><u>\$2,967,410.00</u></b>

The City's bank balance in all depository accounts at year end was \$3,302,085 at June 30, 2013.

At June 30, 2013 all cash deposits and certificates of deposits were either FDIC insures or covered by collateral pledged by the banks trust department.

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

**Inventories**

The value of consumable inventories at June 30, 2013, is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

**Cash and Cash Equivalent**

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

**Investments**

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

**NOTE 2: CASH AND INVESTMENTS**

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

**CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Deposits**

The City's cash deposits at June 30, 2013, are categorized to give an indication of the level of risk assumed by the City at year end as follows:

**Deposit Categories of Credit Risk**

(A) Insured or collateralized with securities held by the City or by its agent in the City's name.

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

(C) Uncollateralized.

	<u>CATEGORY</u>			<u>BANK BALANCE</u>	<u>CARRYING AMOUNT</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>		
CASH/ INVESTMENTS	\$ 942,410	\$5,327,085	\$ 0.00	\$6,269,495	\$ 6,269,495

**NOTE 3: INTERFUND RECEIVABLES AND PAYABLES**

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

Governmental General Fund (due to)	\$ 38,355
Bullet Proof Vest Special Revenue Fund (due from)	(3,763)
Violence Against Women(due from)	(25,000)
SWAT/Reserve Equipment Grant Fund (due from)	<u>(9,572)</u>
<b>NET</b>	<u>\$ -0-</u>

**NOTE 4: GENERAL LONG-TERM DEBT**

None

**NOTE 5: OTHER POST EMPLOYMENT BENEFITS**

The City does not offer any early retirement incentive plans.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6: EMPLOYMENT RETIREMENT SYSTEM**

**Employees and Plans**

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

**Oklahoma Public Employees Retirement System**

The plan covers qualified city employees and provides certain retirement death and disability benefits. The City contributes 14.5% of the total wages paid to covered employees. Contributions by the City of Tahlequah amount to \$408,196 for the fiscal year ended June 30, 2013. Each covered employee contributes 3.5% of individual compensation. The plan provides for retirement benefits upon reaching normal retirement age. Employees become vested after ten (10) years of service receiving benefits upon reaching normal retirement age based on the number of years of service.

**Oklahoma Firefighters Pension and Retirement System**

Members of the City's Fire Department participate in the Oklahoma Firefighters Pension and Retirement System, a system administered by the State of Oklahoma. In conformity with the state law, the plan covers all full time firemen of the City of Tahlequah and provides certain retirement, death, and disability benefits. In conformity with state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are established by the State, and the City is required to contribute 13% of total compensation paid to the firefighters. The firefighters contribute 8% of their compensation to the plan. Contributions by the City of Tahlequah to the system for the fiscal year ended June 30, 2013 amounted to \$64,701, paid primarily by the General Fund.

**Oklahoma Police Pension and Retirement system**

Members of the City's Police Department participate in the Oklahoma Police Pension and Retirement System, a system administered by the State of Oklahoma. The plan covers full time police officers of the City of Tahlequah, and provides retirement, death, and disability benefits. In conformity with state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are 13% of total compensation paid to police officers. Each police officer contributes 8% of his/her individual compensation. Contributions by the City of Tahlequah amounted to \$129,064 for the fiscal year ended June 30, 2013, paid primarily by the General Fund.

**CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 7: CONTINGENCIES AND OTHER COMMITMENTS**

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

**Pending Litigation**

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

A listing of all court cases filed against the City of Tahlequah and their status can be found at the website [odcr.com](http://odcr.com).

**NOTE 8: LEASE COMMITMENTS**

At June 30, 2013 the City and the Solid Waste Services Fund (Enterprise Fund) had several lease purchase agreements which consisted of the following:

<b>Lessors</b>	<b>Asset</b>	<b>Interest Rate</b>	<b>Current Portion</b>	<b>Non-Current Portion</b>	<b>Balance</b>
BancFirst	Fire Station	3.75%	\$ 24,365	\$ 70,785	\$ 95,150
BancFirst	Transfer Station	3.75%	90,940	0	90,940
BancFirst	Property	3.38%	85,095	98,768	183,863
Welch State Bank	Truck	2.53%	51,826	0	51,826
Welch State Bank	Excavator	2.78%	33,391	84,548	117,939
Welch State Bank	Dozer	2.89%	19,871	68,522	88,393
<b>Total</b>			<b>\$ 305,488</b>	<b>\$ 322,623</b>	<b>\$ 628,111</b>

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9: ECONOMIC DEPENDENCY**

As of June 2012, the City of Tahlequah sales tax revenue (58.6% of general revenue) consisted of the following business types:

**NOTE 10: USE OF ESTIMATES**

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



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TAHLEQUAH, OKLAHOMA**  
**SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE**  
**JUNE 30, 2013**

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Balance 6/30/12</u>	<u>Awarded (Closed)</u>	<u>Current Year Expenditures</u>	<u>Balance 6/30/13</u>
<u>Federal Awards</u>						
<u>U.S. Department of Justice</u>						
Bullet Proof Vest	16.607	\$ 5,792	\$ 7,287	\$ 287	\$ 6,229	\$ 13,229
Community Solutions	16.590	\$ 399,999	\$ 19,504	\$ 172,646	\$ 166,473	\$ 13,331
Sub-Total Department of Justice		405,791	26,791	172,933	172,701	26,559
<u>Pass Through the State of Oklahoma</u>						
Land Acquisition Grant	20.106	95,712	-	950	1,000	50
CDBG Grant	14.228	193,464	-	86,112	246,998	160,886
FEMA Reimbursement	97.036	26,719	-	3,584	3,584	-
Impaired Driving Enforcement Grant	20.60	40,000	-	12,230	27,257	15,027
Civil Emergency Mangment	97.042	21,838	-	21,838	-	(21,838)
Sub-Total Pass Through State of Oklahoma		377,733	-	124,714	278,839	154,125
Total Federal Awards		783,524	26,791	297,647	451,540	180,684
<u>State Awards</u>						
Oklahoma Dept of Libraries		108,875	67,554	-	2,658	70,212
Total State Awards		108,875	67,554	-	2,658	70,212
Total Federal and State Awards		\$ 892,399	\$ 94,345	\$ 297,647	\$ 454,198	\$ 250,896

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Taxes	\$ 6,089,000	\$ 6,089,000	\$ 6,076,700	\$ (12,300)
Licenses and Permits:	104,700	104,700	88,177	(16,523)
Charges for Services	518,256	518,256	417,729	(100,527)
Fines and Forfeitures	463,000	463,000	425,346	(37,654)
Miscellaneous	133,326	218,546	1,645,000	1,426,454
Intergovernmental Revenue:	1,239,826	2,057,396	2,114,741	57,345
<b>Total Resources</b>	<b>8,548,108</b>	<b>9,450,898</b>	<b>10,767,693</b>	<b>1,316,795</b>
<b>Transfers:</b>				
Refunds of income	-	-	-	-
Transfers to other funds	-	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Amounts available for appropriation</b>	<b>8,548,108</b>	<b>9,450,898</b>	<b>10,767,693</b>	<b>1,316,795</b>
<b>Charges to Appropriations (Outflows):</b>				
<b>Managerial:</b>				
Personal services	978,658	980,083	920,950	59,133
Materials and supplies	109,155	84,340	66,531	17,809
Other services and charges	635,838	662,244	609,728	52,516
Capital outlay	757,000	1,256,471	809,643	446,828
Transfers	440,283	943,416	954,431	(11,015)
<b>Total Managerial</b>	<b>2,920,934</b>	<b>3,926,554</b>	<b>3,361,283</b>	<b>565,271</b>
<b>City Clerk:</b>				
Personal Services	53,331	53,331	52,150	1,181
<b>Total City Clerk</b>	<b>53,331</b>	<b>53,331</b>	<b>52,150</b>	<b>1,181</b>
<b>City Treasurer:</b>				
Personal services	14,547	14,547	13,989	558
<b>Total City Treasurer</b>	<b>14,547</b>	<b>14,547</b>	<b>13,989</b>	<b>558</b>
<b>City Attorney:</b>				
Personal services	53,150	54,952	53,858	1,094
<b>Total City Attorney</b>	<b>53,150</b>	<b>54,952</b>	<b>53,858</b>	<b>1,094</b>
<b>Municipal Judge:</b>				
Personal services	103,137	107,625	106,978	647
Other services and charges	200	200	-	200
<b>Total Municipal Judge</b>	<b>103,337</b>	<b>107,825</b>	<b>106,978</b>	<b>847</b>

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Cemetery:</b>				
Personal services	170,895	180,210	199,066	(18,856)
Materials and supplies	53,108	53,108	21,909	31,199
Other services and charges	5,003	4,999	2,459	2,540
Capital outlay	10,000	-	-	-
<b>Total Cemetery</b>	<b>239,006</b>	<b>238,317</b>	<b>223,434</b>	<b>14,883</b>
<b>Building Inspector:</b>				
Personnel services	-	-	-	-
Materials and supplies	-	-	-	-
<b>Total Building Inspector</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Emergency Management:</b>				
Personal services	65,960	66,993	65,929	1,064
Materials and supplies	9,480	12,384	10,622	1,762
Other services and charges	10,000	8,000	7,681	319
Capital outlay	-	-	-	-
<b>Total Civil Defense</b>	<b>85,440</b>	<b>87,377</b>	<b>84,232</b>	<b>3,145</b>
<b>Fire Department:</b>				
Personal services	733,433	752,616	737,722	14,894
Materials and supplies	53,310	52,746	36,430	16,316
Other services and charges	39,040	37,306	30,623	6,683
Capital outlay	69,476	55,745	54,780	965
<b>Total Fire Department</b>	<b>895,259</b>	<b>898,413</b>	<b>859,555</b>	<b>38,858</b>
<b>Law Enforcement:</b>				
Personal services	1,935,069	1,989,987	1,937,284	52,703
Materials and supplies	180,191	175,063	160,972	14,091
Other services and charges	62,286	33,673	27,499	6,174
Capital outlay	169,396	185,338	1,542,329	(1,356,991)
<b>Total Law Enforcement</b>	<b>2,346,942</b>	<b>2,384,061</b>	<b>3,668,084</b>	<b>(1,284,023)</b>
<b>Animal Shelter:</b>				
Personal services	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Animal Shelter</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>City Airport:</b>				
Personal services	46,398	48,233	48,869	(636)
Materials and supplies	273,056	266,648	239,739	26,909
Other services and charges	18,548	24,944	16,599	8,345
Capital outlay	-	-	7,629	(7,629)
<b>Total City Airport</b>	<b>338,002</b>	<b>339,825</b>	<b>312,836</b>	<b>26,989</b>

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Street:</b>				
Personal services	770,654	798,973	774,939	24,034
Materials and supplies	30,876	310,156	240,306	69,850
Other services and charges	13,540	13,540	11,838	1,702
Capital outlay	762,794	324,851	321,765	3,086
<b>Total Street</b>	<b>1,577,864</b>	<b>1,447,520</b>	<b>1,348,848</b>	<b>98,672</b>
<b>Library:</b>				
Materials and supplies	2,000	2,064	2,064	-
Other services and charges	25,500	25,436	23,273	2,163
Capital outlay	-	-	-	-
<b>Total Library</b>	<b>27,500</b>	<b>27,500</b>	<b>25,337</b>	<b>2,163</b>
<b>Parks and Recreation:</b>				
Personal services	532,970	550,554	486,661	63,893
Materials and supplies	107,724	104,134	97,828	6,306
Other services and charges	96,732	99,010	94,091	4,919
Capital outlay	138,000	64,312	63,155	1,157
<b>Total Parks and Recreation</b>	<b>875,426</b>	<b>818,010</b>	<b>741,735</b>	<b>76,275</b>
<b>Maintenance:</b>				
Personal services	110,198	115,572	103,309	12,263
Materials and supplies	42,172	42,095	37,089	5,006
Other services and charges	15,000	15,000	13,930	1,070
Capital outlay	-	-	-	-
<b>Total Maintenance</b>	<b>167,370</b>	<b>172,667</b>	<b>154,328</b>	<b>18,339</b>
<b>Total Charges to Appropriations</b>	<b>9,698,108</b>	<b>10,570,899</b>	<b>11,006,647</b>	<b>(435,748)</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ (1,150,000)</b>	<b>\$ (1,120,001)</b>	<b>\$ (238,954)</b>	<b>\$ (881,047)</b>

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

Accrued Tax Revenues 06/30/13	\$ 796,594
Accrued Tax Revenue 06/30/12	(617,539)
Accrued Payroll 06/30/13	59,030
Accrued Payroll 06/30/12	(56,352)
<b>Net Change In Fund Balance</b>	<b>\$ (57,221)</b>

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2013**

**BUDGETS AND BUDGETARY ACCOUNTING**

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

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

**CITY OF TAHLEQUAH  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FIDUCIARY FUNDS  
 JUNE 30, 2013**

	<u>TAHLEQUAH PUBLIC SCHOOLS TAX FUND</u>
Revenues:	
Sales Tax and Use Tax	\$ 1,417,866
Total Revenue	<u>1,417,866</u>
Expenditures:	
Total Expenditures	
Excess (deficiency) of revenues over expenditures	1,417,866
Other Financing Sources (uses):	
Transferred to Tahlequah Public Schools	1,417,866
Total Other Financing Sources (Uses)	<u>1,417,866</u>
Net Change in fund balance	-
Fund balance - beginning	-
Fund balance - ending	<u><u>\$ -</u></u>

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

The Honorable Mayor and City Council  
City of Tahlequah, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated January 28, 2014

***Internal Control Over Financial Reporting***

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.


***Compliance and Other Matters***

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



***Purpose of this Report***

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



Michael Green, CPA  
January 28, 2014