

**CITY OF TONKAWA, OKLAHOMA  
TONKAWA, OKLAHOMA**

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORTS**

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

**CITY OF TONKAWA, OKLAHOMA**  
**TABLE OF CONTENTS**  
**For the fiscal year ended JUNE 30, 2013**

---

	<b>PAGE</b>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-10
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	11
Statement of Activities	12
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	17 18
Statement of Net Position – Proprietary Funds	
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Notes to Basic Financial Statements	21-32
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33-34



205 West McElroy  
Stillwater, OK 74075  
(405) 624-9500

---

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of City Council  
City of Tonkawa, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Tonkawa, 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 as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tonkawa, OK's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the City of Tonkawa, OK's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*FSW&B CPA's-PLLC*

FSW&B CPA's-PLLC

Stillwater, OK

December 16, 2013

Within this section, the City of Tonkawa's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2013. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

## FINANCIAL SUMMARY

- At June 30, 2013, the assets of the City exceeded its liabilities by \$8,326,209 (net position). Of this amount \$2,616,844 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compares favorably to the previous year when assets exceeded liabilities by \$7,026,439.
- The City's total net position are comprised of the following:
  - (1) Invested in capital assets, net of related debt of \$5,416,617 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
  - (2) Restricted net position of \$292,708.
  - (3) Unrestricted net position of \$2,616,844 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City decreased by \$246,007 during the fiscal year from \$3,604,265 to \$3,358,258. The majority of this decrease is directly attributable to repayments made on outstanding debt.
- After transfers of \$27,293 from business-type activities to governmental activities, net position of governmental activities increased \$249,473 or 7%, and net position of business-type activities increased \$1,195,767 or 36%. Overall the health of the City improved when compared to prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$161,994 or 12% of total General Fund expenditures.

## OVERVIEW OF THE FINANCIAL STATEMENTS

*Management's Discussion and Analysis* introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

### **Government-wide Financial Statements**

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in

its entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electricity, water, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). The Tonkawa Development Authority is a separate legal entity which operates independently and provides services directly to the citizens though the City remains accountable for their actions. As such, the Tonkawa Development Authority is reported as part of the primary government and included in the City's overall reporting entity. More comprehensive information about the City's component units can be found in footnotes.

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

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

### ***Notes to the financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the City's compliance with the approved and revised budget for major governmental funds.

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

**Net Position**

The City's combined net position at June 30, 2013 was \$8,326,209. This is a \$1,445,240 increase over June 30, 2012 net position of \$7,026,439 prior to adjustment. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$3,958,435 and \$4,367,774, respectively. The City's overall financial position improved 18% during fiscal year 2013.

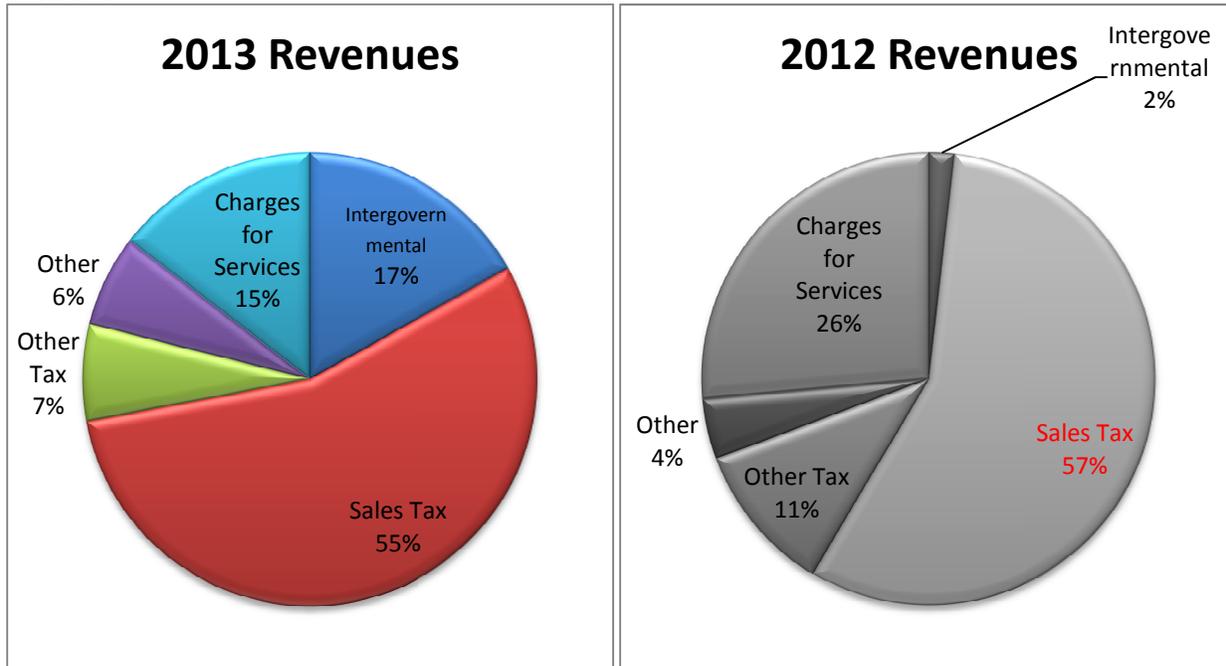
	Summary of Net Assets						\$ Change	% Change
	Governmental Activities		Business-Type Activities		Total			
	2013	2012	2013	2012	2013	2012		
Current assets	\$ 1,429,899	\$ 1,013,394	\$ 1,900,559	\$ 1,626,377	\$ 3,330,458	\$ 2,639,771	\$ 690,687	26%
Non-current assets	-	-	-	145,470	-	145,470	(145,470)	-100%
Capital assets, net	2,731,420	2,759,391	5,540,648	5,086,072	8,272,068	7,845,463	426,605	5%
<b>Total assets</b>	<b>4,161,319</b>	<b>3,772,785</b>	<b>7,441,207</b>	<b>6,857,919</b>	<b>11,602,526</b>	<b>10,630,704</b>	<b>971,822</b>	<b>9%</b>
Current liabilities	48,013	19,354	594,627	582,762	642,640	602,116	40,524	7%
Non-current liabilities	154,871	44,469	2,478,806	2,957,680	2,633,677	3,002,149	(368,472)	-12%
<b>Total liabilities</b>	<b>202,884</b>	<b>63,823</b>	<b>3,073,433</b>	<b>3,540,442</b>	<b>3,276,317</b>	<b>3,604,265</b>	<b>(327,948)</b>	<b>-9%</b>
Net assets								
Invested in capital assets, net of related debt	2,731,420	2,759,391	2,603,256	1,906,013	5,334,676	4,665,404	669,272	14%
Restricted	292,708	292,708	-	-	292,708	292,708	-	0%
Unrestricted	934,307	656,863	1,764,518	1,411,464	2,698,825	2,068,327	630,498	30%
<b>Total net assets</b>	<b>\$ 3,958,435</b>	<b>\$ 3,708,962</b>	<b>\$ 4,367,774</b>	<b>\$ 3,317,477</b>	<b>\$ 8,326,209</b>	<b>\$ 7,026,439</b>	<b>\$ 1,299,770</b>	<b>18%</b>

Summary of Changes in Net Assets

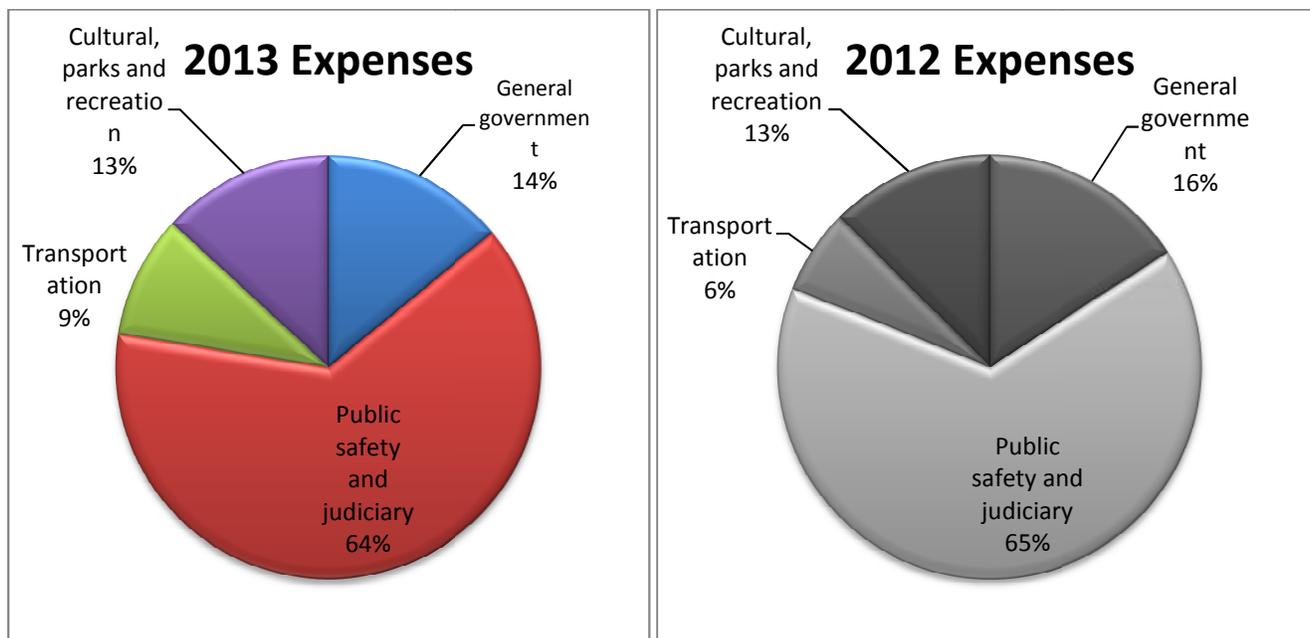
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2013	2012	2013	2012	2013	2012		
<b>Revenues</b>								
Program revenues	\$ 859,837	\$ 589,120	\$ 4,806,295	\$ 4,881,676	\$ 5,666,132	\$ 5,470,796	\$ 195,336	4%
Taxes and other general revenues	1,754,304	1,359,578	35,917	35,872	1,790,221	1,395,450	394,771	28%
<b>Total revenues</b>	<b>2,614,141</b>	<b>1,948,698</b>	<b>4,842,212</b>	<b>4,917,548</b>	<b>7,456,353</b>	<b>6,866,246</b>	<b>590,107</b>	<b>32%</b>
<b>Expenses</b>								
General government	336,418	340,884	-	-	336,418	340,884	(4,466)	-1%
Public safety and judiciary	1,517,554	1,392,551	-	-	1,517,554	1,392,551	125,003	9%
Transportation	223,993	137,332	-	-	223,993	137,332	86,661	63%
Cultural, parks, and recreation	313,996	268,051	-	-	313,996	268,051	45,945	17%
Economic development	-	-	41,443	32,487	41,443	32,487	8,956	28%
Electric	-	-	2,491,834	2,416,222	2,491,834	2,416,222	75,612	3%
Water	-	-	553,621	465,927	553,621	465,927	87,694	19%
Sewer	-	-	187,545	215,493	187,545	215,493	(27,948)	-13%
Sanitation	-	-	187,450	187,705	187,450	187,705	(255)	0%
Customer service	-	-	157,259	168,441	157,259	168,441	(11,182)	-7%
<b>Total expenses</b>	<b>2,391,961</b>	<b>2,138,818</b>	<b>3,619,152</b>	<b>3,486,275</b>	<b>6,011,113</b>	<b>5,625,093</b>	<b>386,020</b>	<b>7%</b>
Excess (deficiency) before transfers	\$ 222,180	\$ (190,120)	\$ 1,223,060	\$ 1,431,273	\$ 1,445,240	\$ 1,241,153	\$ 204,087	16%
Transfers	27,293	326,683	(27,293)	(326,683)	-	-	-	0%
<b>Increase (decrease) in net assets</b>	<b>\$ 249,473</b>	<b>\$ 136,563</b>	<b>\$ 1,195,767</b>	<b>\$ 1,104,590</b>	<b>\$ 1,445,240</b>	<b>\$ 1,241,153</b>	<b>\$ 204,087</b>	<b>16%</b>

Revenues for the City increased 32% year over year. This increase in revenues is attributable to rebounding tax revenues, which noted an increase of \$335,056 or 23% year over year. Operating expenses also noted an overall increase over fiscal year 2012 of 7%. This increase is a function of the increase in the cost of police and fire protection for the public, as well as increased cost of providing electric and water service to customers.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.

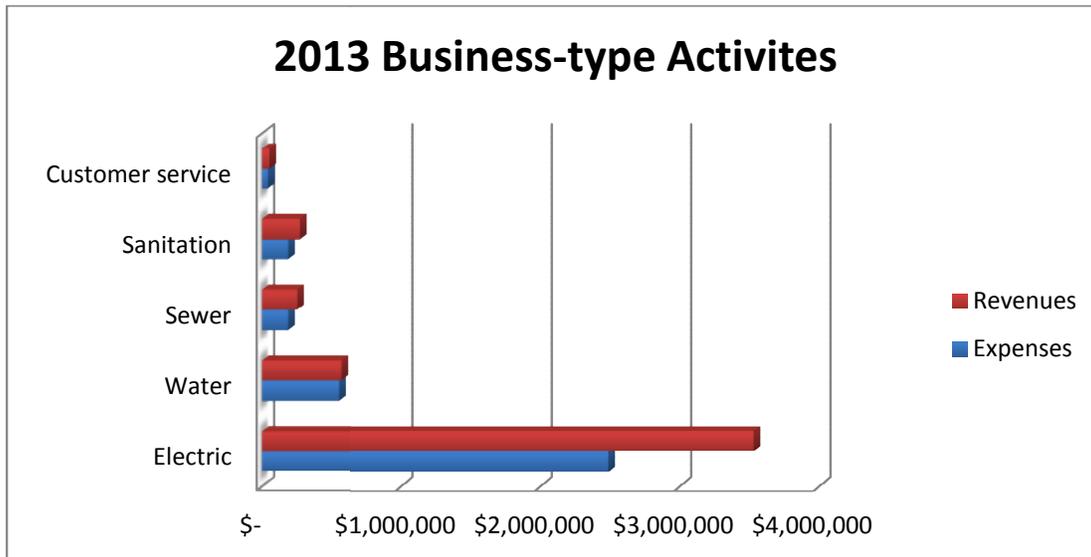


Taxes provided for 55% of the City's governmental revenues in fiscal year 2013 as compared to 57% in 2012. Intergovernmental revenues absorbed the decrease in the revenues from sales tax and charges for services. Of the over \$400,000 in intergovernmental revenues, the City received \$287,400 in grant revenues related to the sewer and water infrastructure improvements. The remaining intergovernmental revenues consisted of FEMA reimbursements. Those expenses were funded through the City's capital project fund, which is a governmental activity.



For the year ended June 30, 2013, total expenses for governmental activities were \$2,390,961 compared to \$2,138,818 in fiscal year 2012. Of this amount, public safety and judiciary with \$1,517,544, was the largest operating service department at 64% of the total cost of services for the City government, which is consistent with prior year. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

**Business-type Activities**



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, Water, and Electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

For the fiscal year ended June 30, 2013, revenues from electric, water, sewer, and sanitation services covered the cost of operating their respective departments.

**General Fund Budgetary Highlights**

The original adopted General Fund budget for fiscal year 2013 was \$2,219,424 compared to \$2,095,045 in fiscal year 2012. Budget amendments were approved by Council during the fiscal year increasing the budget by \$70,000, for a final amended budget of \$2,177,464, prior to transfers. The General Fund budget complied with financial policies approved by the City.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2013, the City had \$5,334,676 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ -	\$ -	\$ 5,000	\$ 14,176	\$ 5,000	\$ 14,176
Construction in process	-	-	-	-	0	-
Buildings	551,303	567,055	161,811	172,506	713,114	739,561
Machinery & equipment	157,990	145,042	179,321	67,572	337,311	212,614
Utility property & improvements	2,022,127	2,047,294	5,147,183	4,831,818	7,169,310	6,879,112
Totals	<u>\$ 2,731,420</u>	<u>\$ 2,759,391</u>	<u>\$ 5,493,315</u>	<u>\$ 5,086,072</u>	<u>\$ 8,224,735</u>	<u>\$ 7,845,463</u>

- In Governmental Activities, the most significant additions included a Police SVU and related equipment, library floor repairs, and lighting improvements for the new baseball park.
- In Business-type activities, capital additions included over \$510,000 in utility improvements, and backhoe/loader, and a vacuum truck for the sewer department.

**Long-Term Debt**

At year-end, the City had \$2,937,392 in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

**Primary Government Long-Term Debt**

	Business-type	
	Activities	
	2013	2012
Notes payable	1,772,392	1,950,529
Bonds payable	1,165,000	1,375,000
less current portion	(395,702)	(397,404)
Totals	<u>\$ 2,541,690</u>	<u>\$ 2,928,125</u>

**ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

**Economic Environment**

According to the Oklahoma Economic Report, the state's twelve-month gross receipts have reached an all-time high, surpassing the previous record set in December 2008. State Treasurer, Ken Miller, Oklahoma has "regained and moved past the ground it lost during the Great Recession". Although the national economy has been sluggish, Oklahoma has shown significant improvement. The economic environment of the state sheds light on the local economy, as the City has also seen improvement.

The financial position of the City continues to show a moderate growth pattern. The year-to-year progress of revenue exceeding expenses is leading to financial stability and improvement to the City's cash position.

**Fees and Rates**

Sales tax was budgeted at 90% of prior year collections. As noted above, the City expects to see improvement in the economy; however, a conservative approach was used for budgeting purposes. Utility rate increases were included in the FY14 budget expecting to generate \$151,660. Despite the increase in rates, the sewer department does not reflect a positive profit margin for fiscal year 2014.

### **Operating and Capital Expenses**

The City budget included a 3% raise for all full time employees. Fuel expenses noted an increase based upon consumption and increase in price.

Based upon projected revenues, the City has budgeted \$1,370,398 in capital improvements for the City to be completed during fiscal year 2014. These improvements will be funded with sales tax dollars, grant awards, and the issuance of new debt. Those improvements range from wastewater and water system improvements and \$30,000 for a new vehicle in the street department.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Tonkawa City Hall, 113 South 7th, Tonkawa, Oklahoma, 74653.

**City of Tonkawa, Oklahoma**  
**Statement of Net Position**  
**June 30, 2013**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Assets:			
Cash and cash equivalents	\$ 78,284	\$ 584,171	\$ 662,455
Investments	-	112,684	112,684
Accounts receivable (net)	109,821	336,316	446,137
Receivable from other governments	136,298	-	136,298
Total current assets	<u>324,403</u>	<u>1,033,171</u>	<u>1,357,574</u>
Restricted assets:			
Cash	1,085,496	729,978	1,815,474
Investments	20,000	137,410	157,410
Total restricted assets	<u>1,105,496</u>	<u>867,388</u>	<u>1,972,884</u>
Noncurrent Assets:			
Due from other funds	-	81,941	81,941
Land and construction in progress	-	14,176	14,176
Other capital assets (net of accumulated depreciation)	2,731,420	5,526,472	8,257,892
Total noncurrent assets	<u>2,731,420</u>	<u>5,622,589</u>	<u>8,354,009</u>
Total assets	<u>\$ 4,161,319</u>	<u>\$ 7,523,148</u>	<u>\$ 11,684,467</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 47,145	\$ 35,670	\$ 82,815
Accrued interest payable	-	10,926	10,926
Notes payable, current	-	180,702	180,702
Total current liabilities	<u>47,145</u>	<u>227,298</u>	<u>274,443</u>
Liabilities payable from restricted assets:			
Court bonds payable	868	-	868
Customer deposits payable	-	152,329	152,329
Bonds payable, current	-	215,000	215,000
Total liabilities payable from restricted assets	<u>868</u>	<u>367,329</u>	<u>368,197</u>
Noncurrent liabilities:			
Due to other funds	81,941	-	81,941
Compensated absences	72,930	19,057	91,987
Notes payable, non-current	-	1,591,690	1,591,690
Bonds payable, non-current	-	950,000	950,000
Total noncurrent liabilities	<u>154,871</u>	<u>2,560,747</u>	<u>2,715,618</u>
Total liabilities	<u>202,884</u>	<u>3,155,374</u>	<u>3,358,258</u>
 <b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,731,420	2,685,197	5,416,617
Restricted	292,708	-	292,708
Unrestricted	934,307	1,682,577	2,616,884
Total net position	<u>\$ 3,958,435</u>	<u>\$ 4,367,774</u>	<u>\$ 8,326,209</u>

**City of Tonkawa, Oklahoma**  
**Statement of Activities**  
**June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 230,588	\$ 30,198	\$ 31,867	\$ 409,054	\$ 240,531
Administration	105,830	-	-	-	(105,830)
Total general government	336,418	30,198	31,867	409,054	134,701
Public safety and judiciary:					
Legal and courts	16,210	-	-	-	(16,210)
Code enforcement	41,423	-	-	-	(41,423)
Police	867,935	117,371	39,463	-	(711,101)
Fire	325,033	-	-	-	(325,033)
Ambulance	266,953	191,703	9,657	-	(65,593)
Total public safety and judiciary	1,517,554	309,074	49,120	-	(1,159,360)
Transportation:					
Streets	215,604	-	24,644	-	(190,960)
Airport	8,389	-	-	-	(8,389)
Total transportation	223,993	-	24,644	-	(199,349)
Cultural, parks and recreation:					
Parks	173,639	5,880	-	-	(167,759)
Library	140,357	-	-	-	(140,357)
Total cultural, parks and recreation	313,996	5,880	-	-	(308,116)
Total governmental activities	2,391,961	345,152	105,631	409,054	(1,532,124)
Business-type activities:					
Electric	2,491,834	3,534,596	-	-	1,042,762
Water	553,621	571,054	-	-	17,433
Sewer	187,545	252,638	-	-	65,093
Sanitation	187,450	272,535	-	-	85,085
Customer service	157,259	122,596	-	-	(34,663)
Economic development	41,443	-	52,877	-	11,434
Total business-type activities	3,619,152	4,753,419	52,877	-	1,187,144
Total primary government	\$ 6,011,113	\$ 5,098,571	\$ 158,508	\$ 409,054	\$ (344,980)

(Continued)

**City of Tonkawa, Oklahoma**  
**Statement of Activities**  
**June 30, 2013**

**Changes in Net Position**

(Continued)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (1,532,124)	\$ 1,187,144	\$ (344,980)
General revenues:			
Taxes:			
Sales taxes	1,440,910	-	1,440,910
Use taxes	64,855	-	64,855
Franchise taxes	44,773	-	44,773
Cigarette taxes	18,488	-	18,488
Alcoholic beverage tax	12,579	-	12,579
Investment income	4,155	1,133	5,288
Gain on sale of assets	59,956	10,445	70,401
Miscellaneous	108,588	24,338	132,926
Transfers-Internal activity	27,293	(27,293)	-
Total general revenues and transfers	<u>1,781,597</u>	<u>8,623</u>	<u>1,790,220</u>
Change in net position	249,473	1,195,767	1,445,240
Net position-beginning	3,708,962	3,317,477	7,026,439
Prior period adjustment	-	(145,470)	(145,470)
Net position-ending	<u>\$ 3,958,435</u>	<u>\$ 4,367,774</u>	<u>\$ 8,326,209</u>

**City of Tonkawa, Oklahoma**  
**Balance Sheet**  
**June 30, 2013**

	General Fund	Capital Projects Improvement Fund	Special Revenue Blinn Park Memorial Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 620,428	\$ 540,297	\$ 3,055	\$ 1,163,780
Investments	-	-	20,000	20,000
Accounts receivable	78,519	-	-	78,519
Fines receivable, net of allowance	31,302	-	-	31,302
Receivable from other governments	136,298	-	-	136,298
Total assets	\$ 866,547	\$ 540,297	\$ 23,055	\$ 1,429,899
<b>LIABILITIES</b>				
Accounts payable	\$ 47,145	\$ -	\$ -	\$ 47,145
Due from other funds	81,941	-	-	81,941
Court bonds payable	868	-	-	868
Total liabilities	129,954	-	-	129,954
<b>FUND BALANCES</b>				
Restricted	5,513	-	20,000	25,513
Committed	534,488	540,297	-	1,074,785
Assigned	34,598	-	3,055	37,653
Unassigned	161,994	-	-	161,994
Total fund balances	736,593	540,297	23,055	1,299,945
Total liabilities and fund balances	\$ 866,547	\$ 540,297	\$ 23,055	\$ 1,429,899
Total fund balance - total governmental funds				1,299,945
Amounts reported for governmental activities in the Statement of Net assets are different because:				
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds				
	Capital assets		3,770,563	
	Less: Accumulated depreciation		(1,039,143)	2,731,420
Long-term liabilities are not due and payable in the current period and are not reported in the funds				
	Compensated absences			(72,930)
Net assets of governmental activities				\$ 3,958,435

**City of Tonkawa, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2013**

	<u>General Fund</u>	<u>Capital Projects Capital Improvement Fund</u>	<u>Special Revenue Blinn Park Memorial Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
Sales taxes	\$ 1,440,910	\$ -	\$ -	\$ 1,440,910
Use taxes	64,855	-	-	64,855
Franchise taxes	44,773	-	-	44,773
E911 fees	39,463	-	-	39,463
Cigarette tax	18,488	-	-	18,488
Alcoholic Beverage Tax	12,579	-	-	12,579
Licenses and permits	10,748	-	-	10,748
Fines and forfeitures	117,371	-	-	117,371
Investment income	2,226	1,912	17	4,155
Charges for services	233,111	-	-	233,111
Rental income	19,450	-	-	19,450
Intergovernmental	441,694	-	-	441,694
Donations	3,796	-	-	3,796
Miscellaneous	162,748	-	-	162,748
Total revenues	<u>2,612,212</u>	<u>1,912</u>	<u>17</u>	<u>2,614,141</u>
<b><u>EXPENDITURES</u></b>				
General government:				
General government	203,496	-	-	203,496
Administration	101,854	-	-	101,854
Total general government	<u>305,350</u>	<u>-</u>	<u>-</u>	<u>305,350</u>
Public safety and judiciary:				
Legal and courts	16,210	-	-	16,210
Code enforcement	37,486	-	-	37,486
Police	841,477	-	-	841,477
Fire	317,842	-	-	317,842
Ambulance	247,630	-	-	247,630
Total public safety and judiciary	<u>1,460,645</u>	<u>-</u>	<u>-</u>	<u>1,460,645</u>
Transportation:				
Street	165,847	29,053	-	194,900
Airport	8,389	-	-	8,389
Total transportation	<u>174,236</u>	<u>29,053</u>	<u>-</u>	<u>203,289</u>
Cultural, parks and recreation:				
Parks	113,856	-	4	113,860
Library	141,267	-	-	141,267
Total cultural, parks and recreation	<u>255,123</u>	<u>-</u>	<u>4</u>	<u>255,127</u>
Capital outlay	111,118	-	-	111,118
Total expenditures	<u>2,306,472</u>	<u>29,053</u>	<u>4</u>	<u>2,335,529</u>
Excess (deficiency) of revenues over expenditures	<u>305,740</u>	<u>(27,141)</u>	<u>13</u>	<u>278,612</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	1,145,155	293,730	-	1,438,885
Transfers out	(1,364,622)	(46,970)	-	(1,411,592)
Total other financing sources and uses	<u>(219,467)</u>	<u>246,760</u>	<u>-</u>	<u>27,293</u>
Net change in fund balances	86,273	219,619	13	305,905
Fund balances - beginning	650,320	320,678	23,042	994,040
Fund balances - ending	<u>\$ 736,593</u>	<u>\$ 540,297</u>	<u>\$ 23,055</u>	<u>\$ 1,299,945</u>

(Continued)

**City of Tonkawa, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2013**

(Continued)

Reconciliation of the change in fund balances - total governmental funds  
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$	305,905
Amounts reported for governmental activities in the Statement of Activities are different because:		

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized		111,118
Depreciation expense		(139,089)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

	<u>Current Year</u>	<u>Prior Year</u>	
Compensated absences	\$ 72,930	\$ 44,469	<u>(28,461)</u>
Change in Net Assets of Governmental Activities			<u><u>\$ 249,473</u></u>

**City of Tonkawa, Oklahoma**  
**General Fund**  
**June 30, 2013**  
**Budget and Actual (Non-GAAP Budgetary Basis)**

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Tax revenue	\$ 1,041,362	\$ 311,316	\$ 1,352,678	\$ 1,520,311	\$ 167,633
Franchise taxes	46,441	-	46,441	44,773	(1,668)
Licenses and permits	8,000	-	8,000	10,748	2,748
Fines and forfeitures	150,000	-	150,000	116,553	(33,447)
Charges for services	162,500	20,000	182,500	221,554	39,054
Rental income	30,000	-	30,000	19,450	(10,550)
Intergovernmental	28,593	66,683	95,276	421,624	326,348
Interest income	2,000	-	2,000	2,226	226
Miscellaneous	62,499	43,001	105,500	166,544	61,044
Total revenues	<u>1,531,395</u>	<u>441,000</u>	<u>1,972,395</u>	<u>2,523,783</u>	<u>551,388</u>
<b>EXPENDITURES</b>					
Current:					
General government:					
General government	33,500	200,900	234,400	213,208	21,192
Administration	158,900	(158,900)	-	-	-
Total general government	<u>192,400</u>	<u>42,000</u>	<u>234,400</u>	<u>213,208</u>	<u>21,192</u>
Public safety and judiciary:					
Legal and courts	20,500	-	20,500	16,210	4,290
Code enforcement	28,000	10,000	38,000	37,486	514
Police	966,974	-	966,974	935,067	31,907
Fire	299,550	-	299,550	317,842	(18,292)
Ambulance	304,500	-	304,500	247,630	56,870
Total public safety and judiciary	<u>1,619,524</u>	<u>10,000</u>	<u>1,629,524</u>	<u>1,554,235</u>	<u>75,289</u>
Transportation:					
Street	138,500	9,000	147,500	146,505	995
Airport	6,000	-	6,000	8,389	(2,389)
Total transportation	<u>144,500</u>	<u>9,000</u>	<u>153,500</u>	<u>154,894</u>	<u>(1,394)</u>
Cultural, parks and recreation:					
Parks	121,000	9,000	130,000	113,860	16,140
Library	142,000	-	142,000	141,267	733
Total cultural, parks and recreation	<u>263,000</u>	<u>9,000</u>	<u>272,000</u>	<u>255,127</u>	<u>16,873</u>
Total expenditures	<u>2,219,424</u>	<u>70,000</u>	<u>2,289,424</u>	<u>2,177,464</u>	<u>111,960</u>
Revenue over (under) expenditures	(688,029)	371,000	(317,029)	346,319	439,428
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	689,600	-	689,600	(219,467)	(909,067)
Net other financing sources (uses)	<u>689,600</u>	<u>-</u>	<u>689,600</u>	<u>(219,467)</u>	<u>(909,067)</u>
Revenues and other financing sources over (under) expenditures and other uses	1,571	371,000	372,571	126,852	(469,639)
Fund balance at beginning of year (Non-GAAP budgetary basis)	-	-	-	635,606	635,606
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 1,571</u>	<u>\$ 371,000</u>	<u>\$ 372,571</u>	<u>\$ 762,458</u>	<u>\$ 165,967</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue accruals				13,273	
Expenditure accruals				(39,138)	
Fund balance at end of year (GAAP basis)				<u>\$ 736,593</u>	

**City of Tonkawa, Oklahoma**  
**Statement of Net Position**  
**June 30, 2013**

	<b>Tonkawa Municipal Authority</b>	<b>Tonkawa Development Authority</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 541,055	\$ 43,116	\$ 584,171
Investments	98,590	14,094	112,684
Due from other funds	81,941	-	81,941
Interest receivable	-	-	-
Accounts receivable (net)	336,316	-	336,316
Total current assets	<u>1,057,902</u>	<u>57,210</u>	<u>1,115,112</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	729,978	-	729,978
Investments	137,410	-	137,410
Total restricted assets	<u>867,388</u>	<u>-</u>	<u>867,388</u>
Noncurrent assets:			
Bond issuance cost (net)	-	-	-
Capital assets (net)	5,493,315	47,333	5,540,648
Total noncurrent assets	<u>5,493,315</u>	<u>47,333</u>	<u>5,540,648</u>
<b>Total assets</b>	<u>\$ 7,418,605</u>	<u>\$ 104,543</u>	<u>\$ 7,523,148</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 35,670	\$ -	\$ 35,670
Accrued interest payable	10,926	-	10,926
Other accrued liabilities	-	-	-
Compensated absences, current	19,057	-	19,057
Notes payable, current	180,702	-	180,702
Total current liabilities	<u>246,355</u>	<u>-</u>	<u>246,355</u>
Liabilities payable from restricted assets:			
Customer deposits payable	152,329	-	152,329
Bonds payable, current	215,000	-	215,000
Total liabilities payable from restricted assets	<u>367,329</u>	<u>-</u>	<u>367,329</u>
Noncurrent liabilities:			
Notes payable, non-current	1,591,690	-	1,591,690
Bonds payable, noncurrent	950,000	-	950,000
Total noncurrent liabilities	<u>2,541,690</u>	<u>-</u>	<u>2,541,690</u>
<b>Total liabilities</b>	<u>3,155,374</u>	<u>-</u>	<u>3,155,374</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,555,923	47,333	2,603,256
Unrestricted	<u>1,707,308</u>	<u>57,210</u>	<u>1,764,518</u>
<b>Total net position</b>	<u>\$ 4,263,231</u>	<u>\$ 104,543</u>	<u>\$ 4,367,774</u>

**City of Tonkawa, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**June 30, 2013**

	<b>Tonkawa Municipal Authority</b>	<b>Tonkawa Development Authority</b>	<b>Total Enterprise Funds</b>
<b><u>Operating revenues:</u></b>			
Charges for services:			
Electric charges	\$ 3,534,596	\$ -	\$ 3,534,596
Water charges	571,054	-	571,054
Sewer charges	252,638	-	252,638
Sanitation charges	272,535	-	272,535
Penalties	72,150	-	72,150
Total charges for services	<u>4,702,973</u>	<u>-</u>	<u>4,702,973</u>
Lease and rental income	-	-	-
Donations	-	27,200	27,200
Miscellaneous	74,784	-	74,784
Total operating revenues	<u>4,777,757</u>	<u>27,200</u>	<u>4,804,957</u>
<b><u>Operating expenses:</u></b>			
Cost of goods sold	2,061,739	-	2,061,739
Personal services	518,535	-	518,535
Materials and supplies	267,102	166	267,268
Other services and charges	407,268	30,016	437,284
Bad debt expense	2,500	-	2,500
Depreciation and amortization	213,630	11,261	224,891
Total operating expenses	<u>3,470,774</u>	<u>41,443</u>	<u>3,512,217</u>
Net operating income	1,306,983	(14,243)	1,292,740
<b><u>Nonoperating revenue (expense):</u></b>			
Investment income	966	167	1,133
Interest expense	(106,935)	-	(106,935)
Grant income	-	25,677	25,677
Gain/(loss) on sale of assets	-	10,445	10,445
Total nonoperating revenue (expense)	<u>(105,969)</u>	<u>36,289</u>	<u>(69,680)</u>
<b>Net Income before contributions and transfers</b>	1,201,014	22,046	1,223,060
Transfers from other funds	1,117,862	-	1,117,862
Transfers to other funds	<u>(1,145,155)</u>	<u>-</u>	<u>(1,145,155)</u>
<b>Change in net position</b>	1,173,721	22,046	1,195,767
Net position-beginning of year	3,234,980	82,497	3,317,477
Prior period adjustment	(145,470)	-	(145,470)
Net position-end of year	<u>\$ 4,263,231</u>	<u>\$ 104,543</u>	<u>\$ 4,367,774</u>

**City of Tonkawa, Oklahoma**  
**Statement of Cash Flows**  
**June 30, 2013**

	<b>Tonkawa Municipal Authority</b>	<b>Tonkawa Development Authority</b>	<b>Total Enterprise Funds</b>
<b><u>Cash flows from operating activities:</u></b>			
Receipts from customers/contracts	\$ 4,702,458	\$ -	\$ 4,702,458
Payments to suppliers	(2,727,472)	(30,182)	(2,757,654)
Payments to employees	(531,033)	-	(531,033)
Other operating revenues	74,784	27,200	101,984
<b>Net cash provided (used) by operating activities</b>	<b>1,518,737</b>	<b>(2,982)</b>	<b>1,515,755</b>
<b><u>Cash flows from non-capital financing activities:</u></b>			
Transfers from other funds	1,117,862	-	1,117,862
Transfers to other funds	(1,145,155)	-	(1,145,155)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(27,293)</b>	<b>-</b>	<b>(27,293)</b>
<b><u>Cash flows from capital and related financing activities:</u></b>			
Purchase of capital assets	(656,020)	(23,502)	(679,522)
Sales of assets	-	10,445	10,445
Principal paid on debt	(388,138)	-	(388,138)
Interest and fiscal charges paid on debt	(106,935)	-	(106,935)
Capital contributions/grants	-	25,677	25,677
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(1,151,093)</b>	<b>12,620</b>	<b>(1,138,473)</b>
<b><u>Cash flows from investing activities:</u></b>			
(Purchase)/liquidation of investments, unrestricted	(136,444)	167	(136,277)
<b>Net cash provided (used) by investing activities</b>	<b>(136,444)</b>	<b>167</b>	<b>(136,277)</b>
Net increase (decrease) in cash and cash equivalents	203,907	9,805	213,712
Cash and cash equivalents, July 1, 2012	1,067,126	33,311	1,100,437
Cash & cash equivalents, June 30, 2013	<b>\$ 1,271,033</b>	<b>\$ 43,116</b>	<b>\$ 1,314,149</b>
Cash, including time deposits	\$ 541,055	\$ 43,116	\$ 584,171
Restricted cash, including time deposits	729,978	-	729,978
Total cash and cash equivalents, end of year	<b>\$ 1,271,033</b>	<b>\$ 43,116</b>	<b>\$ 1,314,149</b>
<b><u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u></b>			
Operating income (loss)	\$ 1,306,983	\$ (14,243)	\$ 1,292,740
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	213,630	11,261	224,891
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	1,985	-	1,985
Increase (decrease) in accounts payable	9,334	-	9,334
Increase (decrease) in other accrued liabilities	(697)	-	(697)
Increase (decrease) in compensated absences	(12,498)	-	(12,498)
Total adjustments	211,754	11,261	223,015
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,518,737</b>	<b>\$ (2,982)</b>	<b>\$ 1,515,755</b>

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Tonkawa, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2013.

**A. Reporting Entity**

***Fund Types and Major Funds***

**Major Governmental Funds**

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

**Non-Major Governmental Funds**

Capital Improvement Fund

Accounts for the capital expenditures of the 1% limited purpose sales tax. Two-thirds of the tax is restricted for use for water, sewer, sanitation, and drainage. One-third of the tax is restricted for debt payments on the pool bond issue.

Blinn Park Fund

Established as a special revenue fund to account for operations at the City's Blinn Park.

**Major Proprietary Funds**

Tonkawa Municipal Authority

Accounts for the operating activities of the electric, water, sewer, and sanitation utilities of the City.

Tonkawa Development Authority

Accounts for the operating activities of the economic development of the City.

**B. Basic Financial Statements**

***Government-wide Financial Statements***

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns.

***Measurement Focus and Basis of Accounting***

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough

thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**C. Budget Policy and Practice**

***Budget Approval***

The City Clerk submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for City operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Clerk and must be approved by the Council. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

***Basis of Budgeting***

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

**D. Policies Related to Assets, Liabilities, and Fund Equity**

***Cash and Investments***

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

***Accounts Receivable***

Significant receivables include sales and use tax receivables and amount due from customers primarily for utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days.

***Restricted Assets***

Restricted assets include assets legally restricted for capital projects funded through long-term debt, debt service revenues, and customer meter deposits. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

***Interfund Balances***

Generally, outstanding balances between funds reported as due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

***Capital Assets, Depreciation, and Amortization***

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund

financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost of \$5,000 or more as purchase and construction outlay occur.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

- Buildings 10-25 years
- Other improvements 10-25 years
- Machinery, furniture & equipment 3-25 years
- Infrastructure 10-20 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

***Compensated Absences***

Full –time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

***Fund Equity***

**Fund Balance**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

**Net Position**

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

**Invested in capital assets, net of related debt**

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position**

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Governmental Fund Balances**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

**Nonspendable**

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

**Restricted**

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

**Committed**

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

**Assigned**

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

**Unassigned**

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

**E. Policies Related to Revenues and Expenses**

***Program Revenues***

**Charges for Services**

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

**Grants and Contributions**

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

**General Revenues**

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

**Sales Tax**

The City levied a 4.5% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to the use. The unrestricted portion (3%) is recorded as sales tax revenue within the General Fund; the remaining 1.5% is restricted and transferred to the Capital Improvement fund, allocated 1% for water, sewer, sanitation, and drainage improvements and 0.5% for debt service on the 2008 bond issue.

**(2) ASSETS AND LIABILITIES**

**A. Assets**

***Deposits and Investments***

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

**Investments**

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

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

<u>Types of Investments</u>	<b>Primary Government</b>			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<b>Primary government</b>				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 256,000	\$ 256,000	N/A	104
Total investments	<u>256,000</u>	<u>256,000</u>		
 Total primary government investments	 <u>\$ 256,000</u>	 <u>\$ 256,000</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ -	\$ 98,590	\$ 98,590
Investments, restricted	20,000	137,410	157,410
Total investments	<u>\$ 20,000</u>	<u>\$ 236,000</u>	<u>\$ 256,000</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

***Receivables and Uncollectable Amounts***

**Receivable from other governments**

Governmental activities report sales and use taxes receivable of \$116,228 comprised of amount received after year-end for current year taxes on sales. Sales and Use Tax are considered fully collectible. FEMA reimbursement of \$20,070 is included for the February 2013 ice storm.

**Accounts Receivable**

Governmental activities report fines and forfeitures and ambulance receivables totaling \$46,843 and \$72,064, respectively. An allowance of \$15,541 is recorded based upon management experience.

Proprietary activities report accounts receivable of \$353,367 comprised of amounts due from citizens for utility services provided. The City has recorded an allowance of \$17,051 based upon historical management knowledge and experience.

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

**Capital Assets**

**Changes in Capital Assets**

	<b>Primary Government</b>			
	<b>Balance at June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	
<i><u>Governmental Activities</u></i>				
Construction in process	\$ -	\$ -	\$ -	\$ -
Buildings & structures	641,912	-	-	641,912
Machinery, furniture, & equipment	699,482	60,681	-	760,163
Infrastructure & improvements	2,318,051	50,437	-	2,368,488
<b>Total</b>	<b>3,659,445</b>	<b>111,118</b>	<b>-</b>	<b>3,770,563</b>
Less accumulated depreciation	900,054	139,089	-	1,039,143
<b>Governmental fixed assets, net</b>	<b>\$ 2,759,391</b>	<b>\$ (27,971)</b>	<b>\$ -</b>	<b>\$ 2,731,420</b>
<i><u>Business-type Activities</u></i>				
Land	\$ 14,167	\$ -	\$ -	\$ 14,167
Construction in process	10,000	-	-	10,000
Buildings & structures	263,910	-	-	263,910
Machinery, furniture, & equipment	87,160	166,003	-	253,163
Infrastructure & improvements	6,323,636	513,464	-	6,837,100
<b>Total</b>	<b>6,698,873</b>	<b>679,467</b>	<b>-</b>	<b>7,378,340</b>
Less accumulated depreciation	1,612,801	224,891	-	1,837,692
<b>Business-type fixed assets, net</b>	<b>\$ 5,086,072</b>	<b>\$ 454,576</b>	<b>\$ -</b>	<b>\$ 5,540,648</b>
<b>Total primary government</b>	<b>\$ 7,845,463</b>	<b>\$ 426,605</b>	<b>\$ -</b>	<b>\$ 8,272,068</b>

**Depreciation Expense**

<b>Primary Government</b>			
<b>Governmental Activities</b>		<b>Business-type Activities</b>	
General government	\$ 27,113	Electric	\$ 27,666
Public safety & judiciary	31,972	Water	138,533
Transportation	20,225	Sewer	30,390
Cultural, parks & recreation	59,779	Customer service	17,041
		Economic development	11,261
<b>Total depreciation expense</b>	<b>\$ 139,089</b>	<b>Total depreciation expense</b>	<b>\$ 224,891</b>

**B. Liabilities**

**Notes and Bonds Payable**

**Business-Type Activities**

**Notes Payable:**

On December 13, 2006, TMA entered into an agreement with Farmers Exchange Bank for a loan in the amount of \$69,984 at a fixed interest rate of 5.5%, maturing October 2013. The loan was used to fund the purchase of a bucket truck. \$ 6,726

\$530,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 2002 Small Community Clear Water SRF promissory note to the Oklahoma Water Resources Board, loan number ORF-02-0008, dated June 7, 2002, due in semi-annual installments over 20 years plus interest of 2.5% and an administrative fee of 0.5%, on March 15 and September 15. Note was used to fund sewer system improvements and secured by pledged sales tax and utility system revenues. 287,601

\$350,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 1995 Small Community SRF promissory note to the Oklahoma Water Resources Board, loan number ORF-94-007, dated September 1, 1995, due in semi-annual installments over 20 years plus interest of 3%, plus and administrative fee of 0.5%, on March 15 and September 15. Note was used to fund expansion and improvement of the sanitary sewer system. Loan is secured by pledged sales tax and utility system revenues and an additional \$1.70 sewage fee. 78,757

\$1,070,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 2002A Small Community Clear Water SRF promissory note to the Oklahoma Water Resources Board, loan number ORF-97-007CW, dated November 14, 2002, due in semi-annual installments over 20 years plus interest of 2.2% plus 0.5% admin fee, on March 15 and September 15. Note was used to fund expansion and improvement of the sanitary sewer system. Loan is secured by pledged sales tax and utility system revenues. 598,607

\$1,440,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 2002B Small Community Clear Water SRF promissory note to the Oklahoma Water Resources Board, loan number ORF-97-003DW, dated November 14, 2002, due in semi-annual installments over 20 years plus interest of 2.2% plus 0.5% admin fee, on March 15 and September 15. Note was used to fund expansion and improvement of the clean water system. Loan is secured by pledged sales tax and utility system revenues. 800,701

\$ 1,772,392

**Bonds Payable:**

On April 12, 2006, TMA issued \$1,205,000 in refunding bonds, Tonkawa Municipal Authority Sales Tax Revenue Note, Series 2006 for the purpose of water system improvements. The notes mature April 1, 2019 and carry an interest rates of 4.425% per annum. The notes require monthly payments into a debt service account from which annual debt service payments are made. \$ 645,000

On October 7, 2008, TMA issued \$1,075,000 in revenue bonds, series 2008 for the purpose of improving the City swimming facilities. The notes mature June 1, 2017 and carry an interest rates of 4.95% per annum. The notes require monthly payments into a debt service account from which semi-annual debt service payments are made. The Note is secured by electric, water, sewer, and sanitation system ("system") revenues and 1% restricted sales tax revenues. 520,000

\$ 1,165,000

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

**Changes in Long-Term Debt**

<u>Type of Debt</u>	<u>Balance at July 1, 2012</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
<i>Notes Payable</i>					
Farmers Exchange (substation)	\$ 4,072	\$ -	\$ 4,072	\$ -	\$ -
Farmers Exchange (bucket truck)	16,218	-	9,492	6,726	6,726
First National Bank	4,458	-	4,458	-	-
OWRB - 2002	313,340	-	25,739	287,601	26,829
OWRB - 1995	99,525	-	20,768	78,757	21,215
OWRB - 2002A	647,207	-	48,600	598,607	53,633
OWRB - 2002B	865,709	-	65,008	800,701	72,299
Total notes payable	<u>\$ 1,950,529</u>	<u>\$ -</u>	<u>\$ 178,137</u>	<u>\$ 1,772,392</u>	<u>\$ 180,702</u>
<i>Bonds Payable</i>					
Series 2006	735,000	-	90,000	645,000	95,000
Series 2008	640,000	-	120,000	520,000	120,000
Total business-type activities	<u>\$ 1,375,000</u>	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 1,165,000</u>	<u>\$ 215,000</u>
<b>Total primary government</b>	<u>\$ 3,325,529</u>	<u>\$ -</u>	<u>\$ 388,137</u>	<u>\$ 2,937,392</u>	<u>\$ 395,702</u>

**Annual Debt Service Requirements**

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2014	\$ 180,702	\$ 38,324	\$ 215,000	\$ 46,299
2015	169,584	31,006	230,000	35,690
2016	165,294	23,650	235,000	24,849
2017	168,218	20,725	250,000	18,191
2018	171,207	17,736	115,000	11,756
2019-2023	883,710	41,449	120,000	5,198
2024	39,677	1,750	-	-
Totals	<u>\$ 1,778,392</u>	<u>\$ 174,640</u>	<u>\$ 1,165,000</u>	<u>\$ 141,983</u>

**C. Interfund Balances**

	<b>Due From</b>	<b>Due To</b>
GENERAL FUND		
Tonkawa Municipal Authority	\$ -	\$ 81,941
Total General Fund	-	81,941
TONKAWA MUNICIPAL AUTHORITY		
General Fund	81,941	-
Total Tonkawa Municipal Authority	81,941	-
GRAND TOTAL	\$ 81,941	\$ 81,941
	<b>Transfers In</b>	<b>Transfers Out</b>
GENERAL FUND		
Capital Improvement Fund	\$ -	\$ 293,730
Tonkawa Municipal Authority	1,145,155	1,070,892
Total General Fund	1,145,155	1,364,622
CAPITAL IMPROVEMENT FUND		
General Fund	293,730	-
Tonkawa Municipal Authority	-	46,970
Total Capital Improvement Fund	293,730	46,970
TONKAWA MUNICIPAL AUTHORITY		
General Fund	1,070,892	1,145,155
Capital Improvement Fund	46,970	-
Total Tonkawa Municipal Authority	1,117,862	1,145,155
GRAND TOTAL	\$ 2,556,747	\$ 2,556,747

**(3) FUND NET POSITION AND FUND BALANCE**

***Fund Balance Reserved for Restricted Purposes***

The General Fund reported \$25,513 reserved for restricted purposes for capital projects within the City and maintenance of Blinn Park which were created by City ordinance.

***Prior Period Adjustment***

The City implemented GASB 65 as of June 30, 2013 which changed the way the bond issuance costs is reported on the Statement of Net Position. As a result of the implementation, a prior period adjustment of \$145,470, equal to the amount of unamortized bond issuance costs, is recorded.

**(4) REVENUES AND EXPENSES**

***Interfund Transfers***

Refer to Note (2)C. Interfund Balances

**(5) PENSION AND POST-EMPLOYMENT PLANS**

The City participates in three employee pension systems as follows:

<b>Name of Plan</b>	<b>Type of Plan</b>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Contribution Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

**A. Oklahoma Municipal Retirement Fund**

**Plan Description**

Substantially all of the City's regular, full time employees, with the exception of police officers and firefighters, participate in a defined contribution plan administered by the Oklahoma Municipal Retirement System (OMRF), a statewide fund established to administer pension plans for municipal employees. The defined contribution plan is funded through contributions as elected by each municipality. Participants are required to participate 3.5% of their covered compensation. The City contributes 10.48% of covered compensation. Participants are permitted to make voluntary deductible contributions to the plan.

The funds are credited to individual participant accounts and pooled for investment purposes through OMRF. All gains and/or losses are credited directly to each participant. Benefits vest after 10 years of service with normal retirement at age 65 and early retirement at age 55 with 10 years or more of service. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

The following is a summary of eligibility, contribution methods and benefits provisions:

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, employees of the City or Authority, except police, firefighter, and other employees who are covered under another approved system.
b. Contributions Requirement	Yes
- Actuarially Determined	11.83% of covered payroll
- Employer Rate	3.5% of covered payroll
- Employee Rate	
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	<ul style="list-style-type: none"> <li>- Normal retirement at age 65 with 10 years of service.</li> <li>- Early Retirement after age 55 with 10 years or more of service.</li> <li>- Disability retirement upon disability with 10 years of service.</li> <li>- Termination before retirement age return of employee contributions with interest</li> <li>- Termination after vesting accrued benefit at normal retirement age</li> </ul>
e. Benefit Determination Base	Final average compensation – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service. Accrued benefit is 3% of final average compensation multiplied by the number of year of credited service
f. Benefit Determination Methods:	
- Normal Retirement	Accrued benefit payable immediately.
- Early Retirement	Accrued benefit payable starting at normal retirement age or accrued benefit reduced 5% per year for commencement prior to normal retirement age
- Disability Retirement	Accrued benefit payable upon disablement without reduction for early payment
- Death Benefit	50% of accrued benefit is payable to spouse until death or remarriage, non-married participants 50% of the accrued benefit is payable for 5 years
- Prior to 10 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Other retirement benefits are available under actuarially equivalent optional forms

**Funding Status and Progress**

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
01/01/13	2,241,393	2,595,354	353,961	86.4%	910,657	38.9%
01/01/12	2,146,584	2,523,243	376,659	85.1%	776,665	48.5%

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

a. Date of last Actuarial Valuation	March 2013
b. Significant Actuarial Assumptions Used:	
1. Rate of Return on Investments	7.5%
2. Projected Salary Increase	4.0% - 7.42%
3. Retirement Age	Normal and Early Rates
4. Mortality Table	UP 1994 mortality (projected)
5. Asset Value	Actuarial cost method
c. Actuarial cost method	Entry age normal cost method
d. Amortization method	Level % of payroll
e. Fiscal Year 2013 Contributions Made	
Total Contributions	\$122,397
Employee Contributions	\$29,097
Employer Contributions	\$93,300

A copy of the stand-alone plan financial report can be obtained from Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

**B. Oklahoma Police and Firefighter's Pension and Retirement Systems**

**Plan Description**

The City participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions.

These two systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	<u>Oklahoma Firefighter's Pension and Retirement System</u>	<u>Oklahoma Police Pension and Retirement System</u>
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	8% of covered payroll	8% of covered payroll
City's contribution rate	13% per year, per firefighter	14% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.	NA
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.	Yes, 20 years credited service with option to participate in deferred option plan for a maximum of 5 years
<i>Annual Required Contributions</i>		

Provision for:		
Cost of living adjustment	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

Contributions are required by Oklahoma State Statute. Funding status information is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems; Oklahoma Firefighter Pension and Retirement System at 4545 N. Lincoln Blvd., Ste. 265, Oklahoma City, OK 73105 and the Oklahoma Police Pension and Retirement System 1001 N.W. 63<sup>rd</sup> Street, Suite 305, Oklahoma City, OK 7316-7335.

**(6) COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

**B. Grant Program Involvement**

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.



205 West McElroy  
Stillwater, OK 74075  
(405) 624-9500

---

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*

To the Honorable Members of City Council  
City of Tonkawa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Tonkawa, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Tonkawa, Oklahoma's basic financial statements, and have issued our report thereon dated December 16, 2013. Our report was unmodified for all opinion units.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*FSW&B CPA's-PLLC*

FSW&B CPA's-PLLC

Stillwater, Oklahoma

December 16, 2013