

**BASIC FINANCIAL STATEMENTS  
AND  
AUDIT REPORT**

for the

***CITY OF TAHLEQUAH***

**FOR THE YEAR ENDED JUNE 30, 2009**

**AUDITED BY  
Barry Spyres CPA  
118 W Cherokee  
Sallisaw, Oklahoma**

# *CITY OF TAHLEQUAH*

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# **AUDIT REPORT**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Tahlequah, Oklahoma

I have audited the accompanying basic financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma, as of and for the year ended June 30, 2009, as listed in the Table of Contents. These basic financial statements are the responsibility of the City of Tahlequah's management. My responsibility is to express an opinion on these basic financial statements based on my audit. I did not audit the financial statements of the aggregate discretely presented component units consisting of the Tahlequah Public Works Authority, Tahlequah Hospital Authority, and the City Light and Water Department and the amounts which are represented. Those financial statements were audited by other auditors whose reports have been furnished to me, and my opinion on the basic financial statements, insofar as it relates to the amounts included for the above component units, is based solely on the reports of the other auditors.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 12, 2010, on my consideration of the City of Tahlequah's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance.

**Independent Auditor's Report (continued)**

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 37 through 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Tahlequah's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City of Tahlequah, Oklahoma. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

January 12, 2010

A handwritten signature in black ink, appearing to read 'Barry Spyres', is written over a horizontal line.

Barry Spyres CPA

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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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, 2009. 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 increased by \$129,421.
- Overall General Fund revenues of \$7,872,835 exceeded budget projections by \$91,924.
- Collections of the 2% sales tax in the General Fund met and exceeded budget projections by \$6,040. Total 2% sales tax revenue was \$5,202,806, which was an increase over last fiscal year in the amount of \$103,234, or approximately 2%. This increase is down from the 3.3% increase for the previous year. Sales Tax accounted for 67.4% 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 \$660,144 accounted for 8.4% of total revenues, and was an increase over last year of \$31,450.
- Use tax collections were over projections by \$7,874 and were up \$7,536 from the previous year.
- Revenues from building permits and inspection fees decreased sharply for the second year in a row. This year's collections of \$33,312 is \$41,715 below last year. Growth in the housing and construction industry has definitely felt the impact of the recession.
- Sales of Aviation Gasoline and Jet Fuel were above budget by a total of \$41,788.
- Revenues from the City Golf Course met this year's budget projections, but the total revenues fell from last year in the amount of \$12,263.
- Municipal Court Fines, Fees, Costs and Forfeitures failed in meet projections by \$21,365. They were \$29,726 below last year.
- Interest income again fell well below expectations. It was under budget by \$47,569 and fell from last year in the amount of \$103,364. The sweep accounts that were being used to earn interest on all unused funds daily were closed due to the fact that the amount of the sweep fees was exceeding the amount of interest earned. All available funds have been invested in laddered certificates of deposit to maximize the amount of interest.

- Reimbursement from FEMA in the amount of \$41,678 was received for relief on the ice storm expenditures.
- The cost of gasoline and diesel stayed below estimated budget costs. A total of \$339,600 was budgeted, but only \$210,844 was spent.
- Employee health insurance costs were a major expense during this fiscal year. Annual amount expensed per employee was \$5,355. Funds available for the payment of claims (under the specific limit of \$25,000) grew from \$158,822 on June 30, 2008 to \$205,727 on June 30, 2009. This amount is reflected in the Health Insurance Contra-Account.
- Transfers of \$620,008 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 \$7,845.
- Hotel Motel Tax Revenues exceeded budget by \$6,885.
- Cemetery Care Fund received \$6,844. No expenditures were made from this fund this fiscal year.
- The City's enterprise fund-Solid Waste Services Department-had \$206,968 more in expenditures than revenues, even though sanitation receipts from Tahlequah Public Works exceeded budget expectations in the amount of \$163,419. Transfer station fees were also above budget by \$24,772. Expenditures were at 91.6% of the year's budget. Several large capital purchases were made during this Fiscal Year totaling \$494,159.
- Stormwater Management Fund revenues were \$160,676 from fees collected by Tahlequah Public Works Authority. Permit fees of \$825.00 were collected. Expenditures were made in the amount of \$77,094.15.
- Brookside Restoration Fund received \$2,445.00 in rental fees.
- The School Resource Officer Expense fund received \$4,000 from Tahlequah Public Schools to be used for expenses related to the officer hired from the Cops in Schools Retention Fund.
- \$686,888.96 was expended from the Capital Improvement Fund for the purchase of equipment and for capital projects.
- The Tahlequah Public School Tax Fund received \$1,326,510.04 from the .5% dedicated sales tax. This same amount was paid to Tahlequah Public Works Authority to be used to retire bonds issued. The sales tax rate dropped back to 2.0% effective June 1, 2009.
- The Tahlequah Police Canine Fund received \$3,088.00 for service fees of the drug dogs. \$3,629.78 was spent to equip the canines and their handlers and for handler training.
- The Skate Park Fund received a transfer from the General Fund in the amount of \$35,000.00. Expenditures in the amount of \$50,510.00 were made this fiscal year. No additional revenues are anticipated for the next fiscal year, and this fund will be closed on June 30.
- The Tahlequah Police Dare Fund received additional donations in the amount of \$213.05 to be used for the purpose of training & supplies for the Dare Officer in the Police Department.

- The second phase of the Downtown Sidewalk project done under the TEA Grant Phase II, was completed. All funds were received from the Oklahoma Department of Transportation and the fund will be closed on June 30.
- Funds were received from the Bullet Proof Vest Grant Program in the amount of \$1,783.92. This is an ongoing reimbursement grant with \$18,717.01 remaining for purchase of vests.
- The Cops in School Retention Fund has completed one full budget cycle for the commitment of retaining an officer as required by the COPS in Schools Grant. Two officers were paid by Tahlequah Public Schools. This officer will continue to be funded by the City.
- The Airport Action Plan Grant has finally been completed.
- Phase II of the Tahlequah History Trail was begun. A total of \$89,213.25 was expended. Reimbursement will be requested at the close of the project.
- The Tahlequah Police Department received a grant award from the Oklahoma Highway Safety Office in the amount of \$24,000. Funds are to be used for project officer overtime.
- A grant was received from the Department of Justice, Office on Violence Against Women, in the amount of \$352,545. These funds will be used to hire a domestic violence officer for the Police Department of the City of Tahlequah. \$236,212.00 will be paid to sub-grantees, Help-In-Crisis, Cherokee County Sheriff's Office, and the District Attorney's office.
- A grant from the State of Oklahoma, Oklahoma Water Conservation, in the amount of \$4,944.04 was awarded. The project will not be started until the fall of the fiscal year.
- The City of Tahlequah received a total of \$440,869.32 in grant funds this fiscal year, including the reimbursement of \$41,678.24 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 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 12 the government-wide financial statements are presented on pages 12 and 13 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 or 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 systems 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.
- 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 14 the fund financial statements begin on page \_\_\_ 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 a reconciliation at the bottom of the fund financial statements. The City considers the General Fund, the Capital Improvement Fund and the Tahlequah Public School Tax Fund 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, 2009, General Fund expenditures were \$1,158,806 below final budgeted amounts, and General Fund revenues were \$91,925 above final budgeted amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the City had 18,735,451 million invested in capital assets, net of depreciation, including land, buildings, improvements, machinery, equipment, autos, infrastructure, computers and software, office equipment and furniture and work in progress.

This year's more significant capital assets additions included:

Main Street Brick Project II	\$424,560
New Roof on Fire Station	\$ 25,900
New Finish on City Swimming Pool	\$ 30,889
Fire Tanker Truck	\$148,500
New Police Cars	\$101,623
Dump Truck & Bed-Street Dept	\$ 52,500
Norris Park Restrooms	\$ 32,647
Trailer	\$ 23,000
Playground Equipment	\$ 22,514
Mowers- Cemetery	\$ 35,406
Excavator-Street Department	\$114,943
Hensley Drive Project	\$ 97,296
Drainage Ditch @ Cedar & Maple	\$ 20,000
Sidewalk & Drainage Projects	\$ 48,280
Capital Street Projects	\$181,006
Taxi Lane at City Airport	\$ 84,907
Phase II Tahlequah History Trail	\$ 89,213
Skate Park Improvements	\$ 50,510
<b><u>SOLID WASTE SERVICES FUND</u></b>	
Used Pickup Trucks	\$ 30,848
Semi-Tractor	\$ 89,978
Dumpsters	\$ 26,447
Hoist Rail-Roll Off	\$ 25,780
Transfer Station Road & Pad	\$317,476

### Long-Term Debt

At June 30, 2009, the City had no long-term debt arising from financial transactions.

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

For the upcoming fiscal year ending June 30, 2010, 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, 2009**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,199,643	\$ 401,069	\$ 1,600,712	\$ 13,045,922
Restricted Cash	-	-	-	3,209,882
Investments	3,199,325	-	3,199,325	966,517
Meter Deposits	-	-	-	-
Due From Other Funds	209,708	-	209,708	-
Accounts Receivable	1,128,957	-	1,128,957	12,864,690
Prepays	-	-	-	1,977,661
Other	-	-	-	339,146
Unamortized Loan Organization Costs	-	-	-	321,107
Inventory and Supplies	-	-	-	2,583,380
Investment in Joint Ventures	-	-	-	-
Land and Construction In Progress	1,731,945	76,100	1,808,045	2,638,922
Assets Limited to Use	-	-	-	3,763,542
Other Capital Assets, Net of Accumulated Depreciation	17,003,506	1,142,724	18,146,230	44,611,371
Total Assets	<u>24,473,083</u>	<u>1,619,893</u>	<u>26,092,976</u>	<u>86,322,140</u>
<b>LIABILITIES</b>				
Due to Other Funds	209,756	-	209,756	-
Long-Term Liabilities (Note5):	-	-	-	-
Due Within One Year	-	-	-	2,117,934
Due in More Than One Year	-	-	-	22,596,196
Due to Related Parties	-	-	-	55,969
Accounts Payable	827,853	-	827,853	3,234,838
Accrued Expenses	-	13,695	13,695	2,180,338
Accrued Compensated Absences	129,119	-	129,119	-
Bond / Cleet Deposits Payable	28,055	-	28,055	699,605
Minority Interest in Joint Ventures	-	-	-	758,641
Total Liabilities	<u>1,194,782</u>	<u>13,695</u>	<u>1,208,477</u>	<u>31,643,521</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	18,735,451	1,218,824	19,954,275	22,857,270
Temporarily Unrestricted	-	-	-	6,183,819
Reserved	-	-	-	-
Unrestricted	4,542,850	387,374	4,930,224	25,637,530
Total Net Assets	<u>\$ 23,278,301</u>	<u>\$ 1,606,198</u>	<u>24,884,499</u>	<u>\$ 54,678,619</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, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total
					Governmental Activities	Business-Type Activities		
<b>FUNCTIONS/PROGRAMS</b>								
Primary Government:								
General Government	\$ 2,641,158	\$ -	\$ -	\$ -	\$ (2,641,158)	\$ -	\$ (2,641,158)	
Public Safety	3,073,778	423,635	427,651	-	(2,222,491)	-	(2,222,491)	
Public Services	1,996,479	629,372	-	-	(1,367,108)	-	(1,367,108)	
Culture and Recreation	766,677	84,968	-	-	(681,709)	-	(681,709)	
Total Governmental Activities	8,478,092	1,137,975	427,651	-	(6,912,467)	-	(6,912,467)	
Business Type Activities:								
Sanitation	1,489,211	1,637,189	-	-	-	147,978	147,978	
Total Business-Type Activities	1,489,211	1,637,189	-	-	-	147,978	147,978	
Total Primary Government	9,967,304	2,775,164	427,651	-	(6,912,467)	147,978	(6,764,489)	
Component Units	73,114,368	77,969,053	-	96,147	-	-	4,950,832	
General Revenues:								
Tax Revenue					6,269,494	-	6,269,494	
Investment Income					119,441	-	119,441	
Other					21,043	-	21,043	
Transfers - Internal Activity					631,910	40,000	671,910	
Total General Revenues and Transfers					7,041,887	40,000	7,081,887	
Change in Net Assets					129,421	187,978	317,398	
Net Assets - Beginning					23,148,880	1,418,220	24,567,100	
Net Assets - Ending					\$ 23,278,301	\$ 1,606,198	\$ 24,884,498	
							\$ 54,678,619	

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, 2009**

	<b>General Fund</b>	<b>Capital Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 1,075,635	\$ 506,856	\$ 1,582,491
Investments	3,199,325	-	-	3,199,325
Due from Other Funds	209,708	-	-	209,708
Accounts Receivable	621,897	-	507,060	1,128,957
Total Assets	4,030,930	1,075,635	1,013,916	6,120,480
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Cash and Cash Equivalents	382,848	-	-	382,848
Accounts Payable	418,588	-	409,265	827,853
Accrued Payroll	-	-	-	-
Bond / Cleet Deposits Payable	28,055	-	-	28,055
Due to Other Funds	48	-	209,708	209,756
Total Liabilities	829,539	-	618,973	1,448,511
<b>Fund Balances:</b>				
Unreserved	3,201,391	1,075,635	394,943	4,671,969
Reserved	-	-	-	-
Total Fund Balances	3,201,391	1,075,635	394,943	4,671,969
Total Liabilities and Fund Balances	\$ 4,030,930	\$ 1,075,635	\$ 1,013,916	

**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	(129,119)
Capital Assets Used in Governmental Activities of \$29,139,165 net of accumulated depreciation of \$10,403,713 are not Financial Resources and, therefore, are not Reported in the Funds.	18,735,451
Net Assets of Governmental Activities	\$ 23,278,301

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, 2009**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 6,016,773	\$ 30,688	\$ 222,033	\$ 6,269,494
Charges for Services	456,064	-	173,308	629,372
Fines and Forfeitures	423,635	-	-	423,635
Licenses and Permits	84,968	-	-	84,968
Investment Income	119,431	-	10	119,441
Miscellaneous	83,161	-	6,472	89,633
Grants and Donations	65,354	17,322	344,975	427,651
<b>Total Revenues</b>	<b>7,249,387</b>	<b>48,010</b>	<b>746,797</b>	<b>8,044,194</b>
<b>Expenditures:</b>				
General Government:				
Managerial	1,135,293	-	-	1,135,293
City Clerk	44,537	-	-	44,537
City Treasurer	12,569	-	-	12,569
City Attorney	48,868	-	-	48,868
Municipal Judge	97,281	-	-	97,281
Maintenance	275,922	-	83,151	359,073
Hotel/Motel	-	-	93,173	93,173
Public Safety:				
Law Enforcement	1,898,061	-	124,160	2,022,221
Fire	731,761	-	-	731,761
Building Inspector	55,251	-	-	55,251
Emergency Management	71,621	-	-	71,621
Public Services:				
Cemetery	230,168	-	-	230,168
Animal Shelter	90,530	-	-	90,530
Streets	1,020,841	-	216,456	1,237,297
Airport	303,838	-	21,403	325,241
Culture and Recreation:				
Parks and Recreation	619,741	-	-	619,741
Library	27,418	-	-	27,418
Capital Outlay	602,251	702,885	371,249	1,676,385
<b>Total Expenditures</b>	<b>7,265,951</b>	<b>702,885</b>	<b>909,592</b>	<b>8,878,428</b>
Excess (deficiency) of Revenues Over Expenditures	(16,564)	(654,875)	(162,795)	(834,234)
<b>Other Financing Sources (Uses)</b>				
Transfers In	699,754	620,008	35,000	1,354,762
Transfers Out	(722,852)	-	-	(722,852)
<b>Total Other Financing Sources (Uses)</b>	<b>(23,098)</b>	<b>620,008</b>	<b>35,000</b>	<b>631,910</b>
<b>Net Change in Fund Balance</b>	<b>(39,663)</b>	<b>(34,868)</b>	<b>(127,795)</b>	<b>(202,325)</b>
<b>Fund Balances - Beginning</b>	<b>3,241,054</b>	<b>1,110,503</b>	<b>522,738</b>	<b>4,874,295</b>
<b>Fund Balances - Ending</b>	<b>\$ 3,201,391</b>	<b>\$ 1,075,635</b>	<b>\$ 394,943</b>	<b>\$ 4,671,970</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, 2009**

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

Net change in fund balances - total governmental funds	\$ (202,325)
Accrued Compensated Absences not payable out of current funds	19,921
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.	311,825
Change in Net Assets - Statement of Activities	\$ 129,421

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, 2009**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 401,069
Accounts receivable	-
Total Current Assets	<u>401,069</u>
<b>Noncurrent Assets</b>	
Land and construction in progress	76,100
Other capital assets, net of accumulated depreciation	1,142,724
Total Noncurrent Assets	<u>1,218,824</u>
Total Assets	<u>1,619,893</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accrued Expenses	13,695
Total Current Liabilities	<u>13,695</u>
<b>NONCURRENT LIABILITIES</b>	
Total Noncurrent Liabilities	-
Total Liabilities	<u>13,695</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,218,824
Reserved	-
Unrestricted	387,374
Total Net Assets	<u>\$ 1,606,198</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, 2009**

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Transfer station fees	\$ 172,772
Sanitation/TPWA	1,453,419
Miscellaneous operating revenue	<u>10,998</u>
Total Operating Revenues	<u>1,637,189</u>
 <b>OPERATING EXPENSES</b>	
Salaries and Employee Benefits	866,863
Materials and Supplies	546,235
Other Expenses	-
Depreciation	<u>76,113</u>
Total Operating Expenses	<u>1,489,211</u>
 <b>OPERATING INCOME</b>	 <u>147,978</u>
 <b>NON OPERATING REVENUES (EXPENSES)</b>	
Miscellaneous revenue	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>-</u>
 Net Income (Loss) Before Transfers	 147,978
 <b>TRANSFERS</b>	
Transfers in	40,000
Transfers out	-
 <b>CHANGES IN NET ASSETS</b>	 <u>187,978</u>
 <b>TOTAL NET ASSETS - BEGINNING</b>	 <u>1,418,220</u>
 <b>TOTAL NET ASSETS - ENDING</b>	 <u><u>\$ 1,606,198</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, 2009**

	<b>Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 1,626,951
Other	10,998
Personel Services	(866,863)
Maintenance and Operations	(554,716)
Net Cash Provided by Operations	216,370
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds	-
Transfers from Other Funds	40,000
Net Cash Provided by Noncapital Financing Activities	40,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets Net of Retirements	(478,353)
Net Cash Used by Capital and Related Financing Activities	(478,353)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Cash Provided by Investing Activities	-
Net Increase in cash and cash equivelants	(221,983)
Beginning cash and cash equivelants	623,052
Ending cash and cash equivelants	\$ 401,069
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	147,978
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	76,113
Decrease in Accounts Recivable	760
Decrease in Accrued Expenses	(8,481)
Decrease in Outstanding Encumberances	-
Net cash provided by operating activities	\$ 216,370

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, 2009**

**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

**CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Reporting Entity (continued)**

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 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 2008-2009 fiscal year, the TPWA transferred \$660,144 (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

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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

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. The audit of this component unit was completed by another auditor and reflected the following information.

<b><u>RECEIPTS</u></b>	<b><u>2008-2009</u></b>
Transfers from TPWA	\$ 707,377
Interest Income	<u>422</u>
Total Receipts	<u>707,799</u>
<b><u>DISBURSEMENTS</u></b>	
Director's Fees	\$ 30,000
Legal Expense	8,400
Repairs	3,127
Charge for Checks	64
Apportioned to the City of Tahlequah	<u>665,850</u>
Total Disbursements	<u>\$ 707,441</u>
Excess Receipts over Disbursements	<u><u>\$ 358</u></u>

**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.

CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

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

**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).

**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:

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**Expendable Trust Funds (continued)**

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	2009
Court Bonds	\$ 24,371
Cleet Account	3,684

**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.

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

CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

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

**Government-Wide Statements (continued)**

**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.

**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.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**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. For the 2008-2009 fiscal year there were no outstanding encumbrances.

**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.

**Unreserved Fund Balance**

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

CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 units 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, which included \$ 90,000.00 from the sale of fire truck and all other surplus equipment.

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.

CITY OF TAHLEQUAH, OKLAHOMA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2009

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**Revenues, Expenditures, and Interfund Transactions continued**

<p><u>General Government</u></p> <p>Managerial          City Clerk          City Treasurer          City Attorney          Municipal Judge          Maintenance Department          Fringe Benefits          Purchasing</p>	<p><u>Public Safety</u></p> <p>Building Inspector          Civil Defense          Fire Department          Law Enforcement</p> <p><u>Culture and Recreation</u></p> <p>Library          Park Department</p>
<p><u>Public Services</u></p> <p>Street Department          Animal Shelter          City Airport          Cemetery</p>	<p><u>Capital Outlay</u></p> <p>Consists of all capital expenditures          of all departments.</p>

**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. The following operating transfers are identified as other financing sources (uses). No residual equity transfers occurred during the fiscal year 2009.

	<u>Transfer To</u>	<u>Transfer From</u>
General	\$ 699,754	\$ 722,853
Capital Improvement	620,008	-
Special Revenue	35,000	-
Proprietary Funds	40,000	-
Component Units	20,000	691,909
<b>Totals</b>	<u>\$ 1,414,762</u>	<u>\$ 1,414,762</u>

**CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

Investments on hand at June 30, 2009, consist of the following.

<u>Number - Type</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Market Value</u>
#3136F8V85 Bonds	02-14-23	5.000%	112,000.00	108,990.00
#3135A1FG7 Bonds	04-16-18	4.250%	90,000.00	88,200.00
#Various CD's Various Bank's	Various	5.16%-1.05%	<u>2,997,325.00</u>	<u>2,997,325.00</u>
		<b>Total</b>	<u>\$3,199,325.00</u>	<u>\$3,194,515.00</u>

The City's bank balance in all depository accounts at year end was \$1,600,712 at June 30, 2009. At June 30<sup>th</sup> 2009 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, 2009, is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

**Cash and Cash Equivalents**

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 BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

Capital asset activity for governmental activities for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Capital Assets not being Depreciated				
Land	\$ 1,721,930	\$ 10,015	\$ -	\$ 1,731,945
Capital Assets being Depreciated				
Automobiles and Trucks	3,361,308	324,794	1,625	3,684,478
Buildings and Building Improvements	4,940,124	142,920	228,311	4,854,732
Infrastructure	14,353,745	877,394	-	15,231,139
Computers and Office Equipment	411,895	28,573	-	440,468
Machinery and Equipment	2,938,162	292,689	262,760	2,968,091
Total Capital Assets being Depreciated	26,005,234	1,666,370	492,696	27,178,908
Total Capital Assets	27,727,164	1,676,385	492,696	28,910,853
Less Accumulated Depreciation	9,303,538	1,295,970	424,106	10,175,402
Governmental Activities, Capital Assets, Net	<u>\$ 18,423,626</u>	<u>\$ 380,415</u>	<u>\$ 68,590</u>	<u>\$ 18,735,451</u>

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

General Government	\$ 870,285
Public Safety	192,922
Public Services	113,244
Culture and Recreation	119,519
Total Depreciation from Governmental Activities	<u>\$ 1,295,970</u>

**CITY OF TAHLEQUAH, OKLAHOMA,  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Capital Assets and Property, Plant, and Equipment (continued)**

Capital asset activity for business-type activities for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Capital Assets, not being Depreciated				
Land	\$ 76,100	\$ -	\$ -	\$ 76,100
Construction in Progress	14,640	-	14,640	-
Total Capital Assets not being Depreciated	90,740	-	14,640	76,100
Capital Assets being Depreciated				
Other Capital Assets	1,783,759	491,741	102,384	2,173,116
Total Capital Assets	1,874,499	491,741	117,024	2,249,216
Less Accumulated Depreciation				
Other Capital Assets	1,057,915	76,113	103,635	1,030,392
Total Accumulated Depreciation	1,057,915	76,113	103,635	1,030,392
Business-Type Activities, Capital Assets, Net	<u>\$ 816,584</u>	<u>\$ 415,628</u>	<u>\$ 13,388</u>	<u>\$ 1,218,824</u>

**CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Deposits**

The City's cash deposits at June 30, 2009, 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.

	CATEGORY			BANK BALANCE	CARRYING AMOUNT
	(A)	(B)	(C)		
CASH/					
INVESTMENTS	\$3,698,037.00	\$1,102,000	\$ 0.00	\$4,800.037	\$4,800.037
<b>TOTAL</b>	<b>\$3,698,037.00</b>	<b>\$1,102,000</b>	<b>\$ 0.00</b>	<b>\$4,800.037</b>	<b>\$4,800.037</b>

**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, 2009, were as follows:

Governmental General Fund (due to)	\$ 209,708
Bullet Proof Vest Special Revenue Fund (due from)	(3,763)
Tahlequah History Grant Phase II Fund (due from)	(152,000)
Oklahoma Water Conservation Grant Fund (due from)	(4,944)
Tahlequah Traffic Enforcement Grant Fund (due from)	(24,000)
Encourage to Arrest Grant Fund (due from)	(25,000)
<b>NET</b>	<b>\$ -0-</b>

**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, 2009**

**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 \$375,52 for the fiscal year ended June 30, 2009. 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, 2009 amounted to \$57,211, paid primarily by the General Fund.

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 6: EMPLOYMENT RETIREMENT SYSTEM (continued)**  
**SUMMARY OF SIGNIFICANT DATA FOR EACH RETIREMENT PLAN**

**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 \$108,335 for the fiscal year ended June 30, 2009, paid primarily by the General Fund.

**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**

None

**CITY OF TAHLEQUAH, OKLAHOMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 9: ECONOMIC DEPENDENCY**

As of June 2008, the City of Tahlequah sales tax revenue (66% of general revenue) consisted of the following business types:

	<b>SALES TAX REVENUE</b>			
<b>TYPE OF BUSINESS</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
General Merchandise Stores	33.97%	34.24%	32.59%	32.80%
Food Stores	11.82%	11.50%	10.58%	10.74%
Restaurants	11.33%	11.56%	12.52%	13.47%
Building Material & Hardware Stores	10.27%	10.09%	10.33%	8.88%

**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, 2009**

<u>Grantor/Pass-Through Grantor/ Program Title</u>	CFDA Number	Award Amount	Balance 6/30/08	Awarded (Closed)	Current Year Expenditures	Balance 6/30/09
<u>Federal Awards</u>						
<u>U.S. Department of Justice</u>						
Bullet Proof Vest	16.607	\$ 12,238	\$ 3,119	\$ 1,783	\$ 8,748	\$ 10,084
Encourage to Arrest	16.590	352,545	-	30,089	44,302	14,213
Sub-Total Department of Justice		364,783	3,119	31,872	53,050	24,297
<u>Federal Aviation Administration</u>						
Airport Action Plan	20.106	91,249	-	19,941	19,941	-
Sub-Total Federal Aviation Administration		91,249	-	19,941	19,941	-
<u>Pass Through the State of Oklahoma</u>						
TEA Grant	20.514	239,266	115,605	173,396	57,791	-
CDBG Sewer Grant	14.002	250,000	-	111,148	111,148	-
Civil Emergency Management	97.042	23,676		23,676	23,676	-
FEMA	7.00	41,678		41,678	41,678	-
Pre Disaster Mitigation	97.042	21,000	11,415	11,415	-	-
Sub-Total Pass Through State of Oklahoma		575,620	127,020	361,313	234,293	-
 Total Federal Awards		<u>1,031,652</u>	<u>130,139</u>	<u>413,126</u>	<u>307,284</u>	<u>24,297</u>
<u>State Awards</u>						
Oklahoma Aeronautics Commission		50,750	-	3,870	3,870	-
Police Traffic Enforcement II		58,000	155	155	-	-
Police Traffic Enforcement III		34,000	6,289	17,193	10,904	-
Tahlequah Traffic Enforcement		24,000	-	6,549	15,675	9,126
Oklahoma Tourism & Recreation Dept		152,000	-	-	89,213	89,213
 Total State Awards		<u>318,750</u>	<u>6,444</u>	<u>27,767</u>	<u>119,662</u>	<u>98,339</u>
 Total Federal and State Awards		<u>\$ 1,350,402</u>	<u>\$ 136,583</u>	<u>\$ 440,893</u>	<u>\$ 426,946</u>	<u>\$ 122,636</u>

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**(Unaudited)**  
**JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Taxes	\$ 5,844,000	\$ 5,844,000	\$ 5,940,467	\$ 96,467
Licenses and Permits:	116,200	116,200	84,968	(31,232)
Charges for Services	418,750	418,750	456,064	37,314
Fines and Forfeitures	445,000	445,000	423,635	(21,365)
Miscellaneous	91,486	102,486	148,505	46,019
Interest Income	167,000	167,000	119,431	(47,569)
Intergovernmental Revenue:	687,474	687,474	699,765	12,291
<b>Total Resources</b>	<u>7,769,910</u>	<u>7,780,910</u>	<u>7,872,835</u>	<u>91,925</u>
Transfers:				
Refunds of income	-	-	-	-
Transfers from other funds	-	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Amounts available for appropriation</b>	<u>7,769,910</u>	<u>7,780,910</u>	<u>7,872,835</u>	<u>91,925</u>
<b>Charges to Appropriations (Outflows):</b>				
Managerial:				
Personal services	\$ 783,524	\$ 781,950	\$ 699,124	\$ 82,826
Materials and supplies	122,087	103,087	83,935	19,152
Other services and charges	683,491	941,783	354,789	586,994
Capital outlay	256,500	143,369	145,606	(2,237)
Transfers	618,860	872,139	722,852	149,287
<b>Total Managerial</b>	<u>2,464,462</u>	<u>2,842,328</u>	<u>2,006,306</u>	<u>836,022</u>
City Clerk:				
Personal Services	45,432	45,565	44,537	1,028
<b>Total City Clerk</b>	<u>45,432</u>	<u>45,565</u>	<u>44,537</u>	<u>1,028</u>
City Treasurer:				
Personal services	12,077	12,077	12,076	1
	1,369	1,369	493	876
<b>Total City Treasurer</b>	<u>13,446</u>	<u>13,446</u>	<u>12,569</u>	<u>877</u>
City Attorney:				
Personal services	49,925	50,058	48,868	1,190
<b>Total City Attorney</b>	<u>49,925</u>	<u>50,058</u>	<u>48,868</u>	<u>1,190</u>
Municipal Judge:				
Personal services	96,970	97,235	96,765	470
Other services and charges	730	730	516	214
<b>Total Municipal Judge</b>	<u>97,700</u>	<u>97,965</u>	<u>97,281</u>	<u>684</u>

(Continued)

**CITY OF TAHLEQUAH, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

(Unaudited)  
JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Cemetery:</b>				
Personal services	179,580	179,580	177,848	1,732
Materials and supplies	41,014	41,678	41,215	463
Other services and charges	16,793	16,793	11,060	5,733
Capital outlay	40,000	-	-	-
<b>Total Cemetery</b>	<b>277,387</b>	<b>238,051</b>	<b>230,123</b>	<b>7,928</b>
<b>Building Inspector:</b>				
Personnel services	\$ 50,998	\$ 51,131	\$ 51,130	\$ 1
Materials and supplies	7,127	7,127	7,128	(1)
<b>Total Building Inspector</b>	<b>58,125</b>	<b>58,258</b>	<b>58,258</b>	<b>-</b>
<b>Emergency Management:</b>				
Personal services	78,725	58,558	57,859	699
Materials and supplies	-	8,276	3,610	4,666
Other services and charges	-	17,156	8,863	8,293
Capital outlay	6,000	-	-	-
<b>Total Civil Defense</b>	<b>84,725</b>	<b>83,990</b>	<b>70,332</b>	<b>13,658</b>
<b>Fire Department:</b>				
Personal services	641,898	637,811	630,587	7,224
Materials and supplies	81,282	92,374	76,329	16,045
Other services and charges	34,188	28,201	24,845	3,356
Capital outlay	101,300	22,008	21,033	975
<b>Total Fire Department</b>	<b>858,668</b>	<b>780,394</b>	<b>752,794</b>	<b>27,600</b>
<b>Law Enforcement:</b>				
Personal services	1,763,957	1,758,912	1,702,093	56,819
Materials and supplies	217,245	217,245	166,662	50,583
Other services and charges	35,485	35,485	24,283	11,202
Capital outlay	108,335	24,425	23,836	589
<b>Total Law Enforcement</b>	<b>2,125,022</b>	<b>2,036,067</b>	<b>1,916,874</b>	<b>119,193</b>
<b>Animal Shelter:</b>				
Personal services	78,468	78,468	78,437	31
Materials and supplies	10,183	10,812	8,765	2,047
Other services and charges	4,500	4,500	3,328	1,172
Capital outlay	5,000	-	-	-
<b>Total Animal Shelter</b>	<b>98,151</b>	<b>93,780</b>	<b>90,530</b>	<b>3,250</b>
<b>City Airport:</b>				
Personal services	42,403	42,403	42,343	60
Materials and supplies	258,021	247,154	244,022	3,132
Other services and charges	21,483	21,483	17,473	4,010
Capital outlay	15,000	-	-	-
<b>Total City Airport</b>	<b>336,907</b>	<b>311,040</b>	<b>303,838</b>	<b>7,202</b>

(Continued)

**CITY OF TAHLEQUAH, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**(Unaudited)**  
**JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Street:</b>				
Personal services	791,770	794,748	758,453	36,295
Materials and supplies	274,103	292,054	225,853	66,201
Other services and charges	13,540	13,540	10,988	2,552
Capital outlay	502,404	300,989	300,612	377
<b>Total Street</b>	<b>1,581,817</b>	<b>1,401,331</b>	<b>1,295,906</b>	<b>105,425</b>
<b>Library:</b>				
Materials and supplies	4,000	4,000	2,840	1,160
Other services and charges	30,800	30,800	24,578	6,222
Capital outlay	-	-	-	-
<b>Total Library</b>	<b>34,800</b>	<b>34,800</b>	<b>27,418</b>	<b>7,382</b>
<b>Parks and Recreation:</b>				
Personal services	484,195	472,983	456,096	16,887
Materials and supplies	79,156	112,846	119,546	(6,700)
Other services and charges	42,807	42,807	27,542	15,265
Capital outlay	88,000	115,716	111,174	4,542
<b>Total Parks and Recreation</b>	<b>694,158</b>	<b>744,352</b>	<b>714,358</b>	<b>29,994</b>
<b>Maintenance:</b>				
Personal services	208,327	211,327	210,757	570
Materials and supplies	58,769	56,069	50,850	5,219
Other services and charges	14,650	14,650	12,421	2,229
Capital outlay	-	-	-	-
<b>Total Maintenance</b>	<b>281,746</b>	<b>282,046</b>	<b>274,028</b>	<b>8,018</b>
<b>Total Charges to Appropriations</b>	<b>9,102,471</b>	<b>9,113,471</b>	<b>7,944,020</b>	<b>1,169,451</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ (1,332,561)</b>	<b>\$ (1,332,561)</b>	<b>\$ (71,185)</b>	<b>\$ (1,261,376)</b>

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

Accrued Tax Revenues 06/30/09	\$ 589,295
Accrued Tax Revenue 06/30/08	(512,989)
Accrued Payroll 06/30/08	(44,784)
<b>Net Change In Fund Balance</b>	<b>\$ (39,663)</b>

(Continued)

**CITY OF TAHLEQUAH, OKLAHOMA**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2009**

**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, 2009**

	<u>TAHLEQUAH PUBLIC SCHOOLS TAX FUND</u>
Revenues:	
Sales Tax	\$ 1,326,510
Total Revenue	<u>1,326,510</u>
Expenditures:	
Total Expenditures	
Excess (deficiency) of revenues over expenditures	1,326,510
Other Financing Sources (uses):	
Transferred to Tahlequah Public Works	1,326,510
Total Other Financing Sources (Uses)	<u>1,326,510</u>
Net Change in fund balance	-
Fund balance - beginning	-
Fund balance - ending	<u>\$ -</u>

**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 City Council  
City of Tahlequah, Oklahoma

I have audited the basic 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 Tahlequah, Oklahoma, as of and for the year ended June 30, 2009, which collectively comprise the City of Tahlequah, Oklahoma basic financial statements and have issued our report thereon dated January 12, 2010. 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.

I did not audit the financial statements of the component units consisting of the Tahlequah Hospital Authority, Tahlequah Public Works Authority, and the City Light and Water Department and the amounts which are represented. Those Financial statements were audited by others whose reports have furnished to me and my opinion on the general purpose financial statements, insofar as it related to the amounts included for the above components units is based solely on the reports of other auditors.

**Internal Control over Financial Reporting**

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

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Tahlequah, Oklahoma ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Tahlequah, Oklahoma financial statements that is more than inconsequential will not be prevented or detected by the City of Tahlequah, Oklahoma internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Tahlequah, Oklahoma internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that

might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 12, 2010

A handwritten signature in black ink, appearing to read 'Barry Spyres', with a stylized, cursive script.

Barry Spyres, CPA