

BASIC FINANCIAL STATEMENTS

for the

CITY OF TAHLEQUAH

FOR THE YEAR ENDED JUNE 30, 2015

CITY OF TAHLEQUAH

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AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Tahlequah, Oklahoma

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of Tahlequah Public Works Authority, Tahlequah Hospital Authority and City Light and Water Department (Tahlequah) which represents 100 percent of the assets, net positions, and revenues of those discretely presented component units. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included in Tahlequah Public Works Authority, Tahlequah Hospital Authority and City Light and Water Department (Tahlequah), is based solely on the report 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 financial statements are free of material misstatement.

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

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

Opinions

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma, as of June 30, 2015, 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.

Emphasis-of-Matter

As discussed in Note 11 in the notes to the financial statements, in the current fiscal year the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB No.27* and GASB Statement No. 71, *Pension Transition from Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and 71 resulted in the restatement of beginning net position. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tahlequah's basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 17, 2015 on my consideration of the City of Tahlequah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Michael Green, CPA
March 31, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. 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 \$1,927,439.
The following highlights relate to the General Fund:
- Overall General Fund revenues of \$8,764,768 fell below budget projections by \$14,458.
- Collections of the 2% sales tax in the General Fund exceeded budget projections by \$101,821. Total 2% sales tax revenue was \$5,701,821, which was an increase over last fiscal year in the amount of \$186,611 or approximately .03%. Sales Tax accounted for 65% of this year's total revenues for the general fund.
- Transfers from City Light & Water are the General Fund's second largest source of revenue. This year's transfer of \$1,253,490 accounted for 14% of total revenues, and was a decrease from last year by \$25,599.
- Use tax collections of 2% were above budget projections by \$31,162 and were up \$20,472 from the previous year.
- Northeast Public Facilities Authority made a transfer in the amount of \$80,000 which was twice the budgeted amount for this fiscal year.
- Revenue from building permits fell below this year's budget projection by \$15,021 and the revenue decreased \$17,242 from last year's collections. Revenues from inspection fees also fell below the budget by \$16,585.
- Sales of Aviation Gasoline and Jet Fuel were below budget by a total of \$56,578.
- Revenues from the City Golf Course decreased this year by \$12,472.
- Municipal Court Fines, Fees, Costs and Forfeitures fell below projections in the amount of \$24,456. A total of \$425,544 was collected. This amount is \$38,785 more than the previous year. The City has continued the contract with American Municipal Services to collect warrants and old fines. Through the services of this company several thousand dollars have been received that would not have been collected otherwise.
- Interest income was above budget projections by \$1,157. The revenues from interest rose from the previous year in the amount of \$2,372. Current funds invested as of June 30, 2015 are \$3,124,838. \$2,748,903 was being held in the general operating account for daily operations.
- The cost of fuel stayed below estimated budget costs. A total of \$373,423 was budgeted, and \$198,451 was spent. The amount spent for fuel is a decrease over the previous year by \$89,120. This decrease is due in part to the conversion of city vehicles to natural gas.
- Employee health insurance costs are for administration of our health plan, along with the costs of re-insurance for claims exceeding \$30,000 per employee and a stop-loss carrier. Annual amount expensed per employee was \$6,399 same as the previous year. The City continues to be on a partially self-funded insurance plan. Funds available for the payment of

- claims (under the specific limit of \$30,000) fell from \$580,294 on June 30, 2014 to \$540,984 on June 30, 2015. This amount is reflected in the Health Insurance Contra-Account. Employees were still required to pay \$25.00 per month for their health insurance.
- Transfers of \$550,700 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 \$91,619.
 - A transfer was made to the Cops-In-Schools fund in the amount of \$112,687 for salary and fringe benefits for two school resource officers.
 - All departments within the General Fund were under projected budget expenditures. Expenditures exceeded revenues by a total of \$274,250 for a decrease in fund balance June 30, for a total of \$3,035,747.
 - **Street and Alley Revenues** of \$156,133 exceeded expenditures of \$118,225 for an increased fund balance of \$221,769.
 - **Hotel Motel Tax** revenues exceeded projections by \$7,916. Revenues exceeded expenditures in the amount of \$9,196, resulting in a fund balance carryover of \$50,780.
 - **Cemetery Care Fund** received \$5,225 from 12.5% of all cemetery lot sales and grave openings and closings. Leaving a fund balance carryover of \$69,169.
 - The City's enterprise fund-**Solid Waste Services Department**-expended \$330,175 less than received in revenues and transfers from the General Fund. Sanitation receipts from Tahlequah Public Works exceeded budget expectations in the amount of \$12,831. Transfer station fees were above budget by \$139,977. Expenditures were at 79.3% of the year's budget. Lease Purchase payments were made in the amount of \$63,701 on equipment.
 - **Stormwater Management Fund** received \$199,957 from stormwater management fees collected by Tahlequah Public Works Authority on customer utility billings. Permit fees of \$650 were collected. Expenditures totaled \$111,563. Revenues exceeded expenditures in the amount of \$89,045. Drainage projects in the amount of \$27,863 were completed.
 - **Brookside Restoration Fund** received \$4,046 in rental fees. A minor expenditure for the year of \$1,215 for maintenance supplies.
 - The **School Resource Officer Expense Fund** Expenditures were made from the fund in the amount of \$1,661 leaving a fund balance of \$321.
 - The **Capital Improvement Fund** received transfers from the General Fund in the amount of \$550,700 for various reserves for equipment and capital projects. \$27,600 was received from the Tahlequah Fire Department County Sales Tax Fund to make Lease-Purchase Payments on the new fire station built in Southridge addition. Total Lease-Purchase Payments, including interest of \$27,517 were made. \$222,142 was spent from this fund for the purchase of equipment and capital projects.
 - The **Tahlequah Police Canine Fund** received \$5,000 in donations and spent \$1,885 for equipment & training. The fund has a balance of \$9,243.
 - The **Tahlequah Police Dare Fund** Expenditures totaled \$41 leaving a fund balance of \$69.
 - The **Restricted Sales & Use Tax Fund** was established to account for an earmarked one-half of one percent (.5%) sales and use tax that was approved by the voters at a special election held on August 7, 2009. The new tax was effective on October 1, 2009 and will end on September 30, 2019 or at such a time as the indebtedness issued pursuant to the tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Works for payment on the indebtedness. Funds are to be used for Tahlequah Public Schools construction fund in an

amount of \$3,200,000 and the City of Tahlequah for public improvements in the amount of \$4,800,000. Funds were received in December 2009. Total receipts from earmarked sales and use tax were \$1,478,243 and total transferred to Tahlequah Public Works was \$1,478,243.

- The **Winter Wonderland Fund** was established to account for the funds received from skate fee revenues in the amount of \$33,459. After operating expenses were paid this fund ended with a balance of \$28,030.
- The **Restricted Sales & Use Tax Fund II** was established to account for earmarked three-quarters of one percent (.75%) sales and use tax that was approved by the voters at a special election held on January 8, 2013. The new tax was effective on April 1, 2013 and is to end on or before April 1, 2028 or at such time as the indebtedness issued pursuant to the excise tax is paid, whichever occurs earlier. Funds are to be transferred to Tahlequah Public Facilities Authority for payment on the indebtedness. Funds are to be used by the City of Tahlequah for public improvements in the amount of \$21,112,339. Funds were received beginning in June 2013. Total receipts from the ¾ cent earmarked sales and use tax were \$2,217,365 and transfers to Tahlequah Public Facilities Authority were \$2,217,365.
- The **Bond Improvement Fund II** was established to account for the funds which were received from the above bond issue in the amount of \$21,116,265 which included interest and dividends. These funds are to be used for public improvements which include Northeastern State University Event Center, Fire Engine and Equipment, Police Technology, Call out Sirens, Traffic and Pedestrian Safety, Sports Complex-Phase II, Phoenix Park Renovations, Greenbelt Development, CNG Truck Conversion, Swimming Pool, City Library, New Armory on Highway 51 (Remodel for Police Department and Emergency Management) and various Street Improvements. A total of \$3,493,882 was expended this year.
- The **Cops in School Retention Fund** is for the purpose of accounting for the expenses of providing four School Resource Officers for the Tahlequah Public School System. The expense, including salaries and fringe benefits, of two officers was paid by Tahlequah Public Schools in the amount of \$107,468. Two officers were funded by a transfer from the general fund of the City in the amount of \$112,687.
- Funds were not received from the **Bullet Proof Vest Grant Program** this fiscal year. This an ongoing 50% reimbursement grant. We are currently waiting for a reimbursement of \$6,719
- The **Relocate and Rehabilitate Taxiway Grant** fund has been kept open in anticipation of receipt of an award from the Oklahoma Aeronautics Commission. The funds are interest which has accrued on the match funds that were on the previous grant. OAC requires a separate fund and banking account and checks for their grants.
- A **Land Acquisition Grant** was approved by the Federal Aviation Administration in the amount of \$95,712.00 in FY 2012-2013. City match funds of \$5,038.00 were transferred to the fund. Expenditures of \$92,066 were made during this fiscal year. This grant was completed \$7,683.57 under budget consisting of \$7,299 not being used from the FAA and 384.57 returned to general fund.
- The **TMA FAA Grant** was approved by the Federal Aviation Administration in the amount of \$483,137.00. City match funds of \$53,682.65. Expenditures of \$29,525 were made during this fiscal year. There was a grant amendment in the amount of \$31,733.30.
- Of the award received from the Department of Justice, **DOJ/Overtime Grant 2014** in the amount of \$2,760.00 expenditures of \$949 and of the 2015 award of \$737 expenditures of \$687 were made still waiting on reimbursements of \$1,636 on both awards.

- Tahlequah Police Department received a grant award from the Oklahoma Highway Safety Office, **Tahlequah Impaired Driving Enforcement Grant VI** in the amount of \$17,000 and spent \$8,381.
- Tahlequah Police Department received a grant award from the District Attorney's Council **JAG LLE 14 Grant** in the amount of \$9,030.00 was spent and awaiting reimbursement.
- A contract was awarded from the Oklahoma Department of Commerce, **Community Development Block Grants 16140-14**, in the amount of \$126,747. Match funds required from the City came from the Bond Improvement II fund in the amount of \$144,575 were transferred to the fund. No grant funds were received nothing was expended on the rehabilitation of the Green Building at 120 E Morgan St.
- **TSET Grant** award from the State of Oklahoma Tobacco Settlement Endowment Trust in the amount of \$92,000.00 was received there was no match required by the City of Tahlequah. No expenditures have been made.
- **Safe Routes to School Grant (SRTS)** was approved by the State of Oklahoma Department of Transportation. This is a 100% reimbursable grant in the amount of \$217,025.00; of that amount \$197,025.00 is to be spent on infrastructure and \$20,000.00 as an educational component for non-infrastructure. \$1,082 was spent, but has not been reimbursed.
- **Tahlequah BEST (T-BEST) Grant** is an agreement entered into between Tahlequah Public Schools and Tahlequah Police Department with an award amount of \$6,000.00 to provide officers to enforce and prevent underage drinking. \$1,202.00 was spent still waiting for reimbursement.
- The City of Tahlequah received a total of \$465,357 in grant funds this fiscal year.

• USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirement of the Governmental Accounting Standards Board (GASB) Statement No.34. The report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the city as a whole and present a longer-view of the City's finances. Fund financial statements, for governmental activities, tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Basis of Accounting

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

Reporting the City as a Whole

The City's Reporting Entity Presentation

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

The primary government includes the following legal entity:

- The City of Tahlequah

The component unit presentation includes the following legal entities:

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

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

Our financial analysis of the City as a whole begins on page 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 system is reported here.

Component unit activities.

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

Reporting the City's Most Significant Funds

The Fund Financial Statements

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

Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements. The City considers the General Fund, the Capital Improvement Fund and the Restricted Sales & Use Tax Fund I and Restricted Sales & Use Tax Fund II to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled non-major 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 if 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, 2015, General Fund expenditures were \$1,259,397 below final budgeted amounts, and General Fund revenues were \$14,458 below final budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the City had \$36,395,952 million invested in capital assets, net of depreciation, including land, buildings, improvements, machinery, equipment, autos, infrastructure, computers and software, office equipment, furniture and work in progress.

This year's more significant capital assets additions included:

3- 2014 Ford F150 CNG Trucks	\$ 80,351
Police Vehicles	\$ 53,416
2014 Saber Pumper Truck	\$ 380,541
Building Improvements	\$ 214,920
Digi Ticket	\$ 30,629
PD Headquarters' Surveillance System	\$ 36,056
Fire Rescue Tools	\$ 13,945
Intercom System	\$ 10,827
3D Body Cameras	\$ 9,030
Antennas at Police Department	\$ 23,606
Snow Plow	\$ 10,436
Douglas Avenue	\$ 80,463
Parking Lot New PD	\$ 40,796
Traffic & Pedestrian Safety	\$ 22,562
Equipment for Police Units	\$ 9,447
Irrigation Sports Complex	\$ 12,936
Land Purchases	\$ 115,623
Police Department Telephone System	\$ 38,450

SOLID WASTE SERVICES FUND-ENTERPRISE FUND

Semi- 2014 Freightliner	\$ 107,300
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2014 Ford F150 CNG Truck	\$ 27,011
Mower – Hustler Super Z60	\$ 9,586
2015 Excel 62 Waste Baler	\$ 76,488
Storage/Parking Area	\$ 12,936

Long-Term Debt

At June 30, 2015 the City had \$45,591.33 in a lease purchase agreement with BancFirst, Tahlequah, Oklahoma for the purchase of a portion of the new Fire Station #2 located in the Southridge Subdivision.

At June 30, 2015 the City had \$48,105.95 in a lease-purchase agreement with Welch State Bank, Welch, Oklahoma, for the purchase of a 2011 Case Dozer

At June 30, 2015 the City had \$50,277.25 in a lease-purchase agreement with Welch State Bank, Welch, Oklahoma, for a 2012 Hitachi Excavator.

At June 30, 2015 the City had \$10,745.43 in a lease-purchase agreement with BancFirst for the property and building located at 120 E Morgan Street, Tahlequah, Oklahoma.

At June 30, 2015 the City had \$28,261.07 in a lease-purchase agreement with Welch State Bank for Dura-patcher skid mounted road repair machine.

At June 30, 2015 the City had \$170,340.05 in a lease-purchase agreement with BancFirst for a 2011 Case Waste Handler.

At June 30, 2015 the City had \$63,080.18 in a lease-purchase agreement with Welch State Bank, Welch, Oklahoma, for a 2014 Freightliner Corona Tractor Truck.

At June 30, 2015 the City had \$67,206.71 in a lease-purchase agreement with BancFirst for a 2015 Excel Horizontal Waste Baler.

Total Long Term Debt is \$483,607.97

ECONOMIC FACTORS AND NEXT YEAR'S BUDGT AND RATES

For the upcoming fiscal year ending June 30, 2016, 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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 3,219,942	\$ 777,670	\$ 3,997,612	\$ 22,800,397
Restricted Cash	-	-	-	11,136,918
Investments	3,124,838	362,500	3,487,338	13,695,150
Federal Treasury Obligations	16,984,001	-	16,984,001	-
Meter Deposits	-	-	-	-
Due From Other Funds	263,532	-	263,532	-
Bond Issuance Fees	-	-	-	-
Accumulated Amortization	-	-	-	-
Accounts Receivable	20,986,742	15,925	21,002,667	18,042,416
Prepays	-	-	-	1,312,200
Net Pension Asset	138,025	-	138,025	5,667,077
Unamortized Loan Organization Costs	-	-	-	-
Inventory and Supplies	-	-	-	3,517,781
Investment in Joint Ventures	-	-	-	6,336,023
Capital Assets (page 28)	51,327,049	6,418,127	57,745,176	71,126,453
Accumulated Depreciation	(18,975,549)	(1,293,150)	(20,268,699)	-
Total Assets	77,068,580	6,281,072	83,349,652	153,634,415
Deferred outflows of resources:				
Deferred amounts related to pensions	70,791	-	70,791	-
Total Deferred Outflows	70,791	-	70,791	-
LIABILITIES				
Due to Other Funds	257,679	-	257,679	-
Bonds Outstanding	40,040,006	-	40,040,006	-
Long-Term Liabilities (Note 8):				
Due Within One Year	114,456	142,107	256,563	3,539,631
Due in More Than One Year	68,525	158,520	227,045	41,977,747
Due to TPWA	297,825	-	297,825	83,941
Federal Withholding	-	-	-	-
Accounts Payable	514,426	-	514,426	6,219,391
Accrued Expenses	62,210	28,772	90,982	4,581,206
Accrued Compensated Absences	126,140	-	126,140	-
Bond / Clect Deposits Payable	34,092	-	34,092	1,445,478
Net pension liability	456,847	-	456,847	-
Deferred Revenue/Minority Interest in Joint Ventures	20,188,650	-	20,188,650	-
Total Liabilities	62,160,855	329,399	62,490,253	57,847,394
Deferred inflows of resources:				
Deferred amounts related to pensions	1,918,410	-	1,918,410	-
Total Deferred Inflows	1,918,410	-	1,918,410	-
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	32,168,519	4,824,350	36,992,869	32,642,243
Restricted for Statutory Requirements	(22,102,349)	-	(22,102,349)	-
Restricted for Extencral Contracts	-	-	-	5,486,848
Unrestricted	2,993,936	1,127,323	4,121,259	57,657,930
Total Net Assets	\$ 13,060,106	\$ 5,951,673	19,011,779	\$ 95,787,021

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, 2015

FUNCTIONS/PROGRAMS

Primary Government:	General Government	8,150,163	\$	-	\$	-	\$	(8,150,163)	\$	-
	Public Safety	4,121,962		425,544	673,728	-	-	(3,022,690)	-	-
	Public Services	2,239,722		2,719,258	-	-	-	479,536	-	-
	Culture and Recreation	1,163,950		78,367	-	-	-	(1,085,583)	-	-
	Total Governmental Activities	15,675,797		3,223,170	673,728	-	-	(11,778,900)	-	-
Business Type Activities:	Sanitation	1,804,580		2,112,477	-	-	-	307,898	307,898	-
	Total Business-Type Activities	1,804,580		2,112,477	-	-	-	307,898	307,898	-
	Total Primary Government	17,480,377		5,335,647	673,728	-	-	(11,778,900)	307,898	(11,471,002)
Component Units		110,687,266		121,272,416	-	-	-			10,585,150
	General Revenues:									
	Tax Revenue							8,833,258	-	8,833,258
	Investment Income							48,812	-	48,812
	Bond Proceeds							-	-	-
	Other							620,481	-	620,481
	Transfers - Internal Activity							4,678,470	17	4,678,487
	Total General Revenues and Transfers							14,181,021	17	14,181,038
	Change in Net Assets							2,402,122	307,915	2,710,036
	Net Assets - Beginning Restated							10,657,984	5,643,758	16,301,742
	Net Assets - Ending							\$ 13,060,106	\$ 5,951,673	\$ 19,011,778

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, 2015**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Tahlequah Public Facility Authority</u>	<u>Tahlequah Educational Facility Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	74,779	\$ 1,013,596	\$ 921,100	\$ 38,231	1,172,237	\$ 3,219,942
Federal Treasury Obligations	-	-	14,247,649	2,736,352	-	16,984,001
Investments	3,124,838	-	-	-	-	3,124,838
Due from Other Funds	263,532	-	-	-	-	263,532
Accounts Receivable	783,969	-	3,408	20,188,650	10,716	20,986,742
Bond Issuance Fees	-	-	-	-	-	-
Accumulated Amortization	-	-	-	-	-	-
Total Assets	<u>4,247,117</u>	<u>1,013,596</u>	<u>15,172,157</u>	<u>22,963,233</u>	<u>1,182,952</u>	<u>44,579,055</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Bonds Outstanding	-	-	22,905,006	17,135,000	-	40,040,006
Deferred Revenue	-	-	-	20,188,650	-	20,188,650
Accounts Payable	398,123	-	8,808	275	107,220	514,426
Payable to TPWA	297,825	-	-	-	-	297,825
Accrued Payroll	59,431	-	-	-	2,778	62,210
Bond / Fleet Deposits Payable	34,092	-	-	-	-	34,092
Due to Other Funds	4,810	-	-	-	252,869	257,679
Total Liabilities	<u>794,281</u>	<u>-</u>	<u>22,913,814</u>	<u>37,323,925</u>	<u>362,867</u>	<u>61,394,887</u>
Fund Balances:						
Unassigned	3,452,836	1,013,595	-	-	820,085	5,286,516
Assigned	-	-	(7,741,657)	(14,360,692)	-	(22,102,349)
Total Fund Balances	<u>3,452,836</u>	<u>1,013,595</u>	<u>(7,741,657)</u>	<u>(14,360,692)</u>	<u>820,085</u>	<u>(16,815,833)</u>
Total Liabilities and Fund Balances	<u>\$ 4,247,117</u>	<u>\$ 1,013,595</u>	<u>\$ 15,172,157</u>	<u>\$ 22,963,233</u>	<u>\$ 1,182,952</u>	

Reconciliation to Statement of Net Assets:

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

Net pension asset	138,025
Pension related deferred outflows	70,791
Net pension liability	(456,847)
Pension related deferred inflows	(1,918,408)
Accrued Compensated Absences not payable out of current funds	(126,140)
Capital Assets Used in Governmental Activities of \$51,327,049 net of accumulated depreciation of \$18,975,549 are not Financial Resources and, therefore, are not Reported in the Funds.	32,351,500
Capital Lease not payable out of current funds	(182,981)
Net Assets of Governmental Activities	<u>\$ 13,060,106</u>

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

CITY OF TAHLEQUAH, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Improvement Fund	Tahlequah Public Facility Authority	Tahlequah Educational Facility Authority	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 6,331,481	\$ 26,887	\$ 2,217,365	\$ -	\$ 257,524	\$ 8,833,258
Charges for Services	374,275	-	9,494	2,090,626	244,863	2,719,258
Fines and Forfeitures	425,544	-	-	-	-	425,544
Licenses and Permits	78,367	-	-	-	-	78,367
Investment Income	-	-	48,512	300	-	48,812
Miscellaneous	254,296	27,600	-	-	338,587	620,483
Bond Proceeds	-	-	-	-	-	-
Grants and Subsidies	-	1,290	-	312,320	360,118	673,728
Total Revenues	7,463,964	55,777	2,275,371	2,403,246	1,201,092	13,399,450
Expenditures:						
General Government:						
Managerial	1,545,873	-	-	-	-	1,545,873
City Clerk	54,925	-	-	-	-	54,925
City Treasurer	13,937	-	-	-	-	13,937
City Attorney	56,296	-	-	-	-	56,296
Municipal Judge	126,013	-	-	-	-	126,013
Maintenance	214,592	-	-	-	158,663	373,255
Hotel/Motel	-	-	-	-	93,720	93,720
Tahlequah Facility Authority	-	-	4,251,378	1,028,323	-	5,279,701
Public Safety:						
Law Enforcement	2,301,386	-	-	-	249,494	2,550,880
Fire	1,040,305	-	-	-	-	1,040,305
Building Inspector	-	-	-	-	-	-
Emergency Management	87,992	-	-	-	-	87,992
Public Services:						
Cemetery	241,012	-	-	-	-	241,012
Animal Shelter	-	-	-	-	-	-
Streets	993,971	-	-	-	118,225	1,112,196
Airport	184,310	-	-	-	248,990	433,300
Culture and Recreation:						
Parks and Recreation	885,962	-	-	-	55,734	941,696
Library	24,517	-	-	-	-	24,517
Capital Outlay	3,980,893	222,142	-	-	82,658	4,285,692
Total Expenditures	11,751,983	222,142	4,251,378	1,028,323	1,007,484	18,261,309
Excess (deficiency) of						
Revenues Over Expenditures	(4,288,019)	(166,365)	(1,976,007)	1,374,923	193,608	(4,861,859)
Other Financing Sources (Uses)						
Transfers In	4,787,216	550,700	-	-	112,687	5,450,603
Transfers Out	(772,133)	-	-	-	-	(772,133)
Total Other Financing Sources (Uses)	4,015,083	550,700	-	-	112,687	4,678,470
Net Change in Fund Balance	(272,936)	384,335	(1,976,007)	1,374,923	306,295	(183,390)
Fund Balances - Beginning	3,725,771	629,260	(5,765,650)	(15,735,615)	513,790	(16,632,444)
Fund Balances - Ending	\$ 3,452,835	\$ 1,013,595	\$ (7,741,657)	\$ (14,360,692)	\$ 820,085	\$ (16,815,833)

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, 2015

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

Net change in fund balances - total governmental funds	\$ (183,390)
Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements reported pension contributions as expenditures.	\$ 412,136
Governmental funds report outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciated expenses. This is the amount by which capital outlays exceeded depreciation net of gain/loss on desposial of assets in the current period.	\$ 2,173,375
Change in Net Assets - Statement of Activities	<u>\$ 2,402,122</u>

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

CITY OF TAHLEQUAH, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 777,670
Investments	362,500
Accounts receivable	15,925
Total Current Assets	<u>1,156,095</u>
 Noncurrent Assets	
Land and construction in progress	242,689
Other capital assets, net of accumulated depreciation	4,882,288
Total Noncurrent Assets	<u>5,124,977</u>
 Total Assets	<u>6,281,072</u>
 LIABILITIES	
CURRENT LIABILITIES	
Accrued Payroll	28,772
Capital Lease Payable Current	142,107
Total Current Liabilities	<u>170,879</u>
 NONCURRENT LIABILITIES	
Total Noncurrent Liabilities	158,520
 Total Liabilities	<u>329,399</u>
 NET ASSETS	
Invested in capital assets, net of related debt	4,824,350
Reserved	-
Unrestricted	1,127,323
Total Net Assets	<u>\$ 5,951,673</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, 2015

	Enterprise Fund
OPERATING REVENUES	
Charges for services:	
Transfer station fees	\$ 294,976
Sanitation/TPWA	1,792,831
Miscellaneous operating revenue	24,671
Total Operating Revenues	<u>2,112,477</u>
OPERATING EXPENSES	
Salaries and Employee Benfits	554,692
Materials and Supplies	973,624
Other Expenses	-
Depreciation	267,785
Total Operating Expenses	<u>1,796,101</u>
OPERATING INCOME	<u>316,376</u>
NON OPERATING REVENUES (EXPENSES)	
Interest Expenses	(8,478)
Total Non-Operating Revenues (Expenses)	<u>(8,478)</u>
Net Income (Loss) Before Transfers	307,898
TRANSFERS	
Transfers in	17
Transfers out	-
CHANGES IN NET ASSETS	<u>307,915</u>
TOTAL NET ASSETS - BEGINNING	<u>5,643,758</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 5,951,673</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, 2015**

	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 2,088,511
Other	24,671
Personnel Services	(554,692)
Maintenance and Operations	(977,896)
Net Cash Provided by Operations	<u>580,595</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	<u>17</u>
Net Cash Provided by Noncapital Financing Activities	<u>17</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets Net of Retirements	(349,056)
Cash used by Capital Leasing Activity's	82,744
Net Cash Used by Capital and Related Financing Activities	<u>(266,312)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Cash Used by Investing Activities	<u>-</u>
Net Increase in cash and cash equivalents	<u>314,300</u>
Beginning cash and cash equivalents	<u>463,370</u>
Ending cash and cash equivalents	<u>\$ 777,670</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	307,899
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	267,785
Decrease in Accounts Receivable	705
Increase in Accrued Expenses	4,206
Net cash provided by operating activities	<u>\$ 580,595</u>

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

**NOTES TO
FINANCIAL STATEMENTS**

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 2014-2015 fiscal year, the TPWA transferred \$1,253,490 (cash basis) to the City of Tahlequah through the City Light and Water Department.

Tahlequah Hospital Authority

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

Tahlequah Industrial Authority

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

Tahlequah Redevelopment Authority

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

City Light and Water Department (Tahlequah)

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Northeastern Oklahoma Public Facilities Authority

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

B. FUND ACCOUNTING

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

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Fiduciary Fund Types

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

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

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

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

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

<u>Cash in Escrow</u>	<u>2015</u>
Court Bonds	\$ 27,223
Cleet Account	5,349

Government-Wide Statements

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

Fund Financial Statements

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

C. BASIS OF ACCOUNTING

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

Revenue Recognition

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Expenditure Recognition

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

Reservations of Fund Equity

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

Compensated Absences

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

D. ENCUMBRANCES

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

CITY OF TAHLEQUAH, OKLAHOMA
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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.

Unassigned Fund Balance

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

E. REVENUES, EXPENDITURES, AND INTERFUND TRANSACTIONS

Tax Revenues

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

Licenses and Permits

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

Charges for Services

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

Fines and Forfeitures

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

Intergovernmental Programs

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

Miscellaneous Revenue

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

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Expenditures

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

General Government

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

Public Safety

Building Inspector
Civil Defense
Fire Department
Law Enforcement

Culture and Recreation

Library
Park Department

Public Services

Street Department
Animal Shelter
City Airport
Cemetery

Capital Outlay

Consists of all capital expenditures
of all departments.

Interfund Transactions

Loans to funds are properly classified as due to and due from amounts, and transactions which constitute reimbursements to a fund appropriately cancel the original transactions. Expenditures initially made with loaned funds are properly classified within the fund (see Note 4). All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Operating transfers are identified as other financing sources (uses) in the financial statements. No residual equity transfers occurred during the fiscal year 2015.

Investments

Investments on hand at June 30, 2015, consist of the following.

<u>Number - Type</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Market Value</u>
FHL Mortgage Corp	09-06-19	1.767%	549,986.00	549,986.00
FHL Mortgage Corp.	09-06-19	1.061%	104,000.00	104,000.00
FHL Banks	03-12-21	3.625%	198,424.00	198,424.00
#Various CD's Various Bank's	Various	Various	2,879,928.00	2,879,928.00
		Total	<u>\$3,732,338.00</u>	<u>\$3,732,338.00</u>

The City's bank balance in all depository accounts at year end was \$3,997,612 at June 30, 2015.

At June 30, 2015 all cash deposits and certificates of deposits were either FDIC insures or covered by collateral pledged by the banks trust department.

**CITY OF TAHLEQUAH, OKLAHOMA,
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JUNE 30, 2015**

F. ASSETS, LIABILITIES AND FUND EQUITY

Capital Assets and Property, Plant, and Equipment

Capital asset activity for governmental activities for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Capital Assets not being Depreciated				
Land	\$ 3,167,777	\$ 115,623	\$ -	\$ 3,283,400
Construction in Progress	6,052,706	1,176,017	-	7,228,723
Capital Assets being Depreciated				
Automobiles and Trucks	3,560,567	545,042	51,795	4,053,814
Buildings and Building Improvements	8,123,398	1,520,839	-	9,644,237
Infrastructure	20,909,353	294,518	-	21,203,871
Computers and Office Equipment	1,070,537	197,933	-	1,268,470
Machinery and Equipment	4,485,668	158,866	-	4,644,534
Total Capital Assets being Depreciated	38,149,523	2,717,198	51,795	40,814,926
Total Capital Assets	47,370,006	4,008,838	51,795	51,327,049
Less Accumulated Depreciation	16,993,980	2,033,364	51,795	18,975,549
Governmental Activities, Capital Assets, Net	<u>\$ 30,376,026</u>	<u>\$ 1,975,474</u>	<u>\$ -</u>	<u>\$ 32,351,500</u>

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

General Government	\$ 939,627
Public Safety	442,786
Public Services	453,214
Culture and Recreation	197,737
Total Depreciation from Governmental Activities	<u>\$ 2,033,364</u>

**CITY OF TAHLEQUAH, OKLAHOMA,
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Capital Assets and Property, Plant, and Equipment

Capital asset activity for business-type activities for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Capital Assets, not being Depreciated				
Land	\$ 76,100	\$ -	\$ -	\$ 76,100
Construction in Progress	<u>-</u>	<u>166,589</u>	<u>-</u>	<u>166,589</u>
Total Capital Assets not being Depreciated	76,100	166,589	-	242,689
Capital Assets being Depreciated				
Other Capital Assets	<u>6,040,606</u>	<u>235,135</u>	<u>100,303</u>	<u>6,175,438</u>
Total Capital Assets	6,116,706	401,724	100,303	6,418,127
Less Accumulated Depreciation				
Other Capital Assets	<u>1,053,804</u>	<u>267,785</u>	<u>28,439</u>	<u>1,293,150</u>
Total Accumulated Depreciation	1,053,804	267,785	28,439	1,293,150
Business-Type Activities, Capital Assets, Net	<u>\$ 5,062,902</u>	<u>\$ 133,939</u>	<u>\$ 71,864</u>	<u>\$ 5,124,977</u>

CITY OF TAHLEQUAH, OKLAHOMA
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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, 2015, 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.

Deposits

The City's cash deposits at June 30, 2015, are categorized to give an indication of the level of risk assumed by the City at year end as follows:

CITY OF TAHLEQUAH, OKLAHOMA
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Deposit Categories of Credit Risk

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

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

(C) Uncollateralized.

	<u>CATEGORY</u>			<u>BANK</u>	<u>CARRYING</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>BALANCE</u>	<u>AMOUNT</u>
CASH/ INVESTMENTS	\$ 5,669,883	\$500,000	\$ 0.00	\$6,169,883	\$ 6,169,883

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, 2015, were as follows:

Governmental General Fund (due to)	\$ 255,578
Bullet Proof Vest Special Revenue Fund (due from)	(3,763)
TIDE Grant (due from)	(17,000)
Dept. of Justice Grant (due from)	(2,760)
SRTS Grant (due from)	(217,025)
Tahlequah Best Comm Grant (due from)	(6,000)
JAG LEE Grant Fund (due from)	(9,030)
NET	<u><u>\$ -0-</u></u>

CITY OF TAHLEQUAH, OKLAHOMA
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JUNE 30, 2015

NOTE 4: GENERAL LONG TERM DEBT

The City's long-term debt is described below, segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. General long term debt consists of lease purchase agreements.

The following is a summary of the long term debt transactions of the City for the year ended June 30, 2015:

	BALANCE AT JULY 1, 2014	ADDITIONS	RETIREMENTS	BALANCE AT JUNE 30, 2015	
CAPITALIZED LEASE OBLIGATIONS	\$ 594,389.91	\$ 186,397.20	\$ 297,179.14	\$ 483,607.97	
TOTAL	\$ 594,389.91	\$ 186,397.20	\$ 297,179.14	\$ 483,607.97	

GOVERNMENTAL ACTIVITIES	BANC FIRST 3/16/2017	WELCH STATE BANK 9/14/2017	WELCH STATE BANK 11/2/2016	BANC FIRST 7/31/2015	WELCH STATE BANK 7/24/2016	TOTAL
MATURITY DATE	3.75%	2.89%	2.78%	3.38%	2.47%	
INTEREST RATE						
ORIGINAL VALUE	\$ 125,280.00	\$ 103,062.00	137,044.30	232,500.00	76,730.63	
CURRENT VALUE	48,563.71	49,754.99	51,339.78	13,990.86	28,674.20	
AMOUNT REP INTEREST	2,972.38	1,649.04	1,062.53	3,245.43	413.12	
PRESENT VALUE OF FUTURE MIN LEASE PAYMENTS	45,591.22	48,105.95	50,277.25	10,745.43	28,261.08	182,980.93

The schedule of future minimum lease payments under the capital lease and present value of the net minimum lease payments at June 30, are as follows:

YEAR ENDING	2016	25,517.32	22,167.96	34,032.43	13,990.86	26,460.23	
	2017	23,046.39	22,167.96	17,307.35	-	2,213.97	
	2018	-	5,419.07	-	-	-	
TOTAL MINIMUM LEASE PAYMENTS		48,563.71	49,754.99	51,339.78	13,990.86	28,674.20	98,318.70
AMOUNT REPRESENTING INTEREST		2,972.38	1,649.04	1,062.53	3,245.43	413.12	4,621.42
TOTAL PRESENT VALUE OF MINIMUM LEASE PAYMENT		45,591.33	48,105.95	50,277.25	10,745.43	28,261.08	182,981.04

INTEREST	2016	1,980.98	1,120.48	957.31	3,245.43	408.62	
	2017	991.40	501.83	105.22	-	4.50	
	2018	-	26.73	-	-	-	
	\$	2,972.38	\$ 1,649.04	1,062.53	3,245.43	413.12	\$ 9,342.50

BUSINESS TYPE ACTIVITIES

	BANC FIRST 10/1/2018	WELCH STATE BANK 8/18/2016	BANC FIRST 2/1/2017	TOTAL
MATURITY DATE	3.20%	2.36%	2.00%	
INTEREST RATE				
ORIGINAL VALUE	\$ 1,100,000.00	\$ 107,300.00	76,488.00	
CURRENT VALUE	179,955.10	64,022.91	68,350.82	
AMOUNT REP INTEREST	9,615.05	942.63	1,144.11	
PRESENT VALUE OF FUTURE MIN LEASE PAYMENTS	170,340.05	63,080.28	67,206.71	300,627.04

The schedule of future minimum lease payments under the capital lease and present value of the net minimum lease payments at June 30, are as follows:

YEAR ENDING	2016	53,760.00	55,969.19	39,048.60	
	2017	53,760.00	8,053.72	29,302.22	
	2018	53,760.00	-	-	
	2019	18,675.10	-	-	
TOTAL MINIMUM LEASE PAYMENTS		179,955.10	64,022.91	68,350.82	243,978.01
AMOUNT REPRESENTING INTEREST		9,615.05	942.63	1,144.11	11,701.79
TOTAL PRESENT VALUE OF MINIMUM LEASE PAYMENT		170,340.05	63,080.28	67,206.71	300,627.04

INTEREST	2016	4,808.71	915.64	946.44	
	2017	3,178.44	26.99	197.67	
	2018	1,506.83	-	-	
	2019	121.07	-	-	
	\$	9,615.05	\$ 942.63	\$ 1,144.11	\$ 11,701.79

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: OTHER POST EMPLOYMENT BENEFITS

The City does not offer any early retirement incentive plans.

NOTE 6: EMPLOYMENT RETIREMENT SYSTEM

Employees and Plans

The City participates in three employee pension systems, they are:
Oklahoma Firefighters Pension and Retirement Plan
Oklahoma Police Pension and Retirement Plan
Oklahoma Public Employees Pension Plan System

Oklahoma Firefighters Pension and Retirement System

Plan description – The City of Tahlequah, as the employer, participates in the Oklahoma Firefighters Pension and Retirement – a cost sharing multiple-employer defined benefit plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title II of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at the Plan's administrative web site.

Benefits provided - FPRS provides retirement, disability and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 11 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, which is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of duty benefits for firefighters with less than 20 years of service is equal to 50% of the final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service a disability in-the-line-of duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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disabilities not in the line of duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation based on the most recent 60 month salary opposed to 30 months. For volunteer firefighters, the not in the line of duty disability is also limited to those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in the line of duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contribution requirements of the Plan are at an established rate determined by Oklahoma Statutes and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employee's annual pay. Contributions to the pension plan from the City were \$95,544 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures and Change in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a net pension liability of \$2,302,349 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based on this information, the City's proportion was .2239%.

For the year ended June 30, 2015, the City recognized pension expenses of \$206,781. At June 30, 2015 the City reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF TAHLEQUAH, OKLAHOMA
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	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$54,857	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	348,513
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the Measurement date	<u>95,544</u>	<u>-</u>
Total	<u>\$150,401</u>	<u>\$ 348,513</u>

\$95,544 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30	2016	\$	(76,703)
	2017		(76,703)
	2018		(76,703)
	2019		(76,703)
	2020		10,278
	Thereafter		<u>2,878</u>
		\$	(293,656)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustments as

CITY OF TAHLEQUAH, OKLAHOMA
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appropriate, with adjustments for the generational mortality improvements using scale AA for health lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates range of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class including the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will assume the State of Oklahoma will continue contributing 36% of the insurance premiums, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1percent point lower (6.5%) or 1 percent point higher (8.5%) than the current rate:

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's net pension liability (asset)	\$3,016,077	\$2,302,349	\$1,772,808

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of the FPRS, which can be located at www.ok.gov/fprs.

Oklahoma Police Pension and Retirement system

Plan description - The City of Tahlequah, as the employer, participates in the Oklahoma Police Pension and Retirement Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title II of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided – OPPRS provides retirement, disability and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect to a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participant's final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service,

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participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective, July 1, 1998, once a disability is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to the pension benefit.

Contributions – The contributions requirement of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$140,822. The State of Oklahoma made on behalf contributions to OPPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported an asset of \$138,025 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon the information, the City's proportion was .0041 percent.

For the year ended June 30, 2015, the City recognized pension expense of \$50,592. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$62,011
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	485,136
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>140,822</u>	<u>-</u>
Total	<u>\$ 140,822</u>	<u>\$ 547,147</u>

\$140,822 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	2016	\$ 83,643
	2017	83,643
	2018	83,643
	2019	83,643
	2020	<u>13,941</u>
		<u>\$348,513</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions applied to all prior period included in the measurement:

Inflation	3%
Salary increases	4.5% to 17% average, including inflation
Investment rate of return	7.5% net of pension plan investment expense

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Mortality rates:	Active employees (post-retirement): RP-2000 Blue Collar Healthy Combined Table with set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and non-disabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined Table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study of the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class:	<u>Long-term Expected Real Rate of Return</u>
Fixed income	2.83 %
Domestic equity	6.47 %
International equity	6.98 %
Real estate	5.50 %
Private equity	5.96 %
Commodities	3.08 %

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

and non-dollar denominated bonds, convertible bonds and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities and other strategies.

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rate determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premiums as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension plan liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.5%) or 1 percentage higher (8.5%) than the current rate.

	1%	Current	1%
	Decrease	Discount	Increase
Employer's net pension liability (asset)	\$821,277	\$(138,025)	\$(946,461)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPRR, which can be found at www.ok.gov/fprs.

Oklahoma Public Employees Retirement System

Plan description - The City contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing multiple-employer public employees retirement system administered by the Oklahoma Public Employees Retirement System (OPERS). The plan provides retirement, disability and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 74 of the Oklahoma Statutes, Sections 901-943, as amended, assigns the authority available annual financial report that includes financial statements and required supplementary information for the Plan. That annual report may be obtained from OPERS or from their website: www.opers.ok.gov/.

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Benefits provided – Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement age date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at the age of 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available to members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Contributions – Plan members and the City are required to contribute at a rate set by statute. The contribution requirements of plan members and the City are established and may be amended by the legislation of the State of Oklahoma. The contribution rate for the City is 16.5%, and the employees contribution rate is 3.5%. Contributions by the City amount to \$452,102 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015 the City reported a liability of approximately \$278,448 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the employer contributing entity's percentage of the total employer contributions for the year ended June 30, 2014. At June 30, 2014, the City's proportion was approximately 0.1517%.

For the year ended June 30, 2015, the City recognized pension expense of \$18,958. At June

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$92,187
Changes of assumptions	15,934	-
Net difference between projected and actual earnings on pension plan investments	-	930,563
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>452,102</u>	<u>-</u>
Total	<u>\$ 468,036</u>	<u>\$1,022,750</u>

\$452,102 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	2016	\$ 271,840
	2017	271,840
	2018	241,636
	2019	221,500
		<u>\$ 348,513</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions applied to all prior period included in the measurement:

Actuarial cost method	Entry age normal
Inflation	3 %
Salary increases	4.5 % to 8.4 %, including inflation
Investment rate of return	7.5 % net of pension plan investment expense

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Mortality rates were based on the RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010 using Scale AA (disabled members were set forward 15 years).

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2013.

The long term expected rate of return on pension plan investments were determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class:	Target Allocation	Long-term Expected <u>Real Rate of Return</u>
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	.7%
Rate Anticipation	<u>3.5%</u>	1.5%
	<u>100.0%</u>	

Discount rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Sensitivity of the City's proportionate share of the net pension liability to change in the discount rate -

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
Employer's net pension liability (asset)	\$890,448	\$278,448	\$(798,771)

Pension plan fiduciary net position – Detailed information about the Plan's fiduciary net position is available in the separately issued OPERS financial report.

NOTE 7: RISK MANAGEMENT

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.

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9: 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.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the audit report, which is the date the financials were available to be issued.

NOTE 11: RESTATEMENT OF BEGINNING NET POSITION

Net position of the Government-Wide Governmental Activities financial statements has been restated to include the pension liability at the beginning of the period in accordance with GASB 68. As a result of the restatement, total beginning net position decreased by \$2,577,578. The prior period financial statement were not reissued or restated as a result of this change in accounting principle.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAHLEQUAH, OKLAHOMA
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2015

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Balance 6/30/14</u>	<u>Awarded (Closed)</u>	<u>Current Year Expenditures</u>	<u>Balance 6/30/15</u>
<u>Federal Awards</u>						
U.S. Department of Transportation CSPP-FAA Grant	20.106	\$ 743,572	\$ -	\$ 224,090	\$ 224,090	\$ -
<u>U.S. Department of Justice</u>						
Bullet Proof Vest	16.607	13,523	-	-	7,333	7,333
DOJ Overtime Grant	16.590	2,760	-	949	1,636	687
Sub-Total Department of Justice		16,283	-	949	8,969	8,020
<u>Pass Through the State of Oklahoma</u>						
Land Acquisition Grant	20.106	95,712	50	87,463	87,413	-
CDBG Grant	14.228	126,747	-	-	-	-
JAG LLE Grant	16.738	18,757	9,727	9,727	9,030	9,030
Impaired Driving Enforcement Grant	20.60	32,000	-	16,907	13,763	(3,144)
TMA FAA Grant	20.106	483,137	8,426	72,796	71,523	7,153
Safe Routes to School	20.000	217,025	-	-	1,082	1,082
Civil Emergency Mangment	97.042	18,750	-	18,750	-	(18,750)
Sub-Total Pass Through State of Oklahoma		992,128	18,203	205,643	182,811	(4,629)
Total Federal Awards		1,751,983	18,203	430,682	415,870	3,391
<u>State Awards</u>						
Oklahoma Dept of Libraries		100,000	-	92,000	-	(92,000)
Total State Awards		100,000	-	92,000	-	(92,000)
Total Federal and State Awards		\$ 1,851,983	\$ 18,203	\$ 522,682	\$ 415,870	\$ (88,609)

**CITY OF TAHLEQUAH, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Resources (Inflows):				
Taxes	\$ 6,167,000	\$ 6,167,000	\$ 6,338,951	\$ 171,951
Licenses and Permits:	108,800	108,800	78,367	(30,433)
Charges for Services	406,200	406,200	374,275	(31,925)
Fines and Forfeitures	450,000	450,000	425,544	(24,456)
Miscellaneous	204,950	207,400	254,296	46,896
Intergovernmental Revenue:	1,439,826	1,439,826	1,293,334	(146,492)
Total Resources	<u>8,776,776</u>	<u>8,779,226</u>	<u>8,764,767</u>	<u>(14,459)</u>
Transfers:				
Refunds of income	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts available for appropriation	<u>8,776,776</u>	<u>8,779,226</u>	<u>8,764,767</u>	<u>(14,459)</u>
Charges to Appropriations (Outflows):				
Managerial:				
Personal services	992,854	987,879	905,716	82,163
Materials and supplies	82,180	84,314	75,620	8,694
Other services and charges	589,499	659,496	564,968	94,528
Capital outlay	666,749	568,159	155,600	412,559
Transfers	396,787	823,087	775,006	48,081
Total Managerial	<u>2,728,069</u>	<u>3,122,935</u>	<u>2,476,911</u>	<u>646,025</u>
City Clerk:				
Personal Services	56,981	56,981	54,959	2,022
Total City Clerk	<u>56,981</u>	<u>56,981</u>	<u>54,959</u>	<u>2,022</u>
City Treasurer:				
Personal services	14,544	14,544	13,937	607
Total City Treasurer	<u>14,544</u>	<u>14,544</u>	<u>13,937</u>	<u>607</u>
City Attorney:				
Personal services	57,408	57,408	56,348	1,060
Total City Attorney	<u>57,408</u>	<u>57,408</u>	<u>56,348</u>	<u>1,060</u>
Municipal Judge:				
Personal services	123,060	126,891	126,351	540
Other services and charges	-	-	-	-
Total Municipal Judge	<u>123,060</u>	<u>126,891</u>	<u>126,351</u>	<u>540</u>

CITY OF TAHLEQUAH, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Cemetery:				
Personal services	215,012	218,555	214,761	3,794
Materials and supplies	29,428	17,820	17,049	771
Other services and charges	5,500	17,108	9,350	7,758
Capital outlay	30,000	-	-	-
Total Cemetery	279,940	253,483	241,161	12,323
Building Inspector:				
Personnel services	-	-	-	-
Materials and supplies	-	-	-	-
Total Building Inspector	-	-	-	-
Emergency Management:				
Personal services	70,769	70,769	62,405	8,364
Materials and supplies	9,880	4,232	1,180	3,052
Other services and charges	31,038	36,686	24,482	12,204
Capital outlay	-	-	-	-
Total Civil Defense	111,687	111,687	88,067	23,620
Fire Department:				
Personal services	1,010,699	1,014,819	973,862	40,957
Materials and supplies	53,310	31,893	23,513	8,380
Other services and charges	38,080	57,517	44,044	13,473
Capital outlay	32,400	12,400	10,156	2,244
Total Fire Department	1,134,489	1,116,629	1,051,575	65,054
Law Enforcement:				
Personal services	2,165,705	2,182,671	2,081,148	101,523
Materials and supplies	171,691	50,969	47,224	3,745
Other services and charges	77,329	217,794	174,110	43,684
Capital outlay	97,128	67,119	65,192	1,927
Total Law Enforcement	2,511,853	2,518,553	2,367,675	150,879
Recreation Department:				
Personal services	319,647	323,199	310,638	12,561
Materials and supplies	53,808	44,991	42,548	2,443
Other services and charges	28,750	54,579	46,425	8,154
Capital outlay	47,168	30,018	30,018	-
Total Animal Shelter	449,373	452,787	429,629	23,158
City Airport:				
Personal services	52,107	52,463	52,296	167
Materials and supplies	198,056	4,725	4,534	191
Other services and charges	19,128	212,424	127,519	84,905
Capital outlay	5,900	1,700	1,682	18
Total City Airport	275,191	271,312	186,032	85,281

**CITY OF TAHLEQUAH, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Street:				
Personal services	823,923	834,192	806,260	27,932
Materials and supplies	284,826	93,513	93,092	421
Other services and charges	13,540	207,588	95,611	111,977
Capital outlay	550,286	176,051	176,051	-
Total Street	1,672,575	1,311,344	1,171,014	140,330
Library:				
Materials and supplies	2,100	2,100	1,446	654
Other services and charges	27,000	27,000	23,070	3,930
Capital outlay	-	-	-	-
Total Library	29,100	29,100	24,516	4,584
Parks and Recreation:				
Personal services	395,316	397,838	337,261	60,577
Materials and supplies	86,980	50,000	44,964	5,036
Other services and charges	108,247	124,180	109,664	14,516
Capital outlay	29,500	49,747	48,310	1,437
Total Parks and Recreation	620,043	621,765	540,200	81,566
Maintenance:				
Personal services	169,940	171,856	161,418	10,438
Materials and supplies	43,692	33,950	30,273	3,677
Other services and charges	17,500	27,192	18,952	8,240
Capital outlay	-	-	-	-
Total Maintenance	231,132	232,998	210,642	22,355
Total Charges to Appropriations	10,295,445	10,298,415	9,039,018	1,259,397
Ending Budgetary Fund Balance	\$ (1,518,669)	\$ (1,519,189)	\$ (274,251)	\$ (1,244,938)

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

Accrued Tax Revenues 06/30/13	\$ (781,816)
Accrued Tax Revenue 06/30/14	774,345
Accrued Payroll 06/30/13	(56,156)
Accrued Payroll 06/30/14	64,943
Net Change In Fund Balance	\$ (272,935)

CITY OF TAHLEQUAH, OKLAHOMA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2015

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, 2014

	RESTRICTED SALES TAX FUND
Revenues:	
Sales Tax and Use Tax	\$ 3,695,608
Total Revenue	<u>3,695,608</u>
Expenditures:	
Total Expenditures	
Excess (deficiency) of revenues over expenditures	3,695,608
Other Financing Sources (uses):	
Transferred to Other Funds	3,695,608
Total Other Financing Sources (Uses)	<u>3,695,608</u>
Net Change in fund balance	-
Fund balance - beginning	-
Fund balance - ending	<u><u>\$ -</u></u>

**CITY OF TAHLEQUAH, OKLAHOMA
REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROCESS
FOR THE YEAR ENDED JUNE 30, 2015**

Schedules of Required Supplementary Information

**Schedule of the City of Tahlequah's Proportionate Share of the Net Pension Liability
Oklahoma Firefighters Pension and Retirement System
Last 10 Fiscal Years***

	2014
City's proportion of the net pension liability	0.2239%
City's proportionate share of the net pension liability	\$2,302,349
City's covered employee payroll	640,287
City's proportionate share of the net pension Liability as a percentage of its covered employee liability	359.58%
Plan fiduciary net position as a percentage of total pension liability	68.12%

*The amounts present for each fiscal year were determined as of June 30, 2014.

Notes to the schedule: Only the current fiscal year is presented because 10 year Data is not yet available.

**Schedule of City Contributions
Oklahoma Firefighters Pension and Retirement System
Last 10 Fiscal Years**

	June 30, 2014
Statutorily required contributions	95,544
Contributions in relation to the statutorily required contribution	95,544
Contribution deficiency (excess)	-
City's covered employee payroll	640,287
Contributions as a percentage of covered employee payroll	14.9%

**CITY OF TAHLEQUAH, OKLAHOMA
REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROCESS
FOR THE YEAR ENDED JUNE 30, 2015**

Schedules of Required Supplementary Information

**Schedule of the City of Tahlequah's Proportionate Share of the Net Pension Liability
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years***

	2014
City's proportion of the net pension liability	0.2239%
City's proportionate share of the net pension liability	\$(138,025)
City's covered employee payroll	1,212,688
City's proportionate share of the net pension Liability as a percentage of its covered employee liability	(11.38)%
Plan fiduciary net position as a percentage of total pension liability	101.53%

*The amounts present for each fiscal year were determined as of June 30, 2014.

Notes to the schedule: Only the current fiscal year is presented because 10 year Data is not yet available.

**Schedule of City Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years**

	June 30, 2014
Statutorily required contributions	140,822
Contributions in relation to the statutorily required contribution	140,822
Contribution deficiency (excess)	-
City's covered employee payroll	1,212,688
Contributions as a percentage of covered employee payroll	11.6%

**CITY OF TAHLEQUAH, OKLAHOMA
REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROCESS
FOR THE YEAR ENDED JUNE 30, 2015**

Schedules of Required Supplementary Information

**Schedule of the City of Tahlequah's Proportionate Share of the Net Pension Liability
Oklahoma Public Employees Retirement System
Last 10 Fiscal Years***

	2014
City's proportion of the net pension liability	0.15168993%
City's proportionate share of the net pension liability	\$278,448
City's covered employee payroll	2,616,023
City's proportionate share of the net pension Liability as a percentage of its covered employee liability	10.64%
Plan fiduciary net position as a percentage of total pension liability	97.90%

*The amounts present for each fiscal year were determined as of June 30, 2014.

Notes to the schedule: Only the current fiscal year is presented because 10 year Data is not yet available.

**Schedule of City Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years**

	June 30, 2014
Statutorily required contributions	452,102
Contributions in relation to the statutorily required contribution	452,102
Contribution deficiency (excess)	-
City's covered employee payroll	2,616,023
Contributions as a percentage of covered employee payroll	17.3%

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

The Honorable Mayor and City Council
City of Tahlequah, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tahlequah, Oklahoma (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated March 31, 2016. My report was modified to include a reference to other auditors. Other auditors audited the financial statements of Tahlequah Public Works Authority, Tahlequah Hospital Authority and City Light and Water Department (Tahlequah) as described in my report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The report included an emphasis of matter paragraph related to the implementation of new accounting standards, and also included a disclaimer of opinion on required supplementary information.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read 'Michael Green', is positioned above the printed name.

Michael Green, CPA
March 31, 2016