

**THE CITY OF COLLINSVILLE,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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CPAs &
Advisors

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Collinsville, Oklahoma

We have audited the accompanying financial statements of City of Collinsville, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Collinsville, Oklahoma, as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.B.

Basis of Accounting

We draw attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Combining and individual nonmajor fund financial statements

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Collinsville, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements—modified cash basis (pages 43-47) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements—modified cash basis are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements—modified cash basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Disclaimer on other supplementary information

The management's discussion and analysis (pages 7-12), budgetary comparison schedules (pages 41-42), schedules of expenditures of federal and state awards (pages 48-49) and schedules of debt service coverage and requirements (page 50), which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the City of Collinsville, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Collinsville, Oklahoma's internal control over financial reporting and compliance.



December 23, 2013

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

The management of the City of Collinsville is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2013. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$436,938, and the assets of the City exceed its liabilities at June 30, 2013, by \$9,314,541 (net position). \$3,433,313 of this amount is restricted for various purposes. The remaining \$5,881,228 is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,060,538.
- The City's business-type activities reported an increase in net position of \$307,876.

ABOUT THE CITY

The City of Collinsville is an incorporated municipality with a population of approximately 5,963 located in Tulsa County in northeastern Oklahoma. The City is a Commission/Manager form of government and operates under the charter that provides for three branches of government.

- Legislative – the City Commission is a five-member governing body elected by respective wards and the mayor is elected at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Commission
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Commission

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, and through its Municipal Authority, certain utility services including electric, water, wastewater, and sanitation.

The City's Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement 61, that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The City's financial reporting entity includes two separate legal entities reported as the primary government.

CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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- **The City of Collinsville** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*

- **The Collinsville Municipal Authority (CMA)** – public trust created pursuant to 60 O.S. § 176 that operates the electric, water, wastewater, and sanitation services of the City, governed by trustees comprised of the entire City Commissioners – *considered part of the primary government presentation for reporting purposes*

In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Commissioners. This is considered sufficient imposition of will to include the trust within the City’s financial reporting entity. The public trust does not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Collinsville (the “City”) and the Collinsville Municipal Authority (the “Municipal Authority”). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the current financial resources measurement focus using the modified cash basis of accounting. They present the government’s activities separately and combined. For governmental activities, these statements 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.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City’s basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City’s electric, water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Commissioners may also establish certain other funds 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. The City's two kinds of funds – *governmental and proprietary* – account for different types of activities.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, 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.

Proprietary funds - When the City, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. In this report proprietary funds are reported on the modified cash basis of accounting and these funds report the acquisition of capital assets and payments for debt principal as expenses and not as changes to asset and debt balances. The City's proprietary fund is the Collinsville Municipal Authority that accounts for the operation of the electric, water, sewer, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23-39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the 1999 Sales Tax Fund, combining and individual fund financial statements and schedules, schedules of federal and state awards, and debt service coverage schedules.

THE CITY AS A WHOLE

For the year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities increased \$436,938.

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

**Net Position (Modified Cash Basis)
June 30, 2013**

| | Governmental Activities | Business-type Activities | Total |
|----------------------------|------------------------------------|-------------------------------------|---------------------|
| Beginning net position | \$ 1,931,476 | \$ 6,946,127 | \$ 8,877,603 |
| Increase/(Decrease) | 129,062 | 307,876 | 436,938 |
| Ending net position | \$ 2,060,538 | \$ 7,254,003 | \$ 9,314,541 |

Following is a summary of net position reported on a modified cash basis for the City of Collinsville:

| | Governmental Activities | | % Inc. (Dec.) | Business-type Activities | | % Inc. (Dec.) | Total Primary Government | | % Inc. (Dec.) |
|-------------------------------|--------------------------------|---------------------|--------------------------|---------------------------------|---------------------|--------------------------|---------------------------------|---------------------|--------------------------|
| | 2013 | 2012 | | 2013 | 2012 | | 2013 | 2012 | |
| Assets: | | | | | | | | | |
| Current and other assets | \$ 2,076,108 | \$ 1,960,091 | 6% | \$ 7,675,777 | \$ 7,365,654 | 4% | \$ 9,751,885 | \$ 9,325,745 | 5% |
| Total assets | 2,076,108 | 1,960,091 | 6% | 7,675,777 | 7,365,654 | 4% | 9,751,885 | 9,325,745 | 5% |
| Liabilities: | | | | | | | | | |
| Current and other liabilities | 15,570 | 28,615 | -46% | 5,290 | 25,812 | -80% | 20,860 | 54,427 | -62% |
| Utility deposit liabilities | - | - | - | 416,484 | 393,715 | 6% | 416,484 | 393,715 | 6% |
| Total liabilities | 15,570 | 28,615 | -46% | 421,774 | 419,527 | 1% | 437,344 | 448,142 | -2% |
| Net position: | | | | | | | | | |
| Restricted | 115,884 | 107,948 | 7% | 3,317,429 | 3,556,638 | -7% | 3,433,313 | 3,664,586 | -6% |
| Unrestricted | 1,944,654 | 1,823,528 | 7% | 3,936,574 | 3,389,489 | 16% | 5,881,228 | 5,213,017 | 13% |
| Total net position | \$ 2,060,538 | \$ 1,931,476 | 7% | \$ 7,254,003 | \$ 6,946,127 | 4% | \$ 9,314,541 | \$ 8,877,603 | 5% |

The City's governmental activities had an increase in net position of \$129,062. The business-type activities had an increase in net position of \$307,876.

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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**Revenues, Expenses and Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2013**

| | Governmental Activities | | % Inc. (Dec.) | Business-type Activities | | % Inc. (Dec.) | Total Primary Government | | % Inc. (Dec.) |
|---|-------------------------|---------------------|------------------|--------------------------|---------------------|------------------|--------------------------|---------------------|------------------|
| | 2013 | 2012 | | 2013 | 2012 | | 2013 | 2012 | |
| Revenues: | | | | | | | | | |
| Program revenues: | | | | | | | | | |
| Charges for Services | \$ 860,030 | \$ 875,285 | -2% | \$ 7,166,128 | \$ 7,125,246 | 1% | \$ 8,026,158 | \$ 8,000,531 | 0% |
| Grants & Contributions | 79,031 | 68,166 | 16% | - | - | - | 79,031 | 68,166 | 16% |
| Capital Grants, Contributions & Debt Proceeds | 232,011 | 455,806 | -49% | - | 49,607 | -100% | 232,011 | 505,413 | -54% |
| General Revenues: | | | | | | | | | |
| Sales Tax | 1,584,273 | 1,384,486 | 14% | - | - | - | 1,584,273 | 1,384,486 | 14% |
| Other Taxes | 154,898 | 143,049 | 8% | - | - | - | 154,898 | 143,049 | 8% |
| Other General Revenues | 178,633 | 506,590 | -65% | 39,622 | 27,674 | 43% | 218,255 | 534,264 | -59% |
| Total Revenues | 3,088,876 | 3,433,382 | -10% | 7,205,750 | 7,202,527 | 0% | 10,294,626 | 10,635,909 | -3% |
| Program Expenses: | | | | | | | | | |
| General Government | 159,341 | 167,921 | -5% | - | - | - | 159,341 | 167,921 | -5% |
| Public Safety | 2,429,887 | 2,625,734 | -7% | - | - | - | 2,429,887 | 2,625,734 | -7% |
| Highways and Streets | 223,830 | 180,040 | 24% | - | - | - | 223,830 | 180,040 | 24% |
| Cemetery | - | - | - | - | - | - | - | - | - |
| Culture and Recreation | 483,704 | 153,796 | 215% | - | - | - | 483,704 | 153,796 | 215% |
| Electric | - | - | - | 4,257,274 | 4,316,345 | -1% | 4,257,274 | 4,316,345 | -1% |
| Sanitation | - | - | - | 454,889 | 444,756 | 2% | 454,889 | 444,756 | 2% |
| Water | - | - | - | 1,234,367 | 1,021,464 | 21% | 1,234,367 | 1,021,464 | 21% |
| Sewer | - | - | - | 542,245 | 686,241 | -21% | 542,245 | 686,241 | -21% |
| Work Center Program | - | - | - | 60,251 | - | 100% | 60,251 | - | 100% |
| Interest on long-term debt | 11,888 | 251,369 | -95% | - | - | - | 11,888 | 251,369 | -95% |
| Total Expenses | 3,308,650 | 3,378,860 | -2% | 6,549,026 | 6,468,806 | 1% | 9,857,676 | 9,847,666 | 0% |
| Excess (Deficiency) | (219,774) | 54,522 | -503% | 656,724 | 733,721 | -10% | 436,950 | 788,243 | -45% |
| Net Transfers | 348,836 | 439,584 | -21% | (348,836) | (439,584) | -21% | - | - | - |
| Increase in Net Position | \$ 129,062 | \$ 494,106 | -74% | \$ 307,888 | \$ 294,137 | 5% | \$ 436,950 | \$ 788,243 | -45% |
| Beginning Net Position | 1,931,476 | 1,437,370 | 34% | 6,946,127 | 6,651,990 | 4% | 8,877,603 | 8,089,360 | 10% |
| Ending Net Position | \$ 2,060,538 | \$ 1,931,476 | 7% | \$ 7,254,015 | \$ 6,946,127 | 4% | \$ 9,314,553 | \$ 8,877,603 | 5% |

In governmental activities, other general revenues decreased by \$327,957 from the prior year. This is mainly due to the receipt of insurance proceeds and property sales totaling \$362,907 in the prior year. Culture and recreation expenses increased \$329,908 from the prior year due mainly to the receipt and expense of capital grants in the amount of \$154,624.

In business-type activities, expenses increased in the water and sanitation and decreased in the sewer and electric. A work center department was added in the current year.

Governmental Activities

**Net Revenue (Expense) of Governmental Activities
(In Thousands)**

| | Total Expense of Services | | % Inc. (Dec.) | Net Revenue (Expense) of Services | | % Inc. (Dec.) |
|-------------------------------|------------------------------|-----------------|------------------|---|------------------|------------------|
| | 2013 | 2012 | | 2013 | 2012 | |
| General government | \$ 159 | \$ 168 | -5% | (\$87) | (\$118) | -26% |
| Public safety | 2,430 | 2,626 | -7% | (1,722) | (1,513) | 14% |
| Streets | 224 | 180 | 24% | (36) | (68) | -47% |
| Culture, parks and recreation | 484 | 154 | 214% | (330) | (82) | 302% |
| Cemetery | - | - | - | 49 | 53 | -8% |
| Interest on long-term debt | 12 | 251 | -95% | (12) | (251) | -95% |
| Total | \$ 3,309 | \$ 3,379 | -2% | \$(2,138) | \$(1,979) | 8% |

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Business-type Activities

**TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)**

| | <u>Total Expense of Services</u> | | <u>% Inc. Dec.</u> | <u>Net Revenue (Expense) of Services</u> | | <u>% Inc. Dec.</u> |
|---------------------|--------------------------------------|-----------------|------------------------|--|-----------------|------------------------|
| | <u>2013</u> | <u>2012</u> | | <u>2013</u> | <u>2012</u> | |
| Electric | \$ 4,257 | \$ 4,316 | -1% | \$ 713 | \$ 673 | 6% |
| Sanitation | 455 | 445 | 2% | 91 | 81 | 12% |
| Water | 1,235 | 1,022 | 21% | (223) | (32) | 597% |
| Sewer | 542 | 338 | 60% | 96 | 680 | -86% |
| Work Center Program | 60 | - | 100% | (60) | - | 100% |
| Total | <u>\$ 6,549</u> | <u>\$ 6,121</u> | 7% | <u>\$ 617</u> | <u>\$ 1,402</u> | -56% |

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$2,060,538.

Other fund highlights include:

- For the year ended June 30, 2013, the General Fund's total fund balance increased by \$119,772.

Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues under final estimates by \$892,105 or a 20.7% negative variance. General Fund actual expenditures were under final appropriations by \$1,011,105 or a 23.4% positive variance. The large variances in the budgetary schedule were due to anticipated grant revenues and related expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2014 budget is consistent to prior years.

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 Clerk's office at P.O. Box 730, Collinsville, Oklahoma 74021 or telephone at 918-371-1010.

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Statement of Net Position (Modified Cash Basis) – June 30, 2013

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,989,277 | \$ 7,226,619 | \$ 9,215,896 |
| Investments | 209,859 | 306,274 | 516,133 |
| Internal Balances | (123,028) | 123,028 | - |
| Due from other governmental agencies | - | 19,856 | 19,856 |
| Total Assets | <u>2,076,108</u> | <u>7,675,777</u> | <u>9,751,885</u> |
| LIABILITIES | | | |
| Miscellaneous payroll withholding liabilities | 7,682 | 5,290 | 12,972 |
| Due to other governments | 1,874 | - | 1,874 |
| Due to depositors | 6,014 | - | 6,014 |
| Utility deposit liabilities | | | |
| Due within one year | - | 83,297 | 83,297 |
| Due in more than one year | - | 333,187 | 333,187 |
| Total liabilities | <u>15,570</u> | <u>421,774</u> | <u>437,344</u> |
| NET POSITION | | | |
| Restricted for cemetery | 115,884 | - | 115,884 |
| Restricted for capital projects | - | 2,376,792 | 2,376,792 |
| Restricted for debt service | - | 940,637 | 940,637 |
| Unrestricted | 1,944,654 | 3,936,574 | 5,881,228 |
| Total net position | <u>\$ 2,060,538</u> | <u>\$ 7,254,003</u> | <u>\$ 9,314,541</u> |

See accompanying notes to these financial statements.

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2013

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|------------------|----------------------|------------------------------------|---|---|--------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants, Contributions and Debt Proceeds | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | \$ 159,341 | \$ 71,920 | \$ - | \$ - | \$ (87,421) | \$ - | \$ (87,421) |
| Public Safety | 2,429,887 | 673,269 | 24,196 | 10,260 | (1,722,162) | - | (1,722,162) |
| Highways and streets | 223,830 | 65,369 | 54,835 | 67,127 | (36,499) | - | (36,499) |
| Cemetery | - | 49,472 | - | - | 49,472 | - | 49,472 |
| Culture and Recreation | 483,704 | - | - | 154,624 | (329,080) | - | (329,080) |
| Interest on Long-term debt | 11,888 | - | - | - | (11,888) | - | (11,888) |
| Total governmental activities | <u>3,308,650</u> | <u>860,030</u> | <u>79,031</u> | <u>232,011</u> | <u>(2,137,578)</u> | <u>-</u> | <u>(2,137,578)</u> |
| Business-type activities: | | | | | | | |
| Electric | 4,257,274 | 4,970,342 | - | - | - | 713,068 | 713,068 |
| Water | 1,234,367 | 1,011,720 | - | - | - | (222,659) | (222,659) |
| Sewer | 542,245 | 638,416 | - | - | - | 96,171 | 96,171 |
| Sanitation | 454,889 | 545,650 | - | - | - | 90,761 | 90,761 |
| Work Center Program | 60,251 | - | - | - | - | (60,251) | (60,251) |
| Total business-type activities | <u>6,549,026</u> | <u>7,166,128</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>617,090</u> | <u>617,090</u> |
| Total primary government | <u>9,857,676</u> | <u>8,026,158</u> | <u>79,031</u> | <u>232,011</u> | <u>(2,137,578)</u> | <u>617,090</u> | <u>(1,520,488)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Sales and use tax | | | | | \$ 1,584,273 | \$ - | \$ 1,584,273 |
| Franchise taxes and public service taxes | | | | | 113,854 | - | 113,854 |
| E-911 taxes | | | | | 41,044 | - | 41,044 |
| Intergovernmental revenue not restricted to specific programs | | | | | 28,527 | - | 28,527 |
| Unrestricted investment earnings | | | | | 12,597 | 24,567 | 37,164 |
| Miscellaneous | | | | | 137,509 | 15,055 | 152,564 |
| Transfers | | | | | 348,836 | (348,836) | - |
| Total general revenues and transfers | | | | | <u>2,266,640</u> | <u>(309,214)</u> | <u>1,957,426</u> |
| Change in net position | | | | | 129,062 | 307,876 | 436,938 |
| Net position - beginning | | | | | 1,931,476 | 6,946,127 | 8,877,603 |
| Net position - ending | | | | | <u>\$ 2,060,538</u> | <u>\$ 7,254,003</u> | <u>\$ 9,314,541</u> |

See accompanying notes to these financial statements.

**CITY OF COLLINSVILLE, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2013

| | <u>General Fund</u> | <u>1999 Sales Tax Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,989,277 | \$ - | \$ - | \$ 1,989,277 |
| Investments | 89,420 | - | 120,439 | 209,859 |
| Total assets | <u>\$ 2,078,697</u> | <u>\$ -</u> | <u>\$ 120,439</u> | <u>\$ 2,199,136</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Miscellaneous payroll liabilities | \$ 7,682 | \$ - | \$ - | \$ 7,682 |
| Due to other governments | 1,874 | - | - | 1,874 |
| Due to other funds | 123,028 | - | - | 123,028 |
| Due to depositors | 6,014 | - | - | 6,014 |
| Total liabilities | <u>138,598</u> | <u>-</u> | <u>-</u> | <u>138,598</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Cemetery | - | - | 115,884 | 115,884 |
| Assigned for: | | | | |
| Capital improvements | 229,205 | - | - | 229,205 |
| Cemetery | - | - | 4,555 | 4,555 |
| Unassigned | 1,710,894 | - | - | 1,710,894 |
| Total fund balances | <u>1,940,099</u> | <u>-</u> | <u>120,439</u> | <u>2,060,538</u> |
| Total liabilities and fund balances | <u>\$ 2,078,697</u> | <u>\$ -</u> | <u>\$ 120,439</u> | <u>\$ 2,199,136</u> |

See accompanying notes to these financial statements.

CITY OF COLLINSVILLE, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2013

| | <u>General Fund</u> | <u>1999 Sales Tax Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--------------------------------|---|---|
| REVENUES | | | | |
| Taxes | \$ 660,088 | \$ 686,689 | \$ 392,394 | \$ 1,739,171 |
| Intergovernmental | 339,569 | - | - | 339,569 |
| Charges for services | 604,180 | - | 7,936 | 612,116 |
| Fines and forfeitures | 175,994 | - | - | 175,994 |
| Licenses and permits | 71,920 | - | - | 71,920 |
| Investment income | 11,243 | - | 1,354 | 12,597 |
| Miscellaneous | 137,509 | - | - | 137,509 |
| Total revenues | <u>2,000,503</u> | <u>686,689</u> | <u>401,684</u> | <u>3,088,876</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 159,341 | - | - | 159,341 |
| Public safety | 2,313,940 | - | - | 2,313,940 |
| Highways and streets | 222,611 | - | - | 222,611 |
| Culture and recreation | 62,695 | - | - | 62,695 |
| Capital Outlay | 423,858 | - | - | 423,858 |
| Debt Service: | | | | |
| Principal | 114,317 | - | - | 114,317 |
| Interest and other charges | 11,888 | - | - | 11,888 |
| Total Expenditures | <u>3,308,650</u> | <u>-</u> | <u>-</u> | <u>3,308,650</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,308,147)</u> | <u>686,689</u> | <u>401,684</u> | <u>(219,774)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,427,919 | 27,537 | - | 1,455,456 |
| Transfers out | - | (714,226) | (392,394) | (1,106,620) |
| Total other financing sources and uses | <u>1,427,919</u> | <u>(686,689)</u> | <u>(392,394)</u> | <u>348,836</u> |
| Net change in fund balances | 119,772 | - | 9,290 | 129,062 |
| Fund balances - beginning | 1,820,327 | - | 111,149 | 1,931,476 |
| Fund balances - ending | <u>\$ 1,940,099</u> | <u>\$ -</u> | <u>\$ 120,439</u> | <u>\$ 2,060,538</u> |

See accompanying notes to these financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF COLLINSVILLE, OKLAHOMA
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Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2013

| | Collinsville Municipal Authority |
|---|---|
| | |
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 3,712,662 |
| Restricted cash and cash equivalents | 2,665,845 |
| Investments | 78,274 |
| Due from other funds | 123,028 |
| Due from other governments | 19,856 |
| Total current assets | 6,599,665 |
| Non-current assets: | |
| Restricted cash and cash equivalents | 848,112 |
| Restricted investments | 228,000 |
| Total non-current assets | 1,076,112 |
| Total assets | 7,675,777 |
| LIABILITIES | |
| Current liabilities: | |
| Miscellaneous payroll withholding liabilities | 5,290 |
| Deposits subject to refund | 83,297 |
| Total current liabilities | 88,587 |
| Non-current liabilities: | |
| Deposits subject to refund | 333,187 |
| Total non-current liabilities | 333,187 |
| Total liabilities | 421,774 |
| NET POSITION | |
| Restricted for capital projects | 2,376,792 |
| Restricted for debt service | 940,637 |
| Unrestricted | 3,936,574 |
| Total net position | \$ 7,254,003 |

See accompanying notes to these financial statements

CITY OF COLLINSVILLE, OKLAHOMA
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Proprietary Fund Statement of Revenues, Expenses and Changes in Net position (Modified Cash Basis) – Year Ended June 30, 2013

| | Collinsville Municipal Authority |
|---|---|
| Operating Revenues: | |
| Electric | \$ 4,667,480 |
| Water | 950,270 |
| Sewer | 598,912 |
| Sanitation | 510,535 |
| Penalties | 151,402 |
| Planning fees | 1,500 |
| Administration fees | 257,145 |
| Miscellaneous | 28,884 |
| Total operating revenues | 7,166,128 |
| Operating Expenses: | |
| General government | 1,227,594 |
| Electric | 3,045,497 |
| Water and sewer distribution | 211,317 |
| Water and sewer treatment | 383,115 |
| Sanitation | 261,791 |
| Work center program | 60,251 |
| Total Operating Expenses | 5,189,565 |
| Operating income | 1,976,563 |
| Non-Operating Revenues (Expenses): | |
| Investment income | 24,567 |
| Miscellaneous | 15,055 |
| Capital outlay | (289,833) |
| Debt service: | |
| Principal retirement | (518,477) |
| Interest expense and fees | (551,163) |
| Total non-operating revenue (expenses) | (1,319,851) |
| Income before transfers and other sources | 656,712 |
| Transfers and other financing sources: | |
| Transfers in | 1,106,620 |
| Transfers out | (1,455,456) |
| Change in net position | 307,876 |
| Total net position - beginning | 6,946,127 |
| Total net position - ending | \$ 7,254,003 |

See accompanying notes to these financial statements.

**CITY OF COLLINSVILLE, OKLAHOMA
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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2013

| | Collinsville Municipal Authority |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 7,161,327 |
| Payments to suppliers | (3,945,317) |
| Payments to employees | (1,264,770) |
| Interfund receipts/payments | (54,851) |
| Receipts of customer meter deposits | 119,064 |
| Refunds of customer meter deposits | (96,295) |
| Net cash provided by operating activities | <u>1,919,158</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from other funds | 1,106,620 |
| Transfers to other funds | (1,455,456) |
| Net cash provided by (used in) noncapital financing activities | <u>(348,836)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | (289,833) |
| Principal paid on debt | (348,311) |
| Interest and fiscal agent fees paid on debt | (721,317) |
| Net cash provided by (used in) capital and related financing activities | <u>(1,359,461)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments | (2,920) |
| Interest and dividends | 24,555 |
| Net cash provided by investing activities | <u>21,635</u> |
| Net increase in cash and cash equivalents | 232,496 |
| Balances - beginning of year | <u>6,994,123</u> |
| Balances - end of year | <u>\$ 7,226,619</u> |
| Reconciliation to Statement of Net Position: | |
| Cash and cash equivalents | 3,712,662 |
| Restricted cash and cash equivalents - Current | 2,665,845 |
| Restricted cash and cash equivalents - Non-current | 848,112 |
| Total cash and cash equivalents, end of year | <u>7,226,619</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 1,976,563 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Miscellaneous revenue | 15,055 |
| Change in assets and liabilities: | |
| Due from vendor | (19,856) |
| Miscellaneous payroll liabilities | (9,602) |
| Due to other governments | (10,920) |
| Due from other funds | (54,851) |
| Deposits subject to refund | 22,769 |
| Net cash provided by operating activities | <u>\$ 1,919,158</u> |

See accompanying notes to these financial statements.

**CITY OF COLLINSVILLE, OKLAHOMA
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Statement of Net Position and Activities:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, “*The Financial Reporting Entity*”, as amended by GASB Statement 61, that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The City’s financial reporting entity includes two separate legal entities reported as the primary government

- **The City of Collinsville** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Collinsville Municipal Authority (CMA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, electric and sanitation services of the City, with the City Commissioners serving as the governing body of the trust – *considered part of the primary government presentation for reporting purposes*

For the above public trust, the City of Collinsville is the beneficiary of the trust and the City Commissioners either serves as the governing body of the trust or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Commissioners. This is considered sufficient imposition of will to include the trust within the City’s financial reporting entity. The public trust does not issue separate annual financial statements.

B. Basis of Accounting and Presentation

Government-Wide Financial Statements:

The statement of Net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Cemetery: Cemetery lot sales and openings/closings

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds
- 1999 Sales Tax Fund – accounts for contributions and specific revenues and expenditures for various capital projects

Non-Major Funds (Reported as Other Governmental Funds):

- Sales Tax Reserve Fund – accounts for the dedicated sales tax to be used for capital improvements and water operations
- Cemetery Care Fund – accounts for 15% of cemetery revenue of which 12.5% is restricted by State law for cemetery capital improvements.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Fund:

The City's proprietary fund is comprised of the following:

- Collinsville Municipal Authority (CMA) – accounts for activities as set forth in the trust indentures and other operations as assigned by trustee members

The proprietary fund is reported on a modified cash basis.

For purposes of the statement of revenues, expenses and changes in fund Net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts.

Investments consist of long-term certificates of deposits, reported at cost, and shares of a government obligation mutual fund reported at the current fund share price, which also represents its fair value.

D. Capital Assets and Depreciation

Due to the use of the modified cash basis accounting, capital assets and related depreciation are not reported in the financial statements.

E. Long-Term Debt

Due to the use of the modified cash basis accounting, long term debt obligations are not reported in the financial statements. However the amount of long term debt issued and outstanding at the end of the fiscal year is reported as a commitment in Note 9.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

G. Fund Balances and Net Position

Government-Wide Statements:

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

- a. *Restricted Net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted Net position* - All other net position that do not meet the definition of "restricted."

It is the City's policy to first use restricted Net position prior to the use of unrestricted Net position when expenditures are incurred for purposes for which both restricted and unrestricted Net position are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city commission has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

H. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and Net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

I. New Accounting Pronouncements

The City early implemented the following accounting standards during the fiscal year ended June 30, 2013:

Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements – This has no impact on the city's financial report.

Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus – This has no impact on the city's financial report.

Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements – A few sentences were removed from "Section B – Proprietary Funds" note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – The only change required from the early implementation of this statement are changing the words "Net Assets" in the city's financial report to "Net Position".

Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – This has no impact on the city's financial report.

2. Deposits and Investments

For the year ended June 30, 2013, the City recognized \$37,152 of investment income. At June 30, 2013, the primary government held the following deposits and investments:

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| Type | Carrying Value |
|---|---------------------|
| Deposits: | |
| Demand deposits | \$ 5,890,422 |
| Time deposit | 516,133 |
| | \$ 6,406,555 |
| Investments: | |
| JP Morgan Treasury Plus MMkt Investor Fund | AAAm \$ 42,433 |
| Federated Government Obligations | AAAm 3,283,041 |
| | 3,325,474 |
| Total deposits and investments | \$ 9,732,029 |
| Reconciliation to Statement of Net Assets: | |
| Cash and cash equivalents | \$ 9,215,896 |
| Investments | 516,133 |
| | \$ 9,732,029 |

Custodial Credit Risk

Exposure to custodial credit related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2013, the City had collateral to cover all bank balances.

Investment Credit Risk

The City limits its investments to those allowed in state law applicable to municipalities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The City's only marketable investments at June 30, 2013 consisted of \$3,556,638 in money market funds invested in U.S. Treasury securities with a credit rating of AAA by Standard and Poors.

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Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's has no investment policy that limits based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2013, the investments were limited to a time deposits and shares of money market funds invested in U.S. Treasury securities not exposed to interest rate risk.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk. At June 30, 2013, the City had no concentration of credit risk as defined above.

Restricted cash and Investments – The amounts reported as restricted assets on the Statement of Net Position are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2013 are as follows:

| | Current | Noncurrent | |
|-----------------------|------------------------------|------------------------------|-------------|
| | Cash and cash equivalents | Cash and cash equivalents | Investments |
| Utility Deposits | \$ 83,297 | \$ 105,187 | \$ 228,000 |
| Bond Trustee Accounts | 2,582,548 | 742,925 | - |
| Total | \$ 2,665,845 | \$ 848,112 | \$ 228,000 |

3. Sales Tax Revenue

Sales tax revenue represents a 3.75 cent local tax on each dollar of taxable sales within the City, of which 1 3/4 cent is restricted for debt service and recorded in the 1999 Sales Tax Fund per voter approval of Ordinance #826 effective on and after July 2009; and 1 cent is restricted for capital outlay and/or water operations and recorded in the Sales Tax Reserve Fund per voter approval of Ordinance #442 effective on and after July 1977. The remaining 1 cent is received and recorded in the General Fund.

4. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

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5. Internal and Interfund Balances and Transfers

Interfund receivable and payables at June 30, 2013 were comprised of the following:

| <u>Due From</u> | <u>Due To</u> | <u>Amount</u> | <u>Nature of Balance</u> |
|-----------------|---------------|-------------------|-------------------------------------|
| General Fund | CMA | \$ 123,028 | Expenses paid out of incorrect fund |
| Total | | <u>\$ 123,028</u> | |

Reconciliation to Fund Financial Statements:

| | <u>Due From</u> | <u>Due To</u> | <u>Net Internal Balances</u> |
|--------------------|-------------------|---------------------|------------------------------|
| Governmental Funds | \$ - | \$ (123,028) | \$ (123,028) |
| Proprietary Funds | 123,028 | - | 123,028 |
| Total | <u>\$ 123,028</u> | <u>\$ (123,028)</u> | <u>\$ -</u> |

Transfers between legal entities and funds netted to \$2,311,874 and are comprised of the following:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> | <u>Purpose of Transfer</u> |
|------------------------|---------------------|---------------------|----------------------------|
| CMA | General Fund | \$ 1,035,525 | Operational purposes |
| CMA | General Fund | 392,394 | Sales tax transfer |
| CMA | 1999 Sales Tax Fund | 27,537 | Operational purposes |
| Sales Tax Reserve Fund | CMA | 392,394 | Sales tax transfer |
| 1999 Sales Tax Fund | CMA | 714,226 | Debt service payments |
| Total | | <u>\$ 2,562,076</u> | |

Reconciliation to Fund Financial Statements:

| | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Net Transfers</u> |
|--------------------|---------------------|-----------------------|----------------------|
| Governmental Funds | \$ 1,455,456 | \$ (1,106,620) | \$ 348,836 |
| Proprietary Funds | 1,106,620 | (1,455,456) | (348,836) |
| | <u>\$ 2,562,076</u> | <u>\$ (2,562,076)</u> | <u>\$ -</u> |

6. Risk Management

The City and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

7. Employee Retirement Plan Participation

The City of Collinsville participates in four pension or retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF) – an agent multiple-employer defined benefit plan
- OMRF Defined Contribution – an agent multiple-employer defined contribution plan

Firefighter Pension System:

Plan Summary Information. The City of Collinsville, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|--------------------|------------------------------|---------------------------|
| 2011 | \$80,747 | \$80,747 |
| 2012 | \$84,758 | \$84,758 |
| 2013 | \$90,563 | \$90,563 |

Police Pension System:

Plan Summary Information. The City of Collinsville, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of full-time police officers.

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The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OPPRS, 1001 N.W. 63rd St., Suite 605, Oklahoma City, OK 73116-7335.

Funding Policy. OPPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll for each police officer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|--------------------|----------------------------------|-------------------------------|
| 2011 | \$46,618 | \$46,618 |
| 2012 | \$50,585 | \$50,585 |
| 2013 | \$52,241 | \$52,241 |

OMRF Defined Benefit Plan

The City contributes to the City of Collinsville Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Commissioners. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase of Oklahoma City acts as administrator and securities custodian.

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Eligibility Factors, Contribution Methods and Benefit Provisions

| Provision | OMRF Plan |
|-----------------------------------|---|
| a. Eligible to Participate | Full-time, non-uniformed employees of the City upon hire. |
| b. Contribution Requirements: | |
| -Authorization | By City ordinance |
| -Actuarially Determined | Yes |
| -Employer Rate | 10.33% of covered payroll |
| -Employee Rate | 4% of earnings |
| c. Period Required to Vest | 7 years of credited service |
| d. Eligibility for Distribution | -Normal retirement at age 65 with 7 years of service -Early retirement at age 55 with 7 years of service -Disability retirement with 7 years of service -Marital death benefit with 7 years of service |
| e. Benefit Determination Base | Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service |
| f. Benefit Determination Methods: | |
| -Normal Retirement | 2.625% of final average salary multiplied by credited years of service |
| -Early Retirement | Actuarially reduced benefit based upon age and years of service at termination |
| -Disability Retirement | Same as normal retirement |
| -Death Benefit | 50% of employee's accrued benefit, but terminates upon spouse remarriage |
| -Prior to 10 Years Service | Return of employee contributions with accrued interest |
| g. Form of Benefit Payments | Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent. |

The OMRF contributions are as follows:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|--------------------|----------------------------------|-------------------------------|
| 2011 | \$ 95,991 | \$ 95,991 |
| 2012 | \$112,079 | \$112,079 |
| 2013 | \$111,573 | \$111,573 |

OMRF Defined Contribution Plan

The City has also provided a defined contribution plan and trust known as the City of Collinsville Plan and Trust (the “Plan”) in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by Bank One Trust Company of Oklahoma City. The defined contribution plan is available to all full-time employees on a voluntary basis who are not already participating in another plan. According to City Ordinance, the employee may contribute to the Plan an amount up to 3% of their gross wages. The City as employer, contributes per ordinance, an amount up to 100% of the employee contribution. The City is currently providing benefits to a uniform officer who is not enrolled in their respective pension plan. This particular employee contributes 8%, while the City contributes 13%. If an employee terminates before becoming fully vested, the employer’s contributions that are forfeited may be used to reduce the City’s current-period contribution requirements. The authority to establish and amend the provisions of the plan rests with the City Commissioners. For the year ended June 30, 2013, the City contributed \$23,987 to the plan, while the employee contributions totaled \$14,761.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway Oklahoma City, Oklahoma, 73102.

8. Postemployment Healthcare Plan

Plan Description:

The City of Collinsville Employees Healthcare Plan (CCEHP) is a single-employer defined benefit healthcare plan administered by the City’s health insurance carrier. The obligation for payment of benefits has been effectively transferred from the City to the insurance company, and the City has not guaranteed benefits in the event of the insurance company’s insolvency. CCEHP provides medical and dental insurance benefits to eligible retirees and their spouses through the plan. Article IX, Section 6 of the City Code assigns the authority to establish and amend benefit provisions to the City Council. The CCEHP does not issue a separate publicly available financial report.

Funding Policy and Contributions Made:

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, in the form of insurance premiums paid to the insurance company. The City does not provide any additional amount to prefund benefits nor does the plan have an actuarial valuation. The City requires plan members to contribute 100% of a premium amount established by the insurance company and approved by the City Council for all employees and retirees. While, in regards to retirees, this amount contains an implied rate subsidy by the City through a reduced blended premium covering all current employees and retirees, there is no actuarial valuation performed to determine the amount of such subsidy. Because, the retiree insurance premium established is paid entirely by retiree contributions, there is no net cash outflow by the City related to these benefits. Therefore, there are no cash-basis expenditures reported for the City in regards to the plan benefits. For the year ended June 30, 2013, the City had no retirees participating in the plan’s insurance coverage. For fiscal year 2013, the plan member contributed \$0 in the form of insurance premium payments.

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9. Commitments and Contingencies

Long-term Debt Commitments:

Governmental activities had the following long-term debt payable from taxes and other general revenues for June 30, 2013:

Notes Payable:

| | |
|--|------------|
| 2002 note payable to Hoover/Kirkhart for a building for police department, original amount of \$150,900, payable in monthly installments of \$996 with an annual interest rate of 5%, final payment due August 2022. | \$ 87,101 |
| 2012 note payable to American Bank for an ambulance, original amount of \$168,916, payable in monthly installments of \$3,733 with an annual interest rate of 2.88%, final payment due March 2016. | 118,106 |
| 2011 note payable to American Bank for (3) 2010 Ford Crown Victoria police cars, original amount of \$80,385, payable in monthly installments of \$2,372, with an annual interest rate of 3.9%, final payment due July 2014. | 27,818 |
| 2012 note payable to American Bank for an excavator, original amount of \$55,212, payable in monthly installments of \$2,372, annual interest rate of 2.89%, final maturity March 2014. | 21,085 |
| 2011 note payable to RCB Bank for Stryker EMS equipment, original amount of \$28,963, payable in monthly installments of \$851 with an annual interest rate of 3.6%, final payment due May 2014. | 9,268 |
| Total Notes Payable | \$ 263,378 |

Business-type activities long-term debt payable from net revenues generated by the utility resources or pledged to the debt include the following:

Revenue Bonds Payable:

| | |
|--|--------------|
| 2006 Sales Tax and Utility Revenue Note, original amount of \$3,300,000, payable in monthly installments, interest rate ranging from 4.49%, final payment due October 1, 2019. | \$ 1,829,100 |
| 2009 Sales Tax and Utility Revenue Note, original amount of \$4,915,000, payable in semi-annual installments, interest rate ranging from 4.65% to 5.0%, final payment due August 1, 2029 | 4,915,000 |
| 2010 Sales Tax and Utility Revenue Note, original amount of \$3,005,000, payable in semi-annual installments, interest rate ranging from 3.0% to 5.0%, final payment due March 1, 2040. | 2,980,000 |
| Total Revenue Bonds Payable | \$ 9,724,100 |

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Water Contract Obligations:

| | |
|--|--------------------------|
| Obligation payable to the U.S. Army Corps of Engineer, original amount of \$229,232, for the use of water facility, payable in annual installments of \$9,159, final maturity in March 2032. | <u><u>\$ 120,615</u></u> |
|--|--------------------------|

Notes Payable:

| | |
|---|----------------------------|
| 2001 OWRB note payable for wastewater improvements, original amount of \$897,424, payable in 40 semi-annual installments with an annual interest rate of 2.561%, final payment due December 2021. | \$ 472,387 |
| 2009 note payable to RCB Bank for land purchase, original amount of \$79,914, payable in monthly installments of \$601 with an annual interest rate of 5.5%, final payment due February 2027. | 68,132 |
| 2007 OWRB note payable for wastewater improvements, original amount of \$1,370,000, payable in 40 semi-annual installments with an annual interest rate of 2.60%, final payment due July 2027. | 1,050,916 |
| 2007 note payable to RCB Bank for sanitation equipment, original amount of \$280,185, payable in monthly installments of \$4,078 with an annual interest rate of 5.79%, final payment due July 2014. | 49,917 |
| 2007 note payable to ODOC for a CDBG loan, original amount of \$136,354, payable in quarterly installments of \$1,704, final payment due September 2027. | 98,857 |
| 2009 note payable to RCB Bank for a 2009 Ford F550 Truck, original amount of \$92,083, payable in monthly installments of \$1,709, final payment due July 2014. | 20,909 |
| 2009 note payable to RCB Bank for a 2007 International 4300 Truck & Equipment, original amount of \$112,376, payable in monthly installments of \$2,086, final payment due July 2014 | 23,876 |
| 2009 OWRB note payable for wastewater improvements, original amount of \$550,000, payable in 40 semi-annual installments with an annual interest rate of 2.74%, final payment due March 2030. | 325,117 |
| 2010 note payable to RCB Bank for a 2010 International Freightliner M2, original amount of \$117,446, payable in monthly installments of \$2,681 with an annual interest rate of 4.5%, final payment due February 2014. | 21,233 |
| Total Notes Payable | <u><u>\$ 2,131,344</u></u> |

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Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2013, is summarized as follows:

| | |
|---|------------------|
| CMA – accrued compensated absences | \$131,497 |
| General Fund – accrued compensated absences | <u>171,922</u> |
| Total | <u>\$303,419</u> |

Water Rights Contract:

The Collinsville Municipal Authority (CMA) entered into an agreement with the United States of America for water storage space in Oologah Lake. In consideration of the right to utilize the aforesaid storage space in the Project for municipal and industrial supply purposes, the CMA agreed to pay costs in the amount of \$229,232, along with maintenance and operations costs on an annual basis. This agreement was activated in April 1985, payable in annual installments of \$9,159. The total water right obligation balance at June 30, 2013 is \$120,615. Due to the long-term nature of this agreement and infinite economic life of the water rights and the use of modified cash basis accounting, the CMA's investment in the water rights contract is not being amortized.

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one and three-quarters cents (or 46.67%) of future sales tax revenues and net utility revenues to repay the \$3,300,000 Series 2006 Sales Tax and Utility Revenue Bonds, the \$4,915,000 Series 2009 Sales Tax and Utility Revenue Bonds, the \$3,005,000 Series 2010 Sales Tax and Utility Revenue Bonds, the \$897,424 Series 2001 OWRB Promissory Notes, and the \$1,370,000 2007 CWSRF OWRB Promissory Note. Proceeds from the bonds provided refunding of bonds issued for capital assets while proceeds from the notes provided for the purchase or construction of capital assets. The bonds and notes are payable from pledged sales tax revenues and net utility revenues. The bonds are payable through 2019, 2029, and 2040, respectively, while the notes are payable through 2021 and 2027. Pledged sales taxes received in the current year were \$714,226 and net utility revenues were \$2,576,733, for a total of net pledged revenues of \$3,290,959. Debt service payments of \$745,240, related to the above debt issues, for the current fiscal year are 22.7% of total pledged sales taxes and net utility revenues. Net revenues available to pay debt service are 293% of annual average debt service of \$1,122,796.

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Litigation:

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Collinsville participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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SUPPLEMENTARY AND OTHER INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2013

| | GENERAL FUND | | | |
|--|-------------------|------------------|------------------------------------|--|
| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
| | Original | Final | | |
| Beginning Budgetary Fund Balance: | \$ - | \$ 2 | \$ 1,591,894 | \$ 1,591,892 |
| Resources (Inflows): | | | | |
| Taxes | 591,983 | 588,680 | 660,088 | 71,408 |
| Intergovernmental | 283,362 | 1,267,158 | 339,569 | (927,589) |
| Charges for services | 569,228 | 581,204 | 604,180 | 22,976 |
| Fines and forfeitures | 241,192 | 251,150 | 175,994 | (75,156) |
| Licenses and permits | 44,514 | 46,735 | 71,920 | 25,185 |
| Investment income | 8,266 | 8,250 | 10,471 | 2,221 |
| Miscellaneous | 415,603 | 112,136 | 137,509 | 25,373 |
| Transfers In | 1,141,009 | 1,473,632 | 1,427,919 | (45,713) |
| Total Resources (Inflows) | <u>3,295,157</u> | <u>4,328,945</u> | <u>3,427,650</u> | <u>(901,295)</u> |
| Charges to Appropriations (Outflows): | | | | |
| Non-departmental | 190,903 | 675,953 | 143,937 | 532,016 |
| Municipal Court | 82,447 | 84,773 | 65,144 | 19,629 |
| Police | 1,070,848 | 1,167,665 | 1,115,738 | 51,927 |
| Animal warden | 52,714 | 49,829 | 49,055 | 774 |
| Fire | 1,137,367 | 1,244,708 | 1,210,782 | 33,926 |
| Street | 193,432 | 597,909 | 223,830 | 374,079 |
| Vehicle maintenance | 23,038 | 15,404 | 15,404 | - |
| Park/Cemetery | 92,619 | 492,706 | 484,760 | 7,946 |
| Total Charges to Appropriations | <u>2,843,368</u> | <u>4,328,947</u> | <u>3,308,650</u> | <u>1,020,297</u> |
| Ending Budgetary Fund Balance | <u>\$ 451,789</u> | <u>\$ -</u> | <u>\$ 1,710,894</u> | <u>\$ 1,710,894</u> |

| | 1999 SALES TAX FUND | | | |
|--|---------------------|-------------------|------------------------------------|--|
| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
| | Original | Final | | |
| Beginning Budgetary Fund Balance: | \$ - | \$ - | \$ - | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 598,900 | 598,900 | 686,689 | 87,789 |
| Transfers In | 140,341 | 140,341 | 27,537 | (112,804) |
| Total Resources (Inflows) | <u>739,241</u> | <u>739,241</u> | <u>714,226</u> | <u>(25,015)</u> |
| Amounts available for appropriation | <u>\$ 739,241</u> | <u>\$ 739,241</u> | <u>\$ 714,226</u> | <u>\$ (25,015)</u> |
| Charges to Appropriations (Outflows): | | | | |
| Transfers out | 739,241 | 739,241 | 714,226 | 25,015 |
| Total Charges to Appropriations | <u>739,241</u> | <u>739,241</u> | <u>714,226</u> | <u>25,015</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriations within a fund require City Manager's approval, while supplemental appropriations require City Commission approval.

| | <u>General Fund</u> |
|--|---------------------|
| Total budgetary resources (inflows) | \$3,427,650 |
| Add: Capital Improvement Account combined with General – investment income | <u> 772</u> |
| Total resources as recorded on statement of revenues, expenditures, and changes in fund balances – governmental funds | <u>\$3,428,422</u> |
| Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances: | |
| Total revenues | \$2,000,503 |
| Transfers in | <u>1,427,919</u> |
| Total resources | <u>\$3,428,422</u> |

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General Fund Accounts Combining Balance Sheet (Modified Cash Basis) – June 30, 2013

| | General Fund | Capital Improvement Account | Total General Fund |
|--|---------------------|--|-------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,849,492 | \$ 139,785 | \$ 1,989,277 |
| Investments | - | 89,420 | 89,420 |
| Total assets | 1,849,492 | 229,205 | 2,078,697 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Miscellaneous payroll liabilities | 7,682 | - | 7,682 |
| Due to other funds | 123,028 | - | 123,028 |
| Payable to other governments | 1,874 | - | 1,874 |
| Due to depositors | 6,014 | - | 6,014 |
| Total liabilities | 138,598 | - | 138,598 |
| Fund balances: | | | |
| Assigned for: | | | |
| Capital improvements | - | 229,205 | 229,205 |
| Unassigned | 1,710,894 | - | 1,710,894 |
| Total fund balances | 1,710,894 | 229,205 | 1,940,099 |
| Total liabilities and fund balances | \$ 1,849,492 | \$ 229,205 | \$ 2,078,697 |

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General Fund Accounts Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2013

| | <u>General Fund</u> | <u>Capital Improvement Account</u> | <u>Total General Fund</u> |
|---|---------------------|--|-------------------------------|
| REVENUES | | | |
| Taxes | \$ 660,088 | \$ - | \$ 660,088 |
| Intergovernmental | 339,569 | - | 339,569 |
| Charges for services | 604,180 | - | 604,180 |
| Fines and forfeitures | 175,994 | - | 175,994 |
| Licenses and permits | 71,920 | - | 71,920 |
| Investment income | 10,471 | 772 | 11,243 |
| Miscellaneous | 137,509 | - | 137,509 |
| Total revenues | <u>1,999,731</u> | <u>772</u> | <u>2,000,503</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 159,341 | - | 159,341 |
| Public safety | 2,313,940 | - | 2,313,940 |
| Highways and streets | 222,611 | - | 222,611 |
| Culture and recreation | 62,695 | - | 62,695 |
| Capital Outlay | 423,858 | - | 423,858 |
| Debt Service: | | | |
| Principal | 114,317 | - | 114,317 |
| Interest and other charges | 11,888 | - | 11,888 |
| Total Expenditures | <u>3,308,650</u> | <u>-</u> | <u>3,308,650</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,308,919)</u> | <u>772</u> | <u>(1,308,147)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,427,919 | - | 1,427,919 |
| Total other financing sources and uses | <u>1,427,919</u> | <u>-</u> | <u>1,427,919</u> |
| Net change in fund balances | 119,000 | 772 | 119,772 |
| Fund balances - beginning | 1,591,894 | 228,433 | 1,820,327 |
| Fund balances - ending | <u>\$ 1,710,894</u> | <u>\$ 229,205</u> | <u>\$ 1,940,099</u> |

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NonMajor Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2013

| | Sales Tax Reserve Fund | Cemetery Care Fund | Total Governmental Funds |
|--|---------------------------------------|-------------------------------|---|
| ASSETS | | | |
| Investments | \$ - | \$ 120,439 | \$ 120,439 |
| Total assets | \$ - | \$ 120,439 | \$ 120,439 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Miscellaneous payroll liabilities | \$ - | \$ - | \$ - |
| Total liabilities | - | - | - |
| Fund balances: | | | |
| Restricted for: | | | |
| Cemetery | - | 115,884 | 115,884 |
| Assigned for: | | | |
| Cemetery | - | 4,555 | 4,555 |
| Total fund balances | - | 120,439 | 120,439 |
| Total liabilities and fund balances | \$ - | \$ 120,439 | \$ 120,439 |

NonMajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2013

| | Sales Tax Reserve Fund | Cemetery Care Fund | Total-Other Governmental Funds |
|---|---------------------------------------|-------------------------------|---|
| REVENUES | | | |
| Taxes | \$ 392,394 | \$ - | \$ 392,394 |
| Charges for services | - | 7,936 | 7,936 |
| Investment earnings | - | 1,354 | 1,354 |
| Miscellaneous | - | - | - |
| Total revenues | 392,394 | 9,290 | 401,684 |
| EXPENDITURES | | | |
| Current: | | | |
| Total Expenditures | - | - | - |
| Excess (deficiency) of revenues over expenditures | 392,394 | 9,290 | 401,684 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | (392,394) | - | (392,394) |
| | (392,394) | - | (392,394) |
| Net change in fund balances | - | 9,290 | 9,290 |
| Fund balances - beginning | - | 111,149 | 111,149 |
| Fund balances - ending | \$ - | \$ 120,439 | \$ 120,439 |

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Combining Schedule of Net Position Accounts – Collinsville Municipal Authority (Modified Cash Basis) – June 30, 2013

| | Collinsville Municipal Authority Accounts | | | Total |
|---|---|--------------------------|-------------------------|---------------------|
| | CMA Operating Account | Meter Deposit Account | Debt Service Account | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,712,662 | \$ - | \$ - | \$ 3,712,662 |
| Restricted cash and cash equivalents | 8,044 | 83,297 | 2,574,504 | 2,665,845 |
| Investments | 78,274 | - | - | 78,274 |
| Due from other funds | 123,028 | - | - | 123,028 |
| Due from other governments | 19,856 | - | - | 19,856 |
| Total current assets | <u>3,941,864</u> | <u>83,297</u> | <u>2,574,504</u> | <u>6,599,665</u> |
| Non-current assets: | | | | |
| Restricted cash and cash equivalents | - | 105,187 | 742,925 | 848,112 |
| Restricted investments | - | 228,000 | - | 228,000 |
| Total non-current assets | <u>-</u> | <u>333,187</u> | <u>742,925</u> | <u>1,076,112</u> |
| Total assets | <u>3,941,864</u> | <u>416,484</u> | <u>3,317,429</u> | <u>7,675,777</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Miscellaneous payroll withholding liabilities | 5,290 | - | - | 5,290 |
| Deposits subject to refund | - | 83,297 | - | 83,297 |
| Total current liabilities | <u>5,290</u> | <u>83,297</u> | <u>-</u> | <u>88,587</u> |
| Non-current liabilities: | | | | |
| Deposits subject to refund | - | 333,187 | - | 333,187 |
| Total non-current liabilities | <u>-</u> | <u>333,187</u> | <u>-</u> | <u>333,187</u> |
| Total liabilities | <u>5,290</u> | <u>416,484</u> | <u>-</u> | <u>421,774</u> |
| NET POSITION | | | | |
| Restricted for capital projects | 2,376,792 | - | - | 2,376,792 |
| Restricted for debt service | 940,637 | - | - | 940,637 |
| Unrestricted | 619,145 | - | 3,317,429 | 3,936,574 |
| Total net position | <u>\$ 3,936,574</u> | <u>\$ -</u> | <u>\$ 3,317,429</u> | <u>\$ 7,254,003</u> |

CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Schedule of Revenues, Expenses and Changes in Net Position – Collinsville Municipal Authority (Modified Cash Basis) – Year Ended June 30, 2013

| | Collinsville Municipal Authority Accounts | | | Total |
|--|--|----------------------------------|---------------------------------|---------------------|
| | CMA Operating Account | Meter Deposit Account | Debt Service Account | |
| Operating Revenues: | | | | |
| Electric | \$ 4,667,480 | \$ - | \$ - | \$ 4,667,480 |
| Water | 950,270 | - | - | 950,270 |
| Sewer | 598,912 | - | - | 598,912 |
| Sanitation | 510,535 | - | - | 510,535 |
| Penalties | 151,402 | - | - | 151,402 |
| Planning fees | 1,500 | - | - | 1,500 |
| Administration fees | 257,145 | - | - | 257,145 |
| Miscellaneous | 28,884 | - | - | 28,884 |
| Total operating revenues | <u>7,166,128</u> | <u>-</u> | <u>-</u> | <u>7,166,128</u> |
| Operating Expenses: | | | | |
| General government | 1,227,594 | - | - | 1,227,594 |
| Electric | 3,045,497 | - | - | 3,045,497 |
| Water and sewer distribution | 211,317 | - | - | 211,317 |
| Water and sewer treatment | 383,115 | - | - | 383,115 |
| Sanitation | 261,791 | - | - | 261,791 |
| Work center program | 60,251 | - | - | 60,251 |
| Total Operating Expenses | <u>5,189,565</u> | <u>-</u> | <u>-</u> | <u>5,189,565</u> |
| Operating income | <u>1,976,563</u> | <u>-</u> | <u>-</u> | <u>1,976,563</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Investment income | 24,227 | - | 340 | 24,567 |
| Miscellaneous | 15,055 | - | - | 15,055 |
| Capital outlay | (134,990) | - | (154,843) | (289,833) |
| Debt service: | | | | |
| Principal retirement | (249,277) | - | (269,200) | (518,477) |
| Interest expense and fees | (77,123) | - | (474,040) | (551,163) |
| Total non-operating revenue (expenses) | <u>(422,108)</u> | <u>-</u> | <u>(897,743)</u> | <u>(1,319,851)</u> |
| Income (loss) before transfers and other sources | <u>1,554,455</u> | <u>-</u> | <u>(897,743)</u> | <u>656,712</u> |
| Transfers and other financing sources: | | | | |
| Transfers in | 392,394 | - | 714,226 | 1,106,620 |
| Transfers out | (1,407,807) | - | (47,649) | (1,455,456) |
| Change in net position | 539,042 | - | (231,166) | 307,876 |
| Total net position - beginning | 3,397,532 | - | 3,548,595 | 6,946,127 |
| Total net position - ending | <u>\$ 3,936,574</u> | <u>\$ -</u> | <u>\$ 3,317,429</u> | <u>\$ 7,254,003</u> |

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Schedules of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2013

**CITY OF COLLINSVILLE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| <u>Federal/State Grantor/Pass Through Agency Grantor/Program Title</u> | <u>Federal CFDA#</u> | <u>Grant #</u> | <u>Award Amount</u> | <u>Federal Expenditures</u> |
|--|--------------------------|---------------------------|----------------------------|---------------------------------|
| <u>U. S. DEPARTMENT OF TRANSPORTATION:</u> | | | | |
| Passed Through Oklahoma Highway Safety Office: | | | | |
| State and Community Highway Safety | 20.600 | PT-12-03-08-05 | \$ 19,800 | \$ 2,443 |
| State and Community Highway Safety | 20.600 | CE-12-03-08-05 | 3,000 | 1,155 |
| State and Community Highway Safety | 20.600 | PT-13-03-05-06 | 8,000 | 4,281 |
| State and Community Highway Safety | 20.600 | K8-13-03-07-06 | 9,000 | 3,467 |
| State and Community Highway Safety | 20.600 | CE-13-03-08-06 | 2,000 | 1,303 |
| Subtotal - CFDA 20.600 | | | <u>41,800</u> | <u>12,649</u> |
| Passed Through Oklahoma Tourism and Recreation Dept: | | | | |
| Recreational Trails Program | 20.219 | NRT-RT11 (100) OTRD 11-07 | 160,000 | 135,832 |
| Subtotal - CFDA 20.219 | | | <u>160,000</u> | <u>135,832</u> |
| Passed Through Oklahoma Department of Transportation: | | | | |
| Main Street Enhancement Project | 20.200 | STP-172E(472)J/P26906(04) | 600,284 | 7,918 |
| Subtotal - CFDA 20.200 | | | <u>600,284</u> | <u>7,918</u> |
| Total U. S. Department of Transportation | | | <u>802,084</u> | <u>156,399</u> |
| <u>U.S. DEPARTMENT OF JUSTICE:</u> | | | | |
| Bulletproof Vests Program | 16.607 | 2011BUBX11057610 | 2,250 | 1,155 |
| Passed through District Attorney's Council: JAG LLE Grant | 16.738 | 2010-DJBX-0376 | 9,105 | 9,105 |
| Total U.S. Department of Justice | | | <u>11,355</u> | <u>10,260</u> |
| <u>U.S. DEPARTMENT OF THE INTERIOR:</u> | | | | |
| Passed through Oklahoma Tourism and Recreation Dept: Land & Water Conservation Fund Grant | 15.916 | 10 LWCF 40-01197 | 123,417 | 92,497 |
| Total U.S. Department of the Interior | | | <u>123,417</u> | <u>92,497</u> |
| <u>U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u> | | | | |
| Passed through INCOG: Community Development Block Grant - 2011 Tulsa County Urban | 14.218 | B-11-UC-40-0205 | 67,127 | 67,127 |
| Total Federal Emergency Management Agency | | | <u>67,127</u> | <u>67,127</u> |
| <u>U. S. DEPARTMENT OF HOMELAND SECURITY:</u> | | | | |
| Hazard Mitigation Grant | 97.039 | FEMA-1988-DR-OK | 35,303 | 6,852 |
| Total Department of Homeland Security | | | <u>35,303</u> | <u>6,852</u> |
| TOTAL FEDERAL AWARDS | | | <u>\$ 1,039,286</u> | <u>\$ 333,135</u> |

NOTE: This schedule has been prepared on the basis of accounting consistent with the definition of federal awards expended as defined in paragraph 205 of OMB Circular A-133.

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

**CITY OF COLLINSVILLE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| <u>Federal/State Grantor/Pass Through Agency Grantor/Program Title</u> | <u>Federal CFDA#</u> | <u>Grant #</u> | <u>Award Amount</u> | <u>State Expenditures</u> |
|---|--------------------------|--------------------|-------------------------|-------------------------------|
| <u>OKLAHOMA DEPARTMENT OF AGRICULTURE</u> | | | | |
| Forestry Services - Rural Fire Grant | N/A | N/A | \$ 4,484 | \$ 4,484 |
| Total Oklahoma Department of Agriculture | | | 4,484 | 4,484 |
| <u>OKLAHOMA DEPARTMENT OF COMMERCE</u> | | | | |
| Passed through INCOG: Rural Economic Action Plan Funds - Community Development | N/A | 120201 - 2012 REAP | 50,000 | - |
| Total Oklahoma Department of Commerce | | | 50,000 | - |
| <u>OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST:</u> | | | | |
| Healthy Communities Incentive Grant | N/A | TSET751 | 5,000 | 5,000 |
| Total Federal Emergency Management Agency | | | 5,000 | 5,000 |
| TOTAL STATE AWARDS | | | \$ 59,484 | \$ 9,484 |

**CITY OF COLLINSVILLE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Debt Service Coverage Schedule – June 30, 2013

| | |
|---|-------------|
| Gross Revenue Available for Debt Service: | |
| Operating revenues of leased systems | \$6,216,662 |
| Sales tax revenue - restricted for debt service | 714,226 |
| Total Gross Revenues Available | 6,930,888 |
| System Operating Expenses | 3,639,929 |
| Net Revenues Available for Debt Service | \$3,290,959 |
| Debt Service Requirements: | |
| Average annual debt service - 2001 and 2007 OWRB promissory note, 2006 Revenue Note and 2009 & 2010 Sales Tax and Utility Revenue Bonds | \$1,122,796 |
| Coverage | 293% |
| Coverage Requirement | 125% |

Debt Service Reserve Requirements – June 30, 2013

| | 2009 REVENUE BOND SINKING RESERVE ACCOUNT | 2010 REVENUE BOND SINKING RESERVE ACCOUNT |
|---|--|--|
| Required Balance, June 30, 2013 | \$491,766 | \$250,846 |
| Balance in Reserve Accounts, June 30, 2013 | 491,994 | 250,931 |
| Excess of Account Balance over Required Balance | \$228 | \$85 |

INTERNAL CONTROL AND COMPLIANCE INFORMATION



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

To the City Council
City of Collinsville, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Collinsville, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Collinsville, Oklahoma's basic financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

HBC CPAs & Advisors

December 23, 2013