

AUDIT REPORT

CITY OF HEAVENER, OKLAHOMA & HEAVENER UTILITIES AUTHORITY

JUNE 30, 2010



KERSHAW CPA & ASSOCIATES, PC

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CITY OF HEAVENER, OKLAHOMA
JUNE 30, 2010

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CITY OF HEAVENER, OKLAHOMA
JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Heavener, Oklahoma

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heavener, Oklahoma, as of and for the fiscal year ended June 30, 2010, which collectively comprise the City of Heavener, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Heavener's management.

As described in the Notes, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The City of Heavener did not maintain a proper double-entry general ledger system during the audit year. In addition, reconciliations of cash, accounts receivable and accounts payable were not prepared. The City's records do not currently permit the application of other auditing procedures to cash, accounts receivable and accounts payable.

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2012, on our consideration of the City of Heavener, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City of Heavener has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the City has not presented the Management's Discussion and Analysis or Budgetary Comparison Information required by the Governmental Accounting Standards Board

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(GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

June 19, 2012

CITY OF HEAVENER, OKLAHOMA
STATEMENT OF NET ASSETS
- MODIFIED CASH BASIS -
JUNE 30, 2010

| | Governmental Activities | Business-Type Activities | 2010 Total | Memo Only 2009 Total |
|--|----------------------------|-----------------------------|----------------------|----------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 403,256 | \$ 387,229 | \$ 790,485 | \$ 900,989 |
| Investments | - | 222,647 | 222,647 | 217,820 |
| Due from Other Funds | 395,300 | - | 395,300 | 560,225 |
| Total Current Assets | <u>798,556</u> | <u>609,876</u> | <u>1,408,432</u> | <u>1,679,035</u> |
| Restricted Assets: | | | | |
| Cash and cash equivalents | - | 73,516 | 73,516 | 61,467 |
| Investments | 593,341 | 1,721,979 | 2,315,320 | 2,222,743 |
| Total Restricted Assets | <u>593,341</u> | <u>1,795,495</u> | <u>2,388,837</u> | <u>2,284,210</u> |
| Capital Assets: | | | | |
| Capital Assets, net of Accumulated Depreciation | 3,296,223 | 10,203,822 | 13,500,044 | 13,370,474 |
| Total Capital Assets | <u>3,296,223</u> | <u>10,203,822</u> | <u>13,500,044</u> | <u>13,370,474</u> |
| Other Assets: | | | | |
| Debt Issue Costs (Note 1F) | 21,712 | - | 21,712 | 23,168 |
| Total Other Assets | <u>21,712</u> | <u>-</u> | <u>21,712</u> | <u>23,168</u> |
| TOTAL ASSETS | <u>4,709,832</u> | <u>12,609,193</u> | <u>17,319,025</u> | <u>17,356,887</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 125,788 | 53,895 | 179,683 | - |
| Current Portion of Long-Term Debt | - | - | - | - |
| Due to Other Funds | 85,320 | 306,437 | 391,756 | 560,225 |
| Total Current Liabilities | <u>211,107</u> | <u>360,332</u> | <u>571,439</u> | <u>560,225</u> |
| Long-Term Liabilities: | | | | |
| Notes Payable | - | 5,739,459 | 5,739,459 | 5,735,513 |
| Lease Payable | 71,060 | - | 71,060 | 102,953 |
| General Obligation Bonds, Plus Unamortized Premium | 792,713 | - | 792,713 | 842,895 |
| Revenue Bonds | - | - | - | - |
| Due to Depositors | - | 34,054 | 34,054 | 34,054 |
| Accrued Compensated Absences | 51,903 | - | 51,903 | 51,903 |
| Total Long-Term Liabilities | <u>915,676</u> | <u>5,773,513</u> | <u>6,689,189</u> | <u>6,767,317</u> |
| TOTAL LIABILITIES | <u>1,126,783</u> | <u>6,133,845</u> | <u>7,260,628</u> | <u>7,327,542</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 2,380,547 | 4,464,363 | 6,844,909 | 6,637,212 |
| Restricted for: | | | | |
| Debt Service | - | 1,795,495 | 1,795,495 | 1,706,164 |
| Other Purposes | 593,341 | - | 593,341 | 578,046 |
| Unrestricted | 609,161 | 215,490 | 824,652 | 1,107,923 |
| TOTAL NET ASSETS | <u>\$ 3,583,049</u> | <u>\$ 6,475,348</u> | <u>\$ 10,058,397</u> | <u>\$ 10,029,345</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HEAVENER, OKLAHOMA
STATEMENT OF ACTIVITIES
- MODIFIED CASH BASIS -
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses)/ Revenue |
|---|---------------------|------------------------------------|--|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| General Government | \$ 319,857 | \$ - | \$ - | \$ (319,857) |
| Police Department | 701,318 | 240,233 | - | (461,085) |
| Streets & Highways | 99,628 | - | - | (99,628) |
| Fire Department | 80,321 | - | - | (80,321) |
| Public Health Services | 13,106 | - | - | (13,106) |
| Civil Defense | 28,428 | - | - | (28,428) |
| Library | 5,100 | - | - | (5,100) |
| Park & Recreation | 7,968 | - | - | (7,968) |
| Multi-Cultural Festival | - | - | - | - |
| Depreciation/Amortization Expense | 146,877 | - | - | (146,877) |
| Total Governmental Activities | 1,402,603 | 240,233 | - | (1,162,370) |
| Business-type activities: | | | | |
| Water Distribution & Plant | 1,494,699 | 1,131,910 | - | (362,789) |
| Sewer & Industrial Sewer | 1,179,903 | 1,443,571 | - | 263,668 |
| Garbage | 178,710 | 190,089 | - | 11,379 |
| Misc. Business-Type Activities | 250,517 | 13,720 | - | (236,797) |
| Total Business-type Activities | 3,103,829 | 2,779,290 | - | (324,539) |
| Total | \$ 4,506,432 | \$ 3,019,523 | \$ - | \$ (1,486,909) |
| Changes in Net Assets: | | | | |
| | | Governmental Activities | Business-Type Activities | Total |
| Net (expense)/revenue | | \$ (1,162,370) | \$ (324,539) | \$ (1,486,909) |
| General revenues: | | | | |
| Sales Tax | | 695,899 | - | 695,899 |
| Use Tax | | 64,438 | - | 64,438 |
| Tobacco Tax | | 9,708 | - | 9,708 |
| Franchise Tax | | 149,799 | - | 149,799 |
| Alcoholic Beverage Tax | | 22,376 | - | 22,376 |
| Auto Taxes | | 22,842 | - | 22,842 |
| Gasoline Tax | | - | - | - |
| Lease Income | | 18,012 | - | 18,012 |
| KEDDO | | 10,458 | - | 10,458 |
| Interest Income | | 10,720 | 18,417 | 29,137 |
| OK Industries | | - | 79,704 | 79,704 |
| Miscellaneous | | 110,329 | 242,334 | 352,663 |
| Transfers - Internal Activity | | (36,173) | 98,591 | 62,418 |
| Total general revenues & transfers | | 1,078,410 | 439,046 | 1,517,456 |
| Changes in net assets | | (83,960) | 114,507 | 30,547 |
| Net assets - beginning | | 3,668,504 | 6,360,841 | 10,029,345 |
| Net assets - prior year adjustment | | (1,495) | - | (1,495) |
| Net assets - ending | | \$ 3,583,049 | \$ 6,475,348 | \$ 10,058,397 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HEAVENER, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
- MODIFIED CASH BASIS -
JUNE 30, 2010

| | General Fund | Street & Alley Fund | Bond Fund | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|---------------------------|-------------------|--------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 353,990 | \$ 49,266 | \$ - | \$ - | \$ - | \$ 403,256 |
| Restricted Investments | - | - | 317,943 | 86,013 | 189,385 | 593,341 |
| Due from Other Funds | 391,091 | 4,209 | - | - | - | 395,300 |
| TOTAL ASSETS | \$ 745,081 | \$ 53,475 | \$ 317,943 | \$ 86,013 | \$ 189,385 | \$ 1,391,897 |
| LIABILITIES & FUND EQUITY | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts Payable | \$ 125,788 | \$ - | \$ - | \$ - | \$ - | \$ 125,788 |
| Due to Other Funds | 5,704 | 79,616 | - | - | - | 85,320 |
| TOTAL LIABILITIES | 131,492 | 79,616 | - | - | - | 211,107 |
| FUND BALANCES: | | | | | | |
| Unreserved | 613,589 | (26,141) | - | - | - | 587,449 |
| Unreserved, reported in nonmajor special revenue funds | - | - | 317,943 | 86,013 | 189,385 | 593,341 |
| TOTAL FUND BALANCES | 613,589 | (26,141) | 317,943 | 86,013 | 189,385 | 1,180,790 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 745,081 | \$ 53,475 | \$ 317,943 | \$ 86,013 | \$ 189,385 | |

Reconciliation to Statement of Net Assets:

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

| | |
|---|---------------------|
| Capital assets used in governmental activities of \$7,893,496.30, net of accumulated depreciation of \$4,597,273.44, are not financial resources and, therefore, are not reported in the funds. | 3,296,223 |
| Bond issuance costs are recorded as expenditures in the governmental funds. However, these costs are deferred and amortized over the life the related debt in the statement of net assets. | 21,712 |
| Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. | (915,676) |
| Net Assets of Governmental Activities | \$ 3,583,049 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HEAVENER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
- MODIFIED CASH BASIS -
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | General Fund | Street & Alley Fund | Bond Fund | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|---------------------------|-------------------|--------------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | | | |
| Sales Tax | \$ 695,899 | \$ - | \$ - | \$ - | \$ - | \$ 695,899 |
| Use Tax | 64,438 | - | - | - | - | 64,438 |
| Tobacco Tax | 9,708 | - | - | - | - | 9,708 |
| Franchise Tax | 149,799 | - | - | - | - | 149,799 |
| Alcoholic Beverage Tax | 22,376 | - | - | - | - | 22,376 |
| Auto Taxes | - | 22,842 | - | - | - | 22,842 |
| Gasoline Tax | - | - | - | - | - | - |
| Licenses & Permits | - | - | - | - | - | - |
| Fines | 240,233 | - | - | - | - | 240,233 |
| Lease Income | 18,012 | - | - | - | - | 18,012 |
| KEDDO | - | - | - | - | 10,458 | 10,458 |
| Grant Income | - | - | - | - | - | - |
| Interest Income | 1,336 | 1,013 | 1,999 | 1,632 | 4,740 | 10,720 |
| Miscellaneous | 86,629 | 22,955 | - | - | 746 | 110,329 |
| Multicultural Festival Income | - | - | - | - | - | - |
| TOTAL REVENUES | 1,288,430 | 46,811 | 1,999 | 1,632 | 15,944 | 1,354,816 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General Government | 311,862 | - | 89,888 | - | - | 401,749 |
| Police Department | 701,318 | - | - | - | - | 701,318 |
| Streets & Highways | - | 99,628 | - | - | - | 99,628 |
| Fire Department | 80,321 | - | - | - | - | 80,321 |
| Public Health Services | - | - | - | - | 13,106 | 13,106 |
| Civil Defense | 28,428 | - | - | - | - | 28,428 |
| Library | 5,100 | - | - | - | - | 5,100 |
| Park & Recreation | 7,968 | - | - | - | - | 7,968 |
| Multi-Cultural Festival | - | - | - | - | - | - |
| Capital Outlay | 56,638 | 156,662 | - | - | - | 213,299 |
| TOTAL EXPENDITURES | 1,191,635 | 256,290 | 89,888 | - | 13,106 | 1,550,918 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 96,795 | (209,479) | (87,889) | 1,632 | 2,839 | (196,102) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Operating Transfers In | 89,888 | 64,767 | 98,591 | - | 800 | 254,046 |
| Operating Transfers Out | (289,255) | - | - | - | (964) | (290,219) |
| Capital Debt Proceeds | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (199,367) | 64,767 | 98,591 | - | (164) | (36,173) |
| NET CHANGES IN FUND BALANCES | (102,572) | (144,712) | 10,702 | 1,632 | 2,674 | (232,275) |
| FUND BALANCE - BEGINNING OF YEAR | 716,162 | 118,571 | 307,240 | 84,381 | 188,206 | 1,414,560 |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT | - | - | - | - | (1,495) | (1,495) |
| FUND BALANCE - END OF YEAR | \$ 613,589 | \$ (26,141) | \$ 317,943 | \$ 86,013 | \$ 189,385 | 1,180,790 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HEAVENER, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 - MODIFIED CASH BASIS -
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds \$ (232,275)

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

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

| | |
|--|--------|
| Capital debt obligation principal payments | 31,892 |
| Capital debt obligation principal payments - Bonds | 50,000 |

Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Assets:

| | |
|-------------------------------------|---------|
| Capital Debt Proceeds | - |
| Bond Premium | - |
| Amortization of Bond Premium | 182 |
| Bond Issuance Costs | - |
| Amortization of Bond Issuance Costs | (1,456) |

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

| | |
|-------------------------------------|-----------|
| Capital asset purchases capitalized | 213,299 |
| Depreciation expense | (145,603) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

| | |
|--|---|
| Change in Long-Term Compensated Absences | - |
|--|---|

| | |
|---|-------------|
| Change in Net Assets of Governmental Activities | \$ (83,960) |
|---|-------------|

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HEAVENER, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
- MODIFIED CASH BASIS -
JUNE 30, 2010

| | Heavener Utilities Authority Enterprise Fund June 30, 2010 | Memo Only June 30, 2009 |
|---|---|----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 387,229 | \$ 556,535 |
| Investments | 222,647 | 217,820 |
| Due from Other Funds | - | - |
| Total Current Assets | 609,876 | 774,355 |
| Noncurrent Assets: | | |
| Restricted Cash & Cash Equivalents | 73,516 | 61,467 |
| Restricted Investments | 1,721,979 | 1,644,697 |
| Construction in Progress | 4,871,245 | 4,809,371 |
| Other capital assets, net of accumulated depreciation | 5,332,577 | 5,332,577 |
| Debt Issue Costs | - | - |
| Total Noncurrent Assets | 11,999,317 | 11,848,112 |
| TOTAL ASSETS | 12,609,193 | 12,622,467 |
| LIABILITIES & FUND EQUITY | | |
| Current Liabilities: | | |
| Accounts Payable | 53,895 | - |
| Due to Other Funds | 306,437 | 492,059 |
| Total Current Liabilities | 360,332 | 492,059 |
| Noncurrent Liabilities: | | |
| Notes Payable | 5,739,459 | 5,735,513 |
| Revenue Bonds | - | - |
| Due to Depositors | 34,054 | 34,054 |
| Total Noncurrent Liabilities | 5,773,513 | 5,769,567 |
| TOTAL LIABILITIES | 6,133,845 | 6,261,626 |
| NET ASSETS: | | |
| Invested in capital assets, net of related debt | 4,464,363 | 4,406,435 |
| Restricted for debt service | 1,795,495 | 1,706,164 |
| Unrestricted | 215,490 | 248,241 |
| TOTAL NET ASSETS | \$ 6,475,348 | \$ 6,360,841 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HEAVENER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
- MODIFIED CASH BASIS -
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | Heavener Utilities Authority Enterprise Fund June 30, 2010 | Memo Only June 30, 2009 |
|---|---|----------------------------|
| <u>OPERATING REVENUES:</u> | | |
| Water | \$ 1,131,910 | \$ 1,272,938 |
| Sewer | 1,443,571 | 1,334,898 |
| Garbage Collection | 190,089 | 190,259 |
| OK Industries | 79,704 | 219,185 |
| Taps, Penalties, Connects | 13,720 | 4,312 |
| Grant Income | - | - |
| Miscellaneous Income | 242,334 | 188,853 |
| TOTAL OPERATING REVENUES | 3,101,327 | 3,210,445 |
| <u>OPERATING EXPENSES:</u> | | |
| Water Distribution | 341,324 | 316,590 |
| Water Plant | 1,153,376 | 869,765 |
| Sewer | 125,840 | 176,092 |
| Industrial Sewer | 1,054,062 | 1,045,868 |
| Garbage | 178,710 | 163,884 |
| Depreciation Expense | - | 274,660 |
| Amort. Bond Issue Costs | - | 8,766 |
| Miscellaneous | 5,834 | 54 |
| Trustee Fees | - | 1,500 |
| TOTAL OPERATING EXPENSES | 2,859,146 | 2,857,180 |
| NET OPERATING INCOME (LOSS) | 242,182 | 353,264 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest Income | 18,417 | 20,939 |
| Interest Expense | (244,683) | (248,338) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (226,266) | (227,400) |
| NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS | 15,916 | 125,865 |
| Capital Contributions | - | - |
| Transfers in | 98,591 | 94,640 |
| Transfers out | - | (14,484) |
| CHANGE IN NET ASSETS | 114,507 | 206,021 |
| TOTAL NET ASSETS - BEGINNING | 6,360,841 | 6,154,820 |
| TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT | - | - |
| TOTAL NET ASSETS - ENDING | \$ 6,475,348 | \$ 6,360,841 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HEAVENER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
- MODIFIED CASH BASIS -
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>June 30, 2010</u> | <u>Memo Only June 30, 2009</u> |
|---|----------------------|------------------------------------|
| <u>Net Cash Flows from Operating Activities:</u> | | |
| Cash Receipts from Customers | \$ 2,779,290 | \$ 2,802,407 |
| Other Cash Receipts | 375,933 | 408,038 |
| Payments to Suppliers, Employees & Laborers | (2,859,146) | (2,573,754) |
| Receipts of Customer Utility Deposits, Net of Refunds | - | (5,230) |
| Net Cash Provided (Used) by Operating Activities | <u>296,077</u> | <u>631,461</u> |
| <u>Net Cash Flows from Non-Capital Financing Activities:</u> | | |
| Operating Transfers in | 98,591 | 94,640 |
| Operating Transfers Out | - | (14,484) |
| (Increase)Decrease in Due from Other Funds | - | - |
| Increase(Decrease) in Due to Other Funds | (185,623) | 79,116 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>(87,032)</u> | <u>159,273</u> |
| <u>Net Cash Flows from Capital & Related Financing Activities:</u> | | |
| Additions to Capital Assets | (61,874) | (2,410,239) |
| Increase in Investments | (94,157) | 8,496 |
| Loan Proceeds received | 96,879 | 2,332,524 |
| Principal paid on Bonds | - | (325,000) |
| Principal paid on Notes | (92,933) | (104,054) |
| Interest Expense | (244,683) | (248,338) |
| Net Cash Provided (Used) by Capital & Related Financing Activities | <u>(396,768)</u> | <u>(746,611)</u> |
| <u>Net Cash Flows from Investing Activities:</u> | | |
| Interest Income | 18,417 | 20,939 |
| Net Cash Provided (Used) by Investing Activities | <u>18,417</u> | <u>20,939</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (169,305) | 65,061 |
| Cash & Cash Equivalents, Beginning of Year | 556,535 | 491,473 |
| Cash & Cash Equivalents, Prior Year Adjustment | - | - |
| Cash & Cash Equivalents, End of Year | <u>\$ 387,229</u> | <u>\$ 556,535</u> |
| <u>Reconciliation of operating income (loss) to net cash provided operating activities:</u> | | |
| Operating Income (Loss) | \$ 242,182 | \$ 353,264 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | |
| Amortization of Bond Issue Costs | - | 8,766 |
| Depreciation Expense | - | 274,660 |
| Increase(Decrease) in Accounts Payable | 53,895 | - |
| Increase(Decrease) in Due to Depositors | - | 34,054 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 296,077</u> | <u>\$ 670,745</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Except as discussed in Note 1G, the City of Heavener complies with generally accepted accounting principles (GAAP). The accounting and reporting framework and the more significant accounting principles are discussed in subsequent subsections of this Note.

A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the following:

Primary Government: City of Heavener

Blended Component Units: Heavener Utilities Authority

Discretely Presented Component Units: None

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the city appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City's by appropriate fund type to comprise the primary government presentation.

Component units that are blended into the reporting fund types of the City's report are presented below:

Heavener Utilities Authority ("The Authority") - A public trust created under the authority of and pursuant to the provisions of Oklahoma Statutes, Title 60, on January 17, 1963. The Trust has as its purpose to develop and operate the water, sewer and solid waste activities. The City Commission members of the City of Heavener serve as Trustees of the Authority during their term in office, along with four appointed trustees. The appointments are made by the elected members to serve a four-year term. In order to fulfill these functions, the Authority has leased from the City of Heavener its water distribution system, its rights to all improvements thereto, its rights to any and all municipal services and utility systems of the City and its rights to operations and revenues there from.

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City of Heavener does not have any discretely presented component units.

The Accounts of the City are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are organized into four major categories: governmental, proprietary, fiduciary and component unit. Funds within each major category are grouped by fund type in the combined financial statements.

The major fund categories, fund types, and account groups of the financial reporting entity are described below:

B. BASIS OF PRESENTATION

GOVERNMENTAL FUND TYPES

GENERAL FUND

The general fund is the primary operating fund of the City. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Bills for all funds are paid through the general fund with the other funds reimbursing the general fund.

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The reporting entity includes the following special revenue funds:

| | |
|---------------------------|---|
| Street & Alley Fund | Accounts for the state gasoline tax and the county vehicle registration fee. |
| Nutrition Fund | Accounts for the proceeds and expenditures under the elderly nutrition program funded mainly by the Area Agency on Aging. |
| Economic Development Fund | Accounts for funds received from OK Industries for economic development. |

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

PROPRIETARY FUND TYPES

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Heavener Utilities Authority is accounted for as the City's Enterprise Fund.

CAPITAL IMPROVEMENT FUND TYPES

Capital Improvement Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes on Capital Improvement Fund, for all the grants received by the City.

FIDUCIARY FUND TYPES

Agency funds are used to account for assets held by the City in a fiduciary capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results in operations. The Meter Deposit Funds serves as the City's only fiduciary fund included in the reporting entity. As a result of having only one such fund, it is treated as restricted assets in the Proprietary Fund statements on the financial statements.

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "what" transactions are recorded within each fund type. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

All governmental fund types utilize a spending or "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These fund types use fund balance as their measure of available spendable financial resources at the end of the period. The account groups present these fund type's fixed assets and long-term debt.

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Proprietary fund types and similar component units utilize a capital maintenance or "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows.

All assets and liabilities (whether current or non-current) associated with their activities are included on their balance sheets. Proprietary and component unit fund equity is segregated into contributed capital and retained earnings.

Account groups and agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

BASIS OF ACCOUNTING

The City of Heavener prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, certain revenues and the related expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

D. BUDGETARY ACCOUNTING AND CONTROL

BUDGET LAW

The City prepared its annual operating budget under the provisions of Title 17 of the Oklahoma Statutes (The New Budget Act). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. At least 30 days prior to the beginning of the year, a proposed budget is prepared by the City Manager and submitted to the City Council.
- b. A public hearing on the proposed budget is held at least 15 days prior to the beginning of the year.
- c. After the public hearing, and at least 7 days prior to the beginning of the year, the City Council approves the budget and adopts it by resolution.
- d. The adopted budget is transmitted to the State Auditor and Inspector.

In accordance with "The New Budget Act", all funds of the City of Heavener are included in the annual budget.

The annual operating budgets are prepared and presented on the cash basis of accounting which is the same method used to prepare the City's non-budgetary financial statements.

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

E. ASSETS, LIABILITIES AND EQUITY

CASH AND INVESTMENTS

For the purposes of the combined statement of net assets, "cash" includes all demand and savings accounts. For purposes of the statement of cash flows, "cash and cash equivalents" includes all demand accounts subject to withdrawal by check.

Investments are carried at amortized cost, unless indicated otherwise. Additional cash and investment disclosures are presented in Note 3A.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans are reported as "advances from and to other funds."

INVENTORIES

The City has chosen to record consumable materials and supplies as expenditures/expenses at the time of purchase, and therefore, no balances for inventory on-hand are reported on the balance sheet.

CAPITAL ASSETS

As the City acquired land, buildings, and equipment through governmental funds and similar trust funds, in prior years, the related costs were charged as expenditures of the respective fund at the time of purchase. However, during the current year, the City has used the following value determination method to value its capital assets.

Value Determination Method

The City Manager after discussion with the auditor, receiving training from Oklahoma Municipal League at their GASB-34 Workshop presented by Crawford & Associates, and Beall, Barclay & Company, Arkansas CPA firm; and researching documents for the state of Arkansas and Louisiana, made determinations of the following nature to bring the city within compliance with GASB-34 standards.

Actual book costs would be used when the data was available. If not available, Table 1 was used for determinations of costs computed in 2000 dollars and had reverse CPI conversion applied as explained below.

Table 1

CITY OF HEAVENER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

ESTIMATED COST OF INFRASTRUCTURE
 IN 2000 DOLLARS

| | | |
|--|---|-----------------------|
| Bridges | Standard Bridge: Take area of bridge deck | \$65 per sq ft |
| | Box Culverts: Take area of box top | \$52 per sq ft |
| Curb & Gutter | Vertical (straight) | \$12.50 per lineal ft |
| | Horizontal (corners) | \$15.00 per lineal ft |
| | | |
| Sidewalks | Sidewalk | \$32.00 per sq yd |
| | ADA Ramps | \$50.00 per sq yd |
| Streets & Roads - New Construction - 2 Lanes | Gravel, open ditches | \$500,000 per mile |
| | Chip & Seal (Double Bituminous, open ditches) | \$540,000 per mile |
| | Asphalt, open ditches | \$575,000 per mile |
| Streets & Roads - New Construction - 2 Lanes | Single chip & Seal | \$14,000 per mile |
| | Double Chip & Seal | \$24,000 per mile |
| | Asphalt, 2" thick | \$90,000 per mile |
| Street Lighting | Add to pole | \$1,000 each |
| | With wood pole | \$2,000 each |
| | With metal pole | \$2,800 each |
| | | |
| Traffic Signals | Per intersection (no turn lanes) | \$75,000 each |
| | Per intersection (with turn lanes) | \$95,000 each |

If the year of placing an item in-service was known but the actual cost not known, then 2000 dollars was estimated and a reverse CPI conversion factor was used to compute the in-service estimated costs.

A table which shows estimated useful life cycles for each asset type was used to determine and apply estimated useful life cycles for items. It was determined to use straight annual fixed line depreciation for all assets. If an asset was placed in-service in 2003 then no depreciation was taken in the first year.

It was determined that assets would be classified into four classes of items as appropriate to each fund. These classes are Infrastructure, Buildings, Land & easements, and Equipment.

Assets were plugged into the spreadsheet model and depreciation taken to June 30, 2003 was computed with a present value of the asset at July 1, 2003 for the start of the fiscal year. Then depreciation was taken for FY-2004 and the present value of the asset at June 30, 2004 was computed.

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

The Heavener Utilities Authority leases the water and sewer utility system from the City of Heavener. Under the terms of the lease, any additions to the utility plant become property of the City. Additions to the utility plant are recorded as historical cost.

Police vehicles are replaced every 4 years or every 140,000 miles.

COMPENSATED ABSENCES

All full-time city and HUA employees are eligible for sick leave, which accrues at one day for each completed month of service, up to a maximum of 960 hours (120 days). Sick leave is not vested, and is thus lost upon separation. All full-time city and HUA employees are eligible for annual leave, which accrues at .8333 days per month, for 0-5 years service, 1.25 days per month, for 6-15 years of service of service and 1.67 days per month, for 16 or more years of service. Annual leave is vested, and thus paid upon separation (up to 30 days), after one-year continuous service, at the rate at which it was earned. Compensatory time is vested at time and one-half for hours worked over the 80 work period. For City employees as of June 30, 2010, total accrued vacation time was 3,038.05 hours and total accrued compensatory time was 1,050.09 hours. For HUA employees as of June 30, 2010, total accrued vacation time was 878.04 hours and total accrued compensatory time was 514.16 hours.

The City liability for these compensated absences is \$40,404.87 for vacation and \$11,497.97 for compensatory; The HUA liability for these compensated absences is \$14,465.76 for vacation and \$2,837.39 for compensatory.

EQUITY CLASSIFICATION

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

F. REVENUES, EXPENDITURES AND EXPENSES

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

SALES TAX

From July 30, 2009 through June 30, 2010, The City levies a three and one-half cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax received is allocated as follows: ½ of one cent for the retirement of sewer debt, 1/3 of one cent goes to the Street & Alley Fund for repairs to the City's streets, ½ of one cent to the G0 Bond account for retirement of the bonds sold for acquisition, construction and equipage of Tornado sirens, Public Library addition, and addition of ball field lighting.

The ½ cent increase was approved by the commission in Ordinance 608-07 at a regularly scheduled meeting on 18 January 2007 to be effective subject to approval of a majority of registered voters on an election held on 3 April 2007. This measure passed.

INTERFUND TRANSFERS

Permanent re-allocation of resources between funds of the reporting entity are classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers."

AMORTIZATION OF DEBT ISSUE COSTS

City

The cost of issuance of debt is amortized using the straight-line method over the life of the debt (18 years). Amortization of \$1,456 is recorded as an expense in the June 30, 2010 and 2009 financial statements.

G. DEPARTURES FROM GAAP

BASIS OF ACCOUNTING

As discussed in Note 1C, the City of Heavener prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, these financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

CITY OF HEAVENER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

A. FUND ACCOUNTING REQUIREMENTS

The City complies, in all material respects, with all state and local laws and regulations requiring the use of separated funds. The legally required funds used by the Town include the following:

| Fund | Required By |
|------------------------|-----------------|
| Street & Alley Fund | State Law |
| Utility Authority Fund | Trust Indenture |
| Grant Fund | Grant Documents |

B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with O.S., Title 61, Section 516.3, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government Agency securities, certain State of Oklahoma or political subdivision debt obligation or surety bonds.

Investments of the City (excluding Public Trusts) are limited by O.S., Title 62, Section 348.1 to the following:

1. Direct obligations of the United States Government, its agencies, or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
2. Certificates of deposit or savings accounts that are either insured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
3. Negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized with investments mentioned in the previous paragraphs 1 and 2, where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.
4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

Public trust created under O.S., Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indenture.

CITY OF HEAVENER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

C. REVENUE RESTRICTITONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

| <u>Revenue Source</u> | <u>Legal Restriction of Use</u> |
|------------------------|--|
| Gasoline Excise Tax | Street & Alley Purposes |
| Commercial Vehicle Tax | Street & Alley Purposes |
| Sales Tax | Retire Sewer Debt and Street & Alley Purposes |
| Grant Receipts | Stipulated by Grant Documents |

See Notes 3A and 4A for other disclosures regarding restricted revenue.

For the year ended June 30, 2010, the City complied, in all material respects, with these revenue restrictions.

D. BUDGET REQUIREMENTS

In April 2002, the City charter was changed to allow the City Manager to procure up to \$5,000, and up to \$10,000 on an emergency basis without Commission approval, but the Commission must be notified on an after-the-fact basis.

The City Manager is authorized to transfer inter-department, and between departments in the same fund or intra-fund. The City Manager is not authorized to transfer inter-fund without Commission approval.

For the year ended June 30, 2010, the City did not make any expenditures in excess of the amount budgeted for any of the categories.

NOTE 3: DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the combined financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

A. CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2010, the City held deposits of approximately \$3,422,937 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Restricted Assets

The Cash-Restricted accounts on the combined Statement of Net Assets include the following:

| | |
|-----------|--|
| 1,043,783 | Balance of the 1/3 cent sales tax earmarked to retire sewer bonds, Farmers Home Administration loans, or loans for sewer purposes. |
| 121,783 | Balance of funds advanced by OK Industries for payment on the bond indenture (see discussion below). |
| 189,385 | Balance of funds paid by OK Industries for economic development (see discussion below). |
| -0- | Balance in Nutrition Fund administered by the City for the Kiamichi Economic Development District of Oklahoma. The Nutrition Program is funded mainly from funds from the Area Agency on Aging, although the City does budget \$200 per month, which is funded through the Nutrition Fund. |

CITY OF HEAVENER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

| | |
|--------------------|--|
| 114,486 | Refundable utility deposits held on customer accounts. |
| 86,013 | Capital Improvement Fund |
| 317,943 | “GO” Bond Fund |
| 79,602 | HUA Capital Equipment Fund |
| 15,669 | HUA Surcharge Account |
| 420,171 | USDA Sewer Reserve Fund |
| 4 | USDA Construction Fund |
| <u>\$2,388,836</u> | Total Restricted Funds |

Ordinance 505 dated 19 March 1980, raised the sales tax from 1% to 2% by election, and pledged one-half of a 1 cent increase of its sales tax to retire sewer bonds, Farmers Home Administration loan, or loans for sewer purposes. Ordinance 528-92 dated 18 June 1992, raised the sales tax from 2% to 3%, by election, and pledged one-third of the additional 1 cent tax increase to be placed into a special street and drainage fund for needed repairs and improvements to the City’s streets. The other two-thirds is to be placed into the General Fund. Ordinance 608-07, raised the sales tax from 3% to 3.5%, by election, and pledged all of the one-half of a cent increase to payment of debt obligation on the General Obligation Bonds used to acquire, construct and equip the tornado sirens, library addition/expansion, and lighting for the municipal ball fields.

The original notes, and grants discussed in Note 3B, were utilized by the City to make improvements to the water and sewer system which would support additional industry within the City. The City has an agreement with OK Industries, who constructed a poultry processing plant within the City, wherein the City provides water and sewer services to the plant, and OK Industries makes monthly payments to the Authority (for 288 months) equal to the total of the cost and expenses of constructing the water and sewer improvements along with interest at 8.94% per year (\$19,561.46 per month). These funds are used by the Authority to provide debt service on the bonds discussed in Note 3B. Also as part of the agreement, OK Industries made monthly payments of \$3,712.50 to the City for future economic development. These funds are held in the Economic Development Fund. The payments ended in April of the previous year. During the year ended June 30, 1998, the City utilized \$56,000 of these funds as part of the purchase of the D.A.F. unit discussed in Note 3B.

The Authority has pledged 13 cents per thousand gallons of water sold to OK Industries’ kill facility toward the retirement of the \$500,000 CDBG Economic Development Loan obtained under CDBG grant #5637 and the \$265,000 CDBG Economic Development Loan obtained under CDBG grant #6595 (as discussed in Note 3B).

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental type funds (General Long-Term Debt), amounts to be repaid from proprietary type funds (Enterprise Fund Debt), and amounts to be repaid from component units (Component Unit Debt).

CITY OF HEAVENER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

B. LONG-TERM DEBT

GOVERNMENTAL FUND DEBT

As of June 30, 2010, the Governmental Fund Long-Term Debt of the financial reporting entity consisted only of accrued compensated absences, the fire truck lease, the property lease and General Obligation Bonds discussed below.

In December 2000, the City entered into a lease purchase contract for the purchase of an Emergency One Top-Mount Pumper fire apparatus mounted on an International 4-door chassis and a Brush Unit mounted on a Ford 450 Crew Cab chassis. The total purchase price was \$219,919. The amount financed was \$178,919 at 6.39% interest. Starting April 22, 2001, monthly payments were to begin at \$2,021.59, although the City began making payments of \$2,500 on January 25, 2001. The balance outstanding under the lease at June 30, 2010, was approximately \$17,719.

On January 14, 2005, the City entered into a lease purchase contract for the purchase of the property having a street address of 103 East Avenue, Heavener, Oklahoma, together with all the improvements thereon and the appurtenances thereunto belonging including but not limited to two existing structures one commonly referred to as the State National Bank Building being approximately 3,747 square feet in size and one storage building approximately 550 square feet in size. The purchase price is \$130,000.00 with a down payment of \$25,000.00. The amount financed was \$205,000.00 at 4.00% for the first five years and interest thereafter will be Prime less 0.75%. Payments of \$1,063.07 began in January 2005 and will continue for a total term of 10 years. The balance outstanding under the lease at June 30, 2010, was approximately \$53,341.20.

On June 1, 2007, the City of Heavener issued \$890,000 General Obligation Bonds of 2007. The proceeds of the bonds will be used to acquire, construct and equip tornado sirens, library and lighting for the municipal ball fields within Heavener. The Bonds are direct and general obligations of the City and are payable as to principal and interest from ad valorem taxes which are required to be levied on all taxable property within the City, without limitation as to rate or amount. The Bonds bear interest in rates varying from 4.25% to 5.00%, with varying annual maturities of principal beginning June 1, 2009.

The Governmental Fund Long-Term Debt (governmental activities) at June 30, 2010, is comprised of the following:

| | |
|-------------------------------|-------------------|
| Accrued Vacation | \$ 40,405 |
| Accrued Compensatory | 11,498 |
| Fire Truck Lease | 17,719 |
| Building Lease Purchase | 53,341 |
| General Obligation Bonds | 790,000 |
| Plus Unamortized Bond Premium | 2,713 |
| | <u>\$ 915,676</u> |

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

ENTERPRISE FUND DEBT

On April 1, 1993, a Refunding Revenue Bond Indenture, Series 1993, was entered into by and between the trustees of the Heavener Utilities Authority and Liberty Bank and Trust of Oklahoma City. Serial bonds totaling \$1,295,000, which bear interest in rates varying from 3.5% to 6%, were issued, with varying annual maturities of principal beginning October 1, 1993. Term bonds totaling \$1,050,000, which bear interest at 6.5%, were issued with varying annual maturities of principal beginning October 1, 2004. The proceeds of the bonds were used to defease the loan payable to the Oklahoma Water Resources Board, with an approximate balance at refunding of \$2,075,000, to establish a bond reserve fund in an amount equal to average annual principal and interest requirements, and to pay costs of issuance of the new bonds. In connection with the issuance, \$114,974 of costs were incurred which have been capitalized and will be amortized over the life of the bonds (17 years). The bonds are payable from a pledge of the revenues and receipts from the Authority's water and sewer system leased from the City. Under the Indenture, the Authority is to maintain rates, fees, and charges to render net revenues at least 125% of the average annual principal and interest requirements on the bonds. The Authority did meet this requirement during the current year.

As part of CDBG Grant #5637, the Authority entered into a loan agreement with the Kiamichi Economic Development District of Oklahoma, for \$500,000. And, as part of CDBG Grant #6595 ED 87, the Authority entered into a loan agreement with the Kiamichi Economic Development District of Oklahoma, for \$265,000. The two amounts have been combined into one loan dated March 27, 1995. The loan carries no interest, and is payable in 240 monthly installments of the special dedicated 13 cents per thousand gallons of water sold to OK Industries' kill facility, with any outstanding balance due at maturity (June 1, 2014). Oklahoma Department of Commerce letter March 14, 2006 provided official notice that the Loan/Contract No. CDBG #5637 was paid in full. All proceeds will now be applied to CDBG #6595 in the future. CDBG #6595 was paid off during the current year. During the year ended June 30, 2010, the following payments were made under the loan:

| <u>Month</u> | <u>Gallons Used</u> | <u>Calculated Amount</u> | <u>#5637 Pay-Back</u> | <u>#6595 Pay-Back</u> |
|--------------|-------------------------|------------------------------|---------------------------|---------------------------|
| July | | \$3,805.69 | | \$3,805.69 |
| August | | \$4,420.49 | | \$4,420.49 |
| September | | \$4,403.15 | | \$4,403.15 |
| October | | \$4,141.42 | | \$4,141.42 |
| November | | \$4,758.18 | | \$4,758.18 |
| December | | \$3,835.18 | | \$3,835.18 |
| | | <u>\$25,364.11</u> | | <u>\$25,364.11</u> |

The Heavener Utilities Authority started and completed a domestic wastewater treatment improvement project during the fiscal year ending June 30, 2002. The Authority was given a \$985,000 loan from Rural Development to make the improvements. The loan closed on October 30, 2001. The District paid a one year

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

deferral interest only payment of \$20,675.55 on October 28, 2002. Regular payments began November 28, 2002. The note is for 40 years at 3.25% interest with monthly bank draft payments in the amount of \$3,724. The loan agreement requires the Authority to make monthly deposits of \$372.40 into a reserve account until a balance of \$44,688 (equivalent of annual debt service requirement) is accumulated. The balance of the reserve account at June 30, 2010 was \$420,171, which meets the requirements of the loan agreement.

On May 15, 2003, the City and the Authority applied for USDA Rural Development loan assistance in the amount \$3,384,896. The loan was approved at 4.25% APR at a 40-year fixed rate. The loan will finance new projects including a new 3 million gallon water tower, water distribution and storage upgrades, system and sludge removal project improvement, and water and sewer line upgrades. It will also include 5.0 acre footprint, enough to accommodate a second tower later if needed. OK Foods will fund approximately 80% of the debt service through water rate increases after the loan closes. This will represent approximately a 35% increase in OK Foods current water rate. Due to the lengthy timeframe in completing legal requirements, a new cost estimate was produced due to approximately a 58 percent increase in oil, steel and general construction costs. This new estimated construction cost is \$5,342,152, with new agreements with OK Foods on the 80/20 cost sharing completed. The HUA Manager has been working issues with USDA-RD to achieve loan closing on the above mentioned Water System Improvement Project. They have moved through all the requirements and have received loan closing instructions and as soon as those issues are accomplished will be able to bid out the project and close on the loan, and be able to start construction. Project has been bid and awarded. Loan closing was 20 December 2007 and construction started in January 2008. As of June 30, 2010, all of the \$3,460,000 loan and the \$1,491,800 loan has been received and expended.

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

| <u>Type of Debt</u> | <u>Balance 7-01-09</u> | <u>Add'n</u> | <u>Rtmt</u> | <u>Balance 6-30-10</u> |
|------------------------------|----------------------------|--------------|-------------|----------------------------|
| General Long-Term: | | | | |
| Accrued Compensated Absences | 51,903 | | -0- | 51,903 |
| Fire Truck Lease | 40,065 | - | 22,346 | 17,719 |
| Bldg Lease Purchase | 62,888 | - | 9,547 | 53,341 |
| General Obligation Bonds | 840,000 | - | 50,000 | 790,000 |
| Plus Unamortized Premium | 2,894 | - | 181 | 2,713 |
| Enterprise Fund: | | | | |
| Due to Depositors | 34,054 | - | -0- | 34,054 |
| Revenue Bonds | -0- | - | -0- | -0- |
| Economic Dev. Notes | 21,870 | - | 21,870 | -0- |
| Rural Development | 5,713,644 | 96,879 | 71,063 | 5,739,459 |

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

| | | | | |
|----------------------|-----------|--------|---------|-----------|
| Total Long-Term Debt | 6,767,318 | 96,879 | 175,007 | 6,689,189 |
|----------------------|-----------|--------|---------|-----------|

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2010, is as follows:

| For the Year Ended June 30, | Fire Truck Lease | Bldg Lease Purchase | General Obligation Bonds | Rural Development 92- 01 | Rural Development 91- 02 | Rural Development 91- 03 |
|--|---------------------|------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| 2011 | \$ 18,194 | \$ 12,757 | \$ 85,550 | \$ 44,688 | \$ 181,860 | \$ 81,276 |
| 2012 | - | 12,757 | 83,300 | 44,688 | 181,860 | 81,276 |
| 2013 | - | 12,757 | 81,050 | 44,688 | 181,860 | 81,276 |
| 2014 | - | 12,757 | 78,800 | 44,688 | 181,860 | 81,276 |
| 2015 | - | 6,378 | 76,550 | 44,688 | 181,860 | 81,276 |
| 2016-2020 | - | - | 349,000 | 223,440 | 909,300 | 406,380 |
| 2021-2025 | - | - | 332,750 | 223,440 | 909,300 | 406,380 |
| 2026-2030 | - | - | - | 223,440 | 909,300 | 406,380 |
| 2031-2035 | - | - | - | 223,440 | 909,300 | 406,380 |
| 2036-2040 | - | - | - | 223,440 | 909,300 | 406,380 |
| 2041-2045 | - | - | - | 51,578 | 1,357,438 | 406,380 |
| 2046-2047 | - | - | - | - | - | 138,278 |
| Total Principal and Interest | 18,194 | 57,406 | 1,087,000 | 1,392,218 | 6,813,238 | 2,982,938 |
| Less: Interest Principal Bal @ 6/30/10 | (475) | (4,065) | (297,000) | (517,437) | (3,407,295) | (1,524,204) |
| | \$ 17,719 | \$ 53,341 | \$ 790,000 | \$ 874,781 | \$ 3,405,943 | \$ 1,458,734 |

CITY OF HEAVENER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

C. INTERFUND BALANCES

Interfund receivables and payables at June 30, 2010, were as follows:

| <u>DUE TO AND DUE FROM:</u> | <u>DUE FROM</u> | <u>DUE TO</u> |
|-------------------------------|-------------------|-------------------|
| General Fund: | | |
| Heavener Utilities Authority | \$ 311,475 | \$ 1,495 |
| Meter Fund | \$ - | \$ - |
| Street & Alley | \$ 79,616 | \$ 4,209 |
| Nutrition Fund | \$ - | \$ - |
| Heavener Utilities Authority: | | |
| General Fund | \$ - | \$ 306,437 |
| Street & Alley | \$ - | \$ - |
| Meter Fund: | | |
| General Fund | \$ - | \$ - |
| Street & Alley: | | |
| General Fund | \$ 4,209 | \$ 79,616 |
| Heavener Utilities Authority | \$ - | \$ - |
| Nutrition Fund: | | |
| General Fund | \$ - | \$ - |
| Totals | <u>\$ 395,300</u> | <u>\$ 391,757</u> |

D. FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

The restricted net assets include assets related to Note 3(A) above.

NOTE 4: COMMITMENTS AND CONTINGENCIES

A. COMMITMENTS

The City has made the following commitments upon its funds and revenues:

1. The City has earmarked $\frac{1}{2}$ of 1 cent of its sales tax to retire sewer debt, as discussed in Note 3A. The City has also earmarked $\frac{1}{2}$ of 1 cent for street and drainage repairs, also discussed in Note 3A.

CITY OF HEAVENER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

2. The revenue from the water and sewer system is pledged to retire the outstanding bonds (Note 3B).
3. Various funds of the City are set-aside for specific purposes. These are detailed in Note 3A.

B. CONTINGENCIES

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

NOTE 5: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these various risks of loss as follows:

| <u>Type of Loss</u> | <u>Method Managed</u> | <u>Risk of Loss Retained</u> |
|-----------------------|--|------------------------------|
| a. General Liability: | insured through commercial insurance with deductible of \$500. | Deductible Amount |
| -Torts | | |
| -Errors and Omissions | | |
| b. Physical Property: | All physical property is insured through commercial insurance with deductibles ranging from \$250-\$500. | Deductible Amount |
| -Theft | | |
| -Damage to Assets | | |

CITY OF HEAVENER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

-Natural
 Disasters

| | | |
|------------------------|--|------|
| c. Workers Comp.: | Insured through commercial insurance with no deductible | None |
| -Employees Injuries | | |

| | | |
|------------------------|--|---|
| d. Health and Life: | Participation in Oklahoma State and Education Employees Group Plan. Group premiums are set state wide. Employees pay one half the premium for spouse and dependent coverage for medical and dental. | The City pays the employee's premium and one half the premium for Spouse and dependent coverage for medical and dental. |
| -Medical -Dental | | |

NOTE 6: EMPLOYEES' RETIREMENT PLANS

The City provides a defined contribution plan with the Oklahoma Public Employees Retirement System. The defined contribution plan is available to all full-time employees not already participating in another plan. The City withheld 6.50% of gross wages from the employees payroll check and matched it at 11.50% for the year ended June 30, 2010.

For the year ended June 30, 2010, the following amounts relate to the defined contribution plan:

| | |
|--------------------------------------|--------------|
| Payroll for City/HUAcovred employees | \$452,453.41 |
| Employee contributions made | \$ 37,013.01 |
| Employer (City) contributions made | \$ 52,032.14 |

City contributions as a % of covered payroll 11.50%

The volunteer fire department participates in the Oklahoma State Firefighters Pension and Retirement System. Contributions for the firefighters are uniform statewide.

NOTE 7 - CAPITAL IMPROVEMENT - GRANT FUNDS

The detail grant fund activity for the current year is as follows:

| | Begin Balance | Grant Revenue | Int. Inc. | City Match | Expended | End Balance |
|-------------------------------|------------------|------------------|--------------|---------------|----------|----------------|
| Tourism Match -ing Account | \$ 84,381 | - | \$1,632 | - | - | \$ 86,013 |
| | \$ 84,381 | \$ - | \$1,632 | \$ - | \$ - | \$ 86,013 |

CITY OF HEAVENER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 - PSG & EMI OPERATING AGREEMENTS

On August 1, 1996, the Heavener Utilities Authority entered into an agreement with U.S. Filter Operating Services, Inc. (USFOS) (formerly Professional Services Group, Inc.) to operate, maintain, and manage, the Industrial and Municipal wastewater treatment facilities, the water treatment facility, and the intake structure. The operating agreement ran for a period of five years. USFOS offered employment to all personnel of the Authority assigned full time to those facilities. Thus, all those personnel who were previously Authority employees became USFOS employees as of that date. Effective December 8, 1997, USFOS turned over operation of the industrial wastewater treatment facility to the H.U.A., who contracted with E.M.I. (Ecology Management, Inc.) to operate it. On July 18, 2002, the Authority entered into a new 20 year contract with USFOS to operate and maintain all except the industrial wastewater treatment facility, with annual adjustments to price evaluated each year as necessary. During this fiscal year USFOS has undergone a name change and is now doing business as "Veolia Water N.A.". On February 24, 2003, the Authority entered a new contract with E.M.I. for operation of the Industrial wastewater treatment facility for \$1.68 per 1,000 gallons of treated wastewater. This contract runs for five years, with price to be negotiated from time to time as necessary.

Thus, Veolia Water N.A. operates the City water treatment and Domestic wastewater facilities. Total payments to Veolia Water N.A. for the year ending June 30, 2010 was \$1,197,854.40. The Board of Trustees approved a new monthly price in July 2008 which is \$65,114.75 per month and annual cost was \$781,377.00 for the 2008-2009 time frame.

Also, E.M.I. now operates the Industrial wastewater treatment facility. Current monthly price is computed at \$1.68 per 1,000 gallons of treated wastewater. Total payments to E.M.I. for the year ending June 30, 2010, was \$1,052,745.49.

NOTE 9 - SCHEDULE OF GRANT INCOME AND UNUSUAL INCOME

The Heavener Utilities Authority received unusual income in the form of loan proceeds in the amount of \$96,878.94 for Water System Improvement Construction Costs.

NOTE 10 - LEGAL ISSUES

According to management and to the City's attorney, there was no pending litigation as of June 30, 2010.

NOTE 12 - SUBSEQUENT EVENTS

The City did not have any subsequent events through June 19, 2012, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2010.

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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 Commission
City of Heavener, Oklahoma

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the City of Heavener, State of Oklahoma, as of June 30, 2010, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2012, which was a disclaimer of opinion because inadequate accounting records precluded us from performing sufficient audit procedures on the financial statements. The City of Heavener has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the City did not present the required MD&A and Budgetary Comparison Information.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be

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material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that I consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Item 10-01 & 10-02. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Heavener's financial statements are free of material misstatement, we performed tests of 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.

The City of Heavener's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City of Heavener's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of trustees and management of the City of Heavener, Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

June 19, 2012

CITY OF HEAVENER, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Internal Control Findings:

Item 10-01: Accounting Software

Condition: The City and the Authority's computer hardware and software were replaced during a previous fiscal year. New or different account balances entered into the system were improperly recorded for a significant number of accounts. Audit adjustments corrected these except for the interfund balances. The balances for interfund receivables and payables in the fund financial statements could not be reconciled. However, there is no effect on the entity-wide financial statements.

Effect: The City pays all of its bills from the General Fund and then reimburses the General Fund for the other funds bills. The interfund receivables and payables cannot be reconciled and the balance keeps getting larger each year. Also, the City has a limited number of personnel performing accounting functions that are able to monitor such accounting transactions.

Recommendation: The City has been advised that as long as this type of accounting system is used that it is imperative that a debit or credit to a particular fund must be accompanied by the corresponding debit or credit being posted to the same fund. Posting across funds is what throws the fund financials out of balance.

Response: The City is aware of the need to make each transaction post both the debit and credit to an individual fund. The City hopes that this increased awareness will result in an improvement in processing of accounting transactions for the next fiscal year.

Item 10-02: Bank Reconciliation

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: Personnel of the City did not consistently and accurately perform monthly bank reconciliations during the audit year.

Cause/Effect: The financial statements contain misstatements and omit financial information.

Recommendation: Monthly bank reconciliations need to be performed on each bank account and the balance agree with that reflected in the financial statements.

Response: The City is aware of the problem.

CITY OF HEAVENER, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 - MODIFIED CASH BASIS -
 JUNE 30, 2010

| | <u>SPECIAL REVENUE FUNDS</u> | | Total Nonmajor Governmental Funds |
|---|------------------------------|---------------------------------------|--|
| | <u>Nutrition Fund</u> | <u>Economic Develop. Fund</u> | |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - |
| Investments | - | 189,385 | 189,385 |
| Accounts Receivable | - | - | - |
| Due from Other Funds | - | - | - |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 189,385</u> | <u>\$ 189,385</u> |
| <u>LIABILITIES & FUND EQUITY</u> | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ - | \$ - | \$ - |
| Due to Other Funds | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES: | | | |
| Unreserved, reported in nonmajor special revenue funds | - | 189,385 | 189,385 |
| TOTAL FUND BALANCES | <u>-</u> | <u>189,385</u> | <u>189,385</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ -</u> | <u>\$ 189,385</u> | <u>\$ 189,385</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HEAVENER, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 - MODIFIED CASH BASIS -
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>SPECIAL REVENUE FUNDS</u> | | Total Nonmajor Governmental Funds |
|---|------------------------------|---------------------------------------|--|
| | <u>Nutrition Fund</u> | <u>Economic Develop. Fund</u> | |
| <u>REVENUES:</u> | | | |
| Auto Taxes | \$ - | \$ - | \$ - |
| Gasoline Tax | - | - | - |
| Interest Income | - | 4,740 | 4,740 |
| Miscellaneous | 746 | - | 746 |
| Sales Tax | - | - | - |
| Grant Income | - | - | - |
| KEDDO | 10,458 | - | 10,458 |
| TOTAL REVENUES | 11,204 | 4,740 | 15,944 |
| <u>EXPENDITURES:</u> | | | |
| Current: | | | |
| General Government | - | - | - |
| Public Safety | - | - | - |
| Highways & Streets | - | - | - |
| Public Health Services | 13,106 | - | 13,106 |
| Capital Outlay | - | - | - |
| TOTAL EXPENDITURES | 13,106 | - | 13,106 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,902) | 4,740 | 2,839 |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | |
| Operating Transfers In | 800 | - | 800 |
| Operating Transfers Out | (964) | - | (964) |
| Capital Debt Proceeds | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (164) | - | (164) |
| NET CHANGES IN FUND BALANCES | (2,066) | 4,740 | 2,674 |
| FUND BALANCE - BEGINNING OF YEAR | 3,561 | 184,645 | 188,206 |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT | (1,495) | - | (1,495) |
| FUND BALANCE - END OF YEAR | \$ - | \$ 189,385 | \$ 189,385 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements