

CITY OF MUSKOGEE
Muskogee, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2011

CITY OF MUSKOGEE
Muskogee, Oklahoma

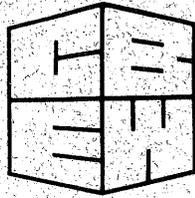
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**CITY OF MUSKOGEE
Muskogee, Oklahoma**

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INDEPENDENT AUDITOR'S REPORT

October 27, 2011

Honorable City Council
City of Muskogee
Muskogee, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muskogee, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

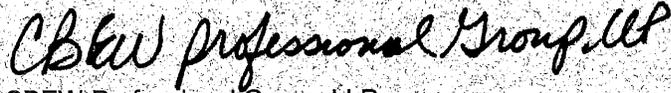
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muskogee, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011 on our consideration of the City's internal control over financial reporting and 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 accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 8, budgetary comparison information on pages 44 through 46 and the notes on page 47 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City of Muskogee
October 27, 2011

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskogee's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. The combining and individual non-major governmental fund statements listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.



CBEW Professional Group, LLP
Certified Public Accountants



**CITY OF MUSKOGEE
FINANCE DEPARTMENT**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the Fiscal Year Ended June 30, 2011
Unaudited*

The City of Muskogee (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the city's financial position, (d) identify any material deviations from the financial plans, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

HIGHLIGHTS

Financial Highlights

- The City's Net Assets increased by \$1,219,964
- The total cost of all the City's programs was \$45,928,590
- During the year, the City had expenses of \$39,754,748 for governmental activities which was \$7,498,101 less than the \$32,256,647 generated in taxes, program revenues and other financing sources.
- The City's business-type activities decreased net assets by \$1,250,190 from operations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 9-11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 12. 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 by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

- These two statements report the City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Overtime, *increases or decreases* in the City's net assets, is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets 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, public works and parks departments, and general administration. Sales taxes, franchise taxes, water revenue finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Airport, Sports Complex, Civic Center, Municipal Authority, War Memorial Park, Swim & Fitness Center, State Fair Authority, Hatbox, Roxy Theatre and Parking Authority are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 12. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the water and sewer program) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like the gasoline tax). The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds in reconciliations at the bottom of the fund financial statements.
- Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City is the trustee, or fiduciary, for the Employee Retirement Fund, Health and Insurance Fund, C.C. Hultquist Library Fund and the Escrow Fund. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 19-20. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City holds deposits for various individuals and businesses for contract performance which are then returned when the contract has been completed. These deposits are accounted for in an Agency fund, where assets equal liabilities.

THE CITY AS A WHOLE

GOVERNMENT-WIDE STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets as of June 30, 2011:

	Governmental Activities		Business-Type Activities		Total	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Current and other assets	\$ 24,713,533	\$ 22,391,284	\$ 9,522,701	\$ 7,571,698	\$ 34,236,234	\$ 29,962,982
Deferred charges	-	-	222,958	44,481	222,958	44,481
Capital assets	178,335,303	176,177,943	85,109,411	81,481,418	263,444,714	257,659,361
Total assets	<u>203,048,836</u>	<u>198,569,227</u>	<u>94,855,070</u>	<u>89,097,597</u>	<u>297,903,906</u>	<u>287,666,824</u>
Long-term liabilities	650,727	944,357	43,155,385	33,445,628	43,806,112	34,389,985
Other liabilities	13,967,933	13,473,107	1,120,424	2,014,257	15,088,357	15,487,364
Total liabilities	<u>14,618,660</u>	<u>14,417,464</u>	<u>44,275,809</u>	<u>35,459,885</u>	<u>58,894,469</u>	<u>49,877,349</u>
Net assets:						
Invested in capital assets, net of related debt	177,684,576	175,233,586	41,954,026	48,035,790	219,638,602	223,269,376
Restricted	10,712,526	4,781,788	5,253,929	3,070,326	15,966,455	7,852,114
Unrestricted	33,074	4,136,389	3,371,306	2,531,596	3,404,380	6,667,985
Total net assets	<u>\$ 188,430,176</u>	<u>\$ 184,151,763</u>	<u>\$ 50,579,261</u>	<u>\$ 53,637,712</u>	<u>\$ 239,009,437</u>	<u>\$ 237,789,475</u>

For more detail information see the Statement of Net Assets on page 9.

The City's combined net assets increased from \$237,789,475 to \$239,009,437 or 0.513% increase due to the operation of the Governmental and Business-type Activities.

Changes in Net Assets

The following table shows the revenue and expenses of the total primary government.

	Governmental Activities		Business-Type Activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues						
Charges for services	\$ 2,290,499	\$ 2,725,909	\$ 14,388,709	\$ 14,147,599	\$ 16,679,208	\$ 16,873,508
Operating grants & contributions	1,987,337	1,097,779	3,369	3,748	1,990,706	1,101,527
Capital grants & contributions	112,195	-	240,384	156,232	352,579	156,232
General revenues:						
Taxes	27,632,281	26,004,998	-	-	27,632,281	26,004,998
Intergovernmental	465	14,253	-	-	465	14,253
Other	233,870	242,789	259,445	839,664	493,315	1,082,453
Total revenues	32,256,647	30,085,728	14,891,907	15,147,243	47,148,554	45,232,971
Expenses:						
General government	6,364,359	9,780,284	-	-	6,364,359	9,780,284
Public safety and judiciary	16,347,313	18,276,845	-	-	16,347,313	18,276,845
Transportation	6,195,831	6,559,160	-	-	6,195,831	6,559,160
Cultural, parks and recreation	2,970,590	2,956,515	-	-	2,970,590	2,956,515
Utilities	6,549,894	7,064,662	2,788,427	2,811,678	9,338,321	9,876,340
Other public services	483,000	530,142	-	-	483,000	530,142
Economic development	428,837	643,298	-	-	428,837	643,298
Airport	-	-	281,848	257,460	281,848	257,460
Parking	-	-	5,342	5,326	5,342	5,326
Civic Center and Roxy Theatre	-	-	718,582	704,003	718,582	704,003
Hatbox Sports Complex	-	-	768,865	743,516	768,865	743,516
Fairgrounds	-	-	107,948	125,343	107,948	125,343
Swim & Fitness Center	-	-	426,826	433,951	426,826	433,951
War Memorial Park	-	-	80,607	79,082	80,607	79,082
Financing	414,924	467,055	995,397	684,369	1,410,321	1,151,424
Total expenses	39,754,748	46,277,961	6,173,842	5,844,728	45,928,590	52,122,689
Increase/(decrease) in net assets before transfers	(7,498,101)	(16,192,233)	8,718,065	9,302,515	1,219,964	(6,889,718)
Transfers	11,776,514	10,552,709	(11,776,514)	(10,552,709)	-	-
Increase/(decrease) in net assets	4,278,413	(5,639,524)	(3,058,449)	(1,250,194)	1,219,964	(6,889,718)
Net assets - beginning of year	184,151,763	189,791,287	53,637,710	54,887,906	237,789,473	244,679,193
Net assets - end of year	\$ 188,430,176	\$ 184,151,763	\$ 50,579,261	\$ 53,637,712	\$ 239,009,437	\$ 237,789,475

Governmental Activities/Administrative

The changes in net assets of governmental activities were \$4,278,413. Examples of governmental activities are general government, fire, police, streets, public works and parks.

Business-type Activities

The change in net assets of business-type activities was a decrease of (\$3,058,449). Examples of proprietary activities are water, waste water services and solid waste, Hatbox sports complex, Civic Center, Roxy Theatre, Swim & Fitness Center, War Memorial Park, Fairgrounds and Davis Field Airport.

THE CITY'S FUNDS

Governmental Type Funds

As of year end, the governmental funds reported a combined fund balance of \$21,601,299 which is an increase of 9.42% from the beginning of the year in the amount of \$1,858,877. Several of the governmental funds are capital expenditure related and, therefore, may reflect capital expenditures or payment on debt service (which are reflected in the current financial resource-based Fund Financial Statements) as a spending of a portion of available net assets or an increase in net assets from unspent net assets.

Business-Type Funds

As of year end, the business-type funds reported combined net assets of \$50,579,261 which is a 5.7% decrease from the beginning of the year in the amount of \$3,058,449.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011 the City had \$263,444,714 invested in a broad range of capital assets, including police, fire and public works equipment, buildings, park facilities, infrastructure, roads, bridges and stormwater drainage structures. This amount represents a net increase (including additions and deductions) of \$5,785,353 or 2.25% from fiscal year 2010. See pages 31-32 in the notes to the financial statements for detailed changes in capital assets.

Debt

At June 30, 2011 the City had \$44,791,840 in notes outstanding versus \$35,375,715 at June 30, 2010 – an increase of 26.62% – as shown below.

	Governmental Activities		Business-Type Activities		Total	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Notes payable	\$ -	\$ -	\$ 34,940,147	\$ 24,682,000	\$ 34,940,147	\$ 24,682,000
Tax-increment bond	22,000	29,333	-	-	22,000	29,333
Contract payable	985,730	985,730	-	-	985,730	985,730
Sales tax revenue note	-	-	-	-	-	-
Judgements payable	430,745	390,611	-	-	430,745	390,611
Leases payable	197,982	524,413	8,215,236	8,763,628	8,413,218	9,288,041
Total	<u>\$ 1,636,457</u>	<u>\$ 1,930,087</u>	<u>\$ 43,155,383</u>	<u>\$ 33,445,628</u>	<u>\$ 44,791,840</u>	<u>\$ 35,375,715</u>

Other obligations of the City include accrued vacation pay and sick leave.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 budget and fees that will be charged for the business-type activities. One of those factors is the economy.

Muskogee is the third largest manufacturing community in the state. Some of the largest manufacturers are Georgia-Pacific, Owens Illinois and Dal Tile. The Muskogee County unemployment rate in 2011 was 6.9% down from 7.8% in 2010. This indicates that economic recession had an effect on the business growth in the area during the year.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2012. Amounts available for appropriation in the General Fund budget are \$30,522,784, an increase of 4.21% from the fiscal year 2011 budget of \$29,289,783.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Finance Department at City of Muskogee, P.O. Box 1927, Muskogee, OK 74402.

CITY OF MUSKOGEE
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 2)	\$ 16,649,253	\$ 3,037,439	\$ 19,686,692
Investments, at cost	2,470,114	120,326	2,590,440
Receivables (net of allowance for uncollectibles):			
Services	164,801	950,580	1,115,381
Court fines	614,572	-	614,572
Taxes	4,311,219	-	4,311,219
Interest	11,821	7,855	19,676
Due to/from other funds (Note 2D)	139,744	(139,744)	-
Grants receivable	349,914	10,558	360,472
Restricted assets:			
Bond fund/cash & investments (Note 2)	688	5,253,929	5,254,617
Inventories	1,407	281,758	283,165
Capital assets:			
Land and construction in progress	1,550,727	20,306,539	21,857,266
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	176,784,576	64,802,872	241,587,448
Deferred charges:			
Bond issue cost (net of accumulated amortization) (Note 1)	-	222,958	222,958
Total assets	\$ 203,048,836	\$ 94,855,070	\$ 297,903,906
Liabilities:			
Accounts payable	\$ 1,370,964	\$ 196,351	\$ 1,567,315
Cash overdraft	-	-	-
Temporary customer deposits	-	16,757	16,757
Deferred revenues	-	220	220
Accrued compensated absences payable (Note 1)	6,684,745	590,827	7,275,572
Accrued payroll	1,187,001	90,502	1,277,503
OPEB liability	3,541,748	-	3,541,748
Payable from restricted assets:			
Interest payable	-	225,767	225,767
Accrued interest payable	197,745	-	197,745
Leases payable (Note 2)	197,982	8,215,236	8,413,218
Notes payable (Note 2)	1,007,730	34,940,149	35,947,879
Judgements payable	430,745	-	430,745
Total liabilities	14,618,660	44,275,809	58,894,469
Net assets:			
Invested in capital assets, net of related debt	177,129,591	41,954,026	219,083,617
Restricted	10,712,526	5,253,929	15,966,455
Unrestricted	588,059	3,371,306	3,959,365
Total net assets	\$ 188,430,176	\$ 50,579,261	\$ 239,009,437

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government:				
City clerk	\$ 399,321	\$ -	\$ -	\$ (399,321)
City manager	203,005	-	-	(203,005)
City treasurer	132,302	-	-	(132,302)
Engineering and planning	2,098,103	-	97,229	(2,000,874)
Financial management	1,569,677	-	-	(1,569,677)
General government	1,961,951	487,425	906,934	(567,592)
Total general government	6,364,359	487,425	1,004,163	(4,872,771)
Public safety and judiciary:				
Animal control	184,634	16,000	7,965	(160,669)
City attorney	255,774	-	-	(255,774)
Code enforcement	175,029	-	-	(175,029)
Fire	6,633,676	-	-	(6,633,676)
Police	7,265,279	1,089,851	128,101	(6,047,327)
Emergency 911	1,030,762	564,070	-	(466,692)
Environmental control	621,528	-	-	(621,528)
Civil emergency management	180,631	-	5,000	(175,631)
Total public safety and judiciary	16,347,313	1,669,921	141,066	(14,536,326)
Transportation:				
Streets	6,195,831	-	-	(6,195,831)
Total transportation	6,195,831	-	-	(6,195,831)
Cultural, parks and recreation:				
Cemetery	270,986	88,831	12,690	(169,465)
Library	75,822	-	-	(75,822)
Parks	2,580,215	43,322	629,418	(1,907,475)
Convention and Tourism	-	-	-	-
Multicultural	-	1,000	-	1,000
Civic Center and Roxy Theatre	43,567	-	-	(43,567)
Total cultural, parks and recreation	2,970,590	133,153	642,108	(2,195,329)
Utilities:				
Water	3,101,487	-	-	112,195
Sewer	1,911,327	-	-	(1,911,327)
Solid waste	1,537,080	-	-	(1,537,080)
Other public services	483,000	-	-	(483,000)
Economic development	428,837	-	200,000	(228,837)
Total other activities	7,461,731	-	200,000	112,195
Financing costs	414,924	-	-	(414,924)
Total governmental activities	39,754,748	2,290,499	1,987,337	112,195
Business-type activities				
Water and sewer	2,475,737	10,544,230	-	-
Solid waste	70,766	1,859,624	-	-
Aiport	281,848	195,516	-	240,384
Stormwater management	241,924	374,054	-	-
Parking	5,342	60,415	-	-
Civic Center and Roxy Theatre	718,582	230,023	-	-
Hatbox Sports Complex	768,865	543,118	-	-
Fairgrounds	107,948	44,653	-	-
Swim & Fitness Center	426,826	472,472	-	-
War Memorial Park	80,607	64,604	3,369	-
Financing costs	995,397	-	-	-
Total business-type activities	6,173,842	14,388,709	3,369	240,384
Total	\$ 45,928,590	\$ 16,679,208	\$ 1,990,706	\$ 352,579
				\$ (26,906,097)

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(35,364,717)	8,458,620	(26,906,097)
General revenues:			
Taxes:			
Sales and use taxes	24,266,316	-	24,266,316
Cigarette taxes	335,221	-	335,221
Franchise taxes	1,971,862	-	1,971,862
Property taxes	213,011	-	213,011
Gasoline excise taxes	73,916	-	73,916
Commercial vehicle taxes	296,765	-	296,765
Beverage taxes	139,124	-	139,124
Hotel/motel taxes	336,066	-	336,066
Intergovernmental programs	465	-	465
Investment earnings	37,483	32,900	70,383
Miscellaneous	134,496	226,545	361,041
Sale of property	61,891	-	61,891
Transfers	11,776,514	(11,776,514)	-
Total general revenues and transfers	<u>39,643,130</u>	<u>(11,517,069)</u>	<u>28,126,061</u>
Change in net assets	4,278,413	(3,058,449)	1,219,964
Net assets - beginning of year	<u>184,151,763</u>	<u>53,637,710</u>	<u>237,789,473</u>
Net assets - end of year	<u>\$ 188,430,176</u>	<u>\$ 50,579,261</u>	<u>\$ 239,009,437</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF MUSKOGEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 2)	\$ 7,187,823	\$ 9,461,430	\$ 16,649,253
Investments, at cost	2,468,579	1,535	2,470,114
Receivables (net of allowance for uncollectibles):			
Accounts receivable	81,846	82,955	164,801
Court fines	61,710	-	61,710
Taxes	2,488,202	1,823,017	4,311,219
Interest	11,808	13	11,821
Due from other funds (Note 2D)	139,744	-	139,744
Grants receivable	7,309	342,605	349,914
Restricted assets:			
Bond fund/cash & investments (Notes 3 & 4)	-	688	688
Total assets	\$ 12,447,021	\$ 11,712,243	\$ 24,159,264
Liabilities:			
Accounts payable	\$ 525,440	\$ 845,524	\$ 1,370,964
Cash overdraft	-	-	-
Due to other funds (Note 2D)	-	-	-
Accrued payroll	993,032	193,969	1,187,001
Total liabilities	1,518,472	1,039,493	2,557,965
Fund balance:			
Restricted for:			
Other purposes	-	10,703,388	10,703,388
Committed to:			
Other purposes	-	9,138	9,138
Unassigned	10,928,549	(39,776)	10,888,773
Total fund balance	10,928,549	10,672,750	21,601,299
Total liabilities and fund equity	\$ 12,447,021	\$ 11,712,243	\$ 24,159,264

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT
OF NET ASSETS
June 30, 2011

Total Fund Balances - Total Governmental Funds \$ 21,601,299

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

Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in governmental funds: Fines and forfeitures (net of allowance for uncollectibility) 552,862

Prepaid expenses (inventories) not consumed in the current period are not financial resources and are reported as expenditures in the governmental funds. 1,407

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Notes payable	(1,007,730)	
Leases payable	(197,982)	
Judgements payable	(430,745)	
Accrued compensated absences	(6,684,745)	
OPEB liability	(3,541,748)	
Accrued interest payable	(197,745)	
Total		(12,060,695)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 1,550,727	
Construction in process	-	
Buildings & Improvements	20,707,820	
Furniture & Equipment	17,625,587	
Infrastructure - parks	1,295,974	
Infrastructure - water/sewer	8,482,466	
Infrastructure - streets	366,524,206	
Infrastructure - public works	38,165	
Accumulated depreciation	(237,889,642)	
Total		178,335,303

Net assets of governmental activities \$ 188,430,176

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 15,244,212	\$ 10,683,517	\$ 25,927,729
Franchise fees	2,204,964	-	2,204,964
Intergovernmental programs	127,656	1,170,786	1,298,442
Fines and forfeits	1,000,262	56,116	1,056,378
Donations	-	1,098,318	1,098,318
Admissions and concessions	-	28,977	28,977
Licenses and permits	273,117	16,000	289,117
Interest	28,292	9,191	37,483
Rental receipts	195,028	15,345	210,373
Cemetery collections	88,831	-	88,831
Judgements	-	19,280	19,280
Miscellaneous revenue	59,278	75,218	134,496
Sale of property	28,178	33,713	61,891
Total revenues	19,249,818	13,206,461	32,456,279
Expenditures:			
Current:			
General government	4,731,295	1,468,341	6,199,636
Public safety and judiciary	12,242,341	3,634,801	15,877,142
Streets	1,333,020	856,404	2,189,424
Cultural and recreational	2,096,019	732,591	2,828,610
Utilities	5,818,296	413,917	6,232,213
Economic development	-	428,837	428,837
Capital outlay	-	7,173,963	7,173,963
Debt Service:			
Principal	-	526,732	526,732
Interest expense	-	434,359	434,359
Other public services	166,000	317,000	483,000
Total expenditures	26,386,971	15,986,945	42,373,916
Excess of revenues over (under) expenditures	(7,137,153)	(2,780,484)	(9,917,637)
Other financing uses:			
Operating transfers in (out)	8,799,836	2,976,678	11,776,514
Excess of revenues over (under) expenditures & transfers	1,662,683	196,194	1,858,877
Net assets - beginning of year	9,265,866	10,476,556	19,742,422
Fund balance - end of year	\$ 10,928,549	\$ 10,672,750	\$ 21,601,299

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 1,858,877
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the statement of activities that do not provide current financial resources (are not collected within 60 days) are deferred in the governmental funds. Therefore, the recognition of revenue differs between the two statements. The following represents the net change in deferred revenue for: Fines and forfeitures (net of allowance for uncollectibility)	33,473
Governmental funds report inventory costs as expenditures. However, in the statement of activities the inventory is reported as an asset. This is the change during the current period.	101
Governmental funds report loan costs as expenditures. However, in the statement of activities the loan costs are allocated over the life of the loan and reported as amortization expense.	-
Government-Wide Statement of Activities and Changes in Net Assets report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.	(84,464)
Government-Wide Statement of Activities and Changes in Net Assets report OPEB liabilities in the period incurred. However, Governmental Funds do not pay on this liability. The amount of the change for the OPEB liability recorded in the current period.	-
The interest paid on notes and judgements is recorded as an expense in governmental funds and not as a payment against the accrual. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the interest is recorded against the payable. This is the amount of interest paid in the current period.	19,435
Governmental Funds report judgements as property tax income. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the income received is applied as a liability. This is the amount that increased the liability during the year.	(233,102)
Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.	526,732
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	7,173,963
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	<u>(5,016,602)</u>
Change in Net Assets of Governmental Activities	\$ <u>4,278,413</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities - Enterprise Funds		
	Muskogee Municipal Authority	Other Enterprise Funds	Totals
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 2)	\$ 134,716	\$ 2,902,723	\$ 3,037,439
Investments, at cost	-	120,326	120,326
Receivables (net of allowance for uncollectibles):			
Accounts receivable	808,232	142,348	950,580
Interest	5,931	1,924	7,855
Grants receivable	-	10,558	10,558
Due from other funds	-	-	-
Restricted Assets:			
Bond fund/cash & investments (Notes 2)	5,253,929	-	5,253,929
Inventories	262,996	18,762	281,758
Capital assets:			
Land	1,306,954	776,719	2,083,673
Construction in progress	18,222,866	-	18,222,866
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	52,531,517	12,271,355	64,802,872
Deferred charges:			
Deferred loan costs (net of accumulated amortization) (Note 1)	222,958	-	222,958
Total assets	\$ 78,750,099	\$ 16,244,715	\$ 94,994,814
Liabilities:			
Accounts payable	\$ 79,066	\$ 117,285	\$ 196,351
Due to other funds	-	139,744	139,744
Temporary customer deposits	-	16,757	16,757
Deferred revenues	-	220	220
Accrued compensated absences payable (Note 1)	412,271	178,556	590,827
Accrued payroll	-	90,502	90,502
Payable from restricted assets:			
Interest payable	225,767	-	225,767
Leases payable (Note 2)	8,215,236	-	8,215,236
Notes payable (Note 2)	34,940,149	-	34,940,149
Total liabilities	43,872,489	543,064	44,415,553
Net assets:			
Invested in capital assets, net of related debt	28,905,952	13,048,074	41,954,026
Restricted	5,253,929	-	5,253,929
Unrestricted	717,729	2,653,577	3,371,306
Total net assets	\$ 34,877,610	\$ 15,701,651	\$ 50,579,261

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Muskogee Municipal Authority	Other Enterprise Funds	Totals
Revenues:			
Water revenue	\$ 7,245,485	\$ -	\$ 7,245,485
Sewer revenue	3,042,250	-	3,042,250
Solid waste revenue	-	1,811,518	1,811,518
Stormwater revenue	-	374,054	374,054
Penalty revenue	256,495	48,106	304,601
Parking fees	-	60,415	60,415
Rental receipts	-	295,955	295,955
Admissions and concessions	-	666,169	666,169
Miscellaneous revenue	226,545	46,602	273,147
Activity fees	-	545,029	545,029
Intergovernmental programs	-	240,384	240,384
Total revenues	10,770,775	4,088,232	14,859,007
Operating expense:			
Cultural and recreational	-	1,726,680	1,726,680
Parking	-	634	634
Sanitation	-	6,699	6,699
Stormwater	-	241,924	241,924
Transportation	-	133,454	133,454
Water service	250,512	-	250,512
Depreciation	2,225,225	593,317	2,818,542
Total operating expenses	2,475,737	2,702,708	5,178,445
Income before non-operating revenues, expenses & transfers	8,295,038	1,385,524	9,680,562
Non-operating revenues (expenses):			
Interest revenue	24,315	8,585	32,900
Interest expense	(779,170)	-	(779,170)
Grant revenues	-	-	-
Amortization of deferred loan cost	(19,799)	-	(19,799)
Loan administration fees	(196,428)	-	(196,428)
Total	(971,082)	8,585	(962,497)
Income (loss) before operating transfers	7,323,956	1,394,109	8,718,065
Transfers in (out)	(10,518,924)	(1,257,590)	(11,776,514)
Change in net assets	(3,194,968)	136,519	(3,058,449)
Net assets - beginning of year	38,072,578	15,565,132	53,637,710
Net assets - end of year	\$ 34,877,610	\$ 15,701,651	\$ 50,579,261

The accompanying notes are an integral part of the basic financial statements.

**CITY OF MUSKOGEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds		
	Muskogee Municipal Authority	Other Enterprise Funds	Totals
Cash flows from operating activities:			
Cash received from customers & service users	\$ 11,062,584	\$ 4,157,698	\$ 15,220,282
Cash payments for goods & services & employees	(906,478)	(2,125,759)	(3,032,237)
Other operating revenues	-	(125,997)	(125,997)
Net cash provided by operating activities	<u>10,156,106</u>	<u>1,905,942</u>	<u>12,062,048</u>
Cash flows from noncapital financing activities:			
Net change in inventory	163,744	3,329	167,073
Grants received	-	-	-
Net change in due to/from accounts	-	(75,000)	(75,000)
Operating transfers out to other funds	(11,553,242)	(1,817,290)	(13,370,532)
Operating transfers in from other funds	1,034,317	559,700	1,594,017
Net cash provided (used) for noncapital financing activities	<u>(10,355,181)</u>	<u>(1,329,261)</u>	<u>(11,684,442)</u>
Cash flows from capital and related financing activities:			
Acquisition & construction of capital assets	(6,113,979)	(332,554)	(6,446,533)
Principal paid on debt	(8,072,563)	-	(8,072,563)
Interest paid on debt	(874,674)	-	(874,674)
Principal received on notes	17,782,318	-	17,782,318
Loan issue costs	(198,275)	-	(198,275)
Trustee fees	(196,428)	-	(196,428)
Net cash provided (used) for capital and related financing activities	<u>2,326,399</u>	<u>(332,554)</u>	<u>1,993,845</u>
Cash flows from investing activities:			
(Purchase) liquidation of investments - unrestricted	-	(32,455)	(32,455)
Interest on investments	24,613	7,666	32,279
Net cash provided by investing activities	<u>24,613</u>	<u>(24,789)</u>	<u>(176)</u>
Net increase (decrease) in cash & cash equivalents	2,151,937	219,338	2,371,275
Cash and cash equivalents - beginning of year	<u>3,236,708</u>	<u>2,683,385</u>	<u>5,920,093</u>
Cash and cash equivalents - end of year	<u>\$ 5,388,645</u>	<u>\$ 2,902,723</u>	<u>\$ 8,291,368</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 8,295,038	\$ 1,385,524	\$ 9,680,562
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,225,225	593,317	2,818,542
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	291,809	69,466	361,275
Increase (decrease) in accounts payable	(739,570)	(50,527)	(790,097)
Increase (decrease) in accrued expenses	83,604	(91,838)	(8,234)
Total adjustments	<u>1,861,068</u>	<u>520,418</u>	<u>2,381,486</u>
Net cash provided by operating activities	<u>\$ 10,156,106</u>	<u>\$ 1,905,942</u>	<u>\$ 12,062,048</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Employee Benefit Trust	Private Purpose Trust	Agency Funds
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3)	\$ (35,401)	\$ (62)	\$ 916,649
Investments	377	135,000	347,131
Accounts receivable	73,385	-	-
Accrued interest	4	467	-
Total assets	\$ 38,365	\$ 135,405	\$ 1,263,780
Liabilities:			
Accounts payable	\$ 93,705	\$ -	\$ -
Due to other funds	-	-	-
Security deposits	-	-	923,147
Escrow deposits	-	-	340,633
Total liabilities	93,705	-	\$ 1,263,780
Net assets:			
Held in trust for employee benefits and other purposes	\$ (55,340)	\$ 135,405	

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2011

	<u>Employee Benefit Trust</u>	<u>Private Purpose Trust</u>
Additions:		
Contributions:		
Employer	\$ 3,417,914	\$ -
Plan members	23,970	-
Insurance recoveries	175,939	-
Sales tax revenues	431,378	-
Investment earnings	337	1,373
	<hr/>	<hr/>
Total additions	\$ 4,049,538	\$ 1,373
	<hr/>	<hr/>
Deductions:		
Retirement contributions	\$ 2,616	\$ -
Premiums paid	440,250	-
Claims paid	3,329,282	-
Administrative expenses	94,773	-
Distributions for benefit of library	-	2,098
	<hr/>	<hr/>
Total deductions	3,866,921	2,098
	<hr/>	<hr/>
Change in net assets	182,617	(725)
	<hr/>	<hr/>
Net assets beginning of year	(237,957)	136,130
	<hr/>	<hr/>
Net assets end of year	\$ (55,340)	\$ 135,405
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Muskogee, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Muskogee, Oklahoma is organized under the statutes of the State of Oklahoma and was incorporated in 1898. The City currently operates under a charter ratified at a special election held December 7, 1971. The charter was approved by the Governor on February 18, 1972 and went into effect upon approval in accordance with article XVIII, three, of the Oklahoma Constitution. The City operates under a Mayor-Council-Manager form of government and is governed by an eight-member council and a ninth voting member who is the elected mayor. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Muskogee Municipal Authority (MMA) was created pursuant to a Trust Indenture, for the benefit of the City of Muskogee, Oklahoma. MMA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water and sanitary sewer facilities for the City of Muskogee. The water, sanitary sewer, and solid waste disposal systems owned by the City have been leased to MMA until such date that all indebtedness of the Authority is retired or provided for. MMA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of eight council members and a mayor identical with the City Council. MMA is exempt from State and Federal Income taxes. MMA is reported as an enterprise fund.

The Muskogee Parking Authority (MPA) was created pursuant to a Trust Indenture, for the benefit of the City of Muskogee, Oklahoma. MPA was established to plan, develop, construct, enlarge, remodel, improve, make alterations, extend, maintain, equip, operate and furnish parking facilities for the City of Muskogee. MPA is a public trust and an agency of the State of Oklahoma, under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of eight council members and a mayor identical with the City Council. MPA is exempt from State and Federal Income taxes. MPA is reported as an enterprise fund.

The Muskogee State Fair Authority (MSFA) was created pursuant to a Trust Indenture, for the benefit of the City of Muskogee, Oklahoma. MSFA was created to operate the fairgrounds owned by City and leased to the MSFA. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of nine trustees appointed by the City Council. MSFA is exempt from State and Federal Income taxes. MSFA is reported as an enterprise fund.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Muskogee War Memorial Park Authority (MWMPA) was created pursuant to a Trust Indenture date April 9, 1973 and subsequently amended December 6, 1990, for the benefit of the City of Muskogee, Oklahoma. MWMPA was created to operate a military theme museum and memorial park in Muskogee, Oklahoma. The MWMPA maintains a World War II vintage submarine, the USS Batfish, along with other historical military artifacts. Ownership of the USS Batfish ultimately vests with the U.S. Department of Navy. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. MWMPA is exempt from State and Federal Income taxes. MWMPA is reported as an enterprise fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales and use taxes, gasoline excise taxes, cigarette taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Police Capital Outlay, Fire Capital Outlay, Non-Uniform Capital Outlay, Community Clean Up, Street and Alley, Solid Waste, Sales Tax Capital Outlay, Home Grants, Park Developmental Grant, Emergency Management Grants, Police Equipment Grants, Drug Forfeiture Revenue, Drug Forfeiture Federal, Emergency 911, City-County 911 Trust, CDBG Grants, Park Development, Repair and Replacement, Job Incentive, Sales Tax Non-Uniform Benefit, Sales Tax Police Benefit, Sales Tax Fire Benefit, Animal Control, Animal Control Adoption Fees, Community Development, Weed and Seed Program, Department of Energy Grants, Youth Alcohol Prevention, Youth Fines, Convention and Tourism and Multicultural.

Capital Projects Fund – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Civic Center Improvement, 75 Limited Access B, 98 Sales Tax Improvement, Street Maintenance Installation, Sewer Rehabilitation, 2009 Capital Improvement, Chandler Road Detention, Sales Tax Economic Development, Water/Sewer Improvement, Local Law Enforcement Block Grant and Spaulding Park Funds.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding. Debt Service Funds of the City include the Debt Service, Capital Lease and Tax Increment Funds.

Permanent Funds – accounts for in the same manner as governmental funds, such as the General Fund. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's permanent fund is the Cemetery Perpetual Care Fund.

Proprietary Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the City has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following are the City's major enterprise funds:

Muskogee Municipal Authority – accounts for the revenue from water and sanitary sewer operations.

Other enterprise funds of the City that are considered non-major funds include:

Solid Waste – accounts for the revenue from solid waste operations.

Stormwater – accounts for the revenue from stormwater operations.

Civic Center & Concessions – accounts for the operations of the Civic Center and concessions.

Muskogee Parking Authority – accounts for the operations of parking meters and lots.

Airport – accounts for the airport rental operation.

Roxy Theater – accounts for the operations of the Roxy.

Hatbox – accounts for the operations of the Hatbox.

Swim & Fitness – accounts for the operations of the Swim and Fitness Center.

Muskogee War Memorial Park Authority – accounts for the operations of the U.S.S. Baffish.

Muskogee State Fair Authority – accounts for the operations of state fairgrounds.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's fiduciary funds: Trust funds – Employee Benefit Trust and Private Purpose Trust; Agency funds – Meter Deposit and Escrow Fund.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held at the Bank of Oklahoma Trust in Escrow, Debt Service, Reserve and Construction Accounts. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in governmental funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds consist primarily of water meters, other materials held for subsequent use and concession supplies. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for the governmental and proprietary funds.

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25 - 40 years	25 - 40 years
Building improvements	10 - 25 years	10 - 25 years
Machinery and equipment	3 - 20 years	3 - 20 years
Infrastructure - parks/cemetery	10 years	10 years
Infrastructure - water/sewer	10 - 40 years	10 - 40 years
Infrastructure - streets	15 - 25 years	15 - 25 years

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. Deferred Charges

Loan origination fees are amortized ratably over the repayment period of the applicable bond using the straight-line method.

9. Compensated Absences

It is the City's policy to permit full-time, permanent employees to accumulate earned but unused vacation time after one year of service. Sick leave is earned by full-time, permanent employees upon hire. Salaried employees are awarded compensatory time for work performed in excess of forty hours per week. All City employees are entitled to payment for accrued vacation benefits upon termination with no specified maximums. Uniformed employees are entitled to payment for accrued sick leave upon termination after twenty years of services regardless of age, while non-uniformed employees vest sick leave at ten years of service and at reaching age fifty-five.

Vacation and compensatory time is recorded when incurred and sick leave is recorded when vested. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit. The liability is computed based on pay rates in effect as of June 30, 2011.

10. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

11. Net Assets/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Net Assets/Fund Balance (Continued)

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

12. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2011, the City held deposits of approximately \$28,801,236 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely 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.

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.).

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

The investments held at June 30, 2011 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
Investments			
Money Market	N/A	\$ 25,728,289	\$ 25,728,289
Government agency	N/A	38,623	38,623
Certificates of deposit	7.11	2,950,710	2,950,710
Municipal tax-supported money judgements	36.00	83,614	83,614
Total investments		<u>\$ 28,801,236</u>	<u>\$ 28,801,236</u>

Reconciliation to Statement of Net Assets

Governmental activities	\$ 19,125,762
Business-type activities	8,411,694
Fiduciary activities	1,263,780
	<u>\$ 28,801,236</u>

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 89.33% in Money Market funds (\$25,728,289), 0.13% in Government agencies (\$38,623), 10.24% in Certificate of Deposits (\$2,950,710) and 0.29% in Municipal tax-supported money judgments (\$83,614).

B. Uncollectible Accounts

The City's estimate of uncollectible accounts receivable by fund and activity is as follows:

	General Fund	Muskogee Municipal Authority	Muskogee Solid Waste	Muskogee Stormwater
Court fines	\$ 1,009,303	\$ -	\$ -	\$ -
Water	-	592,929	-	-
Refuse	-	-	88,221	-
Stormwater	-	-	-	18,916
Total	<u>\$ 1,009,303</u>	<u>\$ 592,929</u>	<u>\$ 88,221</u>	<u>\$ 18,916</u>

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 1,446,230	\$ 104,497	\$ -	\$ 1,550,727
Construction in progress	137,939	-	137,939	-
Total non-depreciable assets	1,584,169	104,497	137,939	1,550,727
Depreciable assets:				
Buildings and improvements	20,511,439	196,381	-	20,707,820
Furniture, fixtures and equipment	16,831,682	793,904	-	17,625,586
Infrastructure - parks	819,170	476,803	-	1,295,973
Infrastructure - water/sewer	4,625,618	3,856,848	-	8,482,466
Infrastructure - streets	364,640,740	1,883,468	-	366,524,208
Infrastructure - public services	38,165	-	-	38,165
Total depreciable assets	407,466,814	7,207,404	-	414,674,218
Less accumulated depreciation:				
Buildings and improvements	(16,913,808)	(161,770)	-	(17,075,578)
Furniture, fixtures and equipment	(12,450,462)	(695,857)	-	(13,146,319)
Infrastructure - parks	(87,875)	(60,186)	-	(148,061)
Infrastructure - water/sewer	(2,180,356)	(190,276)	-	(2,370,632)
Infrastructure - streets	(201,216,685)	(3,904,696)	-	(205,121,381)
Infrastructure - public services	(23,854)	(3,817)	-	(27,671)
Total accumulated depreciation	(232,873,040)	(5,016,602)	-	(237,889,642)
Net depreciable assets	174,593,774	2,190,802	-	176,784,576
Net governmental activities capital assets	\$ 176,177,943	\$ 2,295,299	\$ 137,939	\$ 178,335,303

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets (Continued)

Business-Type Activities:	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
Non-depreciable assets:				
Land	\$ 2,083,673	\$ -	\$ -	\$ 2,083,673
Construction in progress	12,268,457	5,954,409	-	18,222,866
Total non-depreciable assets	<u>14,352,130</u>	<u>5,954,409</u>	<u>-</u>	<u>20,306,539</u>
Depreciable assets:				
Buildings and improvements - Hatbox	3,115,248	-	-	3,115,248
Buildings and improvements - Civic Center	6,989,074	82,640	-	7,071,714
Buildings and improvements - Airport	930,910	-	-	930,910
Buildings and improvements - Parking	360,954	-	-	360,954
Furniture, fixtures and equipment	12,214,889	-	-	12,214,889
State fair assets	902,815	-	-	902,815
War memorial assets	221,141	-	-	221,141
Infrastructure - water/sewer	74,107,747	-	-	74,107,747
Infrastructure - parking	111,557	-	-	111,557
Infrastructure - sports complex	698,724	-	-	698,724
Infrastructure - swim & fitness	591,945	-	-	591,945
Infrastructure - airport	1,938,535	409,485	-	2,348,020
Total depreciable assets	<u>102,183,539</u>	<u>492,125</u>	<u>-</u>	<u>102,675,664</u>
Less accumulated depreciation:				
Buildings and improvements - Hatbox	(1,213,494)	(122,606)	-	(1,336,100)
Buildings and improvements - Civic Center	(522,536)	(176,123)	-	(698,659)
Buildings and improvements - Airport	(219,427)	(46,546)	-	(265,973)
Buildings and improvements - Parking	(198,197)	(4,398)	-	(202,595)
Furniture, fixtures and equipment	(2,013,871)	(386,519)	-	(2,400,390)
State fair assets	(579,176)	(13,215)	-	(592,391)
War memorial assets	(146,822)	(4,756)	-	(151,578)
Infrastructure - water/sewer	(29,187,595)	(1,917,023)	-	(31,104,618)
Infrastructure - parking	(111,247)	(310)	-	(111,557)
Infrastructure - sports complex	(349,362)	(34,936)	-	(384,298)
Infrastructure - swim & fitness	(36,997)	(14,798)	-	(51,795)
Infrastructure - airport	(475,527)	(97,311)	-	(572,838)
Total accumulated depreciation	<u>(35,054,251)</u>	<u>(2,818,541)</u>	<u>-</u>	<u>(37,872,792)</u>
Net depreciable assets	<u>67,129,288</u>	<u>(2,326,416)</u>	<u>-</u>	<u>64,802,872</u>
Net business-type activities capital assets	<u>\$ 81,481,418</u>	<u>\$ 3,627,993</u>	<u>\$ -</u>	<u>\$ 85,109,411</u>

Depreciation expense was charged as a direct expense of the various programs.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Inter-fund Receivables and Payables

The following schedule reflects the City's inter-fund due from and due to other governmental funds, which have been eliminated in the statement of net assets presentation in accordance with GASB 34:

	Due From	Due To
General Fund:		
Civic Center	\$ 164,744	\$ -
Swim and Fitness	50,000	-
Enterprise Funds:		
Civic Center:		
General Fund	-	164,744
Swim and Fitness:		
General Fund	-	50,000
Total all funds	\$ 214,744	\$ 214,744

E. Capitalized Leases

The City has entered into a capitalized lease for the acquisition of a fire truck. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification (ASC) 840-10 (Formerly FAS No. 13), Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

The capital leases are described below.

(1) Lease payable to Systems Finance Corporation for the lease purchase of police vehicles. Five yearly payments of \$204,405 plus interest at 3.24% are due on May 1, 2008 through May 1, 2012, to be repaid from the Police Capital Outlay Fund.	\$ 197,982
(1) Lease payable to Government Capital Corporation for the lease purchase of 3 pumper trucks. Four yearly payments of \$146,329 plus interest at 4.64% are due on November 1, 2007 through November 1, 2010, to be repaid from the Fire Capital Outlay Fund. This lease was paid off in the current year.	-
Total	\$ 197,982

The following is a summary of capitalized lease transactions for the year:

	Balance July 1, 2010	Additions	Payments and Cancellations	Balance June 30, 2011
Capital lease obligations	\$ 524,413	\$ -	\$ 326,431	\$ 197,982

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Capitalized Leases (Continued)

The annual debt service requirements to maturity, including principal and interest, for leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 197,982	\$ 6,423	\$ 204,405
Total	\$ 197,982	\$ 6,423	\$ 204,405

F. Long-term Debt

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

The governmental long-term debt of the financial reporting entity consisted of the following:

A tax-increment bond payable was issued August 26, 1987 by the Muskogee Urban Renewal Authority in the original amount of \$220,000 for tax-increment financing of an agreed-upon share of the costs of acquisition of land, relocation and asbestos removal of the severs Hotel; interest at 80% of Chase prime with a ceiling of 14% and a floor of 7%; payable over a term not to exceed thirty years with a principal payment of the lesser of (a) the amount of the annual principal payment for a year calculated as if the debt service was equal annual payments over fifteen years at an interest rate of 7%, or (b) the balance of funds remaining after the payment of the current year's interest from the apportionment of millage during the prior fiscal year installment, or (c) the remaining principal balance of the last installment; to be repaid from the apportionment of millage allocated to the City and pledged to the Authority.

A Utility relocation contract payable to the Oklahoma Department of Transportation (ODOT) was issued November 8, 2004 to refinance the relocation costs of the water and sewer lines within the U.S. Highway 69 relocation which totaled \$985,730. It is payable with no interest in monthly installments equal to 1/120th of the original balance due beginning within 60 days from the date of receipt by ODOT of the final billing which was dated May 27, 2005. APB-21 excludes payables whose interest rate is determined by a government agency from the requirements to impute interest, and no interest has been imputed. At June 30, 2011, no request for payment has been made by ODOT and no payment has been made by the City. Resources for repayment are to be provided by the Street and Alley Fund.

Judgments payable are various court-assessed judgments against the City, each judgment payable in three annual installments plus interest at the statutory rate set by the Oklahoma State Treasurer which was 9.25% for the calendar year 2011, to be repaid from property tax levy.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

The following is a summary of long-term debt transactions of the Governmental Activities of the City:

	Balance Outstanding 7/1/10	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/11	Current Portion
Governmental Activities:					
Tax-increment bond payable	\$ 29,334	\$ -	\$ (7,334)	\$ 22,000	\$ 7,333
ODOT contract payable	985,730	-	-	985,730	197,146
Judgments payable	390,611	233,102	(192,968)	430,745	202,568
Total	<u>\$ 1,405,675</u>	<u>\$ 233,102</u>	<u>\$ (200,302)</u>	<u>\$ 1,438,475</u>	<u>\$ 407,047</u>

The business-type long-term debt of the financial reporting entity consisted of the following:

Several promissory notes payable were issued by the Municipal Authority of the City of Muskogee to the Oklahoma Water Resources Board. These notes, although listed individually, were a part of an overall loan agreement that included both zero interest loans and below market interest loans. The aggregate interest rates of the overall loan agreement would not be considered "inappropriate" pursuant to APB No. 21 and consequently no interest has been imputed on the zero interest loans.

The Oklahoma Water Resources Board notes are secured by a pledge and assignment of revenues derived by the Authority from its operation of the water and sewer systems serving the City of Muskogee. The notes are subject to the terms and provisions of the Loan Agreement dated September 1, 1994, between the Oklahoma Water Resources Board and the Muskogee Municipal Authority. The terms of this agreement include (1) a rate covenant and (2) the establishment and funding of debt service funds held by a local trustee. For the year ended June 30, 2011, the City complied, in all material respects, with these covenants.

The following were the Oklahoma Water Resources Board notes outstanding at June 30, 2011:

Series 1993A SRF Promissory Note in the original amount of \$2,141,969 payable without interest together with an administrative fee of 0.5% per annum in consecutive semiannual installments commencing September 15, 1993, and on or before the 15th day of March and September thereafter up to and including March 15, 2013.

Series 1994A SRF Promissory Note in the original amount of \$2,479,231 payable without interest together with an administrative fee of 0.5% per annum in consecutive semiannual installments commencing February 15, 1997, and on or before the 15th day of February and August thereafter up to and including August 15, 2014.

Series 1998A SRF Promissory Note in the original amount of \$3,480,000 payable without interest together with an administrative fee of 0.5% per annum in consecutive semiannual installments commencing February 15, 1999, and on or before the 15th day of February and August thereafter up to and including August 15, 2018.

Series 1998B SRF Promissory Note in the original amount of \$5,850,000 payable at an average interest rate of 5.1% per annum in consecutive semiannual installments commencing February 15, 1999, and on or before the 15th day of February and August thereafter up to and including February 15, 2018. This note was consolidated with a current issue.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

Series 1999A SRF Promissory Note in the original amount of \$1,970,766 payable at an average interest rate of 0.5% per annum in consecutive semiannual installments commencing February 15, 2000, and on or before the 15th day of February and August thereafter up to and including February 15, 2019.

Series 1999B SRF Promissory Note in the original amount of \$3,335,000 payable at an average interest rate of 5.767% per annum in consecutive semiannual installments commencing August 15, 2000, and on or before the 15th day of February and August thereafter up to and including August 15, 2019. This note was consolidated with a current issue.

Series 2003B SRF Promissory Note in the original amount of \$4,575,000 payable at an average interest rate of 1.27% per annum in consecutive semiannual installments commencing September 15, 2003, and on or before the 15th day of March and September thereafter up to and including September 15, 2014.

Series 2008 SRF Promissory Note in the original amount of \$30,410,000 payable at an average interest rate of 3.96% per annum in consecutive semiannual interest installments commencing September 15, 2009 and principal installments commencing September 15, 2012, and on or before the 15th day of March and September thereafter up to and including March 15, 2032. Only draws on the loan have been taken at this time so the full amount has not been reached.

Series 2009 Clean Water SRF Promissory Note in the original amount of \$1,435,000 payable at an average interest rate of 2.36% per annum in consecutive semiannual installments commencing March 15, 2011, and on or before the 15th day of September and March thereafter up to and including March 15, 2030.

Series 2010 SRF Promissory Note in the original amount of \$6,565,000 payable at an average interest rate of 2.4% per annum in consecutive semiannual installments commencing December 1, 2010, and on or before the 1st day of June and December thereafter up to and including December 1, 2014.

Series 2010A SRF Promissory Note in the original amount of \$4,215,000 payable at an average interest rate of 3.25% per annum in consecutive semiannual installments commencing March 1, 2011, and on or before the 1st day of March and September thereafter up to and including September 1, 2017.

A note payable from Muskogee Municipal Authority was issued to the City of Muskogee Foundation for the construction of the Port Place roads in the amount \$1,200,000. The note is payable in ten semiannual installments of \$126,698 plus interest at 2% and are due June 1, 2010 to December 1, 2014.

A lease payable from the Muskogee Municipal Authority was issued to Honeywell for the purchase of a new water meter system and City Hall's new heat & air system in the amount of \$10,026,300. The lease is payable in thirty semi-annual installments of \$462,945 plus interest at 4.25% and are due January 2008 to July 2023.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

The City is not obligated in any manner for the debt of its component units or trusts. The following is a summary of long-term debt transactions of the component units and trusts of the City:

	Balance Outstanding 7/1/10	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/11	Current Portion
Muskogee Municipal Authority:					
OWRB - 1993A SRF	\$ 321,296	\$ -	\$ (107,099)	\$ 214,197	\$ 107,098
OWRB - 1994A SRF	557,827	-	(123,962)	433,865	123,962
OWRB - 1998A SRF	1,479,000	-	(174,000)	1,305,000	174,000
OWRB - 1998B SRF	3,295,000	-	(3,295,000)	-	-
OWRB - 1999A SRF	909,584	-	(101,065)	808,519	101,065
OWRB - 1999B SRF	2,070,000	-	(2,070,000)	-	-
OWRB - 2003B SRF	2,105,000	-	(440,000)	1,665,000	450,000
OWRB - 2008 SRF	12,077,935	6,829,936	-	18,907,871	-
OWRB - 2009 SRF	790,790	172,382	-	963,172	38,579
OWRB - 2010 SRF	-	6,565,000	(940,000)	5,625,000	1,555,000
OWRB - 2010A SRF	-	4,215,000	(40,000)	4,175,000	520,000
Muskogee Foundation	1,075,568	-	(233,045)	842,523	237,729
Honeywell	8,763,628	-	(548,392)	8,215,236	571,256
Total	<u>\$ 33,445,628</u>	<u>\$ 17,782,318</u>	<u>\$ (8,072,563)</u>	<u>\$ 43,155,383</u>	<u>\$ 3,878,689</u>

The annual debt service requirements to maturity, including principal, interest and administrative fees, for long-term debt are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 407,047	\$ 30,024	\$ 437,071
2013	354,956	22,186	377,142
2014	282,180	11,439	293,619
2015	197,146	-	197,146
2016	197,146	-	197,146
Total	<u>\$ 1,438,475</u>	<u>\$ 63,649</u>	<u>\$ 1,502,124</u>

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2012	\$ 3,878,689	\$ 602,524	\$ 4,481,213
2013	4,063,487	520,633	4,584,120
2014	4,121,236	431,796	4,553,032
2015	2,904,818	344,452	3,249,270
2016	1,666,025	298,940	1,964,965
2017-2021	5,842,818	940,213	6,783,031
2022-2026	1,521,735	134,440	1,656,175
2027-2030	248,706	13,639	262,345
Total	<u>24,247,514</u>	<u>3,286,637</u>	<u>27,534,151</u>

3. OTHER INFORMATION

A. Risk Management

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

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk Retained</u>
Torts, errors and omissions	Purchased Insurance with Oklahoma Municipal Assurance Group.	See (1) below
Injuries to employees	Self-insured.	See (2) below
Physical property loss and Natural disasters	Purchased commercial insurance with \$1,000 to \$50,000 deductibles.	None
Health	Self-insured.	See (3) below

(1) *Liability Protection Plan* – The basic insurance agreements with the Oklahoma Municipal Assurance Group cover claims against municipalities for all government functions, utilities and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws. All public officials, employees, services and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan is vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the group in equal shares. Each participating City pays all costs, premiums or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the re-insurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

- (2) *Workers Compensation* – The City has established a Workers Compensation Trust Fund. Claims settled without adjudication or arbitration are paid from the Trust Fund. Since claims for Joint Petition Settlements, Form 14 Settlements and adjudicated final orders of the Workers' Compensation Court pertaining to permanent and temporarily disability awards and medical treatment claims are paid through the City's sinking fund by property taxes assessed and collected annually specifically for this purpose, the risk retained by the City is limited to payments for undisputed temporary disability and medical treatment payments. The City has excess insurance with retention of \$350,000 per accident for police and firemen and \$300,000 for non-uniform employees. No liability for reported claims or for incurred but not reported claims has been accrued at June 30, 2011. The City's contributions to this fund were \$372,450 in the year ended June 30, 2011. At June 30, 2011, this fund had been fully funded by contributions from the City and had a zero fund balance.
- (3) *Health Benefits* – The City has established a trust fund for providing health benefits to its employees and covered dependents. Health benefits were self-insured up to a specific stop loss amount of \$125,000 per individual claim and an aggregate stop loss of approximately \$3,000,000 for 2011. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third-party claims administrator. No liabilities for reported claims or for claims incurred but not reported have been accrued at June 30, 2011. Management believes such coverage is sufficient to preclude any significant losses to the City.

All operating funds of the City participate in the program and make payments to the Life and Medical Trust Fund. Contributions to the fund are based on actuarial estimates of the amounts need to pay prior and current year claims. The contributions made by the City (as employer) were \$3,387,955 and by employees were \$23,970 for 2011. At June 30, 2011, this fund had a fund balance of -\$255,449.

B. Contingent Liabilities

The City is a defendant in legal actions arising from normal governmental activities. Most of these actions are covered by insurance. Although the outcome of these lawsuits is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Plans

City employees participate in three retirement plans, which are discussed below:

The City of Muskogee, as the employer, participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of the policemen and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes and state appropriations, as necessary.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

1. Oklahoma Police Pension and Retirement Fund

All City police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63rd Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contribution from the City for these plans was \$498,517, \$528,502 and \$526,138 for 2011, 2010 and 2009, respectively. The required contribution was fully contributed. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

2. Oklahoma Firefighter's Pension and Retirement Fund

All City fire department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OFPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the City for these plans was \$586,021, \$606,559 and \$579,330 for 2011, 2010 and 2009, respectively. The required contribution was fully contributed. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

3. Defined contribution plan

Effective July 1, 1996, the City participates in a defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. A defined contribution plan's benefits depend solely on amounts contributed to the plan, investment earnings and forfeitures of other participants' benefits that may be allocated to remaining participants' accounts. Benefits vest after ten years of credited service, with normal retirement at age 65 and early retirement at age 55 with 10 years or more of service. Participants are required to contribute 3% of their covered compensation and the City is required to contribute 7.428% of covered compensation. Participants are permitted to make voluntary deductible contributions to the plan. The City's annual pension cost of \$659,714 was equal to the City's required and actual contributions.

OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

4. Municipal Employees Retirement Fund

In addition to the above plans, the non-uniformed employees of the City have a beneficial interest in the trust account of the City known as the Municipal Employees Retirement Fund. This fund had a fund balance of \$22,165 at June 30, 2011. None of the fund balance had been allocated to employees at June 30, 2011. Historically, these funds have been used by the City to make direct payments to pre-1984 retirees as voluntary payments to provide treatment that is more favorable for this retiree group. This group of pre-1984 retirees receives retirement payments from annuity contracts through the insurer that the City's retirement plan used prior to its current agreement with the Oklahoma Municipal Retirement Fund (OMRF). Voluntary payments to pre-1984 retirees totaled \$2,616, \$3,224 and \$11,582 in the years ended June 30, 2011, 2010 and 2009, respectively.

D. Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2011, approximately 14 retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the City contributed \$2,760,074 to the plan. Plan members receiving benefits contributed \$113,833, or approximately 100 percent of the total premiums, through their required contribution of \$544.91 per month for retiree-only coverage and \$879.18 for retiree and spouse medical coverage, these amounts include dental and vision coverage.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The following shows the components of the City's annual OPEB cost and the City's net OPEB obligation for the year ended June 30, 2011:

Current Service Cost (\$226,001) + Amortization Amount (\$217,433) = Total Contribution (\$443,435).
OPEB obligation for retired employees as determined by Actuarial is \$3,541,748.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
6/30/2010	\$ -	Actuarial	\$ 3,541,748	\$ 3,541,748	0.0%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2010, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate of 4.5% was used. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2011, was twenty-eight years.

4. OTHER INTERFUND TRANSACTIONS

The Muskogee Municipal Authority entered a lease agreement dated October 1, 1976 with the City of Muskogee. The property leased from the City includes the presently existing and hereafter acquired water and sanitary sewer systems. The leased property and the gross revenues derived there from are referred to collectively as the Trust Estate in the lease which was amended May 1, 1992. The term of the lease is to September 30, 1998, or until such date as all indebtedness incurred by the Authority and secured by the Trust Estate or any part thereof is paid.

The Muskogee Municipal Authority provided water and sewer services during the current fiscal year to the following users at no charge: City of Muskogee Departments, Muskogee State Fair Authority and Muskogee City-County Health Department.

5. LEASE AGREEMENTS

The City of Muskogee leases unimproved land at the Muskogee Davis Field Airport to various lessees for the purpose of constructing, operating and maintaining airplane hangars. The initial term of these leases is twenty years, with right of first refusal to negotiate a new lease at the termination of the initial twenty-year lease. The rental charge is \$0.13 per square foot per year due annually, with limits for increases to rental charges over the twenty-year term. The annual rental payment for each parcel leased for hangar construction is approximately \$600. At June 30, 2011, there were five such leases in effect. Since the leases are for unimproved realty, there is no depreciation or other direct expense related to the assets subject to the leases.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

5. LEASE AGREEMENTS (Continued)

The Muskogee War Memorial Park Authority subleases a portion of its museum to an American Legion Post under the terms of a sublease agreement dated May 14, 1984. The sublease agreement provided a primary sublease term of 15 years (through 1999) and was renewable by the American Legion Post for an additional 25-year term. At the inception of the primary lease term, a \$13,065 lump-sum payment was received by the MWMPA in full payment of both the primary and renewal sublease periods. The lump-sum sublease prepayment is being amortized to income over a 40-year period at a rate of \$327 per year and, at June 30, 2011, has a remaining unamortized balance of \$4,508. The unamortized balance is included as deferred revenue.

6. RELATED ORGANIZATIONS

The Muskogee City Council is responsible for appointing members of the board of other organizations. Additionally, the City of Muskogee, in conjunction with the Muskogee County Commissioners, has created jointly-governed organizations whose boards are composed of or appointed by the City Council and the County Commissioners. These related organizations exist as separate legal entities and the City's accountability for these organizations does not extend beyond making the board appointments. A list of organizations for whom the City and/or County appoints a majority of the members of their boards includes the following:

- A More Beautiful Muskogee
- Muskogee Housing Authority
- Muskogee City-County Port Authority
- Muskogee County Transit Authority
- Muskogee Industrial Trust
- Muskogee Medical Center Authority
- Urban Renewal Authority

7. SUBSEQUENT EVENTS

The Oklahoma Water Resources Board (OWRB) approved awarding a Clean Water State Revolving Fund loan to the Muskogee Municipal Authority in an amount not to exceed \$12,775,000 for the lift station rehabilitation, the collection system rehabilitation and the eastside relief line project. Management has evaluated subsequent events through October 27, 2011, which is the date the financial statements were available to be issued.

**CITY OF MUSKOGEE
Muskogee, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2011**

CITY OF MUSKOGEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Taxes	\$ 13,857,180	\$ 13,857,180	\$ 15,244,212	\$ 1,387,032
Franchise fees	2,250,000	2,250,000	2,204,964	(45,036)
Intergovernmental programs	20,000	20,000	127,656	107,656
Fines and forfeits	1,066,000	1,066,000	1,000,262	(65,738)
Licenses and permits	175,000	175,000	273,117	98,117
Interest	100,000	100,000	28,292	(71,708)
Rental receipts	204,853	204,853	195,028	(9,825)
Cemetery collections	80,000	80,000	88,831	8,831
Miscellaneous revenue	21,000	21,000	59,278	38,278
Sale of property	15,000	15,000	28,178	13,178
Total revenues	<u>17,789,033</u>	<u>17,789,033</u>	<u>19,249,818</u>	<u>1,460,785</u>
Expenditures:				
Current:				
General government	5,331,493	5,331,493	4,731,295	600,198
Public safety and judiciary	12,386,949	12,386,949	12,242,341	144,608
Streets	1,432,425	1,432,425	1,333,020	99,405
Cultural and recreational	2,215,262	2,215,262	2,096,019	119,243
Utilities	6,144,025	6,144,025	5,818,296	325,729
Capital outlay	-	-	-	-
Other public services	166,000	166,000	166,000	-
Total expenditures	<u>27,676,154</u>	<u>27,676,154</u>	<u>26,386,971</u>	<u>1,289,183</u>
Excess of revenue over (under) expenditures	(9,887,121)	(9,887,121)	(7,137,153)	2,749,968
Other financing sources (uses):				
Operating transfers in (out)	9,500,750	9,500,750	8,799,836	(700,914)
Net changes in fund balance	(386,371)	(386,371)	1,662,683	2,049,054
Net assets - beginning of year	<u>9,265,866</u>	<u>9,265,866</u>	<u>9,265,866</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,879,495</u>	<u>\$ 8,879,495</u>	<u>\$ 10,928,549</u>	<u>\$ 2,049,054</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF MUSKOGEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
(Unaudited)

SPECIAL REVENUE FUNDS

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Taxes	\$ 5,280,503	\$ 5,280,503	\$ 6,156,758	\$ 876,255
Intergovernmental programs	712,000	712,000	1,144,799	432,799
Donations	150,500	150,500	772,710	622,210
Fines and forfeitures	30,000	30,000	56,116	26,116
Interest	28,115	28,115	6,589	(21,526)
Sale of property	11,000	11,000	33,713	22,713
Rental receipts	13,000	13,000	15,345	2,345
Admissions & concessions	31,500	31,500	28,977	(2,523)
Licenses and permits	-	-	16,000	16,000
Judgements	5,000	5,000	19,280	14,280
Miscellaneous	61,500	61,500	75,218	13,718
Total revenues	<u>6,323,118</u>	<u>6,323,118</u>	<u>8,325,505</u>	<u>2,002,387</u>
Expenditures:				
Economic development	430,000	430,000	428,837	1,163
General government	832,920	832,920	757,365	75,555
Public safety and judiciary	3,729,474	3,729,474	3,634,801	94,673
Streets	858,480	858,480	856,404	2,076
Cultural & recreation	532,833	532,833	531,202	1,631
Water and sewer	386,909	386,909	297,710	89,199
Solid waste	110,000	110,000	108,407	1,593
Other public services	320,000	320,000	317,000	3,000
Capital outlay	1,382,603	1,382,603	1,259,023	123,580
Debt service:				
Principal	134,671	134,671	134,671	-
Interest expense	11,660	11,660	11,660	-
Total expenditures	<u>8,729,550</u>	<u>8,729,550</u>	<u>8,337,080</u>	<u>392,470</u>
Excess of revenue over (under) expenditures	<u>(2,406,432)</u>	<u>(2,406,432)</u>	<u>(11,575)</u>	<u>2,394,857</u>
Other financing sources (uses):				
Operating transfers in (out)	<u>742,041</u>	<u>742,041</u>	<u>302,379</u>	<u>(439,662)</u>
Net changes in fund balance	<u>(1,664,391)</u>	<u>(1,664,391)</u>	<u>290,804</u>	<u>1,955,195</u>
Fund balance at beginning of year	<u>4,872,837</u>	<u>4,872,837</u>	<u>4,872,837</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,208,446</u>	<u>\$ 3,208,446</u>	<u>\$ 5,163,641</u>	<u>\$ 1,955,195</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF MUSKOGEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
(Unaudited)

CAPITAL PROJECTS FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Taxes	\$ 4,073,537	\$ 4,073,537	\$ 4,313,748	\$ 240,211
Intergovernmental programs	-	-	25,987	25,987
Donations	-	-	312,918	312,918
Interest	2,500	2,500	1,177	(1,323)
Miscellaneous	-	-	-	-
Total revenues	<u>4,076,037</u>	<u>4,076,037</u>	<u>4,653,830</u>	<u>577,793</u>
Expenditures:				
Economic development	-	-	-	-
General government	-	715,000	710,976	4,024
Public safety and judiciary	-	-	-	-
Streets	-	-	-	-
Cultural & recreation	-	180,000	174,716	5,284
Utilities	-	8,000	7,800	200
Capital outlay	3,022,000	6,111,000	5,718,559	392,441
Debt service:				
Principal	-	-	-	-
Interest expense	-	8,000	7,877	123
Total expenditures	<u>3,022,000</u>	<u>7,022,000</u>	<u>6,619,928</u>	<u>402,072</u>
Excess of revenue over (under) expenditures	1,054,037	(2,945,963)	(1,966,098)	979,865
Other financing sources (uses):				
Operating transfers in (out)	<u>(16,560)</u>	<u>3,983,440</u>	<u>2,122,370</u>	<u>(1,861,070)</u>
Net changes in fund balance	1,037,477	1,037,477	156,272	(881,205)
Fund balance at beginning of year	<u>4,614,877</u>	<u>4,614,877</u>	<u>4,614,877</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,652,354</u>	<u>\$ 5,652,354</u>	<u>\$ 4,771,149</u>	<u>\$ (881,205)</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2011
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

**CITY OF MUSKOGEE
Muskogee, Oklahoma**

**SUPPLEMENTAL INFORMATION
June 30, 2011**

CITY OF MUSKOGEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011

Special Revenue

	Capital Outlay Police	Capital Outlay Fire	Capital Outlay Non-uniform	Community Clean Up	Street & Alley	Solid Waste	Sales Tax Capital Outlay	Home Grants	Special Revenue	
									Capital Outlay Police	Home Grants
Assets:										
Cash and equivalents	\$ 36,002	\$ 6,374	\$ 548,199	\$ (2,241)	\$ 28,387	\$ 45,562	\$ 1,276,296	\$ 314		
Investments at cost	-	-	-	-	-	495	-	-		
Accounts receivable, net	-	-	-	17,009	-	131	-	-		
Grants receivable	-	-	-	-	-	-	-	-		
Taxes receivable	23,789	23,789	23,789	-	273,403	-	190,313	-		
Interest receivable	-	-	-	-	-	5	-	-		
Restricted assets:										
Cash & investments	-	-	-	-	-	-	-	-		
Total assets	\$ 59,791	\$ 30,163	\$ 571,988	\$ 14,768	\$ 301,790	\$ 46,193	\$ 1,466,609	\$ 314		
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 27,702	\$ -	\$ 100,750	\$ -	\$ 144,562	\$ -		
Cash overdraft	-	-	-	-	-	-	-	-		
Due to other funds	-	-	-	-	-	-	-	-		
Accrued payroll	-	-	-	-	-	-	-	-		
Total liabilities	\$ -	\$ -	\$ 27,702	\$ -	\$ 100,750	\$ -	\$ 144,562	\$ -		
Fund balances:										
Restricted	59,733	30,147	543,720	14,766	200,854	46,090	1,319,862	281		
Committed	58	16	566	2	186	103	2,185	33		
Unassigned	-	-	-	-	-	-	-	-		
Total fund balances	\$ 59,791	\$ 30,163	\$ 544,286	\$ 14,768	\$ 201,040	\$ 46,193	\$ 1,322,047	\$ 314		
Total liabilities and fund balances	\$ 59,791	\$ 30,163	\$ 571,988	\$ 14,768.00	\$ 301,790	\$ 46,193	\$ 1,466,609	\$ 314		

CITY OF MUSKOGEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011

Special Revenue

(Continued) Assets:	Park Development Grant	Emergency Management Grants	Police Equipment Grants	Drug Forfeiture Revenue	Drug Forfeiture Federal	Emergency 911	City- County 911	CDBG Grants
Cash and equivalents	\$ 115,155	\$ 3,509	\$ 42,861	\$ 48,225	\$ 44,254	\$ 73,703	\$ 6,747	\$ 371,811
Investments at cost	-	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-	65,631
Grants receivable	73,303	-	-	-	-	-	-	97,229
Taxes receivable	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Restricted assets:								
Cash & investments	-	-	-	-	-	-	-	-
Total assets	\$ 188,458	\$ 3,509	\$ 42,861	\$ 48,225	\$ 44,254	\$ 73,703	\$ 6,747	\$ 534,671
Liabilities:								
Accounts payable	\$ 15,096	\$ -	\$ 20,516	\$ 5,151	\$ -	\$ 3,423	\$ -	\$ 97,264
Cash overdraft	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	28,451	-	-
Total liabilities	\$ 15,096	\$ -	\$ 20,516	\$ 5,151	\$ -	\$ 31,874	\$ -	\$ 97,264
Fund balances:								
Restricted	173,139	3,509	22,291	43,006	44,254	41,771	6,747	436,863
Committed	223	-	54	68	-	58	-	544
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	\$ 173,362	\$ 3,509	\$ 22,345	\$ 43,074	\$ 44,254	\$ 41,829	\$ 6,747	\$ 437,407
Total liabilities and fund balances	\$ 188,458	\$ 3,509	\$ 42,861	\$ 48,225	\$ 44,254	\$ 73,703	\$ 6,747	\$ 534,671

CITY OF MUSKOGEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011

Special Revenue

(Continued) Assets:	Park Development	Repair and Replacement	Job Incentives	Sales Tax				Animal Control	Animal Adopt Fees
				Non Uniform Benefit	Police Benefit	Fire Benefit	Sales Tax Benefit		
Cash and equivalents	\$ 169,405	\$ 16,087	\$ 238,712	\$ 281,813	\$ 213,490	\$ 440,545	\$ 41,896	\$ 48,862	
Investments at cost	-	-	-	-	-	-	-	-	
Accounts receivable, net	-	139	-	-	-	-	-	-	
Grants receivable	16,747	-	-	-	-	-	-	-	
Taxes receivable	-	-	-	190,313	190,313	190,313	-	-	
Interest receivable	-	-	-	-	-	-	-	-	
Restricted assets:	-	-	-	-	-	-	-	-	
Cash & investments	-	-	-	-	-	-	-	-	
Total assets	\$ 186,152	\$ 16,226	\$ 238,712	\$ 472,126	\$ 403,803	\$ 630,858	\$ 41,896	\$ 48,862	
Liabilities:									
Accounts payable	\$ 16,361	\$ 711	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 390	
Cash overdraft	-	-	-	-	-	-	-	-	
Due to other funds	-	-	-	-	-	-	-	-	
Accrued payroll	1,365	-	-	51,709	54,977	54,965	-	-	
Total liabilities	\$ 17,726	\$ 711	\$ 5,000	\$ 51,709	\$ 54,977	\$ 54,965	\$ -	\$ 390	
Fund balances:									
Restricted	168,328	15,472	233,134	420,050	348,531	575,204	41,834	48,472	
Committed	98	43	578	367	295	689	62	-	
Unassigned	-	-	-	-	-	-	-	-	
Total fund balances	\$ 168,426	\$ 15,515	\$ 233,712	\$ 420,417	\$ 348,826	\$ 575,893	\$ 41,896	\$ 48,472	
Total liabilities and fund balances	\$ 186,152	\$ 16,226	\$ 238,712	\$ 472,126	\$ 403,803	\$ 630,858	\$ 41,896	\$ 48,862	

CITY OF MUSKOGEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue						
	Weed & Seed Program	Youth Alcohol Prevention	Community Development	Department of Energy Grants	Youth Fines	Convention and Tourism	Multi- cultural
(Continued)							
Assets:							
Cash and equivalents	\$ (86,485)	\$ 84,192	\$ 98,437	\$ -	\$ 29,356	\$ 82,981	\$ -
Investments at cost	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-
Grants receivable	129,339	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-
Restricted assets:							
Cash & investments	-	-	-	-	-	-	-
Total assets	\$ 42,854	\$ 84,192	\$ 98,437	\$ -	\$ 29,356	\$ 82,981	\$ -
Liabilities:							
Accounts payable	\$ 4,643	-	-	-	-	\$ 11,320	-
Cash overdraft	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Accrued payroll	2,502	-	-	-	-	-	-
Total liabilities	\$ 7,145	\$ -	\$ -	\$ -	\$ -	\$ 11,320	\$ -
Fund balances:							
Restricted	35,709	84,192	98,155	-	29,356	71,582	-
Committed	-	-	282	-	-	79	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	\$ 35,709	\$ 84,192	\$ 98,437	\$ -	\$ 29,356	\$ 71,661	\$ -
Total liabilities and fund balances	\$ 42,854	\$ 84,192	\$ 98,437	\$ -	\$ 29,356	\$ 82,981	\$ -

CITY OF MUSKOGEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Capital Projects									
	Civic Center Improvement	Street Maintenance Installation	2009 Sewer Rehabilitation	2009 Capital Improvement	75 Limited Access B	98 Sales Tax Improvement	Chandler Road Detention	Sales Tax Economic Development		
Assets:										
Cash and equivalents	\$ 186,170	\$ 1,624,268	\$ 779,877	\$ 1,471,456	\$ 70,471	\$ -	\$ 121,429	\$ -		
Investments at cost	-	-	-	-	-	-	-	-		
Accounts receivable, net	-	-	-	-	-	-	-	-		
Grants receivable	-	-	-	-	-	-	-	-		
Taxes receivable	-	237,891	304,501	171,282	-	-	-	-		
Interest receivable	-	-	-	-	-	-	-	-		
Restricted assets:										
Cash & investments	688	-	-	-	-	-	-	-		
Total assets	\$ 186,858	\$ 1,862,159	\$ 1,084,378	\$ 1,642,738	\$ 70,471	\$ -	\$ 121,429	\$ -		\$ 1
Liabilities:										
Accounts payable	\$ -	\$ 42,330	\$ 323,014	\$ 1,130	\$ -	\$ -	\$ -	\$ -		\$ -
Cash overdraft	-	-	-	-	-	-	-	-		-
Due to other funds	-	-	-	-	-	-	-	-		-
Accrued payroll	-	-	-	-	-	-	-	-		-
Total liabilities	\$ -	\$ 42,330	\$ 323,014	\$ 1,130	\$ -	\$ -	\$ -	\$ -		\$ -
Fund balances:										
Reserved	186,454	1,819,829	761,363	1,641,608	70,353	(21)	121,225	(7)		
Unreserved	404	-	1	-	118	21	204	8		
Total fund balances	\$ 186,858	\$ 1,819,829	\$ 761,364	\$ 1,641,608	\$ 70,471	\$ -	\$ 121,429	\$ -		\$ 1
Total liabilities and fund balances	\$ 186,858	\$ 1,862,159	\$ 1,084,378	\$ 1,642,738	\$ 70,471	\$ -	\$ 121,429	\$ -		\$ 1

CITY OF MUSKOGEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011

(Continued) Assets:	Capital Projects		Debt Service			Permanent Fund		Total Non-Major Governmental Funds
	Local Law Enforcement Block Grant	Water/ Sewer Improvement	Spaulding Park	Sinking	Tax Increment	Cemetery Perptual Care	Capital Lease	
Cash and equivalents	762	208,603	(39,602)	31,867	12,098	433,849	255,732	9,461,430
Investments at cost	-	-	-	-	-	1,040	-	1,535
Accounts receivable, net	-	-	-	-	-	45	-	82,955
Grants receivable	-	-	25,987	-	-	-	-	342,605
Taxes receivable	-	-	-	3,321	-	-	-	1,823,017
Interest receivable	-	-	-	-	-	8	-	13
Restricted assets:								
Cash & investments	-	-	-	-	-	-	-	688
Total assets	762	208,603	(13,615)	35,188	12,098	434,942	255,732	11,712,243
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	845,524
Cash overdraft	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-	-	193,969
Total liabilities	-	-	26,161	-	-	-	-	1,039,493
Fund balances:								
Restricted	755	208,242	-	34,874	12,098	433,933	255,630	10,703,388
Committed	7	361	-	314	-	1,009	102	9,138
Unassigned	-	-	(39,776)	-	-	-	-	(39,776)
Total fund balances	762	208,603	(39,776)	35,188	12,098	434,942	255,732	10,672,750
Total liabilities and fund balances	762	208,603	(13,615)	35,188	12,098	434,942	255,732	11,712,243

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue									
	Capital Outlay Police	Capital Outlay Fire	Capital Outlay Non-uniform	Community Clean Up	Street & Alley	Solid Waste	Sales Tax Capital Outlay	Home Grants		
Revenues:										
Taxes	143,792	143,792	143,792	-	223,916	-	1,150,333	-		
Intergovernmental programs	-	-	181,700	465	296,765	-	-	-		
Donations	-	-	-	-	-	-	120,000	-		
Fines and forfeits	-	-	-	-	-	-	-	-		
Interest	58	16	566	2	186	103	2,185	-		33
Sale of property	-	-	-	-	450	52	-	-		-
Rental receipts	-	-	-	-	-	-	-	-		-
Admissions & concessions	-	-	-	-	-	-	-	-		-
Licenses and permits	-	-	-	19,280	-	-	-	-		-
Judgements	-	-	-	-	-	-	-	-		-
Lease/note proceeds	-	-	-	-	-	-	-	-		-
Miscellaneous	-	-	-	11,848	625	15,326	-	-		-
Total revenues	143,850	143,808	326,058	31,595	521,942	15,481	1,272,518	1,150,333		33
Expenditures:										
Economic development	-	-	-	65,400	-	-	-	-		-
General government	-	-	13,150	-	-	-	133,999	-		-
Public safety and judiciary	-	-	-	-	-	-	108,020	-		-
Streets	-	-	-	-	719,486	-	23,811	-		-
Cultural & recreation	-	-	-	-	-	-	25,821	-		-
Water and sewer	-	-	-	-	-	-	28,294	-		-
Solid waste	-	-	-	-	-	5,051	-	-		-
Other public services	-	-	-	-	-	-	-	-		-
Capital outlay	-	-	32,303	-	-	175,000	716,647	-		-
Debt service:										
Principal	-	134,671	-	-	-	-	-	-		-
Interest expense	-	11,660	-	-	-	-	-	-		-
Total expenditures	-	146,331	45,453	65,400	719,486	180,051	1,036,592	1,036,592		-
Excess of revenues over (under) expenditures	143,850	(2,523)	280,605	(33,805)	(197,544)	(164,570)	235,926	235,926		33
Other financing uses:										
Operating transfers in (out)	(144,405)	-	-	-	-	144,000	(127,283)	(127,283)		(25,000)
Excess of revenues over (under) expenditures & transfers	(555)	(2,523)	280,605	(33,805)	(197,544)	(20,570)	108,643	108,643		(24,967)
Fund balance - beginning of year	60,346	32,686	263,681	48,573	398,584	66,763	1,213,404	1,213,404		25,281
Fund balance - end of year	59,791	30,163	544,286	14,768	201,040	46,193	1,322,047	1,322,047		314

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

(Continued) Revenues:	Park Development Grant	Emergency Management Grants	Police Equipment Grants	Special Revenue				City- County 911	CDBG Grants
				Emergency 911	Drug Forfeiture Revenue	Drug Forfeiture Federal	Emergency 911		
Taxes	-	-	-	-	-	-	189,074	-	-
Intergovernmental programs	78,532	5,000	75,819	-	-	-	-	-	209,424
Donations	50,000	-	8,302	21,162	17,484	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Interest	223	-	54	68	-	-	58	-	544
Sale of property	-	-	-	-	-	-	-	-	-
Rental receipts	-	-	-	-	-	-	-	-	-
Admissions & concessions	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Judgements	-	-	-	-	-	-	-	-	-
Lease/note proceeds	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	24,861
Total revenues	\$ 128,755	\$ 5,000	\$ 84,175	\$ 21,230	\$ 17,484	\$ 17,484	\$ 189,132	\$ 374,997	\$ 234,829
Expenditures:									
Economic development	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	210,089
Public safety and judiciary	-	1,493	66,592	16,198	3,007	3,007	667,396	370,729	-
Streets	-	-	-	-	-	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	-	-	-
Solid waste	-	-	-	-	-	-	-	-	-
Other public services	-	-	-	-	-	-	-	-	-
Capital outlay	92,903	-	20,516	-	-	-	118,884	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 92,903	\$ 1,493	\$ 87,108	\$ 16,198	\$ 3,007	\$ 3,007	\$ 786,280	\$ 370,729	\$ 210,089
Excess of revenues over (under) expenditures	35,852	3,507	(2,933)	5,032	14,477	(597,148)	4,268	24,740	-
Other financing uses:									
Operating transfers in (out)	50,000	-	-	-	-	-	485,041	-	-
Excess of revenues over (under) expenditures & transfers	85,852	3,507	(2,933)	5,032	14,477	(112,107)	4,268	24,740	-
Fund balance - beginning of year	87,510	2	25,278	38,042	29,777	153,936	2,479	412,667	-
Fund balance - end of year	\$ 173,362	\$ 3,509	\$ 22,345	\$ 43,074	\$ 44,254	\$ 41,829	\$ 6,747	\$ 437,407	\$ -

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

(Continued) Revenues:	Park Development	Repair and Replacement	Job Incentives	Special Revenue					Animal Control	Animal Adopt Fees
				Sales Tax Non Uniform Benefit	Sales Tax Police Benefit	Sales Tax Fire Benefit	Sales Tax			
Taxes	\$ -	\$ -	\$ -	\$ 1,150,333	\$ 1,150,330	\$ 1,150,333	\$ -	\$ -	\$ -	
Intergovernmental programs	83,642	-	-	-	-	-	-	-	-	
Donations	347,797	-	-	-	-	-	-	3,095	4,870	
Fines and forfeits	-	-	-	-	-	-	-	-	-	
Interest	98	43	578	367	295	689	-	62	-	
Sale of property	-	33,211	-	-	-	-	-	-	-	
Rental receipts	15,345	-	-	-	-	-	-	-	-	
Admissions & concessions	27,977	-	-	-	-	-	-	-	-	
Licenses and permits	-	-	-	-	-	-	-	6,445	9,555	
Judgements	-	-	-	-	-	-	-	-	-	
Lease/note proceeds	-	-	-	-	-	-	-	-	-	
Miscellaneous	2,053	5,480	-	-	-	-	-	-	-	
Total revenues	\$ 476,912	\$ 38,734	\$ 578	\$ 1,150,700	\$ 1,150,625	\$ 1,151,022	\$ -	\$ 9,602	\$ 14,425	
Expenditures:										
Economic development	\$ -	\$ -	\$ 215,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
General government	-	-	-	224,727	-	-	-	-	-	
Public safety and judiciary	-	-	-	201,424	1,105,116	1,089,353	-	34	5,439	
Streets	-	-	-	113,107	-	-	-	-	-	
Cultural & recreation	271,340	-	-	234,041	-	-	-	-	-	
Water and sewer	-	35,133	-	234,283	-	-	-	-	-	
Solid waste	-	-	-	103,356	-	-	-	-	-	
Other public services	-	-	-	-	-	-	-	-	-	
Capital outlay	102,770	-	-	-	-	-	-	-	-	
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	
Interest expense	-	-	-	-	-	-	-	-	-	
Total expenditures	\$ 374,110	\$ 35,133	\$ 215,000	\$ 1,110,938	\$ 1,105,116	\$ 1,089,353	\$ -	\$ 34	\$ 5,439	
Excess of revenues over (under) expenditures	102,802	3,601	(214,422)	39,762	45,509	61,669	-	9,568	8,986	
Other financing uses:										
Operating transfers in (out)	(50,004)	-	4,863	-	-	-	-	-	-	
Excess of revenues over (under) expenditures & transfers	52,798	3,601	(209,559)	39,762	45,509	61,669	-	9,568	8,986	
Fund balance - beginning of year	115,628	11,914	443,271	380,655	303,317	514,224	-	32,328	39,486	
Fund balance - end of year	\$ 168,426	\$ 15,515	\$ 233,712	\$ 420,417	\$ 348,826	\$ 575,893	\$ -	\$ 41,896	\$ 48,472	

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

(Continued) Revenues:	Special Revenue						
	Weed & Seed Program	Alcohol Prevention	Community Development	Department of Energy Grants	Youth Fines	Convention and Tourism	Multi- cultural
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,066	\$ -
Intergovernmental programs	213,452	-	-	-	-	-	-
Donations	-	-	200,000	-	-	-	-
Fines and forfeits	-	23,869	-	-	32,247	-	-
Interest	-	-	282	-	-	79	-
Sale of property	-	-	-	-	-	-	-
Rental receipts	-	-	-	-	-	-	-
Admissions & concessions	-	-	-	-	-	-	1,000
Licenses and permits	-	-	-	-	-	-	-
Judgements	-	-	-	-	-	-	-
Lease/note proceeds	-	-	-	-	-	-	-
Miscellaneous	-	-	15,025	-	-	-	-
Total revenues	\$ 213,452	\$ 23,869	\$ 215,307	\$ -	\$ 32,247	\$ 336,145	\$ 1,000
Expenditures:							
Economic development	\$ -	\$ -	148,437	\$ -	\$ -	\$ -	\$ -
General government	157,500	-	-	17,900	-	-	-
Public safety and judiciary	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	-
Solid waste	-	-	-	-	-	-	-
Other public services	-	-	-	-	35,000	282,000	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
Total expenditures	\$ 157,500	\$ -	\$ 148,437	\$ 17,900	\$ 35,000	\$ 282,000	\$ -
Excess of revenues over (under) expenditures	55,952	23,869	66,870	(17,900)	(2,753)	54,145	1,000
Other financing uses:							
Operating transfers in (out)	(33,833)	-	-	-	-	-	(1,000)
Excess of revenues over (under) expenditures & transfers	22,119	23,869	66,870	(17,900)	(2,753)	54,145	-
Fund balance - beginning of year	13,590	60,323	31,567	17,900	32,109	17,516	-
Fund balance - end of year	\$ 35,709	\$ 84,192	\$ 98,437	\$ -	\$ 29,356	\$ 71,661	\$ -

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Capital Projects									
	Street Maintenance Installation	2009 Sewer Rehabilitation	2009 Capital Improvement	75 Limited Access B	98 Sales Tax Improvement	Chandler Road Detention	Sales Tax Economic Development			
Revenues:										
Taxes	1,437,916	1,840,532	1,035,300	-	-	-	-	-	-	-
Intergovernmental programs	-	-	-	-	-	-	-	-	-	-
Donations	-	-	269,459	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Interest	404	1	-	118	21	204	-	-	-	8
Sale of property	-	-	-	-	-	-	-	-	-	-
Rental receipts	-	-	-	-	-	-	-	-	-	-
Admissions & concessions	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Judgements	-	-	-	-	-	-	-	-	-	-
Lease/note proceeds	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total revenues	404	1,840,533	1,304,759	118	21	204	21	204	204	8
Expenditures:										
Economic development	-	-	-	-	-	-	-	-	-	-
General government	-	710,497	479	-	-	-	-	-	-	-
Public safety and judiciary	-	-	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-	-	-
Cultural & recreation	17,738	-	-	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	-	-	-	-
Solid waste	-	-	-	-	-	-	-	-	-	-
Other public services	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	3,922,330	1,112,151	-	-	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest expense	-	7,877	-	-	-	-	-	-	-	-
Total expenditures	17,738	4,640,704	1,112,630	-	-	-	-	-	-	-
Excess of revenues over (under) expenditures	(17,334)	(2,800,171)	192,129	118	21	204	21	204	204	8
Other financing uses:										
Operating transfers in (out)	-	2,479,743	(253,397)	-	(16,473)	-	-	-	-	(4,863)
Excess of revenues over (under) expenditures & transfers	(99,974)	(320,428)	(61,268)	118	(16,452)	204	(16,452)	204	204	(4,855)
Fund balance - beginning of year	286,832	1,065,991	1,702,876	70,353	16,452	121,225	16,452	121,225	121,225	4,856
Fund balance - end of year	\$ 186,858	\$ 761,364	\$ 1,641,608	\$ 70,471	\$ -	\$ 121,429	\$ -	\$ 121,429	\$ -	\$ 1

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Capital Projects			Debt Service			Perm Fund Cemetery Perpetual Care	Total Non-Major Governmental Funds
	Local Law Enforcement Block Grant	Water/ Sewer Improvement	Spaulding Park	Sinking	Tax Increment	Capital Lease		
Revenues:								
Taxes	\$ -	\$ -	\$ -	200,660	12,351	\$ -	\$ -	10,683,517
Intergovernmental programs	-	-	25,987	-	-	-	-	1,170,786
Donations	-	-	43,459	-	-	-	12,690	1,098,318
Fines and forfeits	-	-	-	-	-	-	-	56,116
Interest	7	361	53	314	-	102	1,009	9,191
Sale of property	-	-	-	-	-	-	-	33,713
Rental receipts	-	-	-	-	-	-	-	15,345
Admissions & concessions	-	-	-	-	-	-	-	28,977
Licenses and permits	-	-	-	-	-	-	-	16,000
Judgements	-	-	-	-	-	-	-	19,280
Lease/note proceeds	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	75,218
Total revenues	7	361	69,499	200,974	12,351	102	13,699	13,206,461
Expenditures:								
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	428,837
General government	-	-	-	-	-	-	-	1,468,341
Public safety and judiciary	-	-	-	-	-	-	-	3,634,801
Streets	-	-	-	-	-	-	-	856,404
Cultural & recreation	-	-	156,978	-	-	-	26,673	732,591
Water and sewer	-	7,800	-	-	-	-	-	305,510
Solid waste	-	-	-	-	-	-	-	108,407
Other public services	-	-	-	-	-	-	-	317,000
Capital outlay	-	-	-	-	-	-	196,381	7,173,963
Debt service:								
Principal	-	-	-	192,968	7,333	191,760	-	526,732
Interest expense	-	-	-	22,625	2,053	390,144	-	434,359
Total expenditures	-	7,800	156,978	215,593	9,386	581,904	223,054	15,986,945
Excess of revenues over (under) expenditures	7	(7,439)	(87,479)	(14,619)	2,965	(581,802)	(209,355)	(2,780,484)
Other financing uses:								
Operating transfers in (out)	-	-	-	-	-	551,929	-	2,976,678
Excess of revenues over (under) expenditures & transfers	7	(7,439)	(87,479)	(14,619)	2,965	(29,873)	(209,355)	196,194
Fund balance - beginning of year	755	216,042	47,703	49,807	9,133	285,605	644,297	10,476,556
Fund balance - end of year	762	208,603	(39,776)	35,188	12,098	255,732	434,942	10,672,750

CITY OF MUSKOGEE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
June 30, 2011

	<u>Muskogee Solid Waste</u>	<u>Stormwater</u>	<u>Muskogee Parking Authority</u>	<u>Airport Fund</u>	<u>Roxy Theater</u>	<u>Concessions</u>
Assets:						
Cash and investments:						
Cash & cash equivalents (Note 3)	\$ 23,902	\$ 780,816	\$ 1,400,217	\$ 231,587	\$ 5,262	-
Investments, at cost	-	-	120,326	-	-	-
Receivables (net of allowance for uncollectibles):						
Accounts receivable	101,221	19,812	6,374	-	-	-
Interest	-	-	1,924	-	-	-
Grants receivable	-	-	-	10,558	-	-
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Capital assets:						
Land	-	48,303	725,416	3,000	-	-
Construction in progress	-	-	-	-	-	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	<u>238,560</u>	<u>-</u>	<u>158,359</u>	<u>2,463,153</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 363,683</u>	<u>\$ 848,931</u>	<u>\$ 2,412,616</u>	<u>\$ 2,708,298</u>	<u>\$ 5,262</u>	<u>\$ -</u>
Liabilities:						
Accounts payable	\$ -	\$ 17,367	-	\$ 15,590	\$ 1,378	-
Due to other funds	-	-	-	-	-	-
Temporary customer deposits	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-
Accrued compensated absences payable (Note 1)	114,031	3,995	-	4,176	-	-
Accrued payroll	<u>-</u>	<u>1,689</u>	<u>-</u>	<u>2,561</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>114,031</u>	<u>23,051</u>	<u>-</u>	<u>22,327</u>	<u>1,378</u>	<u>-</u>
Net assets:						
Invested in capital assets, net of related debt	238,560	48,303	883,775	2,466,153	-	-
Restricted	-	-	-	-	-	-
Unrestricted	<u>11,092</u>	<u>777,577</u>	<u>1,528,841</u>	<u>219,818</u>	<u>3,884</u>	<u>-</u>
Total net assets	<u>\$ 249,652</u>	<u>\$ 825,880</u>	<u>\$ 2,412,616</u>	<u>\$ 2,685,971</u>	<u>\$ 3,884</u>	<u>\$ -</u>

CITY OF MUSKOGEE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
June 30, 2011

(Continued)	Civic Center	State Fair Authority	Swim & Fitness Center	War Memorial Park	Hatbox	Total Non-Major Enterprise Funds
Assets:						
Cash and investments:						
Cash & cash equivalents (Note 3)	\$ 36,733	\$ 96,410	\$ 68,944	\$ 5,505	\$ 253,347	2,902,723
Investments, at cost	-	-	-	-	-	120,326
Receivables (net of allowance for uncollectibles):						
Accounts receivable	251	-	14,690	-	-	142,348
Interest	-	-	-	-	-	1,924
Grants receivable	-	-	-	-	-	10,558
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	7,407	11,355	18,762
Capital assets:						
Land	-	-	-	-	-	776,719
Construction in progress	-	-	-	-	-	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	<u>6,397,570</u>	<u>310,425</u>	<u>540,150</u>	<u>69,564</u>	<u>2,093,574</u>	<u>12,271,355</u>
Total assets	<u>\$ 6,434,554</u>	<u>\$ 406,835</u>	<u>\$ 623,784</u>	<u>\$ 82,476</u>	<u>\$ 2,358,276</u>	<u>\$ 16,244,715</u>
Liabilities:						
Accounts payable	\$ 12,639	\$ 3,628	\$ 7,278	\$ 4,944	\$ 54,461	117,285
Due to other funds	89,744	-	50,000	-	-	139,744
Temporary customer deposits	16,757	-	-	-	-	16,757
Deferred revenues	-	-	-	220	-	220
Accrued compensated absences payable (Note 1)	33,547	-	21,571	-	1,236	178,556
Accrued payroll	<u>12,781</u>	<u>-</u>	<u>16,141</u>	<u>-</u>	<u>57,330</u>	<u>90,502</u>
Total liabilities	<u>165,468</u>	<u>3,628</u>	<u>94,990</u>	<u>5,164</u>	<u>113,027</u>	<u>543,064</u>
Net assets:						
Invested in capital assets, net of related debt	6,397,570	310,425	540,150	69,564	2,093,574	13,048,074
Restricted	-	-	-	-	-	-
Unrestricted	<u>(128,484)</u>	<u>92,782</u>	<u>(11,356)</u>	<u>7,748</u>	<u>151,675</u>	<u>2,653,577</u>
Total net assets	<u>\$ 6,269,086</u>	<u>\$ 403,207</u>	<u>\$ 528,794</u>	<u>\$ 77,312</u>	<u>\$ 2,245,249</u>	<u>\$ 15,701,651</u>

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2011

	Muskogee Solid Waste	Stormwater	Muskogee Parking Authority	Airport Fund	Roxy Theater	Concessions
Revenues:						
Solid waste revenue	\$ 1,811,518	\$ -	\$ -	\$ -	\$ -	\$ -
Stormwater revenue	-	374,054	-	-	-	-
Penalty revenue	48,106	-	-	-	-	-
Parking fees	-	-	60,415	-	-	-
Rental receipts	-	-	-	181,769	2,975	-
Miscellaneous revenue	-	-	-	13,747	9	-
Admissions and concessions	-	-	-	-	11,435	-
Activity fees	-	-	-	-	-	-
Donations	-	-	-	-	-	-
Intergovernmental programs	-	-	-	240,384	-	-
Total revenues	1,859,624	374,054	60,415	435,900	14,419	-
Operating expense:						
Cultural and recreational	-	-	-	-	32,484	-
Parking	-	-	634	-	-	-
Sanitation	6,699	-	-	-	-	-
Stormwater	-	241,924	-	-	-	-
Transportation	-	-	-	133,454	-	-
Depreciation	64,067	-	4,708	148,394	-	-
Total operating expenses	70,766	241,924	5,342	281,848	32,484	-
Income before non-operating revenues, expenses and transfers	1,788,858	132,130	55,073	154,052	(18,065)	-
Non-operating revenues (expenses):						
Interest revenue	131	1,167	6,494	255	6	-
Total	131	1,167	6,494	255	6	-
Income (loss) before operating transfers	1,788,989	133,297	61,567	154,307	(18,059)	-
Transfers in (out)	(1,799,937)	-	-	-	16,473	-
Change in net assets	(10,948)	133,297	61,567	154,307	(1,586)	-
Net assets - beginning of year	260,600	692,583	2,351,049	2,531,664	5,470	-
Net assets at end of year	\$ 249,652	\$ 825,880	\$ 2,412,616	\$ 2,685,971	\$ 3,884	\$ -

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2011

(Continued)	Civic Center	State Fair Authority	Swim & Fitness Center	War Memorial Park	Hatbox	Total Non-Major Enterprise Funds
Revenues:						
Solid waste revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,811,518
Stormwater revenue	-	-	-	-	-	374,054
Penalty revenue	-	-	-	-	-	48,106
Parking fees	-	-	-	-	-	60,415
Rental receipts	107,526	-	-	-	3,685	295,955
Miscellaneous revenue	19,350	-	10,118	9	-	43,233
Admissions and concessions	88,728	44,653	-	-	521,353	666,169
Activity fees	-	-	462,354	64,595	18,080	545,029
Donations	-	-	-	3,369	-	3,369
Intergovernmental programs	-	-	-	-	-	240,384
Total revenues	<u>215,604</u>	<u>44,653</u>	<u>472,472</u>	<u>67,973</u>	<u>543,118</u>	<u>4,088,232</u>
Operating expense:						
Cultural and recreational	503,869	94,733	412,207	75,851	607,536	1,726,680
Parking	-	-	-	-	-	634
Sanitation	-	-	-	-	-	6,699
Stormwater	-	-	-	-	-	241,924
Transportation	-	-	-	-	-	133,454
Depreciation	182,229	13,215	14,619	4,756	161,329	593,317
Total operating expenses	<u>686,098</u>	<u>107,948</u>	<u>426,826</u>	<u>80,607</u>	<u>768,865</u>	<u>2,702,708</u>
Income before non-operating revenues, expenses and transfers	<u>(470,494)</u>	<u>(63,295)</u>	<u>45,646</u>	<u>(12,634)</u>	<u>(225,747)</u>	<u>1,385,524</u>
Non-operating revenues (expenses):						
Interest revenue	47	56	46	-	383	8,585
Total	<u>47</u>	<u>56</u>	<u>46</u>	<u>-</u>	<u>383</u>	<u>8,585</u>
Income (loss) before operating transfers	<u>(470,447)</u>	<u>(63,239)</u>	<u>45,692</u>	<u>(12,634)</u>	<u>(225,364)</u>	<u>1,394,109</u>
Transfers in (out)	<u>465,874</u>	<u>50,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(1,257,590)</u>
Change in net assets	<u>(4,573)</u>	<u>(13,239)</u>	<u>45,692</u>	<u>(2,634)</u>	<u>(225,364)</u>	<u>136,519</u>
Net assets - beginning of year	<u>6,273,659</u>	<u>416,446</u>	<u>483,102</u>	<u>79,946</u>	<u>2,470,613</u>	<u>15,565,132</u>
Net assets at end of year	<u>\$ 6,269,086</u>	<u>\$ 403,207</u>	<u>\$ 528,794</u>	<u>\$ 77,312</u>	<u>\$ 2,245,249</u>	<u>\$ 15,701,651</u>

CITY OF MUSKOGEE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2011

	<u>Muskogee Solid Waste</u>	<u>Stormwater</u>	<u>Muskogee Parking Authority</u>	<u>Airport Fund</u>	<u>Roxy Theater</u>	<u>Concessions</u>
Cash flows from operating activities:						
Cash received from customers & service users	\$ 1,904,235	\$ 388,924	\$ 60,195	\$ 460,795	\$ 14,419	\$ -
Cash payments for goods & services & employees	(6,699)	(241,516)	(634)	(158,130)	(32,917)	-
Other operating revenues	(114,455)	(13,991)	-	2,449	-	-
Net cash provided by operating activities	<u>1,783,081</u>	<u>133,417</u>	<u>59,561</u>	<u>305,114</u>	<u>(18,498)</u>	<u>-</u>
Cash flows from noncapital financing activities:						
Net change in inventory	-	-	-	-	-	-
Net change in due to/from accounts	-	-	-	-	-	-
Operating transfers out to other funds	(1,799,937)	-	-	-	-	-
Operating transfers in from other funds	-	-	-	-	16,473	-
Net cash provided (used) for noncapital financing activities	<u>(1,799,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,473</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition & construction of capital assets	-	-	-	(249,914)	-	-
Principal paid on debt	-	-	-	-	-	-
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249,914)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:						
(Purchase) liquidation of investments - unrestricted	-	-	(32,455)	-	-	-
Interest on investments	131	1,167	5,575	255	6	-
Net cash provided by investing activities	<u>131</u>	<u>1,167</u>	<u>(26,880)</u>	<u>255</u>	<u>6</u>	<u>-</u>
Net increase (decrease) in cash & cash equivalents	(16,725)	134,584	32,681	55,455	(2,019)	-
Cash and cash equivalents - beginning of year	<u>40,627</u>	<u>646,232</u>	<u>1,367,536</u>	<u>176,132</u>	<u>7,281</u>	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ 23,902</u>	<u>\$ 780,816</u>	<u>\$ 1,400,217</u>	<u>\$ 231,587</u>	<u>\$ 5,262</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 1,788,858	\$ 132,130	\$ 55,073	\$ 154,052	\$ (18,065)	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	64,067	-	4,708	148,394	-	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	44,611	14,870	(220)	24,895	-	-
Increase (decrease) in accounts payable	-	408	-	(24,676)	(433)	-
Increase (decrease) in accrued expenses	(114,455)	(13,991)	-	2,449	-	-
Total adjustments	<u>(5,777)</u>	<u>1,287</u>	<u>4,488</u>	<u>151,062</u>	<u>(433)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,783,081</u>	<u>\$ 133,417</u>	<u>\$ 59,561</u>	<u>\$ 305,114</u>	<u>\$ (18,498)</u>	<u>\$ -</u>

CITY OF MUSKOGEE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2011

	Civic Center	State Fair Authority	Swim & Fitness Center	War Memorial Park	Hatbox	Total Non-Major Enterprise Funds
Cash flows from operating activities:						
Cash received from customers & service users	\$ 215,604	\$ 44,653	\$ 457,782	\$ 67,973	\$ 543,118	\$ 4,157,698
Cash payments for goods & services & employees	(498,791)	(94,842)	(409,328)	(76,354)	(606,548)	(2,125,759)
Other operating revenues	-	-	-	-	-	(125,997)
Net cash provided by operating activities	<u>(283,187)</u>	<u>(50,189)</u>	<u>48,454</u>	<u>(8,381)</u>	<u>(63,430)</u>	<u>1,905,942</u>
Cash flows from noncapital financing activities:						
Net change in inventory	2,222	-	-	(5,200)	6,307	3,329
Net change in due to/from accounts	(75,000)	-	-	-	-	(75,000)
Operating transfers out to other funds	(17,353)	-	-	-	-	(1,817,290)
Operating transfers in from other funds	483,227	50,000	-	10,000	-	559,700
Net cash provided (used) for noncapital financing activities	<u>393,096</u>	<u>50,000</u>	<u>-</u>	<u>4,800</u>	<u>6,307</u>	<u>(1,329,261)</u>
Cash flows from capital and related financing activities:						
Acquisition & construction of capital assets	(82,640)	-	-	-	-	(332,554)
Principal paid on debt	-	-	-	-	-	-
Net cash provided (used) for capital and related financing activities	<u>(82,640)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(332,554)</u>
Cash flows from investing activities:						
(Purchase) liquidation of investments - unrestricted	-	-	-	-	-	(32,455)
Interest on investments	47	56	46	-	383	7,666
Net cash provided by investing activities	<u>47</u>	<u>56</u>	<u>46</u>	<u>-</u>	<u>383</u>	<u>(24,789)</u>
Net increase (decrease) in cash & cash equivalents	27,316	(133)	48,500	(3,581)	(56,740)	219,338
Cash and cash equivalents - beginning of year	<u>9,417</u>	<u>96,543</u>	<u>20,444</u>	<u>9,086</u>	<u>310,087</u>	<u>2,683,385</u>
Cash and cash equivalents - end of year	<u>\$ 36,733</u>	<u>\$ 96,410</u>	<u>\$ 68,944</u>	<u>\$ 5,505</u>	<u>\$ 253,347</u>	<u>\$ 2,902,723</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ (470,494)	\$ (63,295)	\$ 45,646	\$ (12,634)	\$ (225,747)	\$ 1,385,524
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	182,229	13,215	14,619	4,756	161,329	593,317
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	-	-	(14,690)	-	-	69,466
Increase (decrease) in accounts payable	(2,655)	(109)	(7,337)	(503)	(15,222)	(50,527)
Increase (decrease) in accrued expenses	7,733	-	10,216	-	16,210	(91,838)
Total adjustments	<u>187,307</u>	<u>13,106</u>	<u>2,808</u>	<u>4,253</u>	<u>162,317</u>	<u>520,418</u>
Net cash provided by operating activities	<u>\$ (283,187)</u>	<u>\$ (50,189)</u>	<u>\$ 48,454</u>	<u>\$ (8,381)</u>	<u>\$ (63,430)</u>	<u>\$ 1,905,942</u>

CITY OF MUSKOGEE
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 June 30, 2011

	<u>Meter Deposit Fund</u>	<u>Escrow Fund</u>	<u>Total Agency Funds</u>
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3)	\$ 576,016	\$ 340,633	\$ 916,649
Investments, at cost	<u>347,131</u>	<u>-</u>	<u>347,131</u>
Total assets	<u>\$ 923,147</u>	<u>\$ 340,633</u>	<u>\$ 1,263,780</u>
Liabilities:			
Security deposits	923,147	-	923,147
Escrow deposits	<u>-</u>	<u>340,633</u>	<u>340,633</u>
Total liabilities	<u>\$ 923,147</u>	<u>\$ 340,633</u>	<u>\$ 1,263,780</u>

CITY OF MUSKOGEE
Muskogee, Oklahoma

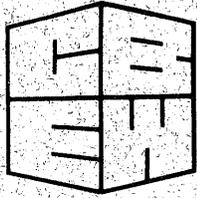
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Transportation:</u>				
Recreational Trails Program	20.219	73,303	73,303	73,303
Federal Aviation Administration - Airport Improvement Program	20.106	273,970	236,333	236,333
Sub-total U.S. Department of Justice		347,273	309,636	309,636
<u>U.S. Department of Justice:</u>				
<u>Passed through the Oklahoma Department of Justice:</u>				
Bulletproof Vest Partnership Program	16.607	6,834	6,834	6,834
Justice Assistance Grant	16.804	263,211	73,973	63,217
Community Capacity Development	16.595	175,000	58,296	40,111
Community Capacity Development	16.595	142,000	47,228	53,311
Community Capacity Development	16.595	157,000	-	62,654
Sub-total U.S. Department of Justice		744,045	186,331	226,127
<u>U.S. Department of Homeland Security:</u>				
<u>Passed through the Oklahoma Department of Emergency Management:</u>				
Emergency Management Assistance	97.042	20,000	20,000	16,494
<u>U.S. Department of Housing and Urban Development:</u>				
<u>Passed through the Oklahoma Department of Commerce:</u>				
13915 CDBG 09	14.228	96,435	47,910	47,910
13434 CDBG 08	14.228	166,429	49,319	49,319
Sub-total U.S. Department of Housing and Urban Development		262,864	97,229	97,229
<u>U.S. Department of the Interior:</u>				
<u>Passed through the Oklahoma Tourism and Recreation:</u>				
Land and Water Conservation Project	15.921	44,368	25,987	25,987
Recreational Trails Program	15.921	-	-	-
Sub-total U.S. Department of the Interior		44,368	25,987	25,987
Total of Expenditures of Federal Awards		\$ 1,418,550	\$ 639,183	\$ 675,473

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

**CITY OF MUSKOGEE
Muskogee, Oklahoma**

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2011**



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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**

October 27, 2011

Honorable City Council
City of Muskogee
Muskogee, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Muskogee, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

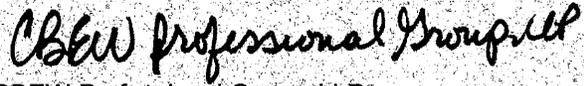
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

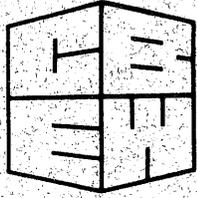
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, 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*.

City of Muskogee
October 27, 2011

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CBEW Professional Group, LLP". The signature is written in a cursive, flowing style.

CBEW Professional Group, LLP
Certified Public Accountants



CBEW
Professional
Group, LLP
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

October 27, 2011

Honorable City Council
City of Muskogee
Muskogee, Oklahoma

Compliance

We have audited the compliance of the City of Muskogee, Oklahoma, (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City of Muskogee, Oklahoma's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Muskogee, Oklahoma's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Muskogee, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Muskogee, Oklahoma's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

City of Muskogee
October 27, 2011

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.



CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

CITY OF MUSKOGEE
Muskogee, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Muskogee.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of City of Muskogee were disclosed during the audit.
4. No significant deficiencies to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for City of Muskogee expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for City of Muskogee are reported in this Schedule.
7. The program tested as major program includes: Community Capacity Development Office – CFDA No. 16.595 and Airport Improvement Program – CFDA No. 20.106.
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The City of Muskogee did qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None

**CITY OF MUSKOGEE
Muskogee, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2011**

No prior year findings.