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FOR**

CITY OF CATOOSA, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2011

**WINGARD, RAGSDALE & LANGLEY, CPAS, PLLC.
CERTIFIED PUBLIC ACCOUNTANTS
PRYOR, OKLAHOMA**

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JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

To the City Council,
City of Catoosa
Rogers County, 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 Catoosa, State of Oklahoma, 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 City of Catoosa, State of Oklahoma'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. 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 opinions.

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 Catoosa, State of Oklahoma, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Catoosa, State of Oklahoma's financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wingard, Ragsdale & Langley, CPAs, PLLC

WINGARD, RAGSDALE & LANGLEY
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

MAY 12, 2012

**CITY OF CATOOSA, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2011**

The discussion and analysis of the City of Catoosa's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the accompanying basic financial statements. This discussion and analysis does not include comparative data for prior years, as this information is not available for the first year of implementation of Governmental Accounting Standards Board (GASB) Statement Number 34. Future years will include, when available, comparative analysis of government-wide data.

WHO WE ARE

As of June 30, 2011 the mayor, council members, clerk and treasurer consisted of the following:

Mayor	Sandra Myers
Council Members	Harold "Red" Staton Brenda Conley Russ White Cathie Langston Fred Williams
City Manager	Leroy Alsup
Clerk	Judy Scullawl
Treasurer	Myrna Barbee

The Clerk, Treasurer and City Manager are appointed positions. The council members are elected and the Mayor is voted and approved by the council.

FINANCIAL HIGHLIGHTS

- The total assets of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2011 by \$17,103,055 as reflected in Statement 1, an increase of \$1,057,906 from the prior year. This excess is summarized for both years as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Invested in capital assets, net of related debt	\$ 9,438,432	\$ 9,413,002
Restricted for various purposes	4,226,890	3,705,956
Unassigned	<u>3,437,733</u>	<u>2,926,191</u>
	<u>\$17,103,055</u>	<u>\$16,045,149</u>

- The City's (including the PWA) net assets increased \$1,057,906 during the year. The amounts of the increase were as follows:

Invested in capital assets, net of related debt	\$ 25,430
Unrestricted	511,542
Restricted	<u>520,934</u>
	<u>\$1,057,906</u>

- Invested in capital assets, net of related debt was due to depreciation of \$497,810 exceeding asset additions of \$297,260 and reduction of long-term debt of \$225,950.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the City's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, library, streets, etc.	Activities the City operates similar to private businesses such as utilities and the golf course
Required financial statements	-Statement of net assets -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net assets -Statement of revenues, expenses, and changes in net assets -Statement of cash funds

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety activities, streets, cultural, library, parks and recreation activities and general government activities. The business-type activities of the City include utilities and a golf course.

A component unit is included in the basic financial statements and consists of a legally separate entity for which the City is financially accountable and that has the same governing board as the City. This blended component unit is the Catoosa Public Works Authority.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The City maintains 12 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Recreational Services Fund, Fire Department Fund and the PWA Operation and Maintenance Fund, which are considered to be major funds. Data for the other 7 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

The City adopts an annual appropriated budget for its General Fund and some of its special revenue funds and capital project funds. A budgetary comparison statement has been provided for the General Fund in the basic financial statements.

The governmental funds financial statements can be found on Statements 3 and 4 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide separate information for the utility operations. Combining schedules for the proprietary funds are presented in the supplementary information. The proprietary funds financial statements can be found at Statements 5, 6, and 7 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the

government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$17,103,055 at the close of the current fiscal year, a 6.59% increase over the prior year.

As shown on Table 1, the largest portion of the City's net assets, \$9,438,432, reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net assets, \$4,226,890 represents resources that are subject to external restrictions on how they may be used. The major restrictions on net assets are funding source restrictions. \$2,969,288 pertains to the PWA Operating and Maintenance Fund. \$395,849 is reserved for Storm Water Management Projects, \$223,084 is restricted for Fire Department use, and \$582,878 is restricted for use between the library and community center.

The remaining balance of total net assets of \$3,437,733 is unrestricted and may be used to meet the City's obligations to citizens and creditors in accordance with the finance-related legal requirements reflected in the City's fund structure.

At the end of the fiscal year ended June 30, 2011, The City reported positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

TABLE 1
SUMMARY OF NET ASSETS
JUNE 30, 2011 and 2010

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 6,820,953	\$ 5,886,806	\$ 1,307,605	\$ 1,026,533	\$ 8,128,558	\$ 6,913,339
Capital assets	<u>4,783,657</u>	<u>4,807,676</u>	<u>5,392,449</u>	<u>5,568,950</u>	<u>10,176,106</u>	<u>10,376,626</u>
Total assets	<u>11,604,610</u>	<u>10,694,482</u>	<u>6,700,054</u>	<u>6,595,483</u>	<u>18,304,664</u>	<u>17,289,965</u>
Current and other liabilities	505,422	351,825	122,809	91,308	628,231	443,133
Long-term liabilities	<u>505,262</u>	<u>737,877</u>	<u>68,116</u>	<u>63,806</u>	<u>573,378</u>	<u>801,683</u>
Total liabilities	<u>1,010,684</u>	<u>1,089,702</u>	<u>190,925</u>	<u>155,114</u>	<u>1,201,609</u>	<u>1,244,816</u>
Net assets						
Invested in capital assets, net of related debt	4,045,983	3,844,052	5,392,449	5,568,950	9,438,432	9,413,002
Restricted for specific purposes	3,831,041	3,367,713	395,849	338,243	4,226,890	3,705,956
Unrestricted	<u>2,716,902</u>	<u>2,393,015</u>	<u>720,831</u>	<u>533,176</u>	<u>3,437,733</u>	<u>2,926,191</u>
Total net assets	<u>\$10,593,926</u>	<u>\$ 9,604,780</u>	<u>\$ 6,509,129</u>	<u>\$ 6,440,369</u>	<u>\$17,103,055</u>	<u>\$16,045,149</u>

TABLE 2
CITY OF CATOOSA
Changes in Net Assets
Year Ended June 30, 2011 and 2010

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues						
Charges for services	\$ 433,934	\$ 349,425	\$1,459,957	\$1,311,768	\$1,893,891	\$1,661,193
Operating grants & Contributions	231,725	302,816	--	--	231,725	302,816
Capital grants & Contributions	--	162,834	--	--	--	162,834
General revenues:						
Sales tax	2,828,627	2,737,344	--	--	2,828,627	2,737,344
Other taxes	742,951	632,534	--	--	742,951	632,534
Other general revenues	<u>243,853</u>	<u>234,102</u>	<u>15,334</u>	<u>16,916</u>	<u>259,187</u>	<u>251,018</u>
Total revenues	<u>4,481,090</u>	<u>4,419,055</u>	<u>1,475,291</u>	<u>1,328,684</u>	<u>5,956,381</u>	<u>5,747,739</u>
Expenses						
General government	734,692	796,170	--	--	734,692	796,170
Public safety	1,915,312	1,926,052	--	--	1,915,312	1,926,052
Street	518,109	911,982	--	--	518,109	911,982
Cultural, recreation & Library	299,413	302,868	--	--	299,413	302,868
Utilities	<u>24,418</u>	<u>133,565</u>	<u>1,406,531</u>	<u>1,163,411</u>	<u>1,430,949</u>	<u>1,296,976</u>
Total expenses	<u>3,491,944</u>	<u>4,070,637</u>	<u>1,406,531</u>	<u>1,163,411</u>	<u>4,898,475</u>	<u>5,234,048</u>
Increase in net assets	<u>\$ 989,146</u>	<u>\$ 348,418</u>	<u>\$ 68,760</u>	<u>\$ 165,273</u>	<u>\$1,057,906</u>	<u>\$ 513,691</u>

Governmental Activities. Governmental activities increased the City's net assets by \$989,146 for the current fiscal year, which is a 10.30% increase in Governmental Funds. This is less than the previous years increase due to an overall decrease in revenue.

Business-type Activities. Business-type activities increased the City's net assets by \$68,760 for the current fiscal year, accounting for a 6.59% increase in the net assets of the City and a 1.07% increase in business-type activities.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported total fund balances of \$6,547,943 compared to \$5,760,728 for the prior year end. The \$787,215 increase is due primarily to a general increase in revenues of \$60,000, but with an overall decrease in expenses of \$367,325. The previous year's increase was \$357,855.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved (designated and undesignated) fund balance of the General Fund was \$2,271,884 constituting 89.47% of the fund balance, which was \$161,971 or 7.68% less than the prior year's General Fund balance. Grant revenues increased by \$301,540 and expenses decreased by \$286,439. Reserves increased by \$176,212, reducing unreserved fund balance.

Fire Department Fund

This fund is dedicated to collecting a .5 cent sales tax for construction and operation of the City's Fire Department. The fund balance decreased \$17,620 as the City's General Fund and other funds transferred \$189,103 in the process of fully equipping the fire department.

PWA Operating and Maintenance Fund

This fund is dedicated to collecting a .5 cent sales tax for construction, maintenance and operation of utility systems owned by the Catoosa PWA. All of the fund balance of \$2,969,288 is restricted for such usage. The fund balance increased by \$452,782, as the fund spent only a portion of its funds on system maintenance for the fiscal year.

GENERAL FUND BUDGETARY

The following Table 3 presents a summary analysis of the General Fund budget and actuals for the current fiscal year.

**TABLE 3
CITY OF CATOOSA
SUMMARY ANALYSIS OF GENERAL BUDGET
FISCAL YEAR ENDING JUNE 30, 2011**

Category	Budgeted Amounts		Actual (Budget Basis)	Variance
	Adopted	Final		Positive (Negative)
Revenue				
Sales tax	\$ 1,537,812	\$ 1,537,812	\$ 1,700,581	\$ 162,769
All other taxes	551,060	551,060	720,290	169,230
All other revenues	<u>465,366</u>	<u>465,366</u>	<u>682,070</u>	<u>216,704</u>
Total revenues	<u>2,554,238</u>	<u>2,554,238</u>	<u>3,102,941</u>	<u>548,703</u>
Expenditures				
General government (1)	896,172	931,586	869,411	62,175
Public safety (2)	1,155,232	1,209,610	1,217,876	(8,266)
Street	1,186,894	1,186,894	673,853	513,041
Cultural and recreation services (3)	68,185	68,185	61,538	6,647
Emergency reserve	<u>1,000,169</u>	<u>910,377</u>	<u>---</u>	<u>910,377</u>
Total expenditures	<u>4,306,652</u>	<u>4,306,652</u>	<u>2,822,678</u>	<u>1,483,974</u>
Total excess (deficiency) of revenues over expenditures	(1,752,414)	(1,752,414)	280,263	2,032,677
Beginning fund balance	<u>1,752,414</u>	<u>1,752,414</u>	<u>1,752,414</u>	<u>---</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 2,032,677</u>	<u>\$ 2,032,677</u>

(1) Includes general government, City Clerk, Code Enforcement, Planning and Building Inspector

(2) Includes Municipal Court, Police, Ambulance and City Attorney

(3) Includes Parks, Senior Citizens and Museum

The basis of accounting for budgetary purposes for the General Fund is the modified accrual, i. e., revenues are recognized when received and expenses are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended. The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the City attempts to prepare a budget that will result in a small positive increase in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of June 30, 2011 and 2010 amounted to \$10,176,106 and \$10,376,626 respectively (net of accumulated depreciation) This investment, detailed in Table 4, in a broad range of capital assets includes structures and improvements, equipment, and construction in progress.

**TABLE 4
CAPITAL ASSETS (NET OF DEPRECIATION)
June 30, 2011 and 2010**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Storm water improvements	\$ --	\$ --	83,156	\$ 86,531	\$ 83,156	\$ 86,531
Land and easements	85,211	85,211	20,942	20,942	106,153	106,153
Buildings and real estate	1,883,398	1,935,636	--	--	1,883,398	1,935,636
Machinery and equipment	2,644,604	2,786,829	242,405	271,957	2,887,009	3,058,786
Infrastructure	170,444	--	--	--	170,444	--
Utility property	--	--	<u>5,045,946</u>	<u>5,189,520</u>	<u>5,045,946</u>	<u>5,189,520</u>
Capital assets, net	<u>\$4,783,657</u>	<u>\$ 4,807,676</u>	<u>\$ 5,392,449</u>	<u>\$ 5,568,950</u>	<u>\$10,176,106</u>	<u>\$10,376,626</u>

Some of the City's major capital assets events in the current fiscal year were:

- The asset additions in Government Activities of \$292,947 include \$175,070 for Streets. Also included is \$50,242 for police cars.
- PWA addition amounted to \$4,313 for small pieces of equipment.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

The City's major governmental revenue, sales tax, increased from the prior year. This local economic trend generally mirrored the similar economic effects experienced at the national and state levels. City growth, as a suburb of Tulsa, has aided in increased revenues.

The next years budget included pay raises for all employees and no elimination of services. It was expected that this will not decrease the fund balance of the General Fund.

The long-term economic forecast for the City is quite good. Business and commercial and residential construction is increasing within the city limits. All of this should increase the City's revenue and allow the City to provide full and expanded services to its citizens in the future.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This managements' discussion and analysis is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions or need additional financial information, please contact the City of Catoosa at (918) 266-2505.

CITY OF CATOOSA, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

Statement 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash, including time deposits	\$6,200,623	\$ 691,223	\$ 6,891,846
Due from restricted assets	--	5,447	5,447
Taxes receivable	620,330	--	620,330
Accounts receivable (net)	<u> --</u>	<u>146,970</u>	<u>146,970</u>
Total current assets	<u>6,820,953</u>	<u>843,640</u>	<u>7,664,593</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	446,336	446,336
Accounts receivable	--	16,593	16,593
Due from other funds	--	6,757	6,757
Less:			
Due to restricted assets	--	(5,447)	(5,447)
Payable from restricted assets	--	(274)	(274)
Capital assets (net)	<u>4,783,657</u>	<u>5,392,449</u>	<u>10,176,106</u>
Total noncurrent assets	<u>4,783,657</u>	<u>5,856,414</u>	<u>10,640,071</u>
Total assets	<u>11,604,610</u>	<u>6,700,054</u>	<u>18,304,664</u>
LIABILITIES			
Current liabilities			
Accounts payable	218,951	113,337	332,288
Accrued expenses	49,060	7,714	56,774
Payable to other funds	4,999	1,758	6,757
Current portion long term debt	<u>232,412</u>	<u> --</u>	<u>232,412</u>
Total current liabilities	<u>505,422</u>	<u>122,809</u>	<u>628,231</u>
Noncurrent liabilities:			
Customer deposits payable	--	68,116	68,116
Notes payable, less current portion	<u>505,262</u>	<u> --</u>	<u>505,262</u>
Total noncurrent liabilities	<u>505,262</u>	<u>68,116</u>	<u>573,378</u>
Total liabilities	<u>1,010,684</u>	<u>190,925</u>	<u>1,201,609</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,045,983	5,392,449	9,438,432
Restricted for various purposes	3,831,041	395,849	4,226,890
Unrestricted	<u>2,716,902</u>	<u>720,831</u>	<u>3,437,733</u>
Total net assets	<u>\$10,593,926</u>	<u>\$ 6,509,129</u>	<u>\$17,103,055</u>

**CITY OF CATOOSA, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Statement 2

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities				
General government				
Code enforcement	\$ 55,537	\$ --	\$ --	\$ (55,537)
Planning	82,554	--	--	(82,554)
Building inspector	35,145	55,591	--	20,446
City Clerk	204,693	--	--	(204,693)
Miscellaneous	1,488	--	--	(1,488)
General government	349,331	--	--	(349,331)
CEDA	<u>5,944</u>	<u>--</u>	<u>--</u>	<u>(5,944)</u>
Total general government	<u>734,692</u>	<u>55,591</u>	<u>--</u>	<u>(679,101)</u>
Public safety and judiciary				
City Attorney	65,636	--	--	(65,636)
Police	1,081,761	369,239	114,478	(598,044)
Fire	641,298	2,404	99,048	(539,846)
Ambulance	51,450	--	--	(51,450)
Municipal Court	53,124	--	--	(53,124)
Animal control	883	--	--	(883)
Emergency management	<u>21,160</u>	<u>--</u>	<u>--</u>	<u>(21,160)</u>
Total public safety and judiciary	<u>1,915,312</u>	<u>371,643</u>	<u>213,526</u>	<u>(1,330,143)</u>
Transportation				
Street	<u>518,109</u>	<u>--</u>	<u>--</u>	<u>(518,109)</u>
Total transportation	<u>518,109</u>	<u>--</u>	<u>--</u>	<u>(518,109)</u>
Cultural, parks and recreation				
Library	190,628	4,300	14,582	(171,746)
Cemetery	632	2,400	--	1,768
Parks	12,279	--	--	(12,279)
Museum	63,955	--	--	(63,955)
Other recreation	<u>31,919</u>	<u>--</u>	<u>3,617</u>	<u>(28,302)</u>
Total cultural, parks and recreation	<u>299,413</u>	<u>6,700</u>	<u>18,199</u>	<u>(274,514)</u>
Total governmental activities	<u>3,467,526</u>	<u>433,934</u>	<u>231,725</u>	<u>(2,801,867)</u>

**CITY OF CATOOSA, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Business-type activities:				
Water	694,447	478,094	--	(216,353)
Sewer	692,107	897,928	--	205,821
Storm water	<u>44,395</u>	<u>83,935</u>	--	<u>39,540</u>
Total business-type activities	<u>1,430,949</u>	<u>1,459,957</u>	--	<u>29,008</u>
Total	<u>\$ 4,898,475</u>	<u>\$ 1,893,891</u>	<u>\$ 231,725</u>	<u>\$ (2,772,859)</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) /revenue	<u>\$(2,801,867)</u>	<u>\$ 29,008</u>	<u>\$(2,772,859)</u>
General Revenues			
Taxes:			
Sales tax	2,828,627	--	2,828,627
Use tax	260,355	--	260,355
Cigarette tax	40,848	--	40,848
Alcohol beverage tax	33,026	--	33,026
Hotel/motel tax	103,963	--	103,963
Gasoline tax	14,384	--	14,384
Motor vehicle tax	39,555	--	39,555
Franchise taxes	250,820	--	250,820
Investment income	108,615	14,497	123,112
Miscellaneous	135,238	837	136,075
Transfers-internal activity	<u>(24,418)</u>	<u>24,418</u>	<u>--</u>
Total general revenues and transfers	<u>3,791,013</u>	<u>39,752</u>	<u>3,830,765</u>
Change in net assets	989,146	68,760	1,057,906
Net assets - beginning	<u>9,604,780</u>	<u>6,440,369</u>	<u>16,045,149</u>
Net assets - ending	<u>\$10,593,926</u>	<u>\$6,509,129</u>	<u>\$17,103,055</u>

**CITY OF CATOOSA, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>PWA Operation & Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash, including time deposits	\$ 2,097,594	\$ 341,095	\$ 2,895,395	\$ 866,539	\$ 6,200,623
Taxes receivable	415,413	81,967	81,967	40,983	620,330
Due from other funds	<u>269,795</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>269,795</u>
Total assets	<u>\$ 2,782,802</u>	<u>\$ 423,062</u>	<u>\$ 2,977,362</u>	<u>\$ 907,522</u>	<u>\$ 7,090,748</u>
LIABILITIES					
Accounts payable	202,508	4,689	2,045	9,709	218,951
Accrued expenses	41,092	5,429	--	2,539	49,060
Due to other funds	<u>--</u>	<u>189,860</u>	<u>6,029</u>	<u>78,905</u>	<u>274,794</u>
Total liabilities	<u>243,600</u>	<u>199,978</u>	<u>8,074</u>	<u>91,153</u>	<u>542,805</u>
FUND BALANCES					
Committed	267,318	--	--	--	267,318
Restricted	--	233,084	2,969,288	638,669	3,831,041
Assigned	--	--	--	177,700	177,700
Unassigned	<u>2,271,884</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,271,884</u>
Total fund balance	<u>2,539,202</u>	<u>223,084</u>	<u>2,969,288</u>	<u>816,369</u>	<u>6,547,943</u>
Total liabilities and fund balances	<u>\$ 2,782,802</u>	<u>\$ 423,062</u>	<u>\$ 2,977,362</u>	<u>\$ 907,522</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,424,938	4,783,657
Long term note payable used to purchase capital assets	(737,674)
Net assets of governmental activities	<u>\$10,593,926</u>

CITY OF CATOOSA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General Fund	Fire Department Fund	PWA Operation & Maintenance Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Sales tax	\$1,740,694	\$ 435,173	\$ 435,173	\$ 217,587	\$2,828,627
Other taxes	492,131	--	--	--	\$ 492,131
Fines and forfeits	329,655	--	--	39,584	369,239
Licenses and permits	55,591	--	--	--	55,591
Franchise taxes	250,820	--	--	--	250,820
Fees and services	--	--	--	9,104	9,104
Interest	50,052	3,195	42,027	13,341	108,615
Miscellaneous	132,733	1,535	--	970	135,238
Grants and contributions	<u>109,185</u>	<u>86,568</u>	<u>--</u>	<u>35,972</u>	<u>231,725</u>
Total revenues	<u>3,160,861</u>	<u>526,471</u>	<u>477,200</u>	<u>316,558</u>	<u>4,481,090</u>
EXPENDITURES					
Current					
General government:					
Code enforcement	55,122	--	--	--	55,122
Planning	82,549	--	--	--	82,549
Building Inspector	34,105	--	--	--	34,105
City Clerk	201,917	--	--	--	201,917
General government	318,391	--	--	--	318,391
CEDA	<u>5,944</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,944</u>
Total general government	<u>698,028</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>698,028</u>
Public safety and judiciary:					
City attorney	65,636	--	--	--	65,636
Police	949,908	--	--	53,223	1,003,131
Fire	--	462,165	--	2,498	464,663
Emergency management	21,160	--	--	--	21,160
Ambulance	51,450	--	--	--	51,450
Municipal Court	<u>52,102</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>52,102</u>
Total public safety and judiciary	<u>1,140,256</u>	<u>462,165</u>	<u>--</u>	<u>55,721</u>	<u>1,658,142</u>
Transportation					
Street	<u>493,252</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>493,252</u>
Total transportation	<u>493,252</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>493,252</u>
Cultural, parks and recreation					
Library	--	--	--	162,419	162,419
Parks	8,103	--	--	--	8,103
Museum	53,230	--	--	--	53,230
Other recreation	<u>205</u>	<u>--</u>	<u>--</u>	<u>31,714</u>	<u>31,919</u>
Total cultural, parks and recreation	<u>61,538</u>	<u>--</u>	<u>--</u>	<u>194,133</u>	<u>255,671</u>

CITY OF CATOOSA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General Fund	Fire Department Fund	PWA Operation & Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Cemetery	\$ --	\$ --	\$ --	\$ 389	\$ 389
Debt service					
Principal	--	225,950	--	--	225,950
Interest	--	45,079	--	--	45,079
Total debt service	--	271,029	--	--	271,029
Capital outlay	278,691	--	--	14,255	292,946
Total expenditures	2,671,765	733,194	--	264,498	3,669,457
Excess (deficiency) of revenues over expenditures	489,096	(206,723)	477,200	52,060	811,633
Other financing sources (uses)					
Transfers in	--	189,103	--	10,500	199,603
Transfers out	(150,913)	--	(24,418)	(48,690)	(224,021)
Total other financing sources (uses)	(150,913)	189,103	(24,418)	(38,190)	(24,418)
Net change in fund balances	338,183	(17,620)	452,782	13,870	787,215
Fund balances - beginning	2,201,019	240,704	2,516,506	802,499	5,760,728
Fund balances - ending	<u>\$ 2,539,202</u>	<u>\$ 223,084</u>	<u>\$ 2,969,288</u>	<u>\$ 816,369</u>	<u>\$ 6,547,943</u>

Reconciliation of the change in fund balances - total government funds to the change in net assets of governmental activities

Net change in fund balances - total governmental funds \$ 787,215

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

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

Capital asset purchase capitalized	292,946
Depreciation expense	<u>(316,965)</u>

Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long term liabilities in the Statement of Net Assets (24,019)

Lease with purchase contracts 225,950

Change in net assets of governmental activities \$ 989,146

CITY OF CATOOSA, OKLAHOMA
STATEMENT OF NET ASSETS
CATOOSA PUBLIC WORKS AUTHORITY
JUNE 30, 2011

ASSETS

Current assets	
Cash and cash equivalents	\$ 691,223
Accounts receivable	146,970
Due from restricted assets	<u>5,447</u>
Total current assets	<u>843,640</u>
Noncurrent assets:	
Restricted assets	
Cash and cash equivalents	446,336
Accounts receivable	16,593
Due from other funds	6,757
Less: Due to general operations	(5,447)
Payable from restricted assets	(274)
Capital assets (net)	<u>5,392,449</u>
Total noncurrent assets	<u>5,856,414</u>
Total assets	<u>\$6,700,054</u>

LIABILITIES

Current liabilities	
Accounts payable	113,337
Accrued payroll and related taxes	7,714
Due other funds	<u>1,758</u>
Total current liabilities	<u>122,809</u>
Noncurrent liabilities	
Customers' meter deposits (payable from restricted assets)	<u>68,116</u>
Total noncurrent liabilities	<u>68,116</u>
Total liabilities	<u>190,925</u>

NET ASSETS

Investment in capital assets, net of related debt	5,392,449
Restricted for storm water management	395,849
Unrestricted	<u>720,831</u>
Total net assets	<u>\$6,509,129</u>

**CITY OF CATOOSA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Operating revenues	
Utility charges	\$ 1,459,957
Miscellaneous	<u>837</u>
Total operating revenues	<u>1,460,794</u>
Operating expenses	
Purchased utilities	650,841
Personnel services	397,379
Plant and distribution expense	170,511
Administrative	17,157
Other	14,247
Depreciation expense	<u>180,814</u>
Total operating expense	<u>1,430,949</u>
Net operating income	<u>29,845</u>
Nonoperating revenue	
Investment income	<u>14,497</u>
Total nonoperating revenue (expenses)	<u>14,497</u>
Net income before transfers	<u>44,342</u>
Transfers in	<u>24,418</u>
Net income	68,760
Net assets - beginning of year	<u>6,440,369</u>
Net assets - end of year	<u>\$6,509,129</u>

**CITY OF CATOOSA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
CATOOSA PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities:	
Receipts from customers	\$ 1,429,099
Payments to suppliers	(808,168)
Payments to employees and benefits	(395,096)
Other receipts	837
Receipts over refunds of customer meter deposits	<u>4,310</u>
Net cash provided (used) by operating activities	<u>230,982</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(4,313)</u>
Net cash (used) by capital and related financing activities	<u>(4,313)</u>
Cash flows from investing activities	
Interest and dividends	<u>14,497</u>
Net cash provided (used) by investing activities	<u>14,497</u>
Net increase (decrease) in cash and cash equivalents	241,166
Balances - beginning of year	<u>896,393</u>
Balances - end of year	<u>\$ 1,137,559</u>
Cash, including time deposits	\$ 691,223
Restricted cash, including time deposits	<u>446,336</u>
Total cash and cash equivalents, end of year	<u>\$ 1,137,559</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	29,845
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	180,814
Expenses paid by other city fund	24,418
Change in assets and liabilities:	
Receivables, net	(30,858)
Due other funds	(12,343)
Accounts and other payables	34,796
Customer meter deposits payable	<u>4,310</u>
	<u>\$ 230,982</u>

**CITY OF CATOOSA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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CITY OF CATOOSA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Catoosa was created in 1902 and operates under a statutory strong Mayor/Council form of government. The City's major operations include public safety, (Police and fire), recreation, parks and library, provision and maintenance of streets and drainage, utility service (gas and water), and general administrative services. In addition, the City exercises sufficient control over other governmental agencies that are included as part of the City's reporting entity.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The City was required to implement the new financial reporting requirements of GASB Statement Nos. 33 and 34 for the year ended June 30, 2004. As a result, an entirely new financial presentation format has been implemented.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Catoosa
Blended Component Unit:	Catoosa Public Works Authority

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

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounting for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. These funds generally receive grant money that requires separate bank accounts, and thus separate funds are established to account for grant activity.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by other funds. Although not anticipated, the City may assess a property tax if such sales tax is insufficient.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Catoosa Public Works Authority is the only enterprise fund.

Major and Non major Funds

The funds are further classified as major or non major as follows:

Fund	Brief Description
Major:	
General	See above for description
PWA Operation and Maintenance	Primarily used for the construction of utility related assets. Funds can also be used for operation and maintenance of the Authority's systems.
Special Revenue Funds Fire Department	Primary funding for Fire Department with a .5 cent sales tax as its revenue source.
Proprietary Fund: Catoosa Public Works Authority	Accounts for activities of providing water and wastewater, services to the public. See below for pertinent information pertaining to this fund including the dedication of revenues.
Non major:	
Capital Project Fund CDBG Grant Funds	Accounts for the Grants received and related construction expenditures. Assets constructed for the current year are street related projects.
REAP Grant Fund	Grant Fund for street project
Special Revenue Funds: Special Events	Accounts for revenues and expenditures related to Catoosa's annual Fourth of July celebration.
Cemetery	Accounts for cemetery revenue restricted by State law for cemetery capital improvements.
Recreational Services Fund	A .25 cent sales tax is used to fund the operation of the City's Library and Recreational Center

Police training	Accounts for police fine revenues and expenditures dedicated to provide for Police Department training and related supplies and equipment
Fire Department Special	Grants revenues and collected fees associated with the Fire Department are accounted for in this fund, along with associated Fire Department expenditures.
Retirement	Former Police Chief pension funds
Library Contribution Fund	Accounts for donations and grants received by the library.

The Catoosa Public Works Authority was created in 1965 and operates as a public trust. On January 19, 1965, the City of Catoosa, Oklahoma accepted beneficial interest in the trust pursuant to resolution. The Authority's major operations consist of providing water and sewage disposal and storm water management to the citizens of the City of Catoosa, Oklahoma. The trustees of the Authority consist of the acting members of the governing body of the City of Catoosa.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and businesslike activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The effect of this change is as follows:

1. Government-wide Statement of Net Assets and Statement of Activities - There are no changes in the proprietary funds. Changes in the governmental funds are as follows:
 - a. Taxes received in July and August that pertained to the year ending June 30, 2011 are reflected as receivables and income.
 - b. Fixed assets are reported net of depreciation and depreciation expense is reflected in the statement of activities. Prior to the current year, such assets were reflected only at cost and in a category titled "General Fixed Assets."
 - c. Interest expense has been accrued on long-term debt. Prior to June 30, 2010, only the principal was shown as a liability in a category titled "General Long-term Debt". The beginning fund balances have been adjusted for the above changes.
2. Infrastructure is being reported on a prospective basis and, accordingly, only reflects additions in the current year.
3. Fund Financial Statements - No Change
4. Budget Basis of Accounting - No Change

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Licenses and permits, franchise fees, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. Sales and other taxes and investment earnings are recorded when earned (when they are measurable and available). Specifically, taxes received in July following the end of the year are reflected as income in June, as such funds were in the possession of other governmental units awaiting distribution to the City. Grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt services, prepaid expenses, and other long-term obligations which are recognized when paid.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Budget Basis of Accounting

Formal budgetary accounting is employed as a management control for the governmental funds of the City. Annual operating budgets are adopted each fiscal year for most funds. The basis of accounting for budgetary purposes for all funds is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered. The Enterprises Funds of the golf course and Catoosa Public Works Authority also adopt budgets and revenues are recognized when earned and billed and expenditures are recognized when incurred.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposit of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit.

Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." See Note 3.I. for details of interfund transactions, including receivables and payables at year end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The Catoosa Public Works Authority is the only fund that has receivables that are essentially subject to bad debts. An allowance for uncollectible accounts has not been established, as is more fully explained in Note 3.C. Such receivables consist of utility charges to customers.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which have recorded at their estimated fair value at the date of donation.

As of June 30, 2011, the governmental funds' infrastructure assets have not been capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 - 50 years
Machinery and Equipment	3 - 20 years
Utility System	25 - 50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of customer meter deposits and a lease purchase of a fire truck.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

The Catoosa Public Works Authority requires meter deposits for utility services. Such deposits are retained until services are discontinued. At that time, the deposits

are applied first to any outstanding balances owed by the customers and the excess, if any, is refunded. No interest is paid on the deposits.

- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.G. for additional disclosures.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

The City levies a 3.25 cent sales tax. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is allocated to the various funds by ordinance:

General Fund	2.00 cent
Public Works Authority	.50 cent
Fire Department	.50 cent
Recreation Services Fund	<u>.25 cent</u>
	<u>3.25 cent</u>

Use Tax

The City levies a 3.25 cent use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required By
Cemetery Fund	State Law
Public Works Authority	Trust Indenture

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As

required by 12 U.S.C.A. Section 1823 (e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

2.C. REVENUE RESTRICTIONS

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

Revenue Source	Legal Restrictions of Use
Sales Tax	See Notes 1.E. and 3.J.
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
E-911 revenue	E-911 Emergency Services Purposes
Water, Sewer and Storm water Revenue	Utility Operations
Cemetery Revenue	Cemetery Capital Improvements

For the year ended June 30, 2011, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2011, the City has no general obligation debt.

Other Long-term Debt

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2011, the City incurred no such indebtedness.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City of Catoosa complied with this statute in all material respects for the year ended June 30, 2011.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

3.A. CASH AND INVESTMENTS

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2011. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody 1	Credit Risk 2	Category 3	Total Carrying Value
Demand deposits	<u>\$7,372,208</u>	<u>\$ 500,000</u>	<u>\$6,872,208</u>	<u>\$ --</u>	<u>\$7,338,182</u>
Time deposits					
Total Deposits					
Reconciliation to Government-wide Statement of Net Assets:					
Unrestricted cash, including time deposits					\$6,891,846
Restricted cash, including time deposits					<u>446,336</u>
					<u>\$7,338,182</u>

3.B. RESTRICTED ASSETS

Restricted assets consist of cash, certificates of deposit, and account receivable, reserved as follows:

Customer meter deposits - reflected as a long-term liability on the balance sheet	\$ 73,563
Less: Due to general operations	<u>(5,447)</u>
	68,116
Reserve for storm water management - reflected as a reservation of retained earnings on the balance sheet	
Cash	372,773
Accounts receivable	16,593
Due from other funds	6,757
Less: Payable from restricted assets	<u>(274)</u>
	<u>395,849</u>
	<u>\$ 463,965</u>
Total restricted assets	
Cash	\$ 446,336
Accounts receivable	16,593
Due from other funds	6,757
Payable from restricted assets	<u>(5,721)</u>
	<u>\$ 463,965</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the Catoosa Public Works Authority are reported at their gross value without an allowance for doubtful accounts. All accounts have utility deposits with the Authority which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible. Accordingly, no allowance for uncollectible accounts has been established. There were no bad debts expensed for the year.

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2011</u>
Governmental activities:				
Land	\$ 85,211	\$ --	\$ --	\$ 85,211
Buildings	2,557,671	--	--	2,557,671
Machinery and equipment	4,294,766	117,877	--	4,390,643
Infrastructure	<u>--</u>	<u>175,070</u>	<u>--</u>	<u>175,070</u>
Totals at historical cost	<u>6,937,648</u>	<u>292,947</u>	<u>(22,000)</u>	<u>7,208,595</u>
Less accumulated depreciation				
Buildings	(622,035)	(52,238)	--	(674,273)
Machinery and equipment	(1,507,937)	(260,102)	22,000	(1,746,039)
Infrastructure	<u>--</u>	<u>(4,626)</u>	<u>--</u>	<u>(4,626)</u>
Total accumulated depreciation	<u>(2,129,972)</u>	<u>(316,966)</u>	<u>22,000</u>	<u>(2,424,938)</u>
Governmental activities capital assets, net	<u>\$ 4,807,676</u>	<u>\$(24,019)</u>	<u>\$ --</u>	<u>\$ 4,783,657</u>
Business-type activities:				
Land and easements	\$ 20,942	\$ --	\$ --	\$ 20,942
Storm water improvements	115,801	--	--	115,801
Machinery and equipment	507,564	4,313	--	511,877
Utility property	<u>7,110,004</u>	<u>--</u>	<u>--</u>	<u>7,110,004</u>
Totals at historical cost	<u>7,754,311</u>	<u>4,313</u>	<u>--</u>	<u>7,758,624</u>
Less accumulated depreciation:				
Storm water improvement	(29,270)	(3,375)	--	(32,645)
Machinery and equipment	(235,607)	(33,865)	--	(269,472)
Utility property	<u>(1,920,484)</u>	<u>(143,574)</u>	<u>--</u>	<u>(2,064,058)</u>
Total accumulated depreciation	<u>(2,185,361)</u>	<u>(180,814)</u>	<u>--</u>	<u>(2,366,175)</u>
Business-type capital assets, net	<u>\$ 5,568,950</u>	<u>\$(176,501)</u>	<u>\$ --</u>	<u>\$ 5,392,449</u>

* Depreciation expense was charged to governmental activities as follows:

General government:	
City Clerk	\$ 2,776
Code enforcement	415
General government	30,940
Building inspector	1,040
Planning	5
Miscellaneous	<u>1,488</u>
Total general government	<u>36,664</u>

Public safety and judiciary:	
Police	78,630
Fire	131,557
Animal control	883
Municipal court	<u>1,022</u>
Total public safety and judiciary	<u>212,092</u>
Transportation:	
Streets	<u>24,857</u>
Total transportation	<u>24,857</u>
Cemetery	<u>243</u>
Cultural, parks and recreation:	
Library	28,209
Parks	4,176
Museum	<u>10,725</u>
Total cultural, parks and recreation	<u>43,110</u>
Total depreciation expense	<u>\$ 316,966</u>

The City has not capitalized assets under \$1,000 or library books, most of which would be under \$1,000.

3.E. ACCOUNTS PAYABLE

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll.

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

The following is a summary of the City's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2011:

Debt outstanding, July 1, 2010	\$ 963,624
Issued	--
Retirements	<u>(225,950)</u>
Debt outstanding June 30, 2011	<u>\$ 737,674</u>

	<u>Total</u>	<u>Due Within One Year</u>
Notes payable at June 30, 2011 for the City of Catoosa consists of the following, all of which are from the Fire Department:		
Lease purchase option on real estate, 5.5% interest paid quarterly, one lump sum payment due in one year for full amount of note - \$180,000	\$ 90,000	\$ 90,000
Lease/purchase option on fire truck in monthly installments of \$11,701.11 including 5.00% interest in the original amount of \$823,849	591,310	113,424
Lease/purchase option on fire truck payable in monthly installments of \$2,559.60 including 4.00% interest in the original amount of \$138,796	<u>56,364</u>	28,988
	737,674	
Less: current portion	<u>232,412</u>	
Long term portion	<u>\$505,262</u>	

Long-term debt maturities for each of the next seven years and until maturity:

June 30, 2012	\$232,412
June 30, 2013	\$146,602
June 30, 2014	\$125,327
June 30, 2015	\$131,738
June 30, 2016	\$101,595

Business-Type Activities

Long-term debt of the Catoosa Public Works Authority consists of customer meter deposits.

Cash has been reserved in an amount equal to customer meter deposits, which are refundable only when services are terminated. This liability is not interest bearing.

**3.G. DUE TO/FROM OTHER FUNDS -
OPERATING AND CAPITAL TRANSFERS**

As of June 30, 2011, interfund receivables and payables which resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 269,795	\$ --
Police Training Fund	--	20,267
Special Events Fund	--	1,187
Fire Department Special	--	12,991
Retirement Fund	--	446
Fire Department	--	189,860
Recreational Services	--	36,971
Library contributions	--	7,043
PWA Operation and Maintenance	--	6,029
Catoosa PWA	<u>4,999</u>	<u>--</u>
	<u>\$274,794</u>	<u>\$274,794</u>

Operating transfers during the year consisted of the following:

	From		To	
	Fund	Amount	Fund	Amount
Sanitary Sewer System Maintenance	PWA O & M Fund	\$ 24,418	Catoosa PWA	\$ 24,418
Centennial Clock/ Hometown Halloween	General Fund	10,500	Special Events	10,500
Purchase of equipment for Fire Department	Fire Department Special Fund	48,690	Fire Department Fund	48,690
Purchase and payments of fire trucks for Fire Department	General Fund	<u>140,413</u>	Fire Department	<u>140,413</u>
		<u>\$224,021</u>		<u>\$224,021</u>

3.H. FUND EQUITY

Reservations of retained earnings of the Catoosa Public Works Authority were created to allocate funds for storm water management, as indicated below.

Reserved for Storm Water Management - This reserve is funded by a charge assessed to each water and sewer customer. The Authority is utilizing such revenues to fund improvements to storm water drainage system in the City of Catoosa. The activity in this reserve account is summarized as follows:

Balance - July 1, 2010	<u>\$ 338,243</u>
Additions	
Storm water management fees	83,935
Interest income applicable to reserve balance	<u>3,947</u>
	<u>87,882</u>
Subtractions	
Equipment and system additions paid for from reserves	<u>30,275</u>
	<u>30,275</u>
Balance - June 30, 2011	<u>\$ 395,850</u>

3.I. NET ASSETS

The net assets at June 30, 2011 consist of:

	<u>Unassigned</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
General Fund	\$2,271,894	\$ --	\$ 267,318	\$ --	\$2,539,202
Fire Department	--	223,084	--	--	223,084
PWA Operatin & Maintenance	--	2,969,288	--	--	2,969,288
Cemetery Operations	--	35,725	--	--	35,725
Police Training	--	--	--	16,799	16,799
Special Events	--	--	--	(157)	(157)
Fire Department Special	--	10,642	--	--	10,642
Retirement Fund	--	--	--	161,058	161,058
Library Contribution	--	9,424	--	--	9,424
Recreational Services	--	<u>582,878</u>	--	--	<u>582,878</u>
	<u>\$2,271,884</u>	<u>\$3,831,041</u>	<u>\$ 267,318</u>	<u>\$ 177,700</u>	<u>\$6,547,932</u>

NOTE 4. OTHER NOTES

4.A. Employee Pension

I. The Oklahoma Firefighters Pension and Retirement System

A. Plan Description

All firemen, both full time employees and volunteers, of the City of Catoosa, Oklahoma are covered by the Oklahoma Firefighters Pension and Retirement System, which is a cost-sharing multiple-employer PERS

All firemen, except those under 18 years of age and an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65 are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the City or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50. The benefit for full-time fireman is 2.5% of the average of the final 30 months salary times the years of service, with a maximum of 30 years. The benefit for volunteer fireman is \$5.33 per month times the years of service, with a maximum of 30 years.

Pension provisions include deferred allowances whereby a firefighter may terminate with the City after accumulating 10 years of service but not before reaching the age of 50. The firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he would have completed 20 years of service, whichever is later. Pension provisions include death and disability benefits, whereby the disabled firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.

The City's current-year covered payroll and its total current-year payroll for full-time employees is \$166,502. Contributions and benefits for volunteer firemen are not based on payroll.

B. Contributions Required and Made

The City's contribution to the plan is 13.0% of the salaries for full-time firemen and an annual contribution of \$60 for each volunteer fireman. The full-time firemen contribute 8% of their salaries. Volunteer firemen do not make contributions to the plan. \$1,200 for 20 volunteers was paid.

Total contributions made during fiscal year 2011 amounted to \$34,970, of which \$21,648 was made by the City and \$13,322 was made by firefighters. Total contributions are allocated between the Municipality and the state. The contribution amounts for

municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

C. Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of July 1, 2011, was as follows:

Total pension benefit obligations	\$2,760,356,036
Net assets available for pension benefits, at market	<u>1,757,838,480</u>
Unfunded pension benefit obligation	<u>\$1,002,517,556</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2011. Net assets available to pay pension benefits were valued as of the same date.

The City's 2011 required contribution to the State PERS represents .006% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

D. Related Party Investments

During the fiscal year and as of June 30, 2011, the Oklahoma Firefighter Pension and Retirement System held no securities issued by the City of other related parties.

II Oklahoma Police Pension and Retirement System

A. Plan Description

All policemen of the City of Catoosa, Oklahoma are covered by the Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer PERS.

All policemen are covered except those less than 21 years of age or over 35 years of age when accepted for initial membership. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Upon completion of 20 years of credited service, a member is eligible for a normal retirement benefit payable immediately for life. The amount of the benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of service considered. Final average salary means the average base salary of an officer over the highest 30 consecutive months of the last 60 months of credited service.

Prior to completion of 10 years of service, a member receives a refund of contributions without interest. A member with 10 or more years of credited service, but not eligible for the normal retirement benefit, is eligible for a deferred vested benefit payable at the later of the date the member would have had 20 years of service or attained age 50. The amount of the deferred vested benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service.

Disability and death benefits differ based upon whether the death or disability resulted in the line of duty or not. If in the line of duty, a benefit is payable immediately equal to the greater of 2 1/2% of the final average salary times the years of credited service (maximum 30 years), and 50% of the final average salary. If not in the line of duty, a benefit is payable for a member who has completed 10 or more years of service equal to 2 1/2% of the final average salary times the years of credited service (maximum of 30 years). Additionally, upon the death of an active or retired member, the beneficiary shall receive a lump-sum of \$4,000. The City's covered payroll for the current year is \$468,351.

B. Contributions Required and Made

The City's contribution to the plan is 13.0% of the covered payroll. Additionally, the policemen contribute 8% of their salaries.

Total contributions made in the current year amounted to \$91,214, of which \$56,503 was made by the City and \$34,711 made by the policemen. Total contributions are allocated between the Municipalities and the State. The contribution amounts for the Municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

C. Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present values of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial

statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of June 30, 2011, was as follows:

Total pension benefit obligations	\$1,959,976,006
Net assets available for pension benefits, at market	<u>1,822,702,000</u>
Unfunded pension benefit obligation	<u>\$ 137,274,006</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2011. Net assets available to pay pension benefits were valued as of the same date.

The City's current year required contribution to the State PERS represents .459% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

D. Related Party Investments

During the fiscal year and as of June 30, 2011, the Oklahoma Police Pension and Retirement System held no securities issued by the City of other related parties.

III City of Catoosa Employee Pension Plan

The City has adopted a Code Section 457 Retirement Plan for all city employees not covered by other plans. Under this plan, which is a defined contributions plan, the employees may elect to contribute up to the lesser of \$7,500 or 25% of compensation annually. The employer contributes 12% of covered payroll annually. Employees have a 100% nonforfeitable interest in their contributions. The vesting schedule for City contributions to the plan is 0% to 6 years of service and 100% after 7 years. However, employees are fully vested at age 65 or upon death or disability regardless of the number of years of service. The covered payroll for this plan for the year ended June 30, 2011 was \$499,267 and contribution to the plan by employees and the City were \$45,945 and \$59,912 respectively.

4.B. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these various risks through the purchase of commercial insurance with varying deductibles. These deductibles are well below materiality levels for the City.

During the last three years no claim has been settled for amounts in excess of insurance coverage.

4.C. Subsequent Events

Subsequent to year-end the City Council approved a project plan relating to the development of a commercial district utilizing tax increment financing. The Catoosa Economic Development Authority, a previously dormant entity, will be used to facilitate certain activities of the proposed project. The cost of the proposed project is approximately \$65,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules - General Fund and Street and Drainage Fund

**CITY OF CATOOSA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 1,752,414	\$ 1,752,414	\$ 1,752,414	\$ --
Resources (inflows)				
Taxes				
Gas tax	11,239	11,239	8,940	(2,299)
Cigarette tax	34,700	34,700	39,207	4,507
Franchise taxes	213,564	213,564	245,959	32,395
Use tax	175,466	175,466	257,195	81,729
Sales tax	1,537,812	1,537,812	1,700,581	162,769
Motel tax	<u>53,415</u>	<u>53,415</u>	<u>98,366</u>	<u>44,951</u>
Total taxes	<u>2,026,196</u>	<u>2,026,196</u>	<u>2,350,248</u>	<u>324,052</u>
Intergovernmental				
Motor vehicle tax	34,992	34,992	38,865	3,873
Alcoholic beverage tax	27,684	27,684	31,758	4,074
Grants and donations	<u>128,579</u>	<u>128,579</u>	<u>109,185</u>	<u>(19,394)</u>
Total intergovernmental	<u>191,255</u>	<u>191,255</u>	<u>179,808</u>	<u>(11,447)</u>
Fines and forfeitures				
Police fines	<u>244,686</u>	<u>244,686</u>	<u>329,655</u>	<u>84,969</u>
Total fines and forfeitures	<u>244,686</u>	<u>244,686</u>	<u>329,655</u>	<u>84,969</u>
Licenses and permits				
Various licenses	<u>30,249</u>	<u>30,249</u>	<u>55,591</u>	<u>25,342</u>
Total licenses and permits	<u>30,249</u>	<u>30,249</u>	<u>55,591</u>	<u>25,342</u>
Investment income	<u>36,370</u>	<u>36,370</u>	<u>50,052</u>	<u>13,682</u>
Other income				
E-911 fees	3,823	3,823	4,861	1,038
Miscellaneous	<u>21,659</u>	<u>21,659</u>	<u>132,733</u>	<u>111,074</u>
Total other income	<u>25,482</u>	<u>25,482</u>	<u>137,594</u>	<u>112,112</u>
Amounts available for appropriation	<u>4,306,652</u>	<u>4,306,652</u>	<u>4,855,362</u>	<u>548,710</u>

**CITY OF CATOOSA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to appropriations (outflows)				
General government				
Personal services	212,261	212,261	204,592	7,669
Maintenance and operation	278,450	278,450	264,712	13,738
Capital outlay	<u> --</u>	<u>15,654</u>	<u>14,555</u>	<u>1,099</u>
Total General Government	<u>490,711</u>	<u>506,365</u>	<u>483,859</u>	<u>22,506</u>
City Clerk				
Personal services	166,191	180,036	180,454	(418)
Maintenance and operation	25,000	25,000	21,463	3,537
Capital outlay	<u> --</u>	<u>5,915</u>	<u>5,915</u>	<u> --</u>
Total City Clerk	<u>191,191</u>	<u>210,951</u>	<u>207,832</u>	<u>3,119</u>
Personal services				
Maintenance and operation	55,525	55,525	54,041	1,384
	<u>1,000</u>	<u>1,000</u>	<u>1,081</u>	<u>19</u>
Total Code Enforcement	<u>56,525</u>	<u>56,525</u>	<u>55,122</u>	<u>1,403</u>
City Attorney				
Personal services	57,504	64,004	65,047	(1,043)
Maintenance and operation	<u>1,050</u>	<u>4,090</u>	<u>589</u>	<u>3,501</u>
Total City Attorney	<u>58,554</u>	<u>68,094</u>	<u>65,636</u>	<u>2,458</u>
Municipal Court				
Personal services	47,613	50,863	49,732	1,131
Maintenance and operation	1,500	2,300	2,370	(70)
Capital outlay	<u> --</u>	<u>6,330</u>	<u>6,329</u>	<u>1</u>
Total Municipal Court	<u>49,113</u>	<u>59,493</u>	<u>58,431</u>	<u>1,062</u>
Police				
Personal services	858,832	848,832	828,199	20,633
Maintenance and operation	122,283	132,283	121,709	10,574
Capital outlay	<u> --</u>	<u>28,458</u>	<u>71,291</u>	<u>(42,833)</u>
Total Police	<u>981,115</u>	<u>1,009,573</u>	<u>1,021,199</u>	<u>(11,626)</u>
Catoosa Economic Development Authority				
Maintenance and operation	<u>26,000</u>	<u>26,000</u>	<u>5,944</u>	<u>20,056</u>

**CITY OF CATOOSA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Street and Maintenance				
Personal services	436,776	421,176	325,832	95,344
Maintenance and operation	123,500	133,500	167,420	(33,920)
Capital outlay	<u>626,618</u>	<u>632,218</u>	<u>180,601</u>	<u>451,617</u>
Total Street and Maintenance	<u>1,186,894</u>	<u>1,186,894</u>	<u>673,853</u>	<u>513,041</u>
Building Inspector				
Personal services	48,595	48,095	33,105	14,990
Maintenance and operation	<u>500</u>	<u>1,000</u>	<u>1,000</u>	<u>--</u>
Total Building Inspector	<u>49,095</u>	<u>49,095</u>	<u>34,105</u>	<u>14,990</u>
Planning				
Maintenance and Operation	<u>82,650</u>	<u>82,650</u>	<u>82,549</u>	<u>101</u>
Total planning	<u>82,650</u>	<u>82,650</u>	<u>82,549</u>	<u>101</u>
Parks				
Maintenance and operation	<u>8,300</u>	<u>8,300</u>	<u>8,103</u>	<u>197</u>
Total Parks	<u>8,300</u>	<u>8,300</u>	<u>8,103</u>	<u>197</u>
Senior Citizens				
Maintenance and operation	<u>1,000</u>	<u>1,000</u>	<u>205</u>	<u>795</u>
Total Senior Citizens	<u>1,000</u>	<u>1,000</u>	<u>205</u>	<u>795</u>
Museum				
Personal services	45,385	45,385	38,234	5,151
Maintenance and operation	<u>13,500</u>	<u>13,500</u>	<u>14,996</u>	<u>504</u>
Total Museum	<u>58,885</u>	<u>58,885</u>	<u>53,230</u>	<u>5,655</u>
Ambulance				
Maintenance and operation	<u>51,450</u>	<u>51,450</u>	<u>51,450</u>	<u>--</u>
Total ambulance	<u>51,450</u>	<u>51,450</u>	<u>51,450</u>	<u>--</u>
Emergency Management				
Maintenance and operation	<u>15,000</u>	<u>21,000</u>	<u>21,160</u>	<u>(160)</u>
Total Emergency Management	<u>15,000</u>	<u>21,000</u>	<u>21,160</u>	<u>(160)</u>

**CITY OF CATOOSA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Emergency Reserve				
Maintenance and operation	<u>1,000,169</u>	<u>910,377</u>	--	<u>910,377</u>
Total Emergency Reserve	<u>1,000,169</u>	<u>910,377</u>	--	<u>910,377</u>
Total Charges to Operations	<u>4,306,652</u>	<u>4,306,652</u>	<u>2,822,678</u>	<u>1,483,974</u>
Ending Budgetary Fund Balances	<u>\$ --</u>	<u>\$ --</u>	2,032,684	<u>\$2,032,684</u>
Adjustments to reconcile to balance sheet				
Increase in beginning fund balance			453,675	
Increase (decrease) in taxes receivable			<u>52,843</u>	
Fund Balance			<u>\$ 2,539,202</u>	

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

**CITY OF CATOOSA, OKLAHOMA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011**

	Special Events Fund	Cemetery Fund	Fire Department Special Fund	Retirement Fund	Police Training Fund	Library Contribution Fund	Recreational Servicing Fund	Total Non-major Governmental Funds
Assets								
Cash, including time deposits	\$1,030	\$35,725	\$23,633	\$161,504	\$41,975	\$19,493	\$583,179	\$866,539
Taxes receivable	--	--	--	--	--	--	40,983	40,983
Total assets	<u>\$1,030</u>	<u>\$35,725</u>	<u>\$23,633</u>	<u>\$161,504</u>	<u>\$41,975</u>	<u>\$19,493</u>	<u>\$624,162</u>	<u>\$907,522</u>
Liabilities								
Accounts payable	--	--	--	--	4,909	3,026	1,774	9,709
Accrued expenses	--	--	--	--	--	--	2,539	2,539
Due other funds	1,187	--	12,991	446	20,267	7,043	36,971	78,905
Total liabilities	<u>1,187</u>	<u>--</u>	<u>12,991</u>	<u>446</u>	<u>25,176</u>	<u>10,069</u>	<u>41,284</u>	<u>91,153</u>
Fund balances								
Restricted	--	35,725	10,642	--	--	9,424	582,878	638,669
Assigned	(157)	--	--	161,058	16,799	--	--	177,700
Total fund balances	<u>(157)</u>	<u>35,725</u>	<u>10,642</u>	<u>161,058</u>	<u>16,799</u>	<u>9,424</u>	<u>582,878</u>	<u>816,369</u>
Total liabilities and fund balances	<u>\$1,030</u>	<u>\$35,725</u>	<u>\$23,633</u>	<u>\$161,504</u>	<u>\$41,975</u>	<u>\$19,493</u>	<u>\$624,162</u>	<u>\$907,522</u>

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

	Special Events Fund	Cemetery Fund	Fire Department Special Fund	Retirement Fund	Police Training Fund	Library Contribution Fund	Recreational Services Fund	Total Non-major Governmental Funds
Revenues								
Sales tax	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$217,587	\$217,587
Fines and forfeits	--	--	--	--	39,584	--	--	39,584
Grants and contributions	3,617	--	12,480	--	5,293	14,582	--	35,972
Interest	58	427	702	4,819	427	196	6,712	13,341
Fees and service	--	2,400	2,404	--	--	--	4,300	9,104
Miscellaneous	870	--	--	--	100	--	--	970
Total revenues	4,545	2,827	15,586	4,819	45,404	14,778	228,599	316,558
Expenditures								
Library	--	--	--	--	--	10,915	151,504	162,419
Other recreation	21,704	--	--	--	--	--	10,010	31,714
Police	--	--	--	10,515	42,708	--	--	53,223
Fire Department	--	--	2,498	--	--	--	--	2,498
Cemetery	--	389	--	--	--	--	--	389
Capital outlay	--	--	6,592	--	4,637	3,026	--	14,255
Total expenditures	21,704	389	9,090	10,515	47,345	13,941	161,514	264,498
Excess (deficiency) of revenues over expenditures	(17,159)	2,438	6,496	(5,696)	(1,941)	837	67,085	52,060
Other financing sources (uses)								
Transfers in	10,500	--	--	--	--	--	--	10,500
Transfers out	--	--	(48,690)	--	--	--	--	(48,690)
Total other financing sources and uses	10,500	--	(48,690)	--	--	--	--	(38,190)
Net change in fund balances	(6,659)	2,438	(42,194)	(5,696)	(1,941)	837	67,085	13,870
Fund balances - beginning	6,502	33,287	52,836	166,754	18,740	8,587	515,793	802,499
Fund balances - ending	(\$157)	\$35,725	\$10,642	\$161,058	\$16,799	\$9,424	\$582,878	\$816,369

WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

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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

The City Council
City of Catoosa
Rogers County, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Catoosa, State of Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Catoosa, State of Oklahoma's basic financial statements and have issued our report thereon dated May 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Catoosa, State of Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Catoosa, State of Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Catoosa, State of Oklahoma'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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Catoosa, State of Oklahoma'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*.

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

The accompanying Schedule of Findings and Responses provides updated information in relation to internal control related finding as reported in the City of Catoosa's 2010 audited financial report.

Sincerely,

A handwritten signature in cursive script that reads "Wingard, Ragdale & Langley, CPAs, PLLC".

WINGARD, RAGSDALE & LANGLEY
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

MAY 12, 2012

WINGARD, RAGSDALE & LANGLEY

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SCHEDULE OF FINDINGS AND RESPONSES

The following report represents findings as reported in the City of Catoosa's *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* for the period ending June 30, 2011 and updates for items as reported in the same report for the period ending June 30, 2010. As reported in the report for the period ending June 30, 2011, there were no reportable items. The following represents updates regarding findings from fiscal period ending June 30, 2010.

Unclaimed Property

At year-end the City's general fund cash account has approximately \$15,000 of outstanding disbursements dated May 2009 or earlier. The disbursements represent either unclaimed property or outstanding disbursements which may have been replaced by a subsequent payment. The City should review these items to determine if they represent unclaimed property or voided disbursements. By doing so, the City will determine if these items represent excess cash available for operations or items subject to the Uniform Unclaimed Property Act as defined by Oklahoma Statutes. During our review of the controls surrounding the City's cash accounts, we noted the City performs timely bank account reconciliations; however during this procedure these items have been left outstanding for an unnecessarily long period of time, therefore warranting attention of Council and the need for resolving this issue.

2010 Management Response: We understand the outstanding amounts need to be reviewed and will perform procedures to determine the propriety of the outstanding amounts.

2011 Update: Audit procedures revealed this finding was not corrected.

Employee Wages

During our review of controls over expenditures for salaries and wages, we noted the Council does not have pre-established employment policies. Pre-established employment policies may include the Council's evaluation and approval of the City's staffing needs. Such policies may involve developing job descriptions and predetermined levels of compensation needed to maintain a sufficient level of City services. When testing expenditures for salary and wages we noted the Council's approval for these expenditures occurred in summary, whereas no supporting details were reviewed as to the number of employees paid, the amounts paid, or the hours worked. Oklahoma Statutes regarding the "Strong Mayor-Council" form of government specifically designate the powers of the Council to "regulate salaries and wages, and all other fiscal affairs of the city". Without employment policies, the need for specific positions may be unjustified and fiscally irresponsible. Not reviewing the supporting detail for these disbursements could result in inappropriate and misclassified payroll expenditures. During our review of the controls surrounding payroll activities, we did note the Council regularly utilizes budget to actual analysis for management of these amounts. This procedure is a key control which regulates the potential of such errors to be material to the financial statements in a single reporting period, however over time accumulation of misclassified amounts could result in material error in financial statements. As further discussed below, we were required by audit standards to perform additional procedures with respect to these amounts as reported in the June 30, 2010 financial statements; however these procedures did not result in changes to the reported amounts. We recommend the City Council evaluate the employment needs of the City by implementing an employment policy and the necessary controls needed to monitor compliance with these guidelines.

2010 Management Response: We understand the need for policies and procedures regarding employment positions with-in the City and will take the necessary steps to resolve the issues as discussed in this communication.

2011 Update: Audit procedures revealed the City has is conducting a study showing how the City of Catoosa's base wages compare with surrounding cities that have a similar tax base and population. Additionally, a detailed listing of employees and approved wage information by fund and department will be presented to City Council for proper approval in 2012-13 budget, overcoming the reported control deficiency.