

THE CITY OF IDABEL, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

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Independent Auditors' Report
On Financial Statements

Honorable Mayor and City Council
City of Idabel
Idabel, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Idabel, Oklahoma (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in *Note 1* to the footnotes to the financial statements, the City prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the changes in financial position – modified cash basis and, where applicable cash flows – modified cash basis for the year then ended in conformity with the basis of accounting described in *Note 1* to the footnotes to the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the City's basic financial statements. The other information, listed in the Table of Contents under the Introductory Section, has not been audited by us and, accordingly, we express no opinion on such data.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Idabel's basic financial statements. The accompanying schedule of expenditures of federal and state awards, and the combining and individual nonmajor fund financial statements as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards and the combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hill & Company, PC

Tulsa, Oklahoma
December 20, 2012



The management of the City of Idabel is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended June 30, 2012. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2012, the City's total net assets increased by \$176,705 or 1% from the prior year.
- During the year, the City's expenses and transfers for governmental activities were \$5,001,888 and were funded by program revenues of \$703,840 and further funded with taxes and other general revenues that totaled \$4,052,154.
- In the City's business-type activities, such as utilities, total expenses exceeded program revenues by \$315,215.
- At June 30, 2012, the General Fund reported an unassigned fund balance of \$1,629,971, which is a decrease of 6.3% from the prior year.
- For budgetary reporting purposes, the General Fund reported revenues and transfers in less than estimates by \$91,091 or 2.4%, while expenditures and transfers out were under the final appropriations by \$816,973 or 18%.

OVERVIEW OF THE FINANCIAL STATEMENTS

Except for the exclusion of the Idabel Public Golf Authority, the financial statements presented herein include all of the activities of the City of Idabel (the "City"). Included in this report are government-wide statements for the governmental activities.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

These two government-wide statements report the City's net assets and changes in them from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, sanitation, airport, streets, cemetery and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer and sanitation activities are reported here.
- **Discretely-presented component units** – These account for activities of the City's reporting entity that do not meet the criteria for blending. The City's discretely-presented component unit reports industrial development activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

CITY OF IDABEL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2012

Fiduciary funds - When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or others parties. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities, if any, are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations. Currently, the City does not report any fiduciary funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

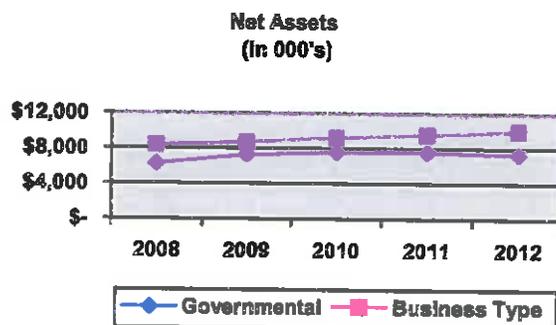
Net Assets

The City's combined net assets increased from \$17,263,751 to \$17,440,456 between fiscal years 2011 and 2012. Looking at the net assets of governmental and business-type activities separately, governmental activities decreased \$245,894 while business-type activities increased \$422,599.

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2012	2011		2012	Restated * 2011		2012	Restated * 2011	
Current and other assets	\$ 2,855,343	\$ 2,955,687	-3%	\$ 4,664,981	\$ 4,282,782	9%	\$ 7,520,324	\$ 7,238,469	4%
Capital assets, net	7,054,547	7,294,286	-3%	7,153,544	7,448,425	-4%	14,208,091	14,742,711	-4%
Total assets	9,909,890	10,249,973	-3%	11,818,525	11,731,207	1%	21,728,415	21,981,180	-1%
Long-term debt	2,481,834	2,574,273	-4%	1,564,888	1,900,970	-18%	4,046,722	4,475,243	-10%
Other liabilities	26,937	28,687	-6%	214,300	213,499	0%	241,237	242,186	0%
Total liabilities	2,508,771	2,602,960	-4%	1,779,188	2,114,469	-16%	4,287,959	4,717,429	-9%
Net assets:									
Invested in capital assets, net of debt	4,572,713	4,720,013	-3%	5,588,656	5,547,455	1%	10,161,369	10,267,468	-1%
Restricted	786,476	816,817	-4%	1,048,213	1,026,919	2%	1,834,689	1,843,736	0%
Unrestricted	2,041,930	2,110,183	-3%	3,402,468	3,042,364	12%	5,444,398	5,152,547	6%
Total net assets	\$ 7,401,119	\$ 7,647,013	-3%	\$10,039,337	\$9,616,738	4%	\$17,440,456	\$17,263,751	1%

Unrestricted net assets of the City's business-type activities increased 12% to \$3,402,468 due mainly to an increase of approximately \$400,000 in unrestricted cash, cash equivalents, and investments.

- See Note 6 for detail regarding prior year restatement of net assets.



CITY OF IDABEL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2012

Changes in Net Assets

For the year ended June 30, 2012, net assets of the primary government changed as follows:

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues:									
Program revenues:									
Charges for services	\$ 441,899	\$ 416,302	6%	\$ 2,459,360	\$ 2,397,798	3%	\$ 2,901,259	\$ 2,814,100	3%
Operating grants/contributions	153,805	177,109	-13%	-	-	-	153,805	177,109	-13%
Capital grants/contributions	108,136	187,032	-42%	-	-	-	108,136	187,032	-42%
General revenues:									
Sales and use taxes	3,436,093	3,289,828	4%	-	-	-	3,436,093	3,289,828	4%
Other taxes	282,216	371,697	-24%	-	-	-	282,216	371,697	-24%
Other general revenue	333,845	340,035	-2%	166,085	198,964	-17%	499,930	538,999	-7%
Total revenues	4,755,994	4,782,003	-1%	2,625,445	2,596,762	1%	7,381,439	7,378,765	0%
Program expenses:									
General government	489,431	442,930	10%	-	-	-	489,431	442,930	10%
Streets	776,107	754,968	3%	-	-	-	776,107	754,968	3%
Public safety	1,899,340	1,908,856	0%	-	-	-	1,899,340	1,908,856	0%
Cemetery	187,963	161,960	16%	-	-	-	187,963	161,960	16%
Legal and judicial	47,457	50,406	-6%	-	-	-	47,457	50,406	-6%
Culture and recreation	89,265	46,570	92%	-	-	-	89,265	46,570	92%
Community development	311,110	319,503	-3%	-	-	-	311,110	319,503	-3%
Airport	329,919	278,676	18%	-	-	-	329,919	278,676	18%
Sanitation	-	-	-	-	-	-	-	-	-
Maintenance	72,208	62,871	15%	-	-	-	72,208	62,871	15%
Industrial development	105,897	103,350	2%	-	-	-	105,897	103,350	2%
Interest and fiscal agent fees	73,686	117,478	-37%	-	-	-	73,686	117,478	-37%
Water operations	-	-	-	1,200,500	1,242,887	-3%	1,200,500	1,242,887	-3%
Sewer operations	-	-	-	782,545	837,486	-7%	782,545	837,486	-7%
Sanitation operations	-	-	-	778,653	756,140	3%	778,653	756,140	3%
Governmental interest/Administrat	-	-	-	12,877	12,515	3%	12,877	12,515	3%
General expenses:									
Total expenses	4,382,383	4,247,568	3%	2,774,575	2,849,028	-3%	7,156,958	7,096,596	1%
Excess (deficiency) before transfers	373,611	534,435	-30%	(149,130)	(252,266)	-41%	224,481	282,169	-20%
Transfers	(571,729)	(504,895)	-13%	571,729	504,895	13%	-	-	-
Increase (decrease) in net assets	(\$ 198,118)	\$ 29,540	-771%	\$ 422,599	\$ 252,629	67%	\$ 224,481	\$ 282,169	-20%

The City's governmental activities' decrease in net assets of \$245,894 represents a significant decrease in the change in net assets from the prior year. Other than transfers to the business-type activities, this decrease is attributable to a decline in 1) operating grants from the Oklahoma Department of Transportation, Oklahoma Highway Safety Office, and the Federal Department of Justice; 2) capital grants for the airport; and 3) hotel/motel taxes. Along with a decline in revenues, there were also increases in expenses related to 1) general government salaries, benefits, and depreciation; 2) cemetery salaries and benefits; 3) airport fuel and depreciation; and 4) maintenance salaries, benefits, fuel, supplies and materials. The business-type activities' increase in net assets of \$422,599 represents a 67% increase in the change in net assets from the prior year. This is mainly due to increases in 1) water receipts and sanitation fees; and 2) funding from the General Fund. Along with an increase in revenues, there were also decreases in expenses related to 1) Water operations – salaries, benefits, supplies and materials; and 2) Wastewater/Sewer operations – supplies and materials. While the city's financial position improved, the rate of net asset growth has slowed from the prior year.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$2,828,406 or a 3.4% decrease from the prior year. The enterprise fund reported net assets of \$10,039,337 or a 4.4% increase from 2011.

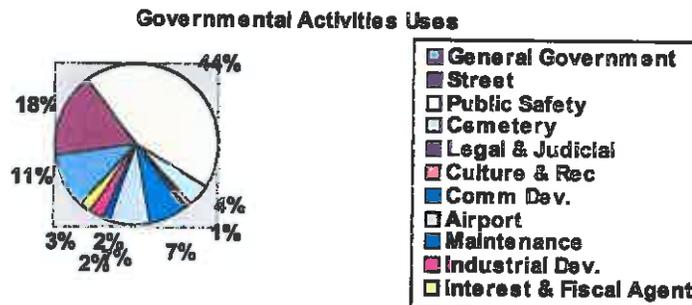
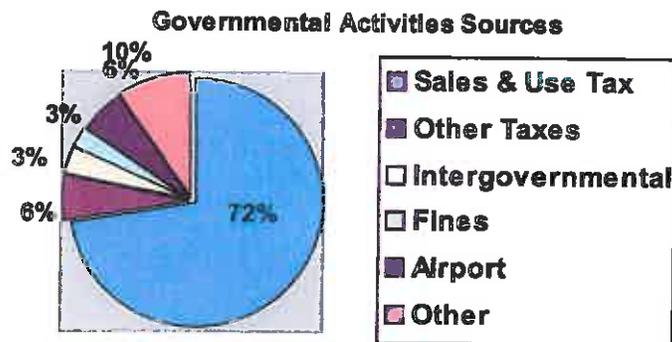
Other fund highlights include:

- For the year ended June 30, 2012, the General Fund's total fund balance decreased by \$109,027 or 6.3% due mainly to an increased transfer out to the IPWA.
- The Library Fund decreased by \$25,320 or 7.9% due primarily to a decrease in tax revenues.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended June 30, 2012, the City's governmental activities were funded as follows:



CITY OF IDABEL, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2012

Net Cost of Idabel's Governmental Activities

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
General government	\$ 489,431	\$ 442,930	10.5%	\$ (479,451)	\$ (426,363)	12.5%
Streets	776,107	754,968	2.8%	(709,967)	(682,429)	4.0%
Public safety	1,899,340	1,908,856	-0.5%	(1,743,777)	(1,718,977)	1.4%
Cemetery	187,963	161,960	16.1%	(164,758)	(139,905)	17.8%
Legal and judicial	47,457	50,406	-5.9%	(47,457)	(50,406)	-5.9%
Culture and recreation	89,265	46,570	91.7%	11,570	19,903	-41.9%
Community development	311,110	319,503	-2.6%	(240,733)	(253,653)	-5.1%
Airport	329,919	278,676	18.4%	(52,179)	68,404	-176.3%
Maintenance	72,208	62,871	14.9%	(72,208)	(62,871)	14.9%
Industrial development	105,897	103,350	2.5%	(105,897)	(103,350)	2.5%
Interest and amortization	73,686	117,478	-37.3%	(73,686)	(117,478)	-37.3%
Total	\$4,382,383	\$ 4,247,568	3.2%	\$ (3,678,543)	\$ (3,467,125)	6.1%

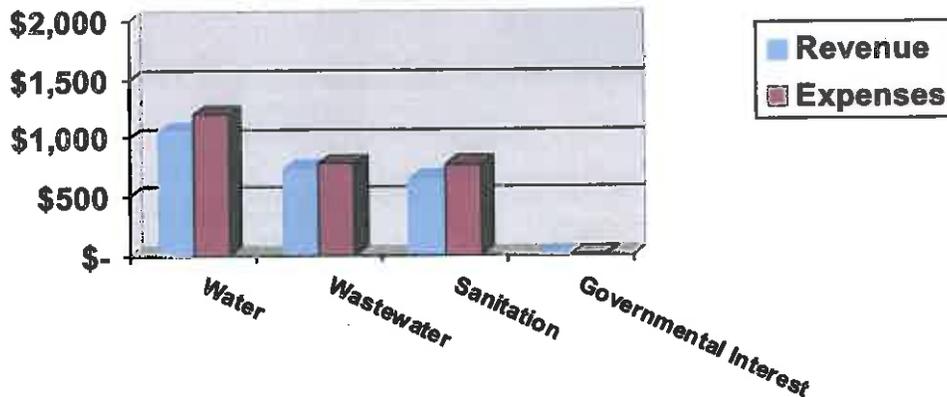
Major changes as listed above are explained in previous paragraphs.

Business-type Activities

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net expenses of \$315,215 for the year ended June 30, 2012.
- All individual activities reported net expenses for fiscal year 2012 as the following chart shows.

Business-Type Activities Revenue and Expense
(in 000's)



CITY OF IDABEL, OKLAHOMA
Management's Discussion and Analysis
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Net Cost of Idabel's Business-Type Activities

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Water operations	1,200,500	1,242,887	-3.4%	(133,138)	(197,068)	-32.4%
Wastewater operations	782,545	837,486	-6.6%	(47,237)	(100,760)	-53.1%
Sanitation operations	778,653	756,140	3.0%	(121,963)	(140,887)	-13.4%
Governmental Interest	12,877	12,515	2.9%	(12,877)	(12,515)	2.9%
Total	\$2,774,575	\$2,849,028	-2.6%	(\$315,215)	(\$451,230)	-30.1%

Major changes as listed above are explained in previous paragraphs.

General Fund Budgetary Highlights

Total revenues were less than the amount budgeted by \$91,091, while the total expenditures were under the amount budgeted by \$816,973. A planned streetscape project of \$500,000 was not done during the fiscal year which explains most of the under-budget amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had \$14,208,091 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines (See table below). This represents a decrease of \$534,620 or 3.6% compared to last year.

Primary Government Capital Assets
(Net of accumulated depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 382,929	\$382,929	\$78,502	\$78,502	\$461,431	\$461,431
Buildings and improvements	4,793,335	4,941,153	139,913	153,089	4,933,248	5,094,242
Machinery, furniture & equipment	651,834	631,418	1,810,944	1,940,432	2,462,778	2,571,850
Infrastructure	873,332	973,339	-	-	873,332	973,339
Utility property improvements	-	-	4,939,512	5,229,616	4,939,512	5,229,616
Construction in progress	353,117	365,447	184,673	46,786	537,790	412,233
Totals	\$7,054,547	\$7,294,286	\$7,153,544	\$7,448,425	\$14,208,091	\$14,742,711

CITY OF IDABEL, OKLAHOMA
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This year's more significant capital asset additions included:

- Oil distribution truck
- Asphalt heater and hotbox
- Warning Sirens
- 2 police cars
- Brush hog mower
- Wastewater filter plant restoration

See Note 4 to the financial statements for more detail information on the City's capital assets and changes therein.

Long- Term Debt

At year-end, the City had \$4,046,722 in long-term debt outstanding which represents a \$428,521 or 9.6% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

	Primary Government Long-Term Debt						Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Notes payable	\$ 2,414,070	\$ 2,458,733	\$ 793,795	\$919,518	\$ 3,207,865	\$ 3,378,251	-5.0%
Revenue bonds payable	-	-	765,000	940,000	765,000	940,000	-18.6%
Capital lease payable	67,764	115,540	6,093	41,452	73,857	156,992	-53.0%
Totals	<u>\$2,481,834</u>	<u>\$2,574,273</u>	<u>\$ 1,564,888</u>	<u>\$1,900,970</u>	<u>\$4,046,722</u>	<u>\$4,475,243</u>	-9.6%

See Note 5 to the financial statements for more detail information on the City's long-term debt and changes therein.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The City's General Fund revenues and expenses for the 2013 fiscal year are each budgeted to increase approximately \$88,000.
- The IPWA revenues and expenses for the 2013 fiscal year are each budgeted to increase approximately \$15,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Idabel City Clerk-Treasurer at City of Idabel, 201 E. Main, Idabel, Oklahoma 74745-4875 or phone at (580) 286-7608. The Idabel Industrial Authority can be contacted at 7 Southwest Texas, Idabel, Oklahoma 74745.

CITY OF IDABEL, OKLAHOMA
Statement of Net Assets
(Modified Cash Basis)
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Idabel Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 2,403,318	\$ 1,856,313	\$ 4,259,631	\$ 1,084,146
Investments	452,938	1,666,847	2,119,785	-
Internal balances	(913)	913	-	-
Other receivables	-	75	75	-
Notes receivable:				
Due within one year	-	48,203	48,203	8,037
Due in more than one year	-	1,092,630	1,092,630	22,429
Capital assets:				
Land and construction in progress	736,046	263,175	999,221	747,135
Other capital assets, net of depreciation	6,318,501	6,890,369	13,208,870	514,961
Unamortized bond issuance costs	-	-	-	-
Total assets	<u>9,909,890</u>	<u>11,818,525</u>	<u>21,728,415</u>	<u>2,376,708</u>
LIABILITIES				
Payroll withholdings payable	5,449	2,067	7,516	-
Due to other governments	1,236	-	1,236	-
Due to bondholders	20,252	-	20,252	-
Due to depositors	-	212,233	212,233	-
Long-term liabilities:				
Due within one year	93,890	319,766	413,656	8,721
Due in more than one year	2,387,944	1,245,122	3,633,066	161,566
Total liabilities	<u>2,508,771</u>	<u>1,779,188</u>	<u>4,287,959</u>	<u>170,287</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,572,713	5,588,656	10,161,369	1,262,096
Restricted for:				
Statutory requirements	203,827	-	203,827	-
External contracts	582,649	1,048,213	1,630,862	-
Unrestricted	2,041,930	3,402,468	5,444,398	944,325
Total net assets	<u>\$ 7,401,119</u>	<u>\$ 10,039,337</u>	<u>\$ 17,440,456</u>	<u>\$ 2,206,421</u>

CITY OF IDABEL, OKLAHOMA
Statement of Activities
 (Modified Cash Basis)
 For the Year Ended June 30, 2012

Function/Program	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Governmental Activities	Business-type Activities	Total	Idabel Industrial Development Authority
Primary government								
Governmental Activities								
General Government	\$ 489,431	\$ 9,138	\$ 842	\$ -	\$ (479,451)	\$ -	\$ -	
Streets	776,107	-	66,140	-	(709,967)	-	(709,967)	
Public Safety	1,899,340	139,117	16,446	-	(1,743,777)	-	(1,743,777)	
Cemetery	187,963	23,205	-	-	(164,758)	-	(164,758)	
Legal and judicial	47,457	-	-	-	(47,457)	-	(47,457)	
Culture and Recreation	89,265	-	-	100,835	11,570	-	11,570	
Community development	311,110	-	70,377	-	(240,733)	-	(240,733)	
Airport	329,919	270,439	-	7,301	(52,179)	-	(52,179)	
Maintenance	72,208	-	-	-	(72,208)	-	(72,208)	
Industrial Development	105,897	-	-	-	(105,897)	-	(105,897)	
Interest on Long-term debt	73,686	-	-	-	(73,686)	-	(73,686)	
Total governmental activities	<u>4,382,383</u>	<u>441,899</u>	<u>153,805</u>	<u>108,136</u>	<u>(3,678,543)</u>	<u>-</u>	<u>(3,678,543)</u>	
Business-type activities:								
Water	1,200,500	1,067,362	-	-	-	(133,138)	(133,138)	
Wastewater	782,545	735,308	-	-	-	(47,237)	(47,237)	
Sanitation	778,653	656,690	-	-	-	(121,963)	(121,963)	
Governmental Interest Expense	12,877	-	-	-	-	(12,877)	(12,877)	
Total business-type activities	<u>2,774,575</u>	<u>2,459,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,215)</u>	<u>(315,215)</u>	
Total primary government	<u>7,156,958</u>	<u>2,901,259</u>	<u>153,805</u>	<u>108,136</u>	<u>(3,678,543)</u>	<u>(315,215)</u>	<u>(3,993,758)</u>	
Component Units								
Industrial Development Authority	58,256	10,380	-	-	-	-	(47,876)	
Total Component Units	<u>\$ 58,256</u>	<u>\$ 10,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(47,876)</u>	
General revenues:								
Taxes:								
Sales and use taxes					\$ 3,436,093	\$ -	\$ 3,436,093	
Occupation taxes					32,428	-	32,428	
Hotel/motel taxes					31,307	-	31,307	
Franchise taxes and public service taxes					218,481	-	218,481	
Intergovernmental revenue not restricted to specific programs					159,965	-	159,965	
Unrestricted investment earnings					15,978	110,179	126,157	
Miscellaneous					157,902	55,906	213,808	
Transfers					(571,729)	571,729	-	
Total general revenues and transfers					<u>3,480,425</u>	<u>737,814</u>	<u>4,218,239</u>	
Change in net assets					(198,118)	422,599	224,481	
Net assets - beginning as restated - see Note 6					7,599,237	9,616,738	17,215,975	
Net assets - ending					<u>\$ 7,401,119</u>	<u>\$ 10,039,337</u>	<u>\$ 17,440,456</u>	

See accompanying notes to the basic financial statements.

CITY OF IDABEL, OKLAHOMA
Governmental Funds Balance Sheet
 (Modified Cash Basis)
 June 30, 2012

	General Fund	Library	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,656,957	\$ 283,796	\$ 462,565	\$ 2,403,318
Investments	452,938	-	-	452,938
Due from other funds	10,302	12,452	-	22,754
Total assets	<u>2,120,197</u>	<u>296,248</u>	<u>462,565</u>	<u>2,879,010</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	1,236	-	-	1,236
Miscellaneous payroll liabilities	5,226	-	-	5,226
Due to other funds	18,844	-	4,823	23,667
Due to bondholders	20,252	-	-	20,252
Other liabilities	-	-	223	223
Total liabilities	<u>45,558</u>	<u>-</u>	<u>5,046</u>	<u>50,604</u>
Fund balances:				
Restricted	32,182	292,691	461,603	786,476
Assigned	412,486	3,557	962	417,005
Unassigned	1,629,971	-	(5,046)	1,624,925
Total fund balances	<u>2,074,639</u>	<u>296,248</u>	<u>457,519</u>	<u>2,828,406</u>
Total liabilities and fund balances	<u>\$ 2,120,197</u>	<u>\$ 296,248</u>	<u>\$ 462,565</u>	<u>\$ 2,879,010</u>

CITY OF IDABEL, OKLAHOMA
Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances (Modified Cash Basis)
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 3,687,002	\$ 31,307	\$ 70,377	\$ 3,788,686
Intergovernmental	227,635	-	9,669	237,304
Charges for services	306,981	-	-	306,981
Fees and fines	138,417	-	2,653	141,070
Licenses and permits	9,138	-	-	9,138
Investment earnings	10,936	836	206	11,978
Miscellaneous:				
Donations	-	100,835	-	100,835
Other	153,502	-	6,500	160,002
Total revenues	<u>4,533,611</u>	<u>132,978</u>	<u>89,405</u>	<u>4,755,994</u>
EXPENDITURES				
Current:				
General government	438,786	-	-	438,786
Streets and highways	683,156	-	-	683,156
Public Safety	1,804,336	-	18,145	1,822,481
Cemetery	199,248	-	-	199,248
Legal and judicial	47,457	-	-	47,457
Culture and recreation	41,304	-	-	41,304
Community support	147,321	-	76,146	223,467
Airport	250,377	-	-	250,377
Maintenance	72,208	-	-	72,208
Industrial development	105,897	-	-	105,897
Capital Outlay	155,636	3,298	32,762	191,696
Debt Service:				
Principal	47,776	44,663	-	92,439
Interest and other charges	4,006	110,337	-	114,343
Total Expenditures	<u>3,997,508</u>	<u>158,298</u>	<u>127,053</u>	<u>4,282,859</u>
Excess (deficiency) of revenues over expenditures	<u>536,103</u>	<u>(25,320)</u>	<u>(37,648)</u>	<u>473,135</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	563,839	-	31,679	595,518
Transfers out	(1,166,168)	-	(1,079)	(1,167,247)
Total other financing sources and uses	<u>(602,329)</u>	<u>-</u>	<u>30,600</u>	<u>(571,729)</u>
Net change in fund balances	(66,226)	(25,320)	(7,048)	(98,594)
Fund balances - beginning	<u>2,140,865</u>	<u>321,568</u>	<u>464,567</u>	<u>2,927,000</u>
Fund balances - ending	<u>\$ 2,074,639</u>	<u>\$ 296,248</u>	<u>\$ 457,519</u>	<u>\$ 2,828,406</u>

CITY OF IDABEL, OKLAHOMA
Reconciliation of Governmental Funds and
Government-Wide Financial Statements
(Modified Cash Basis)
As of and for the Year Ended June 30, 2012

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:

Total fund balance, governmental funds	\$	2,828,406
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>		7,054,547
<p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		(2,481,834)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>7,401,119</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Net change in fund balances - total governmental funds:	\$	(98,594)
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>		
Capital asset capitalized		174,959
Depreciation expense		(414,698)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of netassets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:</p>		
Principal payments on long-term debt		92,439
Change in net assets of governmental activities	\$	<u>(245,894)</u>

CITY OF IDABEL, OKLAHOMA
Proprietary Funds Statement of Net Assets
 (Modified Cash Basis)
 For the Year Ended June 30, 2012

	Idabel Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,003,895
Investments	1,258,819
Restricted:	
Cash and cash equivalents	615,921
Investments	82,000
Due from other funds	913
Other receivables	75
Notes receivable	48,203
Total current assets	3,009,826
Non-current assets:	
Restricted:	
Cash and cash equivalents	236,497
Investments	326,028
Notes receivable	1,092,630
Capital Assets:	
Land and construction in progress	263,175
Other capital assets, net of accumulated depreciation	6,890,369
Total non-current assets	8,808,699
Total assets	11,818,525
LIABILITIES	
Current Liabilities:	
Payroll withholdings payable	2,067
Capital lease obligation	6,093
Notes payable	133,673
Bonds payable	180,000
Total current liabilities	321,833
Non-current liabilities:	
Due to depositors	212,233
Loan payable	187,113
Notes payable	473,009
Bonds payable	585,000
Total non-current liabilities	1,457,355
Total liabilities	1,779,188
NET ASSETS	
Invested in capital assets, net of related debt	5,588,656
Restricted for debt service	1,048,213
Unrestricted	3,402,468
Total net assets	\$ 10,039,337

CITY OF IDABEL, OKLAHOMA
Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets
(Modified Cash Basis)
For the Year Ended June 30, 2012

	Idabel Public Works Authority
REVENUES	
Water	\$ 1,015,907
Sewer	696,479
Sanitation	627,439
Water taps	3,910
Sewer taps	3,125
Sewer disposal fee	2,950
Penalties	45,031
Reconnect fees	33,827
Transfer fees	1,934
Rent income	2,400
Insufficient check charges	1,175
Miscellaneous	25,183
Total operating revenues	2,459,360
OPERATING EXPENSES	
Managerial	90,869
Water	564,067
Lift station	142,148
Filter plant	356,117
Sewer plant	224,890
Sanitation	677,768
Sewer-other	166,478
Depreciation	470,698
Total Operating Expenses	2,693,035
Operating income (loss)	(233,675)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	110,179
Interest expense	(79,540)
Miscellaneous revenue	55,906
Miscellaneous expenses	(2,000)
Total non-operating revenue (expenses)	84,545
Income (loss) before transfers	(149,130)
Transfers in	1,135,568
Transfers out	(563,839)
Change in net assets	422,599
Total net assets - beginning as restated - See Note 6	9,616,738
Total net assets - ending	\$ 10,039,337

CITY OF IDABEL, OKLAHOMA
Proprietary Funds Statement of Cash Flows
 (Modified Cash Basis)
 For the Year Ended June 30, 2012

	<u>Idabel Public</u> <u>Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,515,191
Payments to suppliers	(1,066,132)
Payments to employees	(1,160,838)
Receipts of customer meter deposits	40,705
Refunds of customer meter deposits	<u>(37,271)</u>
Net cash provided by operating activities	<u>291,655</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,135,568
Transfers to other funds	(563,839)
Disbursements made on notes receivable	48,203
Net cash provided by noncapital financing activities	<u>619,932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(175,817)
Principal paid on debt	(336,082)
Interest and fiscal agent fees paid on debt	(79,540)
Net cash provided by (used in) capital and related financing activities	<u>(591,439)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	(108,604)
Interest and dividends	110,179
Net cash provided by investing activities	<u>1,575</u>
Net increase in cash and cash equivalents	321,723
Balances - beginning of year	<u>1,534,590</u>
Balances - end of year	<u>\$ 1,856,313</u>
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	1,003,895
Restricted cash and cash equivalents - current	615,921
Restricted cash and cash equivalents - noncurrent	236,497
Total cash and cash equivalents, end of year	<u>1,856,313</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (233,675)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	470,698
Miscellaneous revenue	55,906
Miscellaneous expense	(2,000)
Change in assets and liabilities:	
Accrued payroll payable	(2,633)
Deposits subject to refund	3,434
Net cash provided by operating activities	<u>\$ 291,655</u>

Note 1—The Financial Reporting Entity

The City's financial reporting entity includes the primary government (the City of Idabel), a blended component unit, and discretely presented component units as noted below.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and includes all component units for which the City is financially accountable except for the Idabel Public Golf Authority.

The City of Idabel, Oklahoma (the City)

The City of Idabel, Oklahoma (the City), is an aldermanic form of city government under Title 11, Article 9 of the Oklahoma Constitution. The City operates and provides the following services directly or through its component units: Public Safety - Police and Fire; Highways and Streets; Water, Sewer and Sanitation Services; Cultural and Recreational; Public Improvements; Planning and Zoning; and General Administrative Services.

Component Units:

The component units that are blended into the City's primary government presentation are as follows.

The Idabel Utility Authority (Authority)

The Authority is a beneficial public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1971, Section 176 to 180.3 of the Oklahoma Trust Act. The Trust has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, gas, electric, or other forms or types of public and municipal services within or without the corporate boundaries of the City of Idabel, Oklahoma. The Authority is empowered to lease, acquire or construct the properties necessary to provide and maintain these services. It is also empowered to obtain funds for these purposes and in so doing, to incur indebtedness whether unsecured or secured by all or any part of the Trust Estate and its revenues. The Authority is also permitted to transfer monies to the City of Idabel for the use of the City. The City of Idabel is the beneficiary of the Trust, and the City Council members are the trustees of the Authority.

In order to fulfill these functions, the Authority has leased from the City of Idabel its water and sewer systems, its rights to all improvements thereto, its rights to any and all municipal services and utilities systems of the City and its rights to operations and revenues there from. Bonds have also been issued for the purpose of obtaining funds for the construction of additional facilities.

The McCurtain County Regional Airport Authority

The McCurtain County Regional Airport Authority is a public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1971 and the Oklahoma Trust Act, Sections 176 to 180. The trust has as its purpose to provide airports, aerodromes, landing fields for aircraft and related services and facilities. Also, other purposes of the trust are to promote the development of industry and culture and industrial, manufacturing, cultural and educational activities by providing additional employment and activities; to provide and/or aid in providing facilities and/or services of all kinds necessary to functioning; and to hold, maintain, and administer any leasehold rights. The Trust is empowered to acquire by lease, purchase or otherwise and hold, construct, install, equip, repair, enlarge, furnish, maintain and operate or otherwise deal with any and all physical properties and facilities and to provide funds for said activities. It is also empowered to expend all funds coming into the hands of the trust as revenue and otherwise in payment of aforementioned costs and expenses.

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts have no taxing power. The Trusts are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the city Council to delegate certain functions to the governing body (Trustees) of those Trusts. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council.

The component unit that is discretely presented in the City's report in a separate column is presented below:

The Idabel Industrial Development Authority

The Idabel Industrial Development Authority (IIDA) meets the criteria for a component unit as approval is required of the City Council for any issuance of debt. The financial data of the Authority as of and for the year ended June 30, 2012 is included in these financial statements. Separate financial statements may be obtained at the Authority's office.

The Authority is a public trust created under Section 176, Title 60 of the Oklahoma Statutes and the Oklahoma Trust Act. The primary purpose of the Authority is to attract and develop industries in Idabel, Oklahoma.

The component unit that is an excluded discretely presented component unit is described below:

The Idabel Public Golf Authority

The Idabel Public Golf Authority (IPGA) meets the criteria for a component unit as approval is required of the City Council for any issuance of debt. The financial data of the Authority as of and for the year ended June 30, 2012, is excluded from these financial statements. Separate financial statements may be obtained at the IPGA's office.

The Authority is a public trust created April 8, 1997 under Section 176, Title 60 of the Oklahoma Statutes and the Oklahoma Trust Act. The primary purpose of the Authority is to promote and develop golfing facilities in Idabel, Oklahoma.

Note 2—Basis of Presentation and Accounting

Government-Wide Financial Statements

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

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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

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

- Public Safety—fines and forfeitures, operating and capital grants and contributions.
- Streets and Highways—commercial vehicle and gasoline excise tax shared by the State, operating and capital grants and contributions.

- Culture and Recreation—capital grants and contributions.
- Cemetery—cemetery revenues.
- General Government—licenses and permits
- Airport—fuel sales, hangar rentals and capital grants and contributions
- Sanitation—sanitation charges
- Community development—operating grants and contributions

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds

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

Major Funds:

- General Fund—accounts for general operations of the City, including public safety, parks, public facilities, airport, sanitation, and street maintenance. This fund also includes the LETN, MCRA Fuel Farm, and Cemetery Maintenance Funds.
- Idabel Library Fund—a special revenue fund that accounts for revenues associated with improvements of the Idabel Library.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue:

- Federal Nutrition Fund—accounts for annual Kiamichi Area Nutrition Program grants
- Emergency Shelter Grant Fund—accounts for grants received from the Emergency Shelter Program
- E-911 Fund—accounts for collections for the operation of 911 services.

Capital Project:

- Special Grant Project Fund—accounts for miscellaneous grants.
- Transportation Enhancement Fund—accounts for funds associated for a City streetscape project
- McCurtain County Regional Airport (MCRA) Fund—accounts for money received related to grants received in prior periods for the airport capital projects.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities. The compensated absence obligation at June 30, 2012 is estimated at \$93,147 for the General Fund and \$20,138 for the Idabel Public Works Authority.

Proprietary Funds

The City's proprietary funds include:

- **Idabel Public Works Authority**—This fund accounts for the activities of the City of Idabel's Public Works Authority public trust and related meter activities in providing water, sewer, and sanitation services to the public.

The proprietary funds are reported on the modified cash basis of accounting and economic resources measurement focus. For business-type activities, Financial Account Standard 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 purposes of the statement of revenues, expenses, and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses relating to financing, capital, and investing activities are reported as non-operating or transfers and contributions.

Note 3—Cash, Cash Equivalents and Investments

For the purposes of the statements of net assets, balance sheets, and statement of cash flows, cash and cash equivalents include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts.

Investments consist of long-term time deposits and U.S. Government securities. Certificates of deposit and investments in U.S. Government securities are reported at cost.

For the year ended June 30, 2012, the City recognized \$126,157 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

Primary Government

At June 30, 2012, the primary government held the following deposits and investments:

<u>Type</u>	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>	<u>Market Value</u>
<i>Deposits:</i>				
Demand deposits	\$ 4,060,881	N/A	N/A	N/A
Time deposits	1,861,757	N/A	Due within 1 year	N/A
Total Deposits	<u>\$ 5,922,638</u>			
<i>Other:</i>				
U.S. Treasury Bond	\$ 82,000	N/A	5/15/2016	\$ 102,833
U.S. Treasury Bond	176,028	N/A	5/15/2016	216,952
Goldman Sachs Federal Portfolio	198,750	AAAm	N/A	198,750
Total Other	<u>456,778</u>			
Total Deposits and Other	<u>\$ 6,379,416</u>			
Reconciliation to Statement of Net Assets:				
Cash and cash equivalents	\$ 4,259,631			
Investments	2,119,785			
	<u>\$ 6,379,416</u>			

Custodial Credit Risk -- Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name. As of June 30, 2012, the City was not exposed to custodial credit risk.

Investment Credit Risk —The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: 1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; 2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; 3) negotiable certificates of deposits, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; 4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. Title 60 public trusts are not limited by the same investment limitations of their municipal beneficiary. The investments held by the Idabel Public Works Authority are part of the 1996/2006 Revenue Bond trustee accounts, which are covered and authorized under the said indenture.

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of year-end. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy limiting Investment Interest Rate Risk. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

As noted in the schedule of deposits and investments above, at June 30, 2012, the investments held by the City mature on May 15, 2016 and are subject to early call or redemption.

Concentration of Investment Credit Risk — Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investment issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no formal investment policy which addresses concentration of investment credit risk.

As of June 30, 2012, the City had no concentration of credit risk as defined above.

Restricted Cash and Investments — The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for utility deposits (refunded upon termination of service or applied to final bill) and debt service held by the Public Works Authority. The restricted assets as of June 30, 2012 are as follows:

CITY OF IDABEL, OKLAHOMA
Notes to the Financial Statements
For the Year Ended June 30, 2012

<u>Type of Restricted Assets</u>	<u>Current</u>		<u>Noncurrent</u>	
	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>
Utility Deposits	\$ -	\$ -	\$ 64,213	\$ 150,000
RUD Reserve Account	-	-	162,886	-
MCPHMA Landfill Reserve	92,286	-		
2006 Trustee Accounts:				
Bond Account	338,240	-	9,245	-
Sinking Fund	185,395	82,000	-	-
Sinking Fund Reserve	-	-	153	176,028
Total	<u>\$ 615,921</u>	<u>\$ 82,000</u>	<u>\$ 236,497</u>	<u>\$ 326,028</u>

Component Unit—Idabel Industrial Development Authority (IIDA)

At June 30, 2012, of the bank balances for the IIDA, one had a balance of \$98,175 which is below the FDIC insured limit and one had a balance of \$985,971 which is above the FDIC insured limit. There was no additional collateral pledged to cover the uninsured balance. The IIDA has no formal policies designed to address custodial credit risk.

The IIDA had no investments as of June 30, 2012, and was thus not exposed to interest rate risk, credit risk, custodial credit risk, or concentration of credit risk inherent to investment portfolios.

Note 4—Capital Assets and Depreciation

Capital Assets

Capital assets consist of land, land improvements, construction-in-progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$2,500 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Donated assets are recorded at their fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993.

CITY OF IDABEL, OKLAHOMA
Notes to the Financial Statements
For the Year Ended June 30, 2012

For the year ended June 30, 2012, capital assets balances changed as follows:

	Balance at June 30, 2011	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 382,929	\$ -	\$ -	\$ 382,929
Construction in progress	365,447	18,496	30,826	353,117
Total capital assets not being depreciated	<u>748,376</u>	<u>18,496</u>	<u>30,826</u>	<u>736,046</u>
Other capital assets:				
Buildings	6,828,806	9,356	-	6,838,162
Infrastructure	5,657,376	-	-	5,657,376
Machinery, furniture and equipment	4,457,970	177,933	-	4,635,903
Total other capital assets at historical cost	<u>16,944,152</u>	<u>187,289</u>	<u>-</u>	<u>17,131,441</u>
Less accumulated depreciation for:				
Buildings	1,887,653	157,174	-	2,044,827
Infrastructure	4,684,037	100,007	-	4,784,044
Machinery, furniture and equipment	3,826,552	157,517	-	3,984,069
Total accumulated depreciation	<u>10,398,242</u>	<u>414,698</u>	<u>-</u>	<u>10,812,940</u>
Other capital assets, net	6,545,910	(227,409)	-	6,318,501
Governmental activities capital assets, net	<u>\$ 7,294,286</u>	<u>\$ (208,913)</u>	<u>\$ 30,826</u>	<u>\$ 7,054,547</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 78,502	\$ -	\$ -	\$ 78,502
Construction in progress	46,786	137,887	-	184,673
Total capital assets not being depreciated	<u>125,288</u>	<u>137,887</u>	<u>-</u>	<u>263,175</u>
Other capital assets:				
Buildings	310,941	-	-	310,941
Machinery, furniture and equipment	13,888,059	37,930	-	13,925,989
Utility property	19,692,988	-	-	19,692,988
Total other capital assets at historical cost	<u>33,891,988</u>	<u>37,930</u>	<u>-</u>	<u>33,929,918</u>
Less accumulated depreciation for:				
Buildings	157,852	13,176	-	171,028
Machinery, furniture and equipment	11,947,627	167,418	-	12,115,045
Utility Property Improvements	14,463,372	290,104	-	14,753,476
Total accumulated depreciation	<u>26,568,851</u>	<u>470,698</u>	<u>-</u>	<u>27,039,549</u>
Other capital assets, net	7,323,137	(432,768)	-	6,890,369
Business-type activities capital assets, net	<u>\$ 7,448,425</u>	<u>\$ (294,881)</u>	<u>\$ -</u>	<u>\$ 7,153,544</u>
Component Unit:				
Idabel Industrial Development Authority				
Capital assets not being depreciated:				
Land	\$ 747,135	\$ -	\$ -	\$ 747,135
Total capital assets not being depreciated	<u>747,135</u>	<u>-</u>	<u>-</u>	<u>747,135</u>
Other capital assets:				
Buildings and improvements	\$ 630,170	\$ -	\$ -	\$ 630,170
Machinery, furniture, and equipment	22,542	-	-	22,542
Total other capital assets at historical cost	<u>652,712</u>	<u>-</u>	<u>-</u>	<u>652,712</u>
Less accumulated depreciation:	118,323	19,428	-	137,751
Other capital assets, net	534,389	(19,428)	-	514,961
Component unit capital assets, net	<u>\$ 1,281,524</u>	<u>\$ (19,428)</u>	<u>\$ -</u>	<u>\$ 1,262,096</u>

CITY OF IDABEL, OKLAHOMA
Notes to the Financial Statements
For the Year Ended June 30, 2012

Depreciation

Depreciable capital assets are depreciated on a straight-line basis over useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 40 years
- General infrastructure 50 years
- Machinery, furniture, and equipment 3-20 years
- Utility property and improvements 30-50 years

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:	
General government	50,645
Streets and highways	104,740
Public safety	111,896
Community support	87,643
Airport	59,774
	<u>\$ 414,698</u>
 Business-Type Activities:	
Water	207,143
Sewer	175,861
Sanitation	67,853
Administration	19,841
	<u>\$ 470,698</u>

Note 5—Long-Term Debt and Debt Service Requirements

<u>Type of Debt</u>	<u>Balance</u> <u>July 01, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Capital lease payable	\$ 115,540	\$ -	\$ 47,776	\$ 67,764	47,479
Notes payable	2,458,733	-	44,663	2,414,070	46,411
Total Governmental Activities	<u>\$ 2,574,273</u>	<u>\$ -</u>	<u>\$ 92,439</u>	<u>\$ 2,481,834</u>	<u>\$ 93,890</u>
Business-Type Activities:					
Notes Payable	\$ 919,518	\$ -	\$ 125,723	\$ 793,795	133,673
Capital lease payable	41,452	-	35,359	6,093	6,093
Revenue bonds payable	940,000	-	175,000	765,000	180,000
Total Business-Type Activities	<u>1,900,970</u>	<u>-</u>	<u>336,082</u>	<u>1,564,888</u>	<u>319,766</u>
Total Long-Term Debt	<u>\$ 4,475,243</u>	<u>\$ -</u>	<u>\$ 428,521</u>	<u>\$ 4,046,722</u>	<u>\$ 413,656</u>

Reconciliation to Statement of Net Assets:

Governmental Activities:	
Due within one year	\$ 93,890
Due in more than one year	2,387,944
Total Governmental Activities Long-term liabilities	<u>\$ 2,481,834</u>
 Business-Type Activities:	
Due within one year	\$ 319,766
Due in more than one year	1,245,122
Total Business-Type Activities Long-term liabilities	<u>\$ 1,564,888</u>

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Notes to the Financial Statements
For the Year Ended June 30, 2012

<u>Type of Debt</u>	<u>Balance</u> <u>July 01, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
<i>Component Unit</i>					
Idabel Industrial Development Authority					
Notes Payable	\$ 189,662	\$ -	\$ 19,375	\$ 170,287	\$ 8,721
Total IIDA	<u>\$ 189,662</u>	<u>\$ -</u>	<u>\$ 19,375</u>	<u>\$ 170,287</u>	<u>\$ 8,721</u>

Governmental activities long-term debt

Notes Payable:

On November 13, 2008, the Idabel Public Works Authority issued a promissory note to First National Bank of Idabel for \$2,500,000, with an interest rate of 4.50%. The purpose of the note is to provide funding for the construction of a new library. The note is secured by the proceeds and revenues of the operation of the library and the proceeds of a 5% excise tax on hotel and motel occupancy fees levied and collected by the City. The library is a Governmental activity asset and Governmental activity general revenues are pledged to retire the note.

	\$ 2,414,070
Total Notes Payable	<u>\$ 2,414,070</u>
Current portion	46,411
Noncurrent portion	2,367,659
Total Notes Payable	<u>\$ 2,414,070</u>

Capital Lease Obligations:

\$60,895 lease obligation for the purchase of a backhoe loader, payable in 48 monthly installments of \$1,395 with an annual interest rate of 4.75%, with final payment due September 2014.

\$ 35,668

\$98,517 lease obligation for the purchase of three 2008 Ford Crown Victorias, payable in 3 annual installments of \$35,035 with an annual interest rate of 3.5%, with final payment due December 2013.

32,096

Total Capital Leases Payable	<u>\$ 67,764</u>
Current portion	47,479
Non-Current portion	20,285
Total Capital Leases Payable	<u>\$ 67,764</u>

Business-type activities long-term debt

Capital Lease Obligations:

\$102,000 lease obligation for the purchase of sanitation truck, payable in 36 monthly installments of \$3,068 with an annual interest rate of 5.74%, with final payment due August 2012.

\$ 6,093

Total Capital Lease Payable	<u>\$ 6,093</u>
Current portion	6,093
Noncurrent portion	-
Total Capital Lease Payable	<u>\$ 6,093</u>

CITY OF IDABEL, OKLAHOMA
Notes to the Financial Statements
For the Year Ended June 30, 2012

Notes Payable:

On April 29, 1998, the Idabel Public Works Authority issued a promissory note to the Farmers Home Administration for Rural Development. The total face amount of the note is \$800,300 at an interest rate of 4.5%, payable in monthly installments of \$5,066 for a twenty-year period. \$ 288,167

On April 29, 1998, the Idabel Public Works Authority issued a promissory note to the Farmers Home Administration for Rural Development. The total face amount of the note is \$709,700 at an interest rate of 4.5%, payable in monthly installments of \$4,493 for a twenty-year period. 239,661

On April 1, 1998, the Idabel Public Works Authority issued a promissory note to the Oklahoma Department of Commerce pursuant to a CDBG-CD loan agreement. The contract was extended on November 1, 1998 with payments of \$683 per month for 240 months with an interest rate of 0.0%. \$ 46,454

On December 29, 2006, the Idabel Public Works Authority signed a promissory note to First National Bank of Idabel for \$341,440, with an interest rate of 5.04%. The security for the note is fueling equipment, storage tanks, lines and pumps and proceeds of sales thereof, along with airport hangars, located at the McCurtain County Regional Airport Authority, a portion of the city of Idabel. The purpose of the loan is to refinance the loan related to construction of a fuel farm at the airport and to purchase airport hangars from the IIDA. Per the promissory note, the City will make three annual installments of \$43,391, beginning July 15, 2007. A single balloon payment of the entire unpaid balance of principal and interest will be due July 15, 2013. 219,513

Total Notes Payable	\$ 793,795
Current portion	133,673
Noncurrent portion	660,122
Total Notes Payable	\$ 793,795

Due to Depositors:

Refundable customer deposits reported as a liability within the Statement of Net Assets are comprised of utility customer deposits payable 212,233

Noncurrent Portion of Due to Depositors \$ 212,233

Revenue Bonds Payable:

2006 Revenue Bond Series—On March 1, 2006, the Idabel Public Works Authority issued Utility System Revenue Bonds, Series 2006, in the amount of \$1,725,000 in part for the purpose of retiring the Utility System Revenue Bonds, Series 1996, originally issued in the amount of \$2,700,000 for the purpose of enlarging and extending its water, sewer, and street systems. The advance refunding resulted in an in-substance defeasance of the revenue bonds described above by placing deposits in an irrevocable trust and escrow account for the purchase of U.S. Government securities to pay the principal and interest on the defeased bonds as they are due and payable. At year end, the remaining outstanding defeased bonds were zero. \$ 765,000

Current portion	180,000
Noncurrent portion	585,000
Total Revenue Bonds Payable	\$ 765,000

The bonds are secured by a first mortgage on the entire water and sewer system owned by the City of Idabel and leased to the Authority, a first lien on the net revenues of the Authority and pledge sales tax.

Debt Covenants

The Idabel Public Works Authority is required to conform to numerous covenants related to the 2006 Series Bond Indenture, including (but not limited to) the following:

- Maintenance of a “sinking fund reserve fund requirement” of the lesser of:
 - 10% of Bond proceeds and proceeds of any additional indebtedness;
 - Maximum annual debt service on the Bonds and any additional indebtedness; or
 - 125% of the average annual debt service on the Bonds and any additional indebtedness
- “Maintenance of revenues” of 1.25 times the average annual amount required to be paid into the Sinking Fund, provided in the indenture, after payment of any amount required to replenish the “sinking fund reserve fund” and all costs and expenses of operation and maintenance of the aforesaid properties.

The Idabel Public Works Authority was in compliance with the above two covenants as of June 30, 2012.

Conduit Debt—2004 Series Revenue Bonds—On September 1, 2004, the Idabel Public Works Authority issued School Support Revenue Bonds, Series 2004, in the amount of \$4,675,000 for the purpose of acquiring, constructing, renovating, furnishing, and equipping education facilities in Idabel, Oklahoma. Payments due with respect to the Series 2004 bonds are limited obligations of the Authority, payable solely from certain lease rental obligations payable by the School District (the District) under the terms of a lease and from other funds and accounts established under the indenture relating to the Series 2004 bonds. The 2004 Series bonds are not a debt of the City of Idabel, nor are they general obligations of the Authority, but are special limited obligations of the Authority and were issued without recourse to the Authority. The District, through a lease with the Authority, is required to pay to the Authority rent and lease purchase payments in amounts sufficient to pay the interest on the Series 2004 Bonds as it becomes due, during the lease term, and to pay to the Authority the principal of the Series 2004 Bonds when due or required to be redeemed prior to maturity during the lease term. Upon the District’s payment of a lease purchase payment, legal title to the portion of the improvements corresponding to that lease purchase payment, as described in the lease, shall vest with the District. Outstanding balance of conduit debt at June 30, 2012 was \$1,365,000.

Long term debt service requirements to maturity are as follows:

<u>Year Ending June 30, 2012</u>	Governmental Activities			
	Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2013	46,411	108,589	47,479	2,443
2014	48,500	106,500	16,130	615
2015	50,682	104,318	4,155	32
2016	52,963	102,037	-	-
2017	55,346	99,654	-	-
2018-2020	2,160,168	97,163	-	-
Totals	\$ 2,414,070	\$ 618,261	\$ 67,764	\$3,090

CITY OF IDABEL, OKLAHOMA
Notes to the Financial Statements
For the Year Ended June 30, 2012

<u>Year Ending June 30, 2012</u>	<u>Business Type Activities</u>					
	<u>Capital</u>		<u>Revenue</u>		<u>Notes Payable</u>	
	<u>Lease Obligations</u>		<u>Bonds Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	6,093	44	180,000	31,963	133,673	32,626
2014	-	-	185,000	24,583	292,662	29,761
2015	-	-	190,000	16,905	110,021	12,888
2016	-	-	210,000	8,925	114,699	8,210
2017	-	-	-	-	117,234	3,305
2018-2019	-	-	-	-	25,506	143
Totals	<u>\$ 6,093</u>	<u>\$ 44</u>	<u>\$ 765,000</u>	<u>\$ 82,376</u>	<u>\$ 793,795</u>	<u>\$ 86,933</u>

Component Unit Long Term Debt

United States Department of Agriculture—The Authority entered into a note with USDA for a sum of \$250,000 at a 1% annual interest rate. The note matures 5/1/2031. This loan is related to non-capital financing related activities and is uncollateralized. The balance of the loan as of June 30, 2012 is \$170,287.

The annual amortization on the above outstanding debt is as follows:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	8,721	1,767	10,488
2014	8,808	1,680	10,488
2015	8,897	1,591	10,488
2016	8,986	1,502	10,488
2017	9,077	1,411	10,488
2018-2022	46,770	5,670	52,440
2023-2027	49,166	3,274	52,440
2028-2031	29,862	811	30,673
Totals	<u>\$ 170,287</u>	<u>\$ 17,706</u>	<u>\$ 187,993</u>

Note 6— Fund Balances and Net Assets

Fund Balance

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

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

CITY OF IDABEL, OKLAHOMA
Notes to the Financial Statements
For the Year Ended June 30, 2012

The City does not have a formal policy for the order of use of fund balance. The default policy as outlined in GASB Statement No. 54 is therefore applied. That default policy is to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The default policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following schedule shows fund balance classifications by purpose:

	Major Special Revenue Fund		Other Governmental Funds	TOTAL
	General Fund	Library Fund		
Fund Balances:				
Restricted for:				
Cemetery capital	\$ 32,182	\$ -	\$ -	\$ 32,182
Library	-	292,691	-	292,691
E-911	-	-	171,645	171,645
Grant purposes	-	-	289,198	289,198
Transportation	-	-	302	302
Airport	-	-	-	-
Emergency food and shelter program	-	-	458	458
Sub-total Restricted	<u>32,182</u>	<u>292,691</u>	<u>461,603</u>	<u>786,476</u>
Assigned to:				
Cemetery	214,898	-	-	214,898
Airport	188,591	-	-	188,591
Police	8,997	-	-	8,997
E-911	-	-	-	-
Library	-	3,557	962	962
Sub-total Assigned	<u>412,486</u>	<u>3,557</u>	<u>962</u>	<u>417,005</u>
Unassigned:	1,629,971	-	(5,046)	1,624,925
TOTAL FUND BALANCES	<u>\$ 2,074,639</u>	<u>\$ 296,248</u>	<u>\$ 457,519</u>	<u>\$ 2,828,406</u>

Net Assets

Net assets reported in the government-wide and proprietary fund financial statements are displayed in three components:

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

CITY OF IDABEL, OKLAHOMA

Notes to the Financial Statements

For the Year Ended June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cemetery improvements	\$ -	\$ -
Library improvements	292,691	-
Streets	302	-
E911 operations	171,645	-
Grant purposes	289,656	-
Debt service	-	1,048,213
	<u>\$ 754,294</u>	<u>\$ 1,048,213</u>
Reconciliation to Statement of Net Assets:		
Statutory requirements	171,645	
External contracts	582,649	
	<u>\$ 754,294</u>	

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

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

During 2012, the City made an adjustment for an understatement of cash in the Idabel Public Works Authority, which resulted in a restatement of beginning net assets of \$92,163.

	<u>Proprietary Fund/ Business-type Activities</u>
Original beginning net assets	\$ 9,524,575
Adjustment for understatement of cash	92,163
Beginning net assets as restated	<u>\$ 9,616,738</u>

Note 7—Pledge of Future Revenues

Sales Tax Pledge - The City Council adopted a resolution whereby the proceeds of the City sales tax were appropriated to the trustees of the Idabel Public Works Authority for use in operating and maintaining the facilities and paying the debt secured by such facilities. This appropriation is to comply with the 2006 Bond Indenture. Any portion of the tax not needed may be transferred to the General Fund of the City of Idabel. During the year ending June 30, 2012, \$1,092,177 was appropriated to the Idabel Public Works Authority.

Utility Net Revenues Pledge - The City has pledged net utility revenues to repay the \$1,725,000 of the 2006 Revenue Bond. Proceeds from the revenue bond provided funding for enlarging and extending water, sewer and street systems. The revenue bond is payable through 2016. The total principal and interest payable for the remainder of the life of bond is \$847,376. Pledged net utility revenues were \$287,352. Debt service payments of \$213,963 for the current fiscal year were 15.51% of pledged sales taxes and net utility revenues.

Note 8—Property Tax Levy

Under the Constitution of the State of Oklahoma, municipalities are limited in their ability to levy a property tax. Such tax may be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. As of June 30, 2012, there were no general obligation bonds or judgments outstanding, and consequently, no levies were assessed.

Note 9—Notes Receivable

Business-type activities

The Idabel Public Works Authority had one note outstanding as of June 30, 2012. This note is summarized as follows:

McCurtain County Public Health Management Authority

On December 10, 2009 the Authority made a loan for \$1,254,313 to McCurtain County Public Health Management Authority and is payable over 204 months at 5.8% interest in monthly installments of \$9,658, with a final payment of \$23,848.

	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012	Due Within One Year
McCurtain County Public Health Management Authority	\$ 1,189,036	\$ -	\$ (48,203)	\$ 1,140,833	\$ 48,203

Component Unit

The Idabel Industrial Development Authority had three notes outstanding as of June 30, 2012. These notes are summarized as follows:

Oklahoma Wood Fibers, Inc.

On June 23, 1998 the Authority made a loan for \$100,000 to Oklahoma Wood Fibers, Inc. and is payable over 120 months at 8% interest in monthly installments of \$1,250, including interest. Payments on this note have been irregular—consequently, the Authority has provided a valuation allowance on the statement of net assets for the entire balance of the note receivable related to Oklahoma Wood Fibers, Inc. and no portion of this loan is considered as being a current asset.

Wood Lumber Company Specialties, Inc.

Loan 1—The Authority made a loan to Wood Lumber Company Specialties, Inc. on October 17, 1998 for \$100,000 and is payable over 144 months at 2.5% interest. Monthly payments are scheduled at \$805.

Southeast Machine

The Authority made a loan to Southeast Machine Company on July 18, 2007 for \$80,000 that is payable over 120 months at 8.25% interest. Current monthly payments are scheduled at \$979.

Note activity occurring during the year on notes held by the Idabel Industrial Development Authority is summarized as follows:

CITY OF IDABEL, OKLAHOMA
Notes to the Financial Statements
For the Year Ended June 30, 2012

	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012	Due Within One Year
Oklahoma Wood Fibers, Inc.	\$ 84,707	\$ -	\$ (1,250)	\$ 83,457	\$ -
Allowance for uncollectible	(84,707)	-	1,250	(83,457)	-
Wood Lumber Company Specialities, Inc.					
Loan 1	216,557	-	-	216,557	-
Allowance for uncollectible	(216,557)	-	-	(216,557)	-
Southeast Machine	56,098	-	(25,632)	30,466	8,037
Total	<u>\$ 56,098</u>	<u>\$ -</u>	<u>\$ (25,632)</u>	<u>\$ 30,466</u>	<u>\$ 8,037</u>

Note 10—Internal and Interfund Balances and Transfers

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

Transfers

Transfer From	Transfer To	Amount	Purpose of Transfer
MCRA Fuel Farm	IPWA	\$ 43,391	Debt service payment
IPWA	General Fund	563,839	Return of unused of Sales Tax
Emergency Food & Shelter Grant	Federal Nutrition	1,079	Grant Revenue
General Fund	Federal Nutrition	5,600	Operating Subsidy
General Fund	Special Grant Fund	25,000	Transfer of Capital Outlay
General Fund	IPWA	1,092,177	Transfer of Sales Tax
		<u>\$ 1,731,086</u>	

Reconciliation to Fund & Government Wide Financial Statements:

	Transfers In	Transfers Out	Net Transfers per SRECNA	Transfers of Capital Asset	Net Transfers per SOA
Governmental Funds	\$ 595,518	\$ (1,167,247)	\$ (571,729)	\$ -	\$ (571,729)
Proprietary Funds	1,135,568	(563,839)	\$ 571,729	-	571,729
Total	<u>\$ 1,731,086</u>	<u>\$ (1,731,086)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Balances

Due From	Due To	Amount	Nature of Balance
General Fund	Cemetery Fund	\$ 4,688	CD Interest deposited to Gen Fund in error
General Fund	IPWA	913	Miscellaneous reimbursement
General Fund	Library Fund	12,452	Hotel/Motel Tax Revenue
General Fund	LETN Fund	791	Youth ACT revenue
Federal Nutrition	General Fund	4,823	Cover negative cash balance in Federal Nutrition Fund
		<u>\$ 23,667</u>	

Reconciliation to Fund Financial Statements and Statement of Net Assets:

	Due From	Due To	Net Balances
Governmental Funds	\$ 22,754	\$ (23,667)	\$ (913)
Proprietary Funds	913	-	913
Total	<u>\$ 23,667</u>	<u>\$ (23,667)</u>	<u>\$ -</u>

Note 11—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; employee health and life; and natural disasters. The City manages these various risks of loss as follows by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 12—Contingencies

Litigation

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

Federal and State Award Programs

The City of Idabel participates in various federal and state grant/loan programs from year-to-year. In 2010, the City's involvement in federal and state award programs was significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City was aware of no such pending audits as of the date of the balance sheet.

Note 13—Pension Plan Participation

The City of Idabel participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS)—a statewide cost sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS)—a statewide cost sharing plan
- City of Idabel Retirement Plan—a City sponsored defined contribution plan

Firefighter Pension System

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

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3707.

Funding Policy—OFPRS plan members are required to contribute 8% of their annual salary. The City is required by state law to contribute 13% of the members' annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Police Pension System

Plan Summary Information—Pursuant to the requirements of Title 11, Section 22-102, the City of Idabel participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

CITY OF IDABEL, OKLAHOMA
Notes to the Financial Statements
For the Year Ended June 30, 2012

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, Oklahoma, 73116-7335.

Funding Policy—The paid police person contributes 8% to the plan. The City is required by State law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

City of Idabel Retirement Plan

Plan Summary Information—The City's retirement plan is administered by Ameritas Retirement Plans. It is a defined contribution retirement plan, which provides retirement benefits for all full-time employees.

Funding Policy—Employees must complete six months of service and attain age 20 before becoming eligible to participate. An employee must contribute 2%, but may contribute up to 4%, of their compensation. Employees' contributions are 100% vested. For non-elected City employees, the City contributes 12% of the eligible employee's annual compensation. Non-elected City employees become 20% vested in the City's contributions after the first year, and then 20% per year thereafter becoming fully vested after 5 years of participation. For elected officials, the City contributes 12% of their eligible annual compensation. Elected officials are immediately vested in the City's contributions.

Covered wages for those eligible to participate in the plan totaled \$1,610,626 in 2012.

Summary of Contributions

City of Idabel Retirement Fund			Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System		
Fiscal Year	Employee Contribution	Employer Contribution	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2010	43,809	172,769	2010	36,082	100%	2010	65,281	100%
2011	47,809	192,211	2011	37,058	100%	2011	68,153	100%
2012	47,296	193,274	2012	35,490	100%	2012	60,959	100%

Note 14—Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

CITY OF IDABEL
 Budgetary Comparison Schedule
 (Budgetary Basis)
 For the Year Ended June 30, 2012

<u>General Fund</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Beginning Budgetary Fund Balance:	834,909	834,909	1,738,998	\$ 904,089
RESOURCES (INFLOWS):				
Taxes	2,374,892	2,374,892	2,594,825	\$ 219,933
Intergovernmental	145,851	145,851	227,635	81,784
Charges for services	1,500	1,500	1,905	405
Fees and fines	133,081	133,081	138,417	5,336
Licenses and permits	84,281	84,281	9,138	(75,143)
Investment earnings	20,000	20,000	9,762	(10,238)
Miscellaneous	472,270	472,270	153,502	(318,768)
Other Financing Sources - Transfers In	558,239	558,239	563,839	5,600
Total Resources	3,790,114	3,790,114	3,699,023	(91,091)
Amounts available for appropriation	4,625,023	4,625,023	5,438,021	812,998
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
<i>Departmental:</i>				
<i>General Government:</i>				
City manager	70,050	70,050	70,829	(779)
City clerk	215,247	215,247	204,785	10,462
General government	664,592	664,592	99,138	565,454
Ordinance inspector	103,078	103,078	64,034	39,044
<i>Street:</i>				
Street	762,909	762,909	759,513	3,396
<i>Public Safety:</i>				
Police	1,396,676	1,396,676	1,364,591	32,085
Fire	592,428	592,428	529,223	63,205
<i>Cemetery</i>	203,349	203,349	201,684	1,665
<i>Legal and Judicial:</i>				
City Judge	34,306	34,306	30,590	3,716
City Attorney	41,042	41,042	16,867	24,175
<i>Culture and Recreation:</i>				
Library	51,524	51,524	36,449	15,075
Parks	41,119	41,119	32,000	9,119
<i>Community Support:</i>				
Nutrition	127,396	127,396	123,998	3,398
Senior Citizen	40,325	40,325	34,359	5,966
<i>Airport</i>	94,389	94,389	64,030	30,359
<i>Maintenance</i>	80,696	80,696	70,063	10,633
<i>Industrial Development</i>	105,897	105,897	105,897	-
Total Charges to Appropriations	4,625,023	4,625,023	3,808,050	816,973
Excess (deficiency) of revenues over expenditures	(834,909)	(834,909)	(109,027)	725,882
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 1,629,971	\$ 1,629,971

(UNAUDITED)

CITY OF IDABEL
Budgetary Comparison Schedule
(Budgetary Basis)
For the Year Ended June 30, 2012

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the budgetary basis which differs from the modified cash basis as shown in paragraph 3.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a department require the approval of the Mayor. All other transfers require the approval of the City Council. All supplemental appropriations require the approval of the City Council and are to be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	Per Statement of Changes in Fund Balance	Reclass transfers out	Capital Lease	LETN Fund	MCRA Fuel Farm Fund	Cemetery Maintenance Fund	Per Budgetary Comparison Schedule
Resources (Inflows):							
Total Revenues	\$ 4,533,611	\$ (1,092,177)	\$ -	\$ (10,243)	\$ (271,634)	\$ (24,373)	\$ 3,135,184
Capital lease proceeds	-	-	-	-	-	-	-
Transfers in	563,839	-	-	-	-	-	563,839
Fund balance, beginning	2,140,865	-	-	(8,384)	(159,162)	(234,321)	1,738,998
Total Revenues and Other Financing Sources	<u>7,238,315</u>	<u>(1,092,177)</u>	<u>-</u>	<u>(18,627)</u>	<u>(430,796)</u>	<u>(258,694)</u>	<u>5,438,021</u>
Charges to Appropriations (Outflows):							
Total Expenditures	3,997,508	30,600	-	(9,630)	(198,814)	(11,614)	3,808,050
Transfers Out	1,166,168	(1,122,777)	-	-	(43,391)	-	-
Total Expenditures and Other Financing Uses	<u>5,163,676</u>	<u>(1,092,177)</u>	<u>-</u>	<u>(9,630)</u>	<u>(242,205)</u>	<u>(11,614)</u>	<u>3,808,050</u>
Ending Fund Balance	<u>\$ 2,074,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,997)</u>	<u>\$ (188,591)</u>	<u>\$ (247,080)</u>	<u>\$ 1,629,971</u>

4. The other funds of the City did not have budgets prepared as required by state law. The expenditures and transfers out in these funds were as follows:

Library Fund	\$ 158,298
Federal Nutrition Fund	76,146
Special Grant Fund	32,447
E-911 Fund	18,460
LETN Fund	9,630
MCRA Fuel Farm Fund	242,205
Cemetery Maintenance Fund	11,614

(UNAUDITED)

CITY OF IDABEL
Combining Balance Sheet – General Fund Accounts
(Modified Cash Basis)
June 30, 2012

	<u>General Fund</u>	<u>LETN</u>	<u>MCRA Fuel Farm</u>	<u>Cemetery Maintenance</u>	<u>Total General Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,267,901	\$ 8,206	\$ 188,591	\$ 192,259	\$ 1,656,957
Investments	402,805	-	-	50,133	452,938
Due from other funds	4,823	791	-	4,688	10,302
Total assets	<u>1,675,529</u>	<u>8,997</u>	<u>188,591</u>	<u>247,080</u>	<u>2,120,197</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other governments	1,236	-	-	-	1,236
Miscellaneous payroll liabilities	5,226	-	-	-	5,226
Due to other funds	18,844	-	-	-	18,844
Due to bondholders	20,252	-	-	-	20,252
Total liabilities	<u>45,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,558</u>
FUND BALANCES					
Restricted	-	-	-	32,182	32,182
Assigned	-	8,997	188,591	214,898	412,486
Unassigned	1,629,971	-	-	-	1,629,971
Total fund balances	<u>1,629,971</u>	<u>8,997</u>	<u>188,591</u>	<u>247,080</u>	<u>2,074,639</u>
Total liabilities and fund balances	<u>\$ 1,675,529</u>	<u>\$ 8,997</u>	<u>\$ 188,591</u>	<u>\$ 247,080</u>	<u>\$ 2,120,197</u>

CITY OF IDABEL
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance—General Fund Accounts
(Modified Cash Basis)
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>LETN</u>	<u>MCRA Fuel Farm</u>	<u>Cemetery Maintenance</u>	<u>Total General Funds</u>
REVENUES					
Taxes	\$ 3,687,002	\$ -	\$ -	\$ -	\$ 3,687,002
Intergovernmental	227,635	-	-	-	227,635
Charges for services	1,905	10,237	271,634	23,205	306,981
Fees and fines	138,417	-	-	-	138,417
Licenses and permits	9,138	-	-	-	9,138
Investment income	9,762	6	-	1,168	10,936
Miscellaneous	153,502	-	-	-	153,502
Total revenues	<u>4,227,361</u>	<u>10,243</u>	<u>271,634</u>	<u>24,373</u>	<u>4,533,611</u>
EXPENDITURES					
General government	438,786	-	-	-	438,786
Streets and highways	683,156	-	-	-	683,156
Public Safety	1,794,706	9,630	-	-	1,804,336
Cemetery	187,634	-	-	11,614	199,248
Legal and judicial	47,457	-	-	-	47,457
Culture and recreation	41,304	-	-	-	41,304
Community support	147,321	-	-	-	147,321
Airport	51,563	-	198,814	-	250,377
Maintenance	72,208	-	-	-	72,208
Industrial development	105,897	-	-	-	105,897
Capital Outlay	155,636	-	-	-	155,636
Debt Service:					
Principal	47,776	-	-	-	47,776
Interest and other charges	4,006	-	-	-	4,006
Total Expenditures	<u>3,777,450</u>	<u>9,630</u>	<u>198,814</u>	<u>11,614</u>	<u>3,997,508</u>
Excess (deficiency) of revenues over expenditures	<u>449,911</u>	<u>613</u>	<u>72,820</u>	<u>12,759</u>	<u>536,103</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	563,839	-	-	-	563,839
Transfers out	(1,122,777)	-	(43,391)	-	(1,166,168)
Total other financing sources and uses	<u>(558,938)</u>	<u>-</u>	<u>(43,391)</u>	<u>-</u>	<u>(602,329)</u>
Net change in fund balances	(109,027)	613	29,429	12,759	(66,226)
Fund balances - beginning	1,738,998	8,384	159,162	234,321	2,140,865
Fund balances - ending	<u>\$ 1,629,971</u>	<u>\$ 8,997</u>	<u>\$ 188,591</u>	<u>\$ 247,080</u>	<u>\$ 2,074,639</u>

CITY OF IDABEL
Combining Balance Sheet—Nonmajor Governmental Funds
(Modified Cash Basis)
June 30, 2012

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS				Total Governmental Funds
	Federal Nutrition	Emergency Shelter	E-911	Special Grant Fund	Transportation Enhancement	McCurtain County Airport		
ASSETS								
Cash and cash equivalents	\$ -	\$ 458	\$ 172,607	\$ 289,198	\$ 302	\$ -	\$ -	\$ 462,565
Total assets	-	458	172,607	289,198	302	-	-	462,565
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to other funds	4,823	-	-	-	-	-	-	4,823
Other liabilities	223	-	-	-	-	-	-	223
Total liabilities	5,046	-	-	-	-	-	-	5,046
FUND BALANCES								
Nonexpendable								
Restricted	-	458	171,645	289,198	302	-	-	461,603
Assigned	-	-	962	-	-	-	-	962
Unassigned	(5,046)	-	-	-	-	-	-	(5,046)
Total fund balances	(5,046)	458	172,607	289,198	302	-	-	457,519
Total liabilities and fund balances	\$ -	\$ 458	\$ 172,607	\$ 289,198	\$ 302	\$ -	\$ -	\$ 462,565

CITY OF IDABEL
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance—Nonmajor Governmental Funds
(Modified Cash Basis)
For the Year Ended June 30, 2012

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS			Total-Other Governmental Funds
	Federal Nutrition	Emergency Shelter	E-911	Special Grant Fund	Transportation Enhancement	McCurain County Airport	
REVENUES							
Taxes	\$ 70,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,377
Intergovernmental	-	-	-	9,669	-	-	9,669
Fees and fines	-	-	-	2,653	-	-	2,653
Investment income	-	-	206	-	-	-	206
Miscellaneous	-	-	-	6,500	-	-	6,500
Total revenues	<u>70,377</u>	<u>-</u>	<u>206</u>	<u>18,822</u>	<u>-</u>	<u>-</u>	<u>89,405</u>
EXPENDITURES							
Current:							
Public Safety	-	-	14,648	3,497	-	-	18,145
Culture and recreation	-	-	-	-	-	-	-
Community support	76,146	-	-	-	-	-	76,146
Capital Outlay	-	-	3,812	28,950	-	-	32,762
Total Expenditures	<u>76,146</u>	<u>-</u>	<u>18,460</u>	<u>32,447</u>	<u>-</u>	<u>-</u>	<u>127,053</u>
Excess (deficiency) of revenues over expenditures	<u>(5,769)</u>	<u>-</u>	<u>(18,254)</u>	<u>(13,625)</u>	<u>-</u>	<u>-</u>	<u>(37,648)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	5,600	-	-	26,079	-	-	31,679
Transfers out	-	-	-	-	-	(1,079)	(1,079)
Total other financing sources and uses	<u>5,600</u>	<u>-</u>	<u>-</u>	<u>26,079</u>	<u>-</u>	<u>(1,079)</u>	<u>30,600</u>
Net change in fund balances	(169)	-	(18,254)	12,454	-	(1,079)	(7,048)
Fund balances - beginning	(4,877)	458	190,861	276,744	302	1,079	464,567
Fund balances - ending	<u>(5,046)</u>	<u>458</u>	<u>172,607</u>	<u>289,198</u>	<u>302</u>	<u>-</u>	<u>457,519</u>

CITY OF IDABEL
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal/State Grantor/Pass through agency Grantor/Program Title	CFDA#	Grant #	Award Amount	Federal Expenditures
Federal				
<i>Department of Agriculture</i>				
<i>Passed through the Oklahoma Department of Human Services and Kiamichi Area Nutrition Project:</i>				
Food Distribution	10.550	N/A	\$ 65,896	\$ 65,896
<i>Federal Aviation Administration</i>				
Airport Grant	20.106	3-40-0137-009-2011	236,600	7,301
<i>Department of Transportation</i>				
<i>Passed through the Oklahoma Department of Public Safety:</i>				
Idabel Traffic Enforcement	20.601	K8-12-03-20-04	10,000	4,278
Idabel Traffic Enforcement	20.600	Se-11-03-04-03	13,000	2,591
<i>Department of Housing and Urban Development</i>				
<i>Passed through the Oklahoma Department of Commerce:</i>				
Community Development Block Grant	14.228	14393 CDBG 10	274,000	26,008
<i>Department of Homeland Security</i>				
Emergency Food and Shelter Program	97.024	N/A	4,500	4,500
Total Federal			<u>\$ 603,996</u>	<u>\$ 110,574</u>

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**HINKLE &
COMPANY**
PC

Strategic
Business Advisors

**Independent Auditors' Report on Compliance and Other Matters
and on Internal Control over Financial Reporting Based on an
Audit of the Financial Statements Performed in Accordance
with Government Auditing Standards**

Honorable Mayor and City Council
City of Idabel
Idabel, Oklahoma

We have audited the financial statements of City of Idabel, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance 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 the governing body, management, the Honorable Mayor and the City Council, 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.

Tulsa, Oklahoma
December 20, 2012

Hill & Company, P.C.



City of Idabel
Schedule of Findings and Questioned Costs
Schedule of Prior Audit Findings
Year Ended June 30, 2012

Findings and Questioned Costs

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

