



CITY OF HENRYETTA, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

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

**THE CITY OF HENRYETTA,
OKLAHOMA**

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

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

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

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the City Council
City of Henryetta, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Henryetta, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include the financial activity of the Henryetta Hospital Authority, which is a legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the City's legally separate component units to be reported with the financial data of the City's primary government. As discussed in Note 1, the City elected to exclude the financial activities of the Henryetta Hospital Authority, which should be included as a discretely presented component unit in the City's financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above

do not present fairly the financial position – modified cash basis of the aggregate discretely presented components units of the City, as of June 30, 2013, or the changes in financial position – modified cash basis thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

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

Basis of Accounting

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

Other Matters – Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining fund schedules – modified cash basis, federal and state awards schedule, and debt service coverage information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining funds schedules – modified cash basis, federal and state awards schedule, and debt service coverage information, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund schedules and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Arledge & Associates, P.C.

April 8, 2014

CITY OF HENRYETTA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

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

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position decreased by \$784,841, and the assets of the City exceed its liabilities at June 30, 2013, by \$3,447,596 (Net Position). Of this amount, \$560,273 (Unrestricted Net Position) is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,844,171.
- At the end of fiscal year 2013, unassigned fund balance on a modified cash basis for the General Fund was \$916,300 or 40.5% of General Fund revenues.
- The City has altered its modified cash basis of accounting to remove the modifications previously made related to capital asset and long-term debt activity. This new modified cash basis of accounting more closely aligns with the way the City prepares its annual budgets, and is a basis recommended by the Government Finance Officers Association (GFOA) for governments that are not required to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). For comparative purposes, all amounts in this MD&A that are reported for FY 2012's financial activity have been restated for the new modified cash basis presentation so that significant variances between the years presented can be elaborated upon.

ABOUT THE CITY

The City of Henryetta is an incorporated municipality with a population of approximately 6,096 located in east central Oklahoma. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government:

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

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, wastewater, and sanitation.

The City's Financial Reporting Entity

With the exception of one component unit, this annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the primary government and the component units as follows:

- **The City of Henryetta** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Henryetta Municipal Authority** – that operates the water, wastewater, sanitation, transfer sanitation and EMS activities of the City
- **The Henryetta Economic Development Authority** – that operates to finance, develop and promote economic development activities of the City. – *reported as a discretely-presented component unit*

The Henryetta Hospital Authority is also a component unit of the City that issues a separate financial statement report, but management has elected to exclude the financial activities of the Authority in this financial statement report. The reason for the Hospital Authority's exclusion from this financial statement report is that the Hospital Authority's annual financial statements are prepared on a set of accounting principles that differ from the City's use of the modified cash basis of accounting. The Hospital Authority provides physical facilities (in the form of a tenant-renter relationship), improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting the Hospital administration at 918-650-1301.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the primary government presented herein include all of the activities of the City of Henryetta (the "City") and the Henryetta Municipal Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, in addition to a separate presentation for the discretely presented component unit.

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of

CITY OF HENRYETTA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions with selected modifications.

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. 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, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. The City's proprietary fund is also reported on the modified cash basis of accounting. The City's proprietary fund is the Henryetta Municipal Authority which accounts for the operation of the water, sewer, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-46 of this report.

CITY OF HENRYETTA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, combining and individual fund financial statements and schedules, and debt service coverage and reserve schedules.

THE CITY AS A WHOLE

For the year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities decreased \$784,841. Following is a summary of Net Position reported on a modified cash basis for the City of Henryetta primary government.

Net Position (Modified Cash Basis)
June 30, 2013
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
Current assets	\$ 2,847	\$ 3,557	-20%	\$ 873	\$ 944	-8%	\$ 3,720	\$ 4,501	-17%
Total assets	<u>2,847</u>	<u>3,557</u>	-20%	<u>873</u>	<u>944</u>	-8%	<u>3,720</u>	<u>4,501</u>	-17%
Current liabilities	3	3	0%	269	265	2%	272	268	2%
Total liabilities	<u>3</u>	<u>3</u>	0%	<u>269</u>	<u>265</u>	2%	<u>272</u>	<u>268</u>	2%
Net position									
Restricted	1,780	2,457	-28%	563	640	-12%	2,343	3,097	-24%
Unrestricted	1,064	1,097	-3%	40	391	-90%	1,104	1,488	-26%
Total net position	<u>\$ 2,844</u>	<u>\$ 3,554</u>	-20%	<u>\$ 603</u>	<u>\$ 1,031</u>	-41%	<u>\$ 3,447</u>	<u>\$ 4,585</u>	-25%

Current assets decreased for the governmental activities 20% due to decrease in restricted sales tax cash of \$683,885. This was the result of an increase in capital expenditures in the current year. The City paid for a street overlay project totaling \$465,144, purchased a new backhoe for \$77,901 and purchased a Freightliner truck for \$84,828 out of restricted cash.

Unrestricted net position decreased 90% due to the changing of the GFOA reporting model in the current year writing off unamortized note issue costs. Unamortized note issue costs were included in unrestricted net position in the prior year.

A portion of the City's Net Position, \$2,343,112, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position, \$1,104,484, may be used to meet the government's ongoing needs.

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Management's Discussion and Analysis
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Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2013
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
Revenues									
Charges for service	\$ 174	\$ 243	-28%	\$ 3,045	\$ 3,015	1%	\$ 3,219	\$ 3,258	-1%
Operating grants and contributions	113	84	35%	-	-	-	113	84	35%
Capital grants and contributions	163	499	-67%	133	910	-85%	296	1,409	-79%
Sales and use tax	2,647	2,587	2%	-	-	-	2,647	2,587	2%
Other taxes	217	299	-27%	-	-	-	217	299	-27%
Other general revenues	236	164	44%	3	5	-40%	239	169	41%
Total revenues	3,550	3,876	-8%	3,181	3,930	-19%	6,731	7,806	-14%
Expenses									
General government	2,002	1,447	38%	-	-	-	2,002	1,447	38%
Public safety	1,829	1,500	22%	-	-	-	1,829	1,500	22%
Streets and Highways	304	465	-35%	-	-	-	304	465	-35%
Culture and recreation	126	154	-18%	-	-	-	126	154	-18%
Cemetery	111	110	1%	-	-	-	111	110	1%
Airport	57	95	-40%	-	-	-	57	95	-40%
Interest on long-term debt	33	12	175%	-	-	-	33	12	175%
Payment to component unit	105	104	1%	-	-	-	105	104	1%
Water	-	-	-	1,570	1,552	1%	1,570	1,552	1%
Sewer	-	-	-	922	1,063	-13%	922	1,063	-13%
Sanitation	-	-	-	366	361	1%	366	361	1%
EMS	-	-	-	91	92	-1%	91	92	-1%
Total expenses	4,567	3,887	17%	2,949	3,068	-4%	7,516	6,955	8%
Excess (deficiency) before transfers	(1,017)	(11)	-9141%	232	862	-73%	(785)	851	-192%
Transfers	308	44	600%	(308)	(44)	-600%	-	-	-
Change in net position	(709)	33	-2247%	(76)	818	-109%	(785)	851	-192%
Beginning net position, restated	3,553	3,521	1%	679	(139)	-588%	4,232	3,382	25%
Ending net position	\$ 2,844	\$ 3,554	-20%	\$ 603	\$ 679	-11%	\$ 3,447	\$ 4,233	-19%

Governmental Activities

The City's governmental activities had a decrease in net position of \$709,201. The decrease is due primarily to a decrease in capital grants and contributions of 67% or approximately \$336,000 in relation to capital lease proceeds received in the prior year of \$499,000 for a fire truck and this year only \$163,000 was received for the cemetery department. There was also an increase of approximately \$555,000 in general government expenses and \$329,000 in public safety expenses related to the purchase of capital items contributing to the decrease in net position.

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Management's Discussion and Analysis
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Net Revenue/Expense Governmental Activities (Modified Cash Basis)
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	Restated			Restated		
	2013	2012		2013	2012	
General government	\$ 2,003	\$ 1,447	38%	\$(1,857)	\$ (664)	-180%
Public safety	1,829	1,500	22%	(1,698)	(1,740)	2%
Highways and streets	304	465	-35%	(252)	(377)	33%
Culture and recreation	126	154	-18%	(115)	(158)	27%
Cemetery	111	110	1%	(26)	(101)	74%
Airport	57	95	-40%	(32)	(42)	24%
Interest on long-term debt	33	12	175%	(33)	(12)	-175%
Total expenses	4,463	3,783		(4,013)	(3,094)	
Payment to component unit	105	104	1%	(105)	(104)	-1%
Total	\$ 4,568	\$ 3,887	18%	\$(4,118)	\$ (3,198)	-29%

Business-type Activities

The business-type activities had a decrease in Net Position of \$75,640. The decrease is due in part to water expenses having a net expense of approximately \$138,000. This net expense is the result of principal expense remaining in water expenses due to the City changing to a new reporting model in the current year.

Net Revenue/Expense Business-type Activities (Modified Cash Basis)
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	Restated			Restated		
	2013	2012		2013	2012	
Water	\$ 1,570	\$ 1,552	1%	\$ (138)	\$ 71	-294%
Sewer	922	1,063	-13%	62	141	-56%
Sanitation	366	361	1%	306	268	14%
EMS	91	92	-1%	-	-	-
Total	\$ 2,949	\$ 3,068	-4%	\$ 230	\$ 480	-52%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$2,844,171. For the year ended June 30, 2013, the General Fund's total fund balance decreased by \$49,343 to \$1,044,402 or 46.2% of annual revenues.

Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues above final estimates by \$4,496 or a 0.2% positive variance. General Fund actual expenditures were under final appropriations by \$313,035 or a 7.9% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- The FY 2014 budget is consistent to prior years.
- The City will begin a major water construction project and also a major street overlay project in FY 2014.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 115 S. 4th Street, Henryetta, Oklahoma 74437 or phone (918) 652-3348.

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BASIC FINANCIAL STATEMENTS -- GOVERNMENT-WIDE

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

	<u>Primary Government</u>			<u>Component Unit Henryetta Economic Development Authority</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Cash and cash equivalents	\$ 2,394,240	\$ 635,626	\$ 3,029,866	\$ 137,508
Investments	455,405	234,929	690,334	1,019,824
Internal balances	(2,054)	2,054	-	-
Total assets	<u>2,847,591</u>	<u>872,609</u>	<u>3,720,200</u>	<u>1,157,332</u>
LIABILITIES				
Due to depositors	3,420	269,184	272,604	-
Total liabilities	<u>3,420</u>	<u>269,184</u>	<u>272,604</u>	<u>-</u>
NET POSITION				
Restricted for:				
Capital & Debt Service	1,442,018	-	1,442,018	-
Debt Service	-	563,075	563,075	-
E-911	222,939	-	222,939	-
Cemetery	99,101	-	99,101	-
Public Safety	11,392	-	11,392	-
Culture & Recreation	4,587	-	4,587	-
Unrestricted	1,064,134	40,350	1,104,484	1,157,332
Total net position	<u>\$ 2,844,171</u>	<u>\$ 603,425</u>	<u>\$ 3,447,596</u>	<u>\$ 1,157,332</u>

See accompanying notes to the basic financial statements.

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit Henryetta Economic Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 2,002,681	\$ 19,185	\$ 42,005	\$ 84,828	\$ (1,856,663)	\$ -	\$ (1,856,663)	\$ -
Public safety	1,829,010	118,918	11,745	-	(1,698,347)	-	(1,698,347)	-
Highways and streets	304,387	-	52,742	-	(251,645)	-	(251,645)	-
Culture and recreation	125,744	4,069	6,823	-	(115,052)	-	(115,052)	-
Cemetery	110,955	7,211	-	77,901	(25,843)	-	(25,843)	-
Airport	56,987	24,677	-	-	(32,310)	-	(32,310)	-
Interest on long-term debt	33,422	-	-	-	(33,422)	-	(33,422)	-
HEDA (payments to component unit)	104,920	-	-	-	(104,920)	-	(104,920)	-
Total governmental activities	<u>4,568,106</u>	<u>174,060</u>	<u>113,115</u>	<u>162,729</u>	<u>(4,118,202)</u>	<u>-</u>	<u>(4,118,202)</u>	<u>-</u>
Business-type activities:								
Water	1,569,559	1,420,215	-	1,029	-	(138,315)	(138,315)	-
Sewer	921,324	852,528	-	131,509	-	62,213	62,213	-
Sanitation	366,053	671,576	-	-	-	305,523	305,523	-
EMS	90,981	90,981	-	-	-	-	-	-
Total business-type activities	<u>2,948,417</u>	<u>3,045,300</u>	<u>-</u>	<u>132,538</u>	<u>-</u>	<u>229,421</u>	<u>229,421</u>	<u>-</u>
Total primary government	<u>\$ 7,516,523</u>	<u>\$ 3,219,360</u>	<u>\$ 113,115</u>	<u>\$ 295,267</u>	<u>(4,118,202)</u>	<u>229,421</u>	<u>(3,888,781)</u>	<u>-</u>
Component Units:								
Henryetta Economic Development Authority	\$ 21,471	\$ -	\$ -	\$ -				(21,471)
General revenues:								
Taxes:								
Sales and use taxes					2,647,477		2,647,477	
Franchise taxes and public service taxes					217,475		217,475	
Intergovernmental revenue not restricted to specific programs					64,857		64,857	
Unrestricted investment earnings					4,294	3,287	7,581	10,259
Miscellaneous					166,550		166,550	
Payment from primary government								104,920
Transfers					308,348	(308,348)	-	-
Total general revenues and transfers					<u>3,409,001</u>	<u>(305,061)</u>	<u>3,103,940</u>	<u>115,179</u>
Change in net position					<u>(709,201)</u>	<u>(75,840)</u>	<u>(784,341)</u>	<u>93,708</u>
Net position - beginning, restated					<u>3,553,372</u>	<u>679,065</u>	<u>4,232,437</u>	<u>1,063,624</u>
Net position - ending					<u>\$ 2,844,171</u>	<u>\$ 603,225</u>	<u>\$ 3,447,596</u>	<u>\$ 1,157,332</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF HENRYETTA, OKLAHOMA
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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2013

	<u>General Fund</u>	<u>Restricted Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 596,708	\$ 1,457,985	\$ 339,547	\$ 2,394,240
Investments	455,405	-	-	455,405
Due from other funds	60,369	2,121	120	62,610
Total assets	<u>\$ 1,112,482</u>	<u>\$ 1,460,106</u>	<u>\$ 339,667</u>	<u>\$ 2,912,255</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 64,660	\$ -	\$ 4	\$ 64,664
Due to depositors	3,420	-	-	3,420
Total liabilities	<u>68,080</u>	<u>-</u>	<u>4</u>	<u>68,084</u>
Fund balances:				
Restricted	4,587	1,442,018	333,432	1,780,037
Assigned	123,515	18,088	6,231	147,834
Unassigned	916,300	-	-	916,300
Total fund balances	<u>1,044,402</u>	<u>1,460,106</u>	<u>339,663</u>	<u>2,844,171</u>
Total liabilities and fund balances	<u>\$ 1,112,482</u>	<u>\$ 1,460,106</u>	<u>\$ 339,667</u>	<u>\$ 2,912,255</u>

See accompanying notes to the basic financial statements.

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – For the Fiscal Year Ended June 30, 2013

	<u>General Fund</u>	<u>Restricted Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,751,985	\$ 1,049,200	\$ -	\$ 2,801,185
Intergovernmental	177,972	-	-	177,972
Charges for services	33,719	-	70,296	104,015
Fines and forfeitures	122,777	-	-	122,777
Licenses and permits	11,035	-	-	11,035
Investment income	2,786	903	605	4,294
Miscellaneous	164,090	-	2,460	166,550
Total revenues	<u>2,264,364</u>	<u>1,050,103</u>	<u>73,361</u>	<u>3,387,828</u>
EXPENDITURES				
Current:				
General government	645,932	1,819	-	647,751
Public Safety	1,684,994	-	46,464	1,731,458
Highway and streets	302,387	-	-	302,387
Culture and recreation	123,744	-	-	123,744
Cemetery	108,276	-	-	108,276
Airport	56,987	-	-	56,987
Capital Outlay	46,817	1,222,389	4,991	1,274,197
Debt Service:				
Principal	-	184,964	-	184,964
Interest and other charges	-	33,422	-	33,422
Total expenditures	<u>2,969,137</u>	<u>1,442,594</u>	<u>51,455</u>	<u>4,463,186</u>
Excess (deficiency) of revenues over expenditures	<u>(704,773)</u>	<u>(392,491)</u>	<u>21,906</u>	<u>(1,075,358)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	162,729	-	162,729
Sales tax payment to HEDA	(104,920)	-	-	(104,920)
Transfers in	1,396,120	131,514	-	1,527,634
Transfers out	(635,770)	(583,516)	-	(1,219,286)
Total other financing sources and (uses)	<u>655,430</u>	<u>(289,273)</u>	<u>-</u>	<u>366,157</u>
Net change in fund balances	(49,343)	(681,764)	21,906	(709,201)
Fund balances - beginning	1,093,745	2,141,870	317,757	3,553,372
Fund balances - ending	<u>\$ 1,044,402</u>	<u>\$ 1,460,106</u>	<u>\$ 339,663</u>	<u>\$ 2,844,171</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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

	<u>Henryetta Municipal Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 38,364
Restricted:	
Restricted cash and cash equivalents	597,262
Restricted investments	234,929
Due from other funds	3,298
Total current assets	873,853
Total assets	873,853
 LIABILITIES	
Current liabilities:	
Due to other funds	1,244
Deposits subject to refund	269,184
Total liabilities	270,428
 NET POSITION	
Restricted for debt service	563,075
Unrestricted	40,350
Total net position	\$ 603,425

See accompanying notes to the basic financial statements.

**CITY OF HENRYETTA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – For the Fiscal Year Ended June 30, 2013

	<u>Henryetta Municipal Authority</u>
OPERATING REVENUES	
Water charges	\$ 1,385,798
Water taps	2,800
Sewer charges	843,161
Sewer taps	300
Sanitation charges	652,734
Transfer station fees	4,496
EMS assessment	90,981
Penalty charges	31,010
Miscellaneous	34,019
Total Operating Revenues	3,045,299
OPERATING EXPENSES	
Water	320,819
Utility office operations	199,298
Water treatment plant operations	566,291
Sewer operations	152,690
Sewer treatment plant operations	207,770
Sanitation	146,151
Transfer station operations	174,807
EMS contract	90,981
Total Operating Expenses	1,858,807
Operating income	1,186,492
NON-OPERATING REVENUES (EXPENSES)	
Investment income	3,287
Principal expense	(819,896)
Interest expense	(269,713)
Grant revenue	1,029
Proceeds from capital debt	131,509
Total non-operating revenue (expenses)	(953,784)
Income before transfers	232,708
Transfers in	1,216,036
Transfers out	(1,524,384)
Change in net position	(75,640)
Total net position - beginning, restated	679,065
Total net position - ending	\$ 603,425

See accompanying notes to the basic financial statements.

CITY OF HENRYETTA, OKLAHOMA
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2013

	<u>Henryetta Municipal Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,045,299
Payments to suppliers	(1,016,096)
Payments to employees	(842,711)
Interfund receipts (payments)	(1)
Receipts of customer meter deposits	51,748
Refunds of customer meter deposits	(47,899)
Other receipts	1,029
Net cash provided by operating activities	<u>1,191,369</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,216,036
Transfers to other funds	(1,524,384)
Net cash provided by (used in) noncapital financing activities	<u>(308,348)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from note	131,509
Principal paid on debt	(819,896)
Interest and fiscal agent fees paid on debt	(269,713)
Net cash provided by (used in) capital and related financing activities	<u>(958,100)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	120,129
Interest income	3,287
Net cash provided by investing activities	<u>123,416</u>
Net increase in cash and cash equivalents	48,337
Balances - beginning of year	<u>587,289</u>
Balances - end of year	<u>\$ 635,626</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 38,364
Restricted cash and cash equivalents - current	597,262
Total cash and cash equivalents, end of year	<u>\$ 635,626</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,186,492
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous revenue	1,029
Change in assets and liabilities:	
Due from other funds	(309)
Due to other funds	308
Deposits subject to refund	3,849
Net cash provided by operating activities	<u>\$ 1,191,369</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (the City), a blended component unit (HMA) and two discretely-presented component units as follows:

- **The City of Henryetta** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Henryetta Municipal Authority** – that operates the water, wastewater, sanitation, transfer sanitation and EMS activities of the City - *considered part of the primary government presentation for reporting purposes*
- **The Henryetta Economic Development Authority** – that operates to finance, develop and promote economic development activities of the City – *reported as a discretely presented component unit*

The Henryetta Hospital Authority is also a component unit of the City that issues a separate financial statement report, but management has elected to exclude the financial activities of the Authority in this financial statement report. The reason for the Hospital Authority's exclusion from this financial statement report is that the Hospital Authority's annual financial statements are prepared on a set of accounting principles that differ from the City's use of the modified cash basis of accounting. The Hospital Authority provides physical facilities (in the form of tenant-renter relationship), improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting the Hospital administration at 918-650-1301.

With the exception of one component unit, 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.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities 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 the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The Statements of Net Position and Activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions

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adjusted for the following modifications that have substantial support in generally accepted accounting principles and are recommended by the GFOA small government annual financial report model. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- 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 are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits, rents and royalties
- Public safety: Fine revenue, operating and capital grants
- Highways and Streets: Gas excise taxes, commercial vehicle taxes and cemetery lot sales
- Culture and recreation: Operating and capital grants
- Cemetery: Cemetery lot fee and stone setting fees
- Airport: Hangar rent and gasoline revenue

Governmental Funds:

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – are used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Fund:

Enterprise Fund – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Henryetta Municipal Authority, a blended component unit enterprise fund. This fund accounts for activities of the public trust in providing, water, EMS, wastewater, and sanitation services to the public.

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

Major Funds:

- **General Fund** – accounts for all activities not accounted for in other special-purpose funds. For financial statement reporting purposes the General Fund contains the following combining accounts: Library Account, Airport Account, Street Improvement Account, Police Special Response Account, and REAP Grant Account.
- **Restricted Sales Tax** – a capital project fund that accounts for one and two-thirds cent sales tax restricted for capital expenditures.

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

Special Revenue Funds:

- **E-911 Fund** – accounts for the City's share of E-911 customer assessment that is restricted for public safety use.

Capital Project Funds:

- **Police Equipment** – accounts for the donation revenue received to be used for police equipment.
- **Cemetery Care Fund** – accounts for 12.5 percent of cemetery revenue restricted for cemetery capital improvements.

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

Proprietary Fund:

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

Enterprise Fund:

- **Henryetta Municipal Authority** – that operates the water, sewer, EMS, and sanitation services of the City

The proprietary fund is also reported on a modified cash basis, as defined above.

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

C. Cash, Cash Equivalents, and Investments

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

D. Fund Balances and Net Position

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance can be further classified as nonspendable, restricted, committed, assigned and unassigned. More information is provided in Note 5. These classifications are defined as:

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

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

Net Position:

Net Position is displayed in two components:

- a. *Restricted Net Position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted Net Position* - All other net position that does 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 position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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Prior Period Adjustment

Beginning net position was restated due to the change in the application of the modified cash basis of accounting, as recommended by GFOA's small government annual financial report model, as follows:

	HMA	Government-Wide	
		Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 10,060,756	\$ 6,855,252	\$ 10,060,756
Removal of capital assets due to change in basis of accounting	(18,652,017)	(4,071,566)	(18,652,017)
Removal of unamortized debt issuance costs due to change in basis of accounting	(351,507)		(351,507)
Removal of long-term debt due to change in basis of accounting	9,621,833	769,686	9,621,833
Beginning net position, restated	<u>\$ 679,065</u>	<u>\$ 3,553,372</u>	<u>\$ 679,065</u>

E. Internal and Interfund Balances and Transfers

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

F. New Accounting Pronouncements

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

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

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

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

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Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – The implementation of this standard removed the Statement of Net Assets, and replaced it with a new Statement of Net Position.

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

2. Deposits and Investments

For the year ended June 30, 2013, the City recognized \$11,329 of investment income. Due to the minimal rates of return on allowable investments in the current environment, all of the City’s deposits are in demand and short-term time deposits.

At June 30, 2013, the primary government held the following deposits and investments:

Type	Carrying Value
Primary Government	
Deposits:	
Petty Cash	629
Demand Deposits	3,029,237
Time deposit - certificates of deposit	690,334
	\$ 3,720,200
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 3,029,866
Investments	690,334
	\$ 3,720,200
 Component Units	
Henryetta Economic Development Authority:	
Demand Deposits	\$ 137,508
Time deposit - certificates of deposit	1,019,824
	1,157,332
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 137,508
Investments	1,019,824
	\$ 1,157,332

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government’s 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.

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As of June 30, 2013, the City was not exposed to custodial credit risk as defined above.

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 investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

At June 30, 2013, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate 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 deposit, 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 (5) government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2013, the City was not exposed to investment credit risk as defined above.

Concentration of Investment Credit Risk

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

At June 30, 2013, the City had no concentration of credit risk as defined above.

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

<u>Type of Restricted Assets</u>	<u>Current</u>	
	<u>Cash and cash equivalents</u>	<u>Investments</u>
Utility Deposits	\$ 114,512	\$ 154,603
Bond and Note Indenture Accounts:		
Sales Tax Account	67,956	80,326
Notes Accounts	414,794	-
Total Bond and Note Indenture Accounts	<u>482,750</u>	<u>80,326</u>
Total Proprietary Fund	<u>\$ 597,262</u>	<u>\$ 234,929</u>

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3. Fund Balance and Net Position

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet and Proprietary Fund Statement of Net Position:

	Major Capital Project Fund		Other Governmental Funds	TOTAL
	General Fund	Restricted Sales Tax		
Fund Balances:				
Restricted for:				
Capital and/or capital debt service	\$ -	\$ 1,442,018	\$ -	\$ 1,442,018
Cemetery	-	-	99,101	99,101
E-911	-	-	222,939	222,939
Public Safety	-	-	11,392	11,392
Culture and Recreation	4,587	-	-	4,587
Sub-total Restricted	4,587	1,442,018	333,432	1,780,037
Assigned to:				
Capital and/or capital debt service	-	18,088	-	18,088
Cemetery	-	-	133	133
E911	53	-	3,638	3,691
Public Safety	-	-	2,460	2,460
Airport	2,950	-	-	2,950
Culture and Recreation	53,237	-	-	53,237
Highway and streets	67,275	-	-	67,275
Sub-total Assigned	123,515	18,088	6,231	147,834
Unassigned:	916,300	-	-	916,300
TOTAL FUND BALANCES	1,044,402	1,460,106	339,663	2,844,171

Enterprise Fund:

Restricted for Debt Service:

Cash and investments \$ 565,066

Total Enterprise Fund Restricted for debt service \$ 565,066

Restricted Net Position – Governmental Activities

Of the governmental activities \$1,780,037 of restricted Net Position, \$1,664,957 are restricted by enabling legislation.

4. Sales Tax Revenue

Sales tax revenue represents a 4 cents tax on each dollar of taxable sales of which is recorded as follows:

- 2 1/3 cents is recorded in the General Fund of which 1 cent is pledged and transferred to the HMA to assist in HMA debt service coverage requirements per Ordinance No. 623; 1/6 of one cent is transferred to the Henryetta Economic Development Authority, and 1 1/6 cent is retained by the General Fund

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- 1 2/3 cent is recorded in the Restricted Sales Tax Fund with one cent pledged toward HMA debt in accordance with Ordinance No. 1001 effective November 2007 and 2/3 cent restricted for the purchase of capital assets or debt related to the purchase of capital assets with Ordinance No. 987.

7. Property Tax Levy

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

8. Internal and Interfund Balances and Transfers

Balances:

Interfund balances between activities at June 30, 2013, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	HMA	\$ 67	Vendor and payroll reimbursements payable
General Fund	HMA	1,991	Vendor and payroll reimbursements payable
General Fund	HMA	277	Vendor and payroll reimbursements payable
General Fund	Municipal Court	88	Court fines not yet transferred
General Fund	Restricted Sales Tax Fund	2,121	Voided check
General Fund	E911 Fund	120	Reclassification of transaction
Airport	General Fund	60,000	Fuel cost
Cemetery Care Fund	General Fund	4	Reclassification of transaction
Meter Deposit Account	HMA Operating Account	1,240	Meter deposit refunds
Total		<u>\$ 65,908</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 62,610	\$ (64,664)	\$ (2,054)
Proprietary Funds	3,298	(1,244)	2,054
Total	<u>\$ 65,908</u>	<u>\$ (65,908)</u>	<u>\$ -</u>

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2013, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
HMA	General Fund	\$ 1,392,870	Return of residual revenue for debt coverage
General Fund	HMA	629,520	Sales tax transfer
General Fund	HMA	6,250	Debt service payments
HMA	Restricted Sales Tax Fund	131,514	Debt service payments
Restricted Sales Tax Fund	HMA	580,266	Debt service payments
Restricted Sales Tax Fund	REAP Grant Fund	3,250	Grant activity
Total		<u>\$ 2,743,670</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,527,634	\$ (1,219,286)	\$ 308,348
Proprietary Funds	1,216,036	(1,524,384)	(308,348)
	<u>\$ 2,743,670</u>	<u>\$ (2,743,670)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Governmental funds net transfers	\$ -
Transfer of capital outlay	-
	<u>\$ -</u>

9. 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 by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. 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.

10. Pension Plan Participation

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

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

OFPRS:

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

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

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. OFPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

Fiscal Year	Required Contributions	Amount Contributed
2011	\$ 58,136	\$ 58,136
2012	\$ 58,025	\$ 58,025
2013	\$ 61,241	\$ 61,241

OPPRS:

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

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS
1001 N.W. 63rd St., Suite 605
Oklahoma City, OK 73116-7335

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

Fiscal Year	Required Contributions	Amount Contributed
2011	\$ 51,174	\$ 51,174
2012	\$ 52,691	\$ 52,691
2013	\$ 52,312	\$ 52,312

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OMRF Defined Benefit Plan:

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

Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	9.31% of covered payroll
-Employee Rate	0.65% of earnings
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement with 10 years of service -Marital death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	1.875% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

For the year ended June 30, 2013, the City's employer contribution to the plan was \$103,071 which was equal to the actuarial required contribution.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

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OMRF Defined Contribution Plan:

Plan Summary Information. The City has provided a defined contribution plan and trust available to the City Manager. The trust is in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to immediately participate upon being hired.

Funding Policy. Employees participating in the Plan are required to contribute at least 3%. By City ordinance, the City, as employer, is required to make contributions to the plan, at a current rate of 7% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) are vested 100% upon participations in the plan. The authority to establish and amend the provisions of the plan rests with the City Council. Currently all eligible employees have opted not to participate in the plan for fiscal year 2013.

11. Commitments and Contingencies

Long-term Debt and Debt Service Requirements:

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 01, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 769,686	\$ 77,901	\$ 114,686	\$ 732,901	\$ 116,087
Total Governmental Activities	<u>\$ 769,686</u>	<u>\$ 77,901</u>	<u>\$ 114,686</u>	<u>\$ 732,901</u>	<u>\$ 116,087</u>
Business-Type Activities:					
Notes payable	\$ 9,548,889	\$ 131,509	\$ 819,896	\$ 8,860,502	\$ 667,593
Capital lease payable	104,445	84,828	70,277	118,996	51,385
Total Business-Type Activities	<u>9,653,334</u>	<u>216,337</u>	<u>890,173</u>	<u>8,979,498</u>	<u>718,978</u>
Total Long-Term Debt	<u>\$ 10,423,020</u>	<u>\$ 294,238</u>	<u>\$ 1,004,859</u>	<u>\$ 9,712,399</u>	<u>\$ 835,065</u>
Component Unit:					
HEDA:					
Notes Payable	\$ 95,850	\$ -	\$ 7,100	\$ 88,750	\$ 7,100
Total Component Unit	<u>\$ 95,850</u>	<u>\$ -</u>	<u>\$ 7,100</u>	<u>\$ 88,750</u>	<u>\$ 7,100</u>

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

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Capital Lease Payable:

Capital lease payable to American Exchange Bank for a fire truck, original amount of \$309,005, payable in 60 monthly installments, interest rate at 4.0%, final payment due August 10, 2014.	\$	200,658
\$120,467 lease obligation for the purchase of INCODE software, payable in 58 monthly installments of \$2,364 with an annual interest rate of 6.58%, final payment due January 2014		14,025
Capital lease payable to American Exchange Bank for a fire truck, original amount of \$498,918, payable in 96 monthly installments, interest rate at 3.4%, final payment due June 1, 2020.		441,336
Capital lease payable to American Exchange Bank for a fire truck, original amount of \$77,901, payable in monthly installments of \$1,418, interest rate at 3.4%, final payment due June 2018.		76,882
Total Capital Leases Payable	\$	<u>732,901</u>

Business-type activities long-term debt payable from net revenues generated by the utility revenue and pledged sales tax include the following:

Notes Payable:

OWRB Promissory Note dated September 29, 2009, original amount \$9,500,000, \$719,059 available to be drawn, payable in semi-annual installments each March 15 and September 15 beginning March 2011, final installment due September 15, 2030 with a 3.07% interest rate and an administration fee of .5% payable semi-annually based on the principal outstanding.	\$	6,168,731
OWRB Promissory Note dated December 21, 2009, original amount \$3,650,000, \$1,032,336 available to be drawn, payable in semi-annual installments each March 15 and September 15 beginning September 2011, final installment due March 15, 2031 with a 2.73% interest rate and an administration fee of .5% payable semi-annually based on the principal outstanding.		1,893,695
OWRB Promissory Note dated March 28, 2000, original amount \$1,991,463, payable in semi-annual installments each February 15 and August 15 beginning August 2000, final installment due August 15, 2015 with a 0% interest rate and an administration fee of .5% payable semi-annually based on the principal outstanding.		269,117
Oklahoma Department of Commerce note dated March 16, 1998, authorized amount of \$125,000, payable in monthly installments of \$521, including principal with a 0% interest rate, with final payment due October 2018.		48,959
OWRB Promissory Note dated May 27, 2004, original amount \$1,955,000, payable in semi-annual installments each March 15 and September 15, beginning March 2004, final installment due September 15, 2015 with an annual interest rate of 2.12% and an administration fee of .5% payable semi-annually based on the principal outstanding.		<u>480,000</u>
Total Notes Payable	\$	<u>8,860,502</u>

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Capital Lease Payable:

\$162,207 lease obligation for the purchase of a sanitation truck, payable in monthly installments of \$2,993 with an annual interest rate of 4%, final payment due January 2014	\$	17,737
\$162,277 lease obligation for the purchase of a sanitation truck, payable in monthly installments of \$2,997 with an annual interest rate of 4%, final payment due January 2014		17,766
\$84,828 lease obligation for the purchase of a water truck, payable in monthly installments of \$1,540 with an annual interest rate of 3.40%, final payment due June 2018		83,493
Total Capital Leases Payable	\$	<u>118,996</u>

Component unit - HEDA:

Oklahoma Department of Commerce note dated March 17, 2005, authorized amount of \$142,000, payable in monthly installments of \$592, including principal with a 0% interest rate, with a final payment due December 2025.	\$	88,750
Total Notes Payable	\$	<u>88,750</u>

Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Capital Lease obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 116,087	27,803
2015	245,117	15,310
2016	77,237	11,440
2017	79,739	8,938
2018	81,021	6,185
2019-2020	133,700	5,126
Totals	<u>\$ 732,901</u>	<u>\$ 74,802</u>

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<u>Year Ending June 30.</u>	<u>Business Type Activities</u>			
	Capital		Notes Payable	
	Lease Obligations			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 51,385	\$ 3,008	\$ 667,593	\$ 236,701
2015	16,435	2,045	678,592	235,230
2016	16,996	1,484	545,970	218,366
2017	17,587	893	403,947	205,093
2018	16,593	285	415,976	193,065
2019-2023	-	-	2,259,810	771,855
2024-2028	-	-	2,602,433	411,524
2029-2031	-	-	1,286,181	53,723
Totals	\$ 118,996	\$ 7,715	\$ 8,860,502	\$ 2,325,557

<u>Year Ending June 30.</u>	<u>Component Unit Activities</u>	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 7,100	-
2015	7,100	-
2016	7,100	-
2017	7,100	-
2018	7,100	-
2019-2023	35,500	-
2024-2026	17,750	-
Totals	\$ 88,750	\$ -

Pledge of Future Revenues

Sales Tax and Net Utility Revenues Pledge - The City has pledged two cents (or 50%) of future sales tax revenues and net utility revenues to repay the \$1,991,463, \$1,955,000, \$3,650,000, and \$9,500,000 1997 OWRB SRF, OWRB CWSRF, 2009 OWRB CWSRF, and 2009 OWRB DWSRF notes payable, respectively. Proceeds from the notes provided financing for capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2031. The total principal and interest payable for the remainder of the life of these notes is \$11,186,058. Pledged sales taxes received in the current year were \$1,259,040 and net utility revenues were \$1,186,492. Debt service payments of \$1,083,359 for the current fiscal year were 44% of both pledged sales taxes and utility revenues of \$2,445,532.

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Compensated Absences:

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

- Governmental activities \$218,885
- Business-type activities \$43,395

Litigation:

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

Federal and State Award Programs:

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

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SUPPLEMENTARY INFORMATION

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

	General Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 981,725	\$ 981,725	\$ 991,475	\$ 9,750
Resources (Inflows):				
Taxes	1,714,000	1,714,000	1,751,985	37,985
Intergovernmental	121,500	121,500	139,599	18,099
Charges for services	5,300	5,300	9,042	3,742
Fines and forfeitures	244,000	244,000	122,777	(121,223)
Licenses and Permits	9,925	9,925	11,035	1,110
Investment Income	5,000	5,000	2,734	(2,266)
Miscellaneous	214,340	214,340	160,419	(53,921)
Other Financing Sources - Transfers In	1,369,209	1,369,209	1,392,870	23,661
Total Resources	<u>3,683,274</u>	<u>3,683,274</u>	<u>3,590,461</u>	<u>(92,813)</u>
Amount available for appropriation	<u>4,664,999</u>	<u>4,664,999</u>	<u>4,581,936</u>	<u>(83,063)</u>
Charges to Appropriations (Outflows):				
Departmental:				
General Government:				
General government	759,062	762,862	645,932	116,930
Public Safety	1,883,998	1,863,098	1,692,811	170,287
Street	332,054	332,054	304,387	27,667
Culture and Recreation	180,500	180,500	118,326	62,174
Cemetery	110,781	110,781	108,276	2,505
Airport	41,357	41,357	35,241	6,116
Transfers to Other Funds	706,650	723,750	740,690	(16,940)
Total Charges to Appropriations	<u>4,014,402</u>	<u>4,014,402</u>	<u>3,645,663</u>	<u>368,739</u>
Ending Budgetary Fund Balance	<u>\$ 650,597</u>	<u>\$ 650,597</u>	<u>\$ 936,273</u>	<u>\$ 285,676</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Library Account Balance			57,824	
Airport Account Balance			(17,023)	
Street Improvement Account Balance			67,275	
Police Special Response Account Balance			53	
Total General Fund Fund Balance			<u>\$ 1,044,402</u>	

Footnotes to Budgetary Comparison Schedule:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

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Non-Major Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2013

	<u>Special Revenue</u>	<u>Capital Project</u>		<u>Total Governmental Funds</u>
	<u>E911 Fund</u>	<u>Cemetery Care Fund</u>	<u>Police Equipment Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 226,457	\$ 99,238	\$ 13,852	\$ 339,547
Due from other funds	120	-	-	120
Total assets	<u>\$ 226,577</u>	<u>\$ 99,238</u>	<u>\$ 13,852</u>	<u>\$ 339,667</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ 4	\$ -	\$ 4
Total liabilities	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
 Fund balances:				
Restricted	222,939	99,101	11,392	333,432
Assigned	3,638	133	2,460	6,231
Total fund balances	<u>226,577</u>	<u>99,234</u>	<u>13,852</u>	<u>339,663</u>
Total liabilities and fund balances	<u>\$ 226,577</u>	<u>\$ 99,238</u>	<u>\$ 13,852</u>	<u>\$ 339,667</u>

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Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2013

	<u>Special Revenue</u>	<u>Capital Project</u>		<u>Total-Other Governmental Funds</u>
	<u>E911 Fund</u>	<u>Cemetery Care Fund</u>	<u>Police Equipment Fund</u>	
REVENUES				
Charges for services	\$ 63,767	\$ 6,529	\$ -	\$ 70,296
Investment earnings	557	48	-	605
Miscellaneous	-	-	2,460	2,460
Total revenues	<u>64,324</u>	<u>6,577</u>	<u>2,460</u>	<u>73,361</u>
EXPENDITURES				
Public Safety	46,451	-	13	46,464
Capital Outlay	-	1,660	3,331	4,991
Total Expenditures	<u>46,451</u>	<u>1,660</u>	<u>3,344</u>	<u>51,455</u>
Excess (deficiency) of revenues over expenditures	<u>17,873</u>	<u>4,917</u>	<u>(884)</u>	<u>21,906</u>
Net change in fund balances	17,873	4,917	(884)	21,906
Fund balances - beginning	208,704	94,317	14,736	317,757
Fund balances - ending	<u>\$ 226,577</u>	<u>\$ 99,234</u>	<u>\$ 13,852</u>	<u>\$ 339,663</u>

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

	<u>General Fund</u>	<u>Library Account</u>	<u>Airport Account</u>	<u>Street Improvement Account</u>	<u>Police Special Response Account</u>	<u>REAP Grant Account</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 431,079	\$ 55,324	\$ 42,977	\$ 67,275	\$ 53	\$ -	\$ 596,708
Investments	452,905	2,500	-	-	-	-	455,405
Due from other funds	60,369	-	-	-	-	-	60,369
Total assets	<u>\$ 944,353</u>	<u>\$ 57,824</u>	<u>\$ 42,977</u>	<u>\$ 67,275</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 1,112,482</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ 4,660	\$ -	\$ 60,000	\$ -	\$ -	\$ -	\$ 64,660
Due to depositors	3,420	-	-	-	-	-	3,420
Total liabilities	<u>8,080</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,080</u>
Fund balances:							
Restricted	-	4,587	-	-	-	-	4,587
Assigned	-	53,237	2,950	67,275	53	-	123,515
Unassigned	936,273	-	(19,973)	-	-	-	916,300
Total fund balances	<u>936,273</u>	<u>57,824</u>	<u>(17,023)</u>	<u>67,275</u>	<u>53</u>	<u>-</u>	<u>1,044,402</u>
Total liabilities and fund balances	<u>\$ 944,353</u>	<u>\$ 57,824</u>	<u>\$ 42,977</u>	<u>\$ 67,275</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 1,112,482</u>

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

**Combining Schedule of Revenues, Expenses, and Changes in Fund Balance (Modified Cash Basis) -
General Fund Accounts - Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Library Account</u>	<u>Airport Account</u>	<u>Street Improvement Account</u>	<u>Police Special Response Account</u>	<u>REAP Grant Account</u>	<u>Total</u>
REVENUES							
Taxes	\$ 1,751,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,751,985
Intergovernmental	139,599	6,623	-	-	-	31,750	177,972
Charges for services	9,042	-	24,677	-	-	-	33,719
Fines and forfeitures	122,777	-	-	-	-	-	122,777
Licenses and permits	11,035	-	-	-	-	-	11,035
Investment earnings	2,734	-	19	33	-	-	2,786
Miscellaneous	180,419	3,671	-	-	-	-	184,090
Total revenues	<u>2,197,591</u>	<u>10,294</u>	<u>24,696</u>	<u>33</u>	<u>-</u>	<u>31,750</u>	<u>2,284,364</u>
EXPENDITURES							
Current:							
General government	645,932	-	-	-	-	-	645,932
Public Safety	1,884,994	-	-	-	-	-	1,884,994
Highways and streets	302,387	-	-	-	-	-	302,387
Culture and recreation	116,326	7,418	-	-	-	-	123,744
Cemetery	108,276	-	-	-	-	-	108,276
Airport	35,241	-	21,746	-	-	-	56,987
Capital Outlay	11,817	-	-	-	-	35,000	46,817
Total Expenditures	<u>2,904,973</u>	<u>7,418</u>	<u>21,746</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>2,989,137</u>
Excess (deficiency) of revenues over expenditures	<u>(707,382)</u>	<u>2,876</u>	<u>2,950</u>	<u>33</u>	<u>-</u>	<u>(3,250)</u>	<u>(704,773)</u>
OTHER FINANCING SOURCES (USES)							
Sales tax payment to HEDA	(104,920)	-	-	-	-	-	(104,920)
Transfers in	1,392,870	-	-	-	-	3,250	1,396,120
Transfers out	(635,770)	-	-	-	-	-	(635,770)
Total other financing sources and uses	<u>652,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,250</u>	<u>655,430</u>
Net change in fund balances	(55,202)	2,876	2,950	33	-	-	(49,343)
Fund balances - beginning	991,475	54,948	(19,973)	67,242	53	-	1,093,745
Fund balances - ending	<u>\$ 936,273</u>	<u>\$ 57,824</u>	<u>\$ (17,023)</u>	<u>\$ 67,275</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 1,044,402</u>

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

**Combining Schedule of Net Position (Modified Cash Basis) – Henryetta Municipal Authority
Enterprise Fund Accounts - June 30, 2013**

	<u>HMA</u>	<u>Meter Deposit</u>	<u>Sewer Depreciation</u>	<u>87 Bond (Sales Tax)</u>	<u>GDBG Water Project</u>	<u>2009 CWSRF</u>	<u>2009 DWSRF</u>	<u>TOTALS</u>
ASSETS								
Current assets:								
Cash and cash equivalents	\$ (593)	\$ 38,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,364
Restricted cash and cash equivalents	-	114,512	414,793	67,956	1	-	-	597,262
Restricted investments	-	154,603	-	80,326	-	-	-	234,929
Due from other funds	1,307	-	-	1,991	-	-	-	3,298
Total assets	<u>714</u>	<u>308,072</u>	<u>414,793</u>	<u>150,273</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>873,853</u>
LIABILITIES								
Current liabilities:								
Due to other funds	4	1,240	-	-	-	-	-	1,244
Meter deposit liability	-	269,184	-	-	-	-	-	269,184
Total liabilities	<u>4</u>	<u>270,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,428</u>
NET POSITION								
Restricted for debt service	-	-	414,793	148,282	-	-	-	563,075
Unrestricted	710	37,648	-	1,991	1	-	-	40,350
Total net position	<u>\$ 710</u>	<u>\$ 37,648</u>	<u>\$ 414,793</u>	<u>\$ 150,273</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,425</u>

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

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

	<u>MMA</u>	<u>Meter Deposit</u>	<u>Sewer Depreciation</u>	<u>87 Bond (Sales Tax)</u>	<u>GDBG Water Protect</u>	<u>2009 CWSRF</u>	<u>2009 DWSRF</u>	<u>Total</u>
Operating Revenues:								
Water charges	\$ 1,385,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,385,798
Water taps	2,800	-	-	-	-	-	-	2,800
Sewer charges	843,161	-	-	-	-	-	-	843,161
Sewer taps	300	-	-	-	-	-	-	300
Sanitation charges	652,734	-	-	-	-	-	-	652,734
Transfer station fees	4,496	-	-	-	-	-	-	4,496
EMS Assessments	90,981	-	-	-	-	-	-	90,981
Penalty charges	31,010	-	-	-	-	-	-	31,010
Miscellaneous	34,019	-	-	-	-	-	-	34,019
Total operating revenues	3,045,299	-	-	-	-	-	-	3,045,299
OPERATING EXPENSES								
Water operations	261,919	-	-	57,872	1,028	-	-	320,819
Utility office operations	199,298	-	-	-	-	-	-	199,298
Water treatment plant operations	566,291	-	-	-	-	-	-	566,291
Sewer operations	117,477	-	35,213	-	-	-	-	152,690
Sewer treatment plant operations	207,770	-	-	-	-	-	-	207,770
Sanitation operations	146,151	-	-	-	-	-	-	146,151
Transfer station operations	174,807	-	-	-	-	-	-	174,807
EMS contract	90,981	-	-	-	-	-	-	90,981
Total Operating Expenses	1,784,694	-	35,213	57,872	1,028	-	-	1,856,807
Operating income (loss)	1,280,605	-	(35,213)	(57,872)	(1,028)	-	-	1,186,492
NON-OPERATING REVENUES (EXPENSES)								
Interest and investment revenue	420	1,310	886	661	-	-	-	3,287
Principal expense	-	-	(287,646)	-	(6,250)	(146,000)	(380,000)	(619,896)
Interest expense	-	-	(17,697)	-	-	(51,750)	(200,266)	(269,713)
Grants	-	-	-	-	1,029	-	-	1,029
Proceeds from long-term debt	-	-	-	-	-	131,509	-	131,509
Total non-operating revenue (expenses)	420	1,310	(304,447)	661	(5,221)	(66,241)	(580,266)	(953,784)
Income (loss) before transfers	1,281,025	1,310	(339,860)	(57,211)	(6,249)	(66,241)	(580,266)	232,708
Interaccount transfers in	-	-	517,913	-	-	197,750	-	715,663
Interaccount transfers out	(517,913)	-	(197,750)	-	-	-	-	(715,663)
Transfers in	629,520	-	-	-	6,250	-	580,266	1,216,036
Transfers out	(1,392,870)	-	-	-	-	(131,514)	-	(1,524,384)
Change in net position	(238)	1,310	(19,497)	(57,211)	1	(5)	-	(75,640)
Total net position - beginning, restated	948	36,338	434,290	207,484	-	5	-	679,065
Total net position - ending	\$ 710	\$ 37,648	\$ 414,793	\$ 150,273	\$ 1	\$ -	\$ -	\$ 603,425

**CITY OF HENRYETTA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2013

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.601	K8-12-03-19-04	15,000	4,209
State and Community Highway Safety	20.614	CE-12-03-13-04	3,000	969
			18,000	5,178
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>				
Passed through Oklahoma Water Resources Board:				
Clean Water State Revolving Fund	66.458 (ARRA)	ORF-09-0029-CW	131,509	131,509
			131,509	131,509
<u>U.S. DEPARTMENT HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce				
CDBG Grant	14.228	12009 CDBG 05	171,500	1,029
			171,500	1,029
TOTAL FEDERAL AWARDS			\$ 321,009	\$ 137,716
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant	N/A	N/A	4,484	4,484
<u>EODD:</u>				
2009 REAP Grant 5607	N/A	N/A	31,750	31,750
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
State Aid 2012	N/A	N/A	6,548	2,882
State Aid 2013	N/A	N/A	6,623	6,118
TOTAL STATE AWARDS			\$ 49,405	\$ 45,234

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

Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2013

Gross Revenue Available for Debt Service:

Operating revenues of leased systems (1)	\$	2,954,318
Sales tax pledged		1,259,040
 Total Gross Revenues Available		 4,213,358
 System Operating Expenses (1)		 1,767,826
 Net Revenues Available for Debt Service	\$	 2,445,532

Debt Service Requirements:

Maximum annual debt service - OWRB promissory note - SRF	\$	117,059
Maximum annual debt service - OWRB promissory note - CWSRF		203,042
Maximum annual debt service - OWRB promissory note - 2009 CWSRF		191,407
Maximum annual debt service - OWRB promissory note - 2009 DWSRF		510,261
 Total Debt Service Requirements	\$	 1,021,769

Coverage		239%
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Coverage Requirement		125%
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(1) Leased systems include water, sewer, sanitation and administration thereof.

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

INTERNAL CONTROL AND COMPLIANCE INFORMATION

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

The Honorable Mayor and Members of the City Council
City of Henryetta, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Henryetta, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 8, 2014. The report on the aggregate discretely presented component units was an adverse opinion due to the omission of the Henryetta Hospital Authority. In addition, our report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Arledge & Associates, P.C.
April 8, 2014