

City of
Ardmore, Oklahoma



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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**THE CITY OF ARDMORE,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Members of the City Commission
City of Ardmore
23 S. Washington
Ardmore, OK 73401

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ardmore, Oklahoma, as of and for the year ending June 30, 2012, which collectively comprise the City of Ardmore, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ardmore Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ardmore Regional Park Trust Authority, Ardmore Tourism Authority, Ardmore Development Authority, Ardmore Animal Care Trust Authority and the Ardmore Main Street Authority, which represent 32 percent, 39 percent and 10 percent respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it related to the amounts included for the above referenced component units is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As discussed in Note I(C), some of the discretely presented component units prepare their financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variance between the modified cash basis and accounting principles generally accepted in the United States of America although not reasonably determinable, are presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements of the discretely presented component units identified in Note I(C), do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component units identified in note I(C) as of June 30, 2012, the changes in their financial position or where applicable, the cash flows for the year then ended.

In our opinion, the financial statements referred to in the previous paragraph present fairly, in all material respects, the financial position – modified cash basis of the discretely presented component units identified in Note I(C) as of June 30, 2012, and the changes in financial position-modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1(C)

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respect, the respective financial position of the governmental activities, and the business-type activities, the aggregate discretely presented component units, each major fund, Ardmore Regional Park Trust Authority, Ardmore Animal Care Trust Authority, Ardmore Main Street Authority and the aggregate remaining fund information of the City of Ardmore, Oklahoma, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2013, on our consideration of the City of Ardmore, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 15 and 70 through 71 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operational economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ardmore, Oklahoma's financial statements as a whole. The introductory section, and combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has 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.


July 31, 2013

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MANAGEMENT DISCUSSION AND ANALYSIS

**CITY OF ARDMORE, OKLAHOMA
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Our discussion and analysis of the City of Ardmore's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2012, the City's total net assets increased by \$1,833,764 or 2.6% from the prior year.
- During the year, the City's expenses for governmental activities were \$29.4 million and were funded by program revenues of \$3.1 million and further funded with taxes and other general revenues that totaled \$28.3 million.
- In the City's business-type activities, such as utilities, expenses exceed program revenues by \$63,067.
- At June 30, 2012, unassigned fund balance for the General Fund was \$3,242,552, or 19.5% of the total General Fund revenues for the year.
- For budgetary reporting purposes, the General Fund reported revenues over estimates (excluding transfers) of \$802,536 or 7.8%, while expenditures were under the final appropriations (excluding transfers) by \$505,477 or 2.9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Ardmore (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34, and 39. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, sanitation and golf activities are reported here.
- **Discretely-presented component units** -- These account for activities of the City's reporting entity that do not meet the criteria for blending, specifically the Ardmore Main Street Authority, Hardy Murphy Coliseum Authority, Ardmore Development Authority, Ardmore Animal Care Trust, Ardmore Regional Park Trust Authority, and Ardmore Tourism Authority.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

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

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A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets exceeded liabilities by approximately \$72.5 million at the close of the most recent fiscal year.

TABLE 1
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	(Restated)			(Restated)			(Restated)		
	2012	2011		2012	2011		2012	2011	
Current and other assets	\$ 30,338	\$ 27,072	12%	\$ 12,884	\$ 9,945	30%	\$ 43,222	\$ 37,017	17%
Capital assets, net	28,906	30,047	-4%	52,893	56,181	-6%	81,799	86,228	-5%
Total assets	59,244	57,119	4%	65,777	66,126	-1%	125,021	123,245	1%
Current liabilities	3,529	3,190	11%	3,683	3,353	10%	7,212	6,543	10%
Non-current liabilities	13,816	13,989	-1%	31,515	32,069	-2%	45,331	46,058	-2%
Total liabilities	17,345	17,179	1%	35,198	35,422	-1%	52,543	52,601	0%
Net assets									
Invested in capital assets, net of related debt	16,245	15,711	3%	21,467	22,425	-4%	37,712	38,136	-1%
Restricted	16,475	13,242	24%	•	290	0%	16,475	13,532	22%
Unrestricted	9,179	10,987	-16%	9,112	7,989	14%	18,291	18,976	-4%
Total net assets	\$ 41,899	\$ 39,940	5%	\$ 30,579	\$ 30,704	0%	\$ 72,478	\$ 70,644	4%

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. For 2012, this investment in capital assets, net of related debt amounted to \$37.7 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of the City's governmental activities increased 5 percent to approximately \$41.9 million. However, approximately \$16.2 million of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net assets showed \$9.2 million at the end of this year. Net assets of the business-type activities stay consistent at approximately \$30.6 million. \$21.5 million of those net assets are invested in capital assets, net of related debt. Consequently, unrestricted net assets showed \$9.1 million at the end of the year.

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Changes in Net Assets

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

TABLE 2
CHANGES IN NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	(Restated)			(Restated)			(Restated)		
	2012	2011	2012	2011	2012	2011			
Revenues									
Charges for service	\$ 694	\$ 1,446	-52%	\$ 12,795	\$ 12,299	4%	\$ 13,489	\$ 13,745	-2%
Operating grants and contributions	1,653	1,196	38%	-	49	-100%	1,653	1,245	33%
Capital grants and contributions	763	98	679%	801	113	609%	1,564	211	641%
Taxes	26,628	26,067	2%	-	-	-	26,628	26,067	2%
Intergovernmental revenue	377	362	4%	-	-	-	377	362	4%
Investment income	244	320	-24%	30	32	-6%	274	352	-22%
Gain on disposal of assets	-	-	-	-	14	-100%	-	14	-100%
Miscellaneous	824	856	-4%	119	-	-	943	856	10%
Total revenues	31,183	30,345	3%	13,745	12,507	10%	44,928	42,852	5%
Expenses									
General government	9,631	7,293	32%	-	-	-	9,631	7,293	33%
Public safety	9,590	8,862	8%	-	-	-	9,590	8,862	8%
Streets	5,121	5,391	-5%	-	-	-	5,121	5,391	-5%
Culture and recreation	3,226	2,725	18%	-	-	-	3,226	2,725	18%
Cemetery	331	354	-6%	-	-	-	331	354	-6%
Airport	226	290	-22%	-	-	-	226	290	-22%
Economic development	782	2,882	-73%	-	-	-	782	2,882	-73%
Interest on long-term debt	528	533	-1%	-	-	-	528	533	-1%
Water	-	-	-	6,429	6,425	0%	6,429	6,425	0%
Wastewater	-	-	-	4,707	3,879	21%	4,707	3,879	21%
Sanitation	-	-	-	1,987	1,941	2%	1,987	1,941	2%
Golf	-	-	-	535	591	-9%	535	591	-9%
Total expenses	29,435	28,330	4%	13,658	12,836	6%	43,093	41,166	5%
Excess (deficiency) before transfers	1,748	2,015	-13%	87	(329)	-126%	1,835	1,686	9%
Transfers	211	(1,455)	115%	(211)	1,455	-115%	-	-	0%
Change in net assets	1,959	560	250%	(124)	1,126	-111%	1,835	1,686	9%
Beginning net assets, restated	39,940	39,380	1%	30,703	29,577	4%	70,643	68,957	2%
Ending net assets	\$ 41,899	\$ 39,940	5%	\$ 30,579	\$ 30,703	0%	\$ 72,478	\$ 70,643	3%

Explanations for changes in excess of 20% and \$100,000 are as follows:

Governmental Activities:

Capital grants and contributions increased 679% due to activity of FAA airport grants in the current year.

Transfers – 115% increase related to capital asset purchases occurring in governmental fund for business-type activity assets in the prior year.

Business-Type Activities:

Capital grants and contributions increased 609% due to activity of FEMA wastewater grant in the current year.

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Transfers – 115% decrease related to capital asset purchases occurring in governmental fund for business-type activity assets in the prior year.

Governmental Activities

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

**TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)**

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	(Restated)			(Restated)		
	2012	2011		2012	2011	
General government	\$ 9,631	\$ 7,293	33%	(\$9,285)	(\$6,139)	51%
Public safety	9,590	8,862	8%	(8,359)	(7,596)	10%
Street	5,121	5,391	-5%	(4,909)	(5,391)	-9%
Culture and recreation	3,226	2,725	18%	(2,696)	(2,436)	11%
Cemetery	331	354	-6%	(279)	(289)	-3%
Airport	226	290	-22%	512	59	768%
Economic development	782	2,882	-73%	(782)	(2,882)	-73%
Interest on long-term debt	528	533	-1%	(528)	(533)	-1%
Total	<u>29,435</u>	<u>\$ 28,330</u>	4%	<u>(\$26,326)</u>	<u>(\$25,207)</u>	4%

Explanations for significant changes are listed above under Table 2.

**TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)**

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	(Restated)			(Restated)		
	2012	2011		2012	2011	
Water	\$ 6,429	\$ 6,425	0%	\$ (464)	\$ (72)	544%
Wastewater	4,707	3,879	21%	(757)	(1,231)	-39%
Sanitation	1,987	1,941	2%	1,219	1,112	10%
Golf	535	591	-9%	(61)	(101)	-40%
Total	<u>\$ 13,658</u>	<u>\$ 12,836</u>	6%	<u>\$ (63)</u>	<u>\$ (292)</u>	-78%

The City’s business-type activities include utility services for water, wastewater, sanitation and golf.

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A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$26.1 million or an 8.8% increase due mainly to an increase in capital grants. The enterprise funds reported combined net assets of \$30.6 million or a 0.5% decrease from 2011.

Other fund highlights include:

- For the year ended June 30, 2012, the General Fund's total fund balance increased by \$569,242 or 9.4%.
- There is \$21,006 of fund balance in the General Fund that is restricted for specific purposes and \$3,333,507 that is assigned for specific purposes.

General Fund Budgetary Highlights

For the year ended June 30, 2012, the General Fund reported actual budgetary basis revenues above final estimates by \$802,536 or 7.8%, while expenditures were under final appropriations by \$505,477 or 2.9%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had \$82 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, streets, and water lines and sewer lines. (See Table 5). This represents a net decrease of approximately \$4.4 million from last year.

**TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	(Restated) 2011	2012	2011	2012	2011
Land	\$ 4,241	\$ 4,166	\$ 502	\$ 502	\$ 4,743	\$ 4,668
Buildings	9,560	9,097	39,315	40,293	48,875	49,390
Computers	1,237	1,779	18	25	1,255	1,804
Furniture and fixtures	157	148	10	13	167	161
Vehicles	512	324	724	697	1,236	1,021
Machinery and equipment	847	709	387	454	1,234	1,163
Infrastructure	12,352	13,825	11,937	14,200	24,289	28,025
Totals	\$ 28,906	\$ 30,048	\$ 52,893	\$ 56,184	\$ 81,799	\$ 86,232

This year's more significant capital asset additions included:

Sanitation Truck	\$246,403
Street Improvements	1,017,860
Sanitary & Storm Improvements	937,594
Airport Improvement Project	617,026

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Sewer Line Improvements	378,878
Water Line Improvements	262,369
Raw Water Line Improvements	278,503

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

Long- Term Debt

At year-end, the City had \$50 million in long-term debt outstanding which represents a \$150,750 or 0.3% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

**TABLE 6
Long-Term Debt
(In Thousands)**

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities		Total		
	2012	(Restated) 2011	2012	(Restated) 2011	2012	(Restated) 2011	
General obligation bonds	\$ 1,186	\$ 1,325	\$ -	\$ -	\$ 1,186	\$ 1,325	-10.5%
Notes payable	-	-	33,677	31,330	33,677	31,330	7.5%
Capital lease obligations	901	1,122	345	2,709	1,246	3,831	-67.5%
Revenue bonds payable	10,750	11,890	-	-	10,750	11,890	-9.6%
Deposits subject to refund	-	-	195	185	195	185	5.4%
Claims payable	1,009	161	-	-	1,009	161	526.7%
Accrued compensated absences	751	627	195	190	946	817	15.8%
Other post-employment benefits	832	536	273	190	1,105	726	52.2%
Totals	\$ 15,429	\$ 15,661	\$ 34,685	\$ 34,604	\$ 50,114	\$ 50,265	-0.3%

The City issued \$4,640,000 in revenue notes to refund the water meter capital lease through Siemens.

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

The Economic Outlook

In Fiscal Year 2012-13 the City of Ardmore, Ardmore Public Works Authority and Ardmore Solid Waste Authority developed the budget with defined goals and conservative revenue projections. The adopted Fiscal Year 2013 budget contains \$46,355,200 in estimated revenues, \$47,444,462 in estimated expenditures and \$8,508,861 in transfers between funds and \$32,042,443 in beginning fund balances to balance the budget. Estimated ending fund balances in all funds are estimated to be \$30,953,181. As in the past the City's General Fund is not keeping up with the increasing cost and demands for services. The 2012-2013 General Fund has budgeted expenses exceeding budgeted revenues by \$6,999,747 before transfers. The General Fund is still not able to meet the Commission's goal of maintaining a sufficient reserve and continues to rely on transfers from the utility funds.

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with an understanding of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 23 S. Washington, Ardmore, Oklahoma 73402 or telephone at 580-223-2934.

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Government-Wide Statement of Net Assets– June 30, 2012

	<u>Primary Government</u>			<u>Discretely Presented Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
ASSETS				
Cash and cash equivalents	\$ 15,421,324	\$ 7,706,252	\$ 23,127,576	\$4,894,984
Investments	10,576,728	3,099,000	13,675,728	-
Land held for resale	-	-	-	1,127,027
Accounts receivable, net of allowance	-	1,443,361	1,443,361	27,665
Court fines receivable, net of allowance	51,090	-	51,090	-
Internal balances	(158,367)	158,367	-	-
Receivable from other governments	3,365,821	-	3,365,821	-
Notes receivable	600,000	-	600,000	-
Other taxes receivable	83,805	-	83,805	-
Other receivables	189,140	68	189,208	-
Inventories	33,540	246,812	280,352	-
Capital Assets				
Land and construction in progress	4,240,983	502,495	4,743,478	1,387,527
Other capital assets, net of depreciation	24,665,065	52,390,354	77,055,419	53,708,907
Unamortized bond issuance costs	175,351	230,010	405,361	-
Total Assets	59,244,480	65,776,719	125,021,199	61,146,110
LIABILITIES				
Accounts payable and accrued liabilities	1,457,825	244,421	1,702,246	20,657
Accrued interest payable	167,761	312,825	480,586	-
Due to other governments	255,740	-	255,740	-
Due to bondholders	1,870	-	1,870	-
Other payables	33,456	1,400	34,856	-
Rental deposits	-	-	-	23,070
Deferred revenue	-	-	-	8,000
Long-term liabilities				
Due within one year	1,613,167	3,124,486	4,737,653	2,711,553
Due in more than one year	13,815,836	31,514,934	45,330,770	10,288,654
Total liabilities	17,345,455	35,198,066	52,543,521	13,051,934
NET ASSETS				
Invested in capital assets, net of related debt	16,244,795	21,466,752	37,711,547	42,096,228
Restricted for:				
Schools	171,935	-	171,935	-
Community enhancement	1,137,213	-	1,137,213	-
Streets	3,606,951	-	3,606,951	-
Culture and recreation	18,164	-	18,164	-
Capital projects	2,415,614	-	2,415,614	70,773
Public safety	22,040	-	22,040	-
Grant projects	24,720	-	24,720	-
Cemetery	126,485	-	126,485	-
Library capital improvement	667,750	-	667,750	-
Donor provisions-library	4,380,179	-	4,380,179	-
Debt Service	3,904,498	-	3,904,498	1,805,094
Nonexpendable land held for resale	-	-	-	1,127,027
Unrestricted	9,178,681	9,111,901	18,290,582	2,995,054
Total net assets	\$ 41,899,025	\$ 30,578,663	\$ 72,477,678	\$ 48,094,176

See accompanying notes to the basic financial statements.

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Government-Wide Statement of Activities –Year Ended June 30, 2012

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General government	\$ 9,631,151	\$ 177,963	\$ 167,946	\$ -	\$ (9,285,242)		\$ (9,285,242)	
Public safety	9,589,735	242,417	953,562	35,341	(8,358,415)		(8,358,415)	
Street	5,120,843	296	211,209	-	(4,909,338)		(4,909,338)	
Culture and recreation	3,225,871	198,799	319,817	11,387	(2,695,868)		(2,695,868)	
Cemetery	331,409	52,975	-	-	(278,434)		(278,434)	
Airport	226,007	21,412	-	716,339	511,744		511,744	
Economic development	782,086	-	-	-	(782,086)		(782,086)	
Interest on long-term debt	527,927	-	-	-	(527,927)		(527,927)	
Total governmental activities	29,435,029	693,862	1,652,534	763,067	(26,325,566)		(26,325,566)	
Business-type activities								
Water	6,429,709	5,866,765	-	98,618		(464,326)	(464,326)	
Wastewater	4,706,912	3,248,256	-	702,010		(756,646)	(756,646)	
Sanitation	1,986,857	3,205,410	-	-		1,218,553	1,218,553	
Golf	534,858	474,210	-	-		(60,648)	(60,648)	
Total business-type activities	13,658,336	12,794,641	-	800,628		(63,067)	(63,067)	
Total primary government	43,093,365	13,488,503	1,652,534	1,563,695	(26,325,566)	(63,067)	(26,388,633)	
Component Units								
Ardmore Main Street Authority								
Culture and Recreation	311,722	28,405	349,565	-				66,248
Hardy Murphy Coliseum Authority								
Culture and Recreation	770,205	312,089	650,400	-				192,284
Ardmore Regional Park Trust Authority								
Culture and Recreation	240,189	61,663	16,999	-				(161,527)
Ardmore Animal Care Trust								
Public Health and Welfare	172,108	-	150,000	-				(22,108)
Ardmore Tourism Authority								
Tourism	1,064,300	211,310	805,507	-				(47,483)
Ardmore Development Authority								
Economic Development	4,003,555	1,924,170	2,370,739	-				291,354
Total component units	6,562,079	2,537,637	4,343,210	-				318,768
General revenues:								
Taxes:								
Sales and use taxes					21,424,350		21,424,350	
Property taxes					224,327		224,327	
Tax apportionment revenue					2,072,176		2,072,176	
Franchise & misc taxes					1,894,084		1,894,084	
911 taxes					230,598		230,598	
Hotel/motel taxes					782,086		782,086	
Intergovernmental revenue not restricted to specific programs					376,951		376,951	
Unrestricted investment earnings					244,006	29,921	273,927	13,462
Miscellaneous					824,437	119,061	943,498	1,035,780
Transfers					210,725	(210,725)	-	-
Total general revenues and transfers					28,284,140	(61,743)	28,222,397	1,049,242
Change in net assets					1,958,574	(124,810)	1,833,764	1,368,010
Net assets - beginning, restated					39,940,451	30,703,483	70,643,934	46,726,166
Net assets - ending					\$ 41,899,025	\$ 30,578,673	\$ 72,477,698	\$ 48,094,176

See accompanying notes to the basic financial statements.

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Governmental Funds Balance Sheet - June 30, 2012

	<u>General Fund</u>	<u>Special Revenue - Community Enhancement Fund</u>	<u>Capital Project - Street Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,862,252	\$ 667,726	\$ 1,643,104	\$ 7,435,383	\$ 14,608,465
Investments	1,571,093	200,000	1,800,000	7,176,728	10,747,821
Receivable from other governments	1,877,988	343,870	343,870	800,093	3,365,821
Due from other funds	64,182	-	85,724	-	149,906
Other taxes receivable, net	-	-	-	83,805	83,805
Court fines receivable, net	51,090	-	-	-	51,090
Other receivables	29,783	-	-	-	29,783
Total assets	<u>\$ 8,456,388</u>	<u>\$ 1,211,596</u>	<u>\$ 3,872,698</u>	<u>\$ 15,496,009</u>	<u>\$ 29,036,691</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 823,593	\$ 68,601	\$ 221,777	\$ 327,886	\$ 1,441,857
Due to other funds	985,363	-	-	151,558	1,136,921
Due to bondholders	1,670	-	-	-	1,670
Payable to other governments	-	-	-	255,740	255,740
Deferred revenue	15,301	-	-	14,553	29,854
Accrued interest payable	-	-	-	35,523	35,523
Other payables	33,396	-	60	-	33,456
Total liabilities	<u>1,859,323</u>	<u>68,601</u>	<u>221,837</u>	<u>785,260</u>	<u>2,935,021</u>
Fund balances:					
Restricted	21,006	1,137,213	3,606,951	11,710,379	16,475,549
Assigned	3,333,507	5,782	43,910	3,007,106	6,390,305
Unassigned (deficit)	3,242,552	-	-	(6,736)	3,235,816
Total fund balances	<u>6,597,065</u>	<u>1,142,995</u>	<u>3,650,861</u>	<u>14,710,749</u>	<u>26,101,670</u>
Total liabilities and fund balances	<u>\$ 8,456,388</u>	<u>\$ 1,211,596</u>	<u>\$ 3,872,698</u>	<u>\$ 15,496,009</u>	<u>\$ 29,036,691</u>

See accompanying notes to the basic financial statements.

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue - Community Enhancement Fund</u>	<u>Capital Project - Street Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 14,355,400	\$ 2,626,867	\$ 2,626,867	\$ 7,022,842	\$ 26,631,976
Intergovernmental	1,122,165	-	-	1,939,479	3,061,644
Licenses and permits	131,827	-	-	-	131,827
Charges for services	195,377	-	296	28,063	223,736
Fines and forfeitures	217,010	-	-	-	217,010
Investment earnings	38,136	2,958	11,869	186,071	239,034
Miscellaneous	604,267	-	1,360	868,189	1,473,816
Total revenues	16,664,182	2,629,825	2,640,392	10,044,844	31,979,043
EXPENDITURES					
Current:					
General government	4,887,505	507,694	-	3,451,781	8,846,980
Public safety	9,184,877	-	-	50,278	9,235,155
Street	1,216,399	-	58,612	437,814	1,712,825
Culture and recreation	2,637,559	-	-	153,117	2,790,676
Cemetery	314,213	-	-	675	314,888
Airport	-	-	-	185,773	185,773
Economic development	-	-	-	782,086	782,086
Capital outlay	580,876	-	1,390,753	2,795,807	4,767,236
Debt service:					
Principal	17,288	171,378	-	1,364,870	1,553,536
Interest and other charges	691	50,422	-	485,531	536,644
Total expenditures	18,839,208	729,494	1,449,365	9,687,732	30,705,799
Excess (deficiency) of revenues over expenditures	(2,175,026)	1,900,331	1,191,027	356,912	1,273,244
OTHER FINANCING SOURCES (USES)					
Proceeds from interfund advance	-	-	-	634,389	634,389
Proceeds from sale of capital assets	59,224	-	-	4,755	63,979
Transfers in	5,334,910	-	4,847	1,613,465	6,953,222
Transfers out	(2,649,866)	(1,654,400)	(1,035,936)	(1,470,353)	(6,810,555)
Total other financing sources and uses	2,744,268	(1,654,400)	(1,031,089)	782,256	841,035
Net change in fund balances	569,242	245,931	159,938	1,139,168	2,114,279
Fund balances - beginning, restated	6,027,823	897,064	3,490,923	13,571,581	23,987,391
Fund balances - ending	\$ 6,597,065	\$ 1,142,995	\$ 3,650,861	\$ 14,710,749	\$ 26,101,670

See accompanying notes to the basic financial statements.

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	26,101,670
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Investments are reported at the fund level for prepayment of judgements by the General Fund. These are not reported in the Statement of Net Assets, but are netted against proceeds from interfund advance and the principal retirement of such advance.		(671,093)
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds, but are reported in the governmental activities of the Statement of Net Assets, net of accumulated depreciation of \$61,447,307.		28,906,048
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
Note receivable		600,000
Unamortized debt issuance costs		175,351
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Grants receivable		7,135
Court fines receivable		15,301
Property taxes receivable		7,418
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.		
Net assets of the Internal Service Funds		1,276,238
Certain long-term liabilities are not due and payable from current resources, and, therefore, are not reported in the funds:		
Accrued interest payable		(132,238)
Capital lease obligations payable		(900,813)
General obligation bonds payable		(1,185,791)
Revenue bonds payable		(10,750,000)
Accrued compensated absences		(726,765)
Other post-employment benefits		(823,436)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	41,899,025

See accompanying notes to the basic financial statements.

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ 2,114,279

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital asset purchases capitalized	3,628,303
Capital assets contributed by other funds	8,501
Capital assets disposed	(39,356)
Depreciation expense	(4,738,919)

Governmental funds report debt issuance costs as expenditures while governmental activities report amortization expense to allocate those expenditures over the term of the bonds:

Amortization expense	(49,415)
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Investments are reported at the fund level for prepayment of judgements by the General Fund. These are not reported in the Statement of Net Assets, but are netted against proceeds from interfund advance and the principal retirement of such advance.

Proceeds from interfund advance	(634,389)
Principal retirement of interfund advance	53,316

Governmental funds report principal retirements of notes receivable as revenues while governmental activities report a reduction of the notes receivable.

Principal retirement of notes receivable	(21,450)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenue	(4,282)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Principal payments on general obligation bonds	138,657
Principal payments on capital lease obligations	221,563
Principal payments on revenue bonds payable	1,140,000

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. A portion of the change in net assets of the internal service funds is included in governmental activities in the Statement of Activities.

Total change in net assets of the internal service funds	520,453
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	8,717
Change in OPEB obligations	(287,259)
Change in accrued compensated absences	(100,145)
Change in net assets of governmental activities	<u>\$ 1,958,574</u>

See accompanying notes to the basic financial statements.

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Proprietary Funds Statement of Net Assets - June 30, 2012

	Ardmore Solid Waste Authority		Ardmore Public Works Authority		Other Enterprise Funds	Total	Internal Service Funds
	Sanitation Enterprise	Wastewater Enterprise	Water Enterprise	Water Enterprise			
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,213,455	\$ 1,948,866	\$ 1,947,056	\$ 85,411	\$ 5,172,788	\$ 812,859	
Restricted cash and cash equivalents	-	-	2,533,464	-	2,533,464	500,000	
Investments	1,000,000	999,000	1,100,000	-	3,099,000	-	
Accounts receivable, net of allowance	375,704	392,102	675,555	-	1,443,361	-	
Due from other funds	-	171,935	171,935	-	343,870	848,117	
Other receivables	-	-	68	-	68	159,357	
Inventories	-	-	246,812	-	246,812	33,540	
Total current assets	2,589,159	3,509,903	6,674,890	65,411	12,839,363	2,353,873	
Noncurrent assets:							
Land and other non-depreciable assets	-	180,733	61,762	260,000	502,495	-	
Other capital assets, net of depreciation	697,050	21,847,334	29,442,198	403,772	62,390,354	-	
Unamortized note issuance costs	-	82,189	147,821	-	230,010	-	
Total noncurrent assets	697,050	22,110,256	29,651,781	663,772	53,122,859	-	
Total assets	3,286,209	25,620,159	36,326,671	729,183	65,962,222	2,353,873	
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	43,196	113,019	85,329	2,877	244,421	15,968	
Accrued interest payable	-	121,348	191,477	-	312,825	-	
Due to other funds	42,504	56,712	86,287	-	185,503	19,489	
Other payables	-	-	1,400	-	1,400	-	
Current portion of:							
Compensated absences	5,595	4,172	9,748	-	19,515	2,436	
Deposits subject to refund	-	-	39,153	-	39,153	-	
Capital lease obligations	71,401	178,553	-	-	249,954	-	
Notes payable	-	757,511	2,058,353	-	2,815,864	-	
Total current liabilities	162,696	1,231,315	2,471,747	2,877	3,868,635	37,873	
Noncurrent liabilities:							
Compensated absences	50,350	37,545	87,735	-	175,630	21,925	
Deposits subject to refund	-	-	156,367	-	156,367	-	
Other postemployment benefit obligation	62,971	83,303	126,513	-	272,787	8,896	
Claims payable	-	-	-	-	-	1,009,141	
Capital lease obligations	12,815	82,499	-	-	95,314	-	
Notes payable	-	12,489,079	18,325,757	-	30,814,836	-	
Total non-current liabilities	126,136	12,692,426	18,696,372	-	31,514,934	1,039,762	
Total liabilities	288,832	13,923,741	21,168,119	2,877	35,383,569	1,077,635	
NET ASSETS							
Invested in capital assets, net of related debt	612,834	8,602,614	11,587,532	663,772	21,466,752	-	
Unrestricted	2,384,543	3,093,804	3,571,020	62,534	9,111,901	1,276,238	
Total net assets	\$ 2,997,377	\$ 11,696,418	\$ 15,158,552	\$ 726,306	\$ 30,578,653	\$ 1,276,238	

See accompanying notes to the basic financial statements.

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets - Year Ended June 30, 2012

	Ardmore Solid Waste Authority		Ardmore Public Works Authority			Internal Service Funds
	Sanitation Enterprise	Wastewater Enterprise	Water Enterprise	Other Enterprise Funds	Total	
OPERATING REVENUES						
Charges for services:						
Water	\$ -	\$ -	\$ 5,796,689	\$ -	\$ 5,796,689	\$ -
Wastewater	-	3,225,940	-	-	3,225,940	-
Sanitation	3,187,580	-	-	-	3,187,580	-
Golf	-	-	-	449,019	449,019	-
Self insurance charges	-	-	-	-	-	4,178,593
Miscellaneous	-	10,871	57,871	25,191	93,733	327,697
Total operating revenues	<u>3,187,580</u>	<u>3,236,811</u>	<u>5,854,360</u>	<u>474,210</u>	<u>12,752,961</u>	<u>4,506,290</u>
OPERATING EXPENSES						
Water operations	-	-	3,016,066	-	3,016,066	-
Wastewater operations	-	2,206,523	-	-	2,206,523	-
Sanitation operations	1,831,482	-	-	-	1,831,482	-
Administration	-	-	481,556	-	481,556	3,992,009
Golf operations	-	-	-	497,832	497,832	-
Amortization	-	5,437	18,523	-	23,960	-
Depreciation	192,100	1,815,099	2,544,921	36,512	4,588,632	-
Total operating expenses	<u>2,023,582</u>	<u>4,027,059</u>	<u>6,061,066</u>	<u>534,344</u>	<u>12,646,051</u>	<u>3,992,009</u>
Operating income (loss)	<u>1,163,998</u>	<u>(790,248)</u>	<u>(206,706)</u>	<u>(60,134)</u>	<u>106,910</u>	<u>514,281</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest and investment revenue	6,822	9,892	12,945	262	29,921	4,972
Miscellaneous revenue	12,893	50,602	55,566	-	119,061	-
Gain (loss) on sale of capital assets	17,830	10,845	12,405	(514)	40,566	1,200
Interest expense	(4,683)	(429,264)	(696,116)	-	(1,130,063)	-
Total non-operating revenue (expenses)	<u>32,862</u>	<u>(357,925)</u>	<u>(615,200)</u>	<u>(252)</u>	<u>(940,515)</u>	<u>6,172</u>
Income (loss) before contributions and transfers	<u>1,196,860</u>	<u>(1,148,173)</u>	<u>(821,006)</u>	<u>(60,386)</u>	<u>(833,605)</u>	<u>520,453</u>
Capital contributions	-	332,378	527,585	-	859,963	-
Transfers in	-	1,313,433	1,313,433	23,000	2,649,866	-
Transfers out	(843,744)	(440,225)	(1,517,065)	-	(2,801,034)	-
Change in net assets	<u>353,116</u>	<u>57,413</u>	<u>(497,953)</u>	<u>(37,386)</u>	<u>(124,810)</u>	<u>520,453</u>
Total net assets - beginning, restated	<u>2,844,261</u>	<u>11,639,005</u>	<u>15,656,505</u>	<u>783,692</u>	<u>30,703,463</u>	<u>755,785</u>
Total net assets - ending	<u>\$ 2,997,377</u>	<u>\$ 11,696,418</u>	<u>\$ 15,158,552</u>	<u>\$ 726,306</u>	<u>\$ 30,578,653</u>	<u>\$ 1,276,238</u>

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2012

	Ardmore Public Works Authority					Internal Service Funds
	Sanitation Enterprise	Wastewater Enterprise	Water Enterprise	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 3,175,543	\$ 3,391,046	\$ 6,218,658	\$ 474,210	\$ 13,259,457	\$ 4,346,933
Receipts (payments) from (to) other funds	40,215	(117,342)	(90,518)	-	(167,645)	(788,200)
Payments to suppliers	(910,437)	(1,079,439)	(1,675,881)	(483,955)	(4,159,712)	(691,578)
Payments to employees	(881,750)	(1,195,044)	(1,923,956)	-	(4,000,750)	(392,208)
Claims and judgments paid	-	-	-	-	-	(2,078,719)
Receipts of customer meter deposits	-	-	74,727	-	74,727	-
Refunds of customer meter deposits	-	-	(64,475)	-	(64,475)	-
Other receipts	12,893	50,602	55,566	-	119,061	-
Net Cash Provided by (Used In) Operating Activities	<u>1,436,464</u>	<u>1,049,823</u>	<u>2,594,121</u>	<u>(19,745)</u>	<u>5,080,683</u>	<u>398,228</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	-	1,313,433	1,313,433	23,000	2,649,866	-
Transfers to other funds	(843,744)	(440,225)	(1,517,065)	-	(2,801,034)	-
Net Cash Provided by (Used In) Noncapital Financing Activities	<u>(843,744)</u>	<u>873,208</u>	<u>(203,632)</u>	<u>23,000</u>	<u>(151,168)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	-	-	4,640,000	-	4,640,000	-
Bond issuance costs paid	-	-	(89,200)	-	(89,200)	-
Payment to escrow	-	-	(2,070,002)	-	(2,070,002)	-
Principal paid on capital debt	(69,002)	(905,386)	(1,687,341)	-	(2,641,709)	-
Interest paid on capital debt	(4,683)	(439,641)	(678,464)	-	(1,122,788)	-
Purchase of capital assets	(246,403)	(133,948)	(61,213)	-	(441,564)	-
Proceeds from sale of capital assets	21,070	7,756	12,406	-	41,232	1,200
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>(299,018)</u>	<u>(1,471,199)</u>	<u>86,186</u>	<u>-</u>	<u>(1,684,031)</u>	<u>1,200</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale (Purchase) of investments	-	(100,000)	-	-	(100,000)	(500,000)
Interest and dividends	6,822	9,862	12,945	262	29,921	4,972
Net Cash Provided by (Used In) Investing Activities	<u>6,822</u>	<u>(90,138)</u>	<u>12,945</u>	<u>262</u>	<u>(70,079)</u>	<u>(495,028)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>300,524</u>	<u>361,724</u>	<u>2,489,620</u>	<u>3,517</u>	<u>3,155,385</u>	<u>(87,800)</u>
Balances - beginning of the year	<u>912,931</u>	<u>1,585,142</u>	<u>1,990,900</u>	<u>61,894</u>	<u>4,550,867</u>	<u>910,459</u>
Balances - end of the year	<u>\$ 1,213,455</u>	<u>\$ 1,946,866</u>	<u>\$ 4,480,520</u>	<u>\$ 65,411</u>	<u>\$ 7,706,252</u>	<u>\$ 812,859</u>
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$ 1,213,455	\$ 1,946,866	\$ 1,947,056	\$ 65,411	\$ 5,172,788	\$ 812,859
Restricted cash and cash equivalents	-	-	2,533,464	-	2,533,464	-
	<u>\$ 1,213,455</u>	<u>\$ 1,946,866</u>	<u>\$ 4,480,520</u>	<u>\$ 65,411</u>	<u>\$ 7,706,252</u>	<u>\$ 812,859</u>

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2012, (Continued)

	Ardmore Solid Waste Authority	Ardmore Public Works Authority		Other Enterprise Funds	Total	Internal Service Funds
	Sanitation Enterprise	Wastewater Enterprise	Water Enterprise			
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating Income (loss)	\$ 1,163,998	\$ (790,248)	\$ (206,706)	\$ (60,134)	\$ 106,910	\$ 514,281
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	192,100	1,815,099	2,544,921	36,512	4,588,632	-
Other non-operating revenues (expenses)	12,893	50,602	55,566	-	119,061	-
Amortization expense	-	5,437	18,523	-	23,960	-
Change in assets and liabilities:						
Receivables, net	(12,037)	154,235	364,366	-	506,564	-
Inventory	-	-	43,132	-	43,132	(8,297)
Due from other funds	-	(171,935)	(171,935)	-	(343,870)	(807,669)
Other receivables	-	-	(68)	-	(68)	(159,357)
Accounts payable and accrued liabilities	8,720	(87,388)	(185,093)	3,877	(259,884)	4,705
Customer meter deposits payable	-	-	10,252	-	10,252	-
Due to other funds	40,215	54,593	81,417	-	176,225	19,469
Other payables	-	-	1,400	-	1,400	-
Other accrued expenses	-	-	-	-	-	(7,630)
Claims payable	-	-	-	-	-	807,669
Other post-employment benefit obligation	18,984	25,330	38,540	-	82,854	8,696
Accrued compensated absences	11,591	(5,902)	(194)	-	5,495	24,361
Net Cash Provided by (Used in) Operating Activities	\$ 1,436,464	\$ 1,049,823	\$ 2,594,121	\$ (19,745)	\$ 5,060,663	\$ 396,228
Noncash activities:						
Contributed capital assets	\$ -	\$ 332,378	\$ 527,585	-	\$ 859,963	-
Total Noncash Activities	\$ -	\$ 332,378	\$ 527,585	\$ -	\$ 859,963	\$ -

See accompanying notes to the basic financial statements.

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DISCRETELY PRESENTED COMPONENT UNITS

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Discretely Presented Component Units Combining Statement of Net Assets- June 30, 2012

	Nonmajor Component Units						Total Discretely Presented Component Units
	Ardmore Main Street Authority	Hardy Murphy Coliseum Authority	Ardmore Development Authority	Ardmore Animal Care Trust	Ardmore Regional Park Trust Authority	Ardmore Tourism Authority	
ASSETS:							
Cash and cash equivalents	\$136,000	\$106,379	\$4,352,529	\$173	\$77,727	\$222,176	\$4,894,984
Land held for resale	-	-	1,127,027	-	-	-	1,127,027
Accounts receivable, net of allowance	11,072	16,593	-	-	-	-	27,665
Capital assets:							
Land and construction in progress	100,448	-	432,456	-	-	854,623	1,387,527
Other capital assets, net of depreciation	1,135,395	2,582,973	39,521,789	455,732	2,253,296	7,759,722	53,708,907
Total assets	1,382,915	2,705,945	45,433,801	455,905	2,331,023	8,836,521	61,146,110
LIABILITIES:							
Current Liabilities:							
Accounts payable and accrued liabilities	13,058	5,950	320	-	-	1,329	20,657
Rental deposits	7,700	-	-	-	-	15,370	23,070
Deferred revenue	8,000	-	-	-	-	-	8,000
Long-term liabilities:							
Due within one year	-	18,745	2,608,733	-	-	84,075	2,711,553
Due in more than one year	-	22,921	8,996,882	-	-	1,268,851	10,288,654
Total liabilities	28,758	47,616	11,605,935	-	-	1,369,625	13,051,934
NET ASSETS:							
Invested in capital assets, net of related debt	1,235,843	2,541,307	28,348,630	455,732	2,253,296	7,261,420	42,096,228
Restricted for debt service	-	-	1,805,094	-	-	-	1,805,094
Restricted for capital projects	-	70,773	-	-	-	-	70,773
Restricted for nonexpendable land held for resale	-	-	1,127,027	-	-	-	1,127,027
Unrestricted	118,314	46,249	2,547,115	173	77,727	205,476	2,995,054
Total net assets	\$1,354,157	\$2,658,329	\$33,827,856	\$455,905	\$2,331,023	\$7,466,896	\$48,094,176

See accompanying notes to the basic financial statements.

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Discretely Presented Component Units Combining Statement of Revenues, Expenses and Changes in Net Assets- Year Ended June 30, 2012

	Ardmore Main Street Authority	Hardy Murphy Coliseum Authority	Ardmore Development Authority	Nonmajor Component Units			Total Discretely Presented Component Units
				Ardmore Animal Care Trust	Ardmore Regional Park Trust Authority	Ardmore Tourism Authority	
Operating Revenues:							
Charges for services	\$28,405	\$312,089	\$1,924,170	-	\$61,663	\$211,310	\$2,537,637
Total Operating Revenues	28,405	312,089	1,924,170	-	61,663	211,310	2,537,637
Operating Expenses:							
Economic development	-	-	3,316,850	-	-	-	3,316,850
Public health and welfare	-	-	-	\$172,108	-	-	172,108
Tourism	-	-	-	-	-	999,759	999,759
Culture and recreation	311,722	767,704	-	-	240,189	-	1,319,615
Total Operating Expenses	311,722	767,704	3,316,850	172,108	240,189	999,759	5,808,332
Net Operating Income (Loss)	(283,317)	(455,615)	(1,392,680)	(172,108)	(178,526)	(788,449)	(3,270,695)
Non-Operating Revenues (Expenses):							
Investment income	455	-	12,795	-	68	144	13,462
Miscellaneous income	4,050	148,102	248,943	-	-	2,328	403,423
Oil and gas royalties	-	-	632,357	-	-	-	632,357
Operating grants and contributions	349,565	650,400	2,370,739	150,000	16,999	805,507	4,343,210
Interest expense	-	(2,501)	(686,705)	-	-	(64,541)	(753,747)
Net Non-Operating Revenues (Expenses)	354,070	796,001	2,578,129	150,000	17,067	743,438	4,638,705
Changes in net assets	70,753	340,386	1,185,449	(22,108)	(161,459)	(45,011)	1,368,010
Total net assets - beginning	1,283,404	2,317,943	32,642,417	478,013	2,492,482	7,511,907	46,726,166
Total net assets - ending	\$1,354,157	\$2,658,329	\$33,827,866	\$455,905	\$2,331,023	\$7,466,896	\$48,094,176

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 (City of Ardmore), three blended component units, and six discretely presented component units as noted below.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statements No. 14, 34, and 39 and includes all component units for which the City is financially accountable.

The City of Ardmore – that provides the public safety, streets, culture and recreation, cemetery, airport, economic development and administrative activities.

The City of Ardmore, Oklahoma, is a charter city operating under a Commission-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the City is the Commission comprised of five elected members who designate one member to serve as mayor. The appointed City Manager is the administrative head of the City.

The City of Ardmore has a population of approximately 24,283 located in southern Oklahoma. The City is a Commission/Manager form of government that provides for three branches of government:

- **Legislative** – the City Commission is the governing body elected by the citizens
- **Executive** – the City Manager is the Chief Executive Officer and is appointed by the City Commission
- **Judicial** – the Municipal Judge is a practicing attorney appointed by the City Commission

The City provides typical municipal services such as public safety, street maintenance, culture, parks and recreation, airport, and certain utility services including water, wastewater, sanitation and golf.

Blended Component Units:

- **The City of Ardmore Public Works Authority** – that operates the water and sewer services of the City.
- **The Ardmore Solid Waste Authority** – that operates the sanitation services of the City.
- **The Ardmore Community Facilities Authority** – that operates to promote and develop public works projects or facilities, recreation and/or tourism, and educational opportunities.

Discretely Presented Component Units:

- **Ardmore Animal Care Authority** - operates for the benefit of the Ardmore Animal Shelter. The City subsidizes the operations of the animal care authority.

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- **Ardmore Regional Park Authority** - established for the development and operation of a regional park facility. The City provides significant funding of operations for the park authority.
- **Hardy Murphy Coliseum Authority** - operates the activities of the Hardy Murphy Coliseum. The City provides significant funding for capital improvements and operations.
- **Ardmore Tourism Authority** - established for the development of tourism in the Ardmore area. The City receives and transfers to this Authority a hotel/motel tax of 5 percent.
- **Ardmore Development Authority** - established to promote industrial development in the Ardmore area. The City receives and transfers to this Authority a dedicated sales tax of $\frac{1}{4}$ percent.
- **Ardmore Main Street Authority** - established to preserve and improve the historical value of the downtown Ardmore area.

Discretely presented component units of the City issue separately audited Component Unit Financial Statements. Copies of those financial statements may be obtained from the City's accounting department.

Each of these 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 Commission 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 assets and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues within the Statement of Activities are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- Public Safety – Fire, Police, Animal Control, and Civil Emergency Management – fines and forfeitures, fire run charges, on behalf payments made by the state, and restricted operating and capital grants.
- Airport – rental fees and capital grants.
- Streets – Commercial vehicle and gasoline excise tax shared by the State and other miscellaneous fees.
- Culture and recreation – lake fees, pool fees, library fees, recreation fees, operating and capital grants.

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- Cemetery – cemetery revenues.
- General Government – licenses and permits, service fees, and restricted operating grants.
- Economic Development – rental income.

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

Governmental Funds:

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund:

- Community Enhancement Fund - accounts for a .50 cent sales tax to be used for police protection, fire safety, auditorium renovation, coliseum renovation, industrial growth, parks and recreation improvement and general government.

Capital Project Fund:

- Street Improvement Fund – accounts for a .50 cent sales tax to be used for street improvements for the City of Ardmore.

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

Special Revenue Funds:

- GAPS Tax Schools Fund – accounts for a .25 cent sales tax to be used for the capital needs of Ardmore Schools and Plainview Schools.
- Street and Alley Fund - accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes.
- Library State Grant Fund – accounts for revenues received from the State to be used for library activities.
- Historical Grant Fund – accounts for grant revenues to be used for preservation, development, protection and maintenance of historical districts and structures.
- Pass Thru Grants Fund – accounts for activities of various pass thru or small grants.
- FAA Grant Fund – accounts for grant funds received from FAA for airport operations and capital projects.
- Mayor's Anti-Crime Fund – accounts for donations received from the Chickasaw Indian Nation to be used to combat crime and drug related crimes.
- Homeland Security Grant Fund – accounts for grant revenues to be used for various homeland security activities.
- JAG LLEB Grant Fund – accounts for various grants to be used for law enforcement activities.

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- ADA Industrial Fund – accounts for a .25 cent sales tax to be used for economic development activities to be administered by the Ardmore Development Authority.
- Tree Grant Fund – accounts for the activities of various Department of Agriculture grants.
- Library Trust Fund – accounts for the activities of the bequests found in the wills of two Ardmore citizens.
- Convention Tourism Fund – accounts for hotel/motel tax revenues set aside for the Ardmore Tourism Authority to be used for purposes of a conference center.

Capital Project Funds:

- Hazard Mitigation Fund – accounts for grant monies received from FEMA for various projects.
- Fire Capital Fund – accounts for donations and fire surcharges to be used for fire capital purchases.
- Downtown Executive Airport Fund – accounts for hanger rent and airport grants to be used for maintenance of the airport and various airport capital projects.
- Capital Improvement Fund – accounts for dividends paid on oil well leases to be used for various capital projects.
- CDBG Fund – account for ODOC grant revenues to be used for various capital projects.
- Cemetery Care Fund – accounts for the transfer of 25% of revenue from cemetery lot sales and interment fees, which, with the exception of interest earnings, may only be used to purchase additional land and for major capital improvements to the cemetery. Interest earnings in the fund can be used for improving, caring for and embellishing lots, walks, drives, parks and other necessary improvements.
- Library Capital Improvement Fund – accounts for interest earned from investment of idle funds in various investments and any additional monies bequest to the library from citizens to be used for library capital improvements.
- Greenbriar Street Assessment Fund – accounts for activities of a special assessment district.
- Main Street Streetscape Fund – accounts for activities of a special assessment district.
- Timber Grove Street Assessment Fund – accounts for activities of a special assessment district.
- Champion Station Street Assessment Fund – accounts for activities of a special assessment district.
- Streetscape II Assessment Fund – accounts for activities of a special assessment district.
- Valley Ranch Road Assessment Fund – accounts for activities of a special assessment district.
- GAPS Tax City Fund – accounts for a .25 cent sales tax to be used for the construction and rehabilitation of City owned streets, facilities, water and wastewater infrastructure and police and fire capital needs.

Debt Service Funds:

- Debt Service Fund – accounts for ad-valorem taxes levied by the City for use in retiring court-assessed judgments and general obligation bonds and their related interest expense. In State Statutes this fund is referred to as the Sinking Fund.
- Ardmore Community Facilities Authority – Accounts for the revenue bonds issued for the use of various capital projects at the Ardmore Schools.
- TIF 2 Fund – accounts for the tax increment revenues used to pay debt service TIF revenue notes.

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The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

The General Fund, Community Enhancement Fund and Street Improvement Fund are considered major funds and therefore are displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column titled Other Governmental Funds.

The following discretely presented component units prepare their financial statements on the modified cash basis of accounting: Ardmore Development Authority, Ardmore Tourism Authority, Ardmore Animal Care Authority, and Ardmore Regional Park Authority. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenses at the date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-type activities provided within the government. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

The City's enterprise funds include the following major funds:

- Sanitation Enterprise Fund – that operates the sanitation services of the City.
- Wastewater Enterprise Fund – that operates the wastewater services of the City.
- Water Enterprise Fund – that operates the water services of the City.

The Lakeview Golf Course Fund and Golf Course Building Fund are considered non-major funds and are reported under a separate column entitled Other Enterprise Funds.

The City's internal service funds include the following:

- Garage Fund – that accounts for the activities of providing automotive and machinery maintenance and repair services to the City.

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- **Employee Benefit Fund** – that accounts for the activities of providing payroll benefits to the employees of the City (health, dental and vision insurance coverage).

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus.

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay

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current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

D. Assets, Liabilities, and Equity

Cash and Investments

For the purposes of the statements of net assets, balance sheets, and statement of cash flows, "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. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices.

The City has a written investment policy that limits its investment choices to the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trust bonds whose beneficiary is a county, municipality or school district, except industrial development bonds; direct obligations of the United States; and certificates of deposit. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture and investment policy .

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months. These non-negotiable certificates of deposit are carried at cost. Marketable investments are carried at fair value.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and hotel/motel taxes. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

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Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

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

Government-Wide Statements

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings	50 years
- Building Improvements	20 years
- Public Domain Infrastructure	50 years
- System Infrastructure	30 years
- Vehicles	5 years
- Office and Computer Equipment	5 years
- Machinery and Equipment	10 years

Fund Financial Statements

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

Restricted Assets

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

Long-Term Debt

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

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All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of general obligation bonds payable, notes payable, capital lease obligations payable, claims payable, other post-employment benefits and accrued compensated absences. This long-term debt is reported net of unamortized premiums, discounts, and amounts deferred from refundings.

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

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government buys back accumulations of over 720 hours at a discounted rate before the end of the fiscal year. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Net Assets:

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

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

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

Fund Statements:

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

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- a. **Nonspendable** – includes amounts that cannot be spend because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. **Restricted** – consists of fund balance with constraints place on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.
- d. **Assigned** – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. **Unassigned** – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Sales Tax

Sales and use tax revenue represents a 3.75 cents tax on each dollar of taxable sales which is recorded as revenue within the respective funds. Upon receipt, the sales tax is recorded as follows:

- 2 cents is recorded in the General Fund and then ¼ cent transferred to the Wastewater Enterprise Fund for construction and rehabilitation of wastewater infrastructure and ¼ cent transferred to the Water Enterprise Fund for construction and rehabilitation of water infrastructure.
- ½ cent recorded in the Street Improvement Fund for capital projects related to street improvements.
- ½ cent recorded in the Community Enhancement Fund for police and fire, auditorium and coliseum renovation, industrial growth, and parks and recreation.
- ¼ cent recorded in the Ardmore Development Authority Fund for industrial development in the Ardmore area.
- ¼ cent recorded in the GAPS Tax Schools Fund for educational facilities and equipment.
- ¼ cent recorded in the GAPS Tax City Fund for construction and rehabilitation of streets, facilities, water and wastewater infrastructure, police and fire capital needs.

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Sales tax resulting from sales occurring prior to year end and received by the City after year end have been accrued and is included under the caption *Due from Other Governments* because they represent taxes on sales occurring during the reporting period.

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. At the present time the City levies a property tax for general obligation bonds and court-assessed judgments.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent or more than 13 ½ percent.

Property taxes levied by the City are billed and collected by the County Treasurer's office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October.

For the year ended June 30, 2012, the City's net assessed valuation of taxable property was \$150,170,349. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2012, was \$1.49.

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

Proprietary Fund - By Operating and Non-Operating

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

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds, if any, are not eliminated in the Statement of Activities.

G. Use of Estimates

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

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2. Cash, Cash Equivalents, and Investments

At June 30, 2012, the reporting entity held the following deposits and investments:

Primary Government:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Demand deposits			\$ 17,071,055
Cash on hand			3,500
Time deposit	1/1/2015		67,694
Time deposit	1/1/2015		719,381
Time deposit	8/7/2012		400,000
Time deposit	8/7/2012		300,000
Time deposit	8/7/2012		100,000
Time deposit	8/7/2012		500,000
Time deposit	8/7/2012		300,000
Time deposit	8/7/2012		99,000
Time deposit	8/7/2012		500,000
Time deposit	8/7/2012		400,000
Time deposit	8/7/2012		300,000
Time deposit	8/7/2012		400,000
Time deposit	8/7/2012		100,000
Time deposit	10/2/2012		250,000
Time deposit	10/2/2012		300,000
Time deposit	10/2/2012		200,000
Time deposit	10/2/2012		250,000
Time deposit	10/2/2012		300,000
Time deposit	10/2/2012		300,000
Time deposit	10/2/2012		300,000
Time deposit	10/2/2012		300,000
Time deposit	10/2/2012		300,000
Time deposit	10/2/2012		300,000
Time deposit	10/2/2012		500,000
Time deposit	10/2/2012		500,000
Time deposit	11/6/2012		1,000,000
Time deposit	11/6/2012		1,000,000
Time deposit	11/8/2012		100,000
			<u>26,860,630</u>
Investments:			
Trustee accounts money market fund		AAA	6,053,021
Mineral interests		N/A	125
FFCB U.S. Government Securities	Maturity (0-5 Yrs)	AAA	150,114
FFCB U.S. Government Securities	Maturity (5-10 Yrs)	AAA	2,033,500
FHLB U.S. Government Securities	Maturity (5-10 Yrs)	AA+	1,003,086
FFCB Deb U.S. Government Securities	Maturity (5-10 Yrs)	AAA	401,470
FHLB Deb U.S. Government Securities	Maturity (5-10 Yrs)	AA+	301,358
			<u>9,942,674</u>
Total deposits and investments			<u>\$ 36,803,304</u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents			\$ 23,127,576
Investments			<u>13,675,728</u>
			<u>\$ 36,803,304</u>

See accompanying footnotes to this schedule.

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to

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investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. At June 30, 2012 the City was not exposed to custodial credit risk.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City's investment policy limits its investment choices to that of the limitation of state law as follows:

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

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer. Since the City has all investments in certificates of deposit, government securities, or money market accounts, there is no concentration of investment credit risk exposure.

Restricted Cash and Investments - The amounts reported as restricted assets of the proprietary fund statement of net assets are comprised of amounts restricted for utility deposits, debt service or construction purposes. The restricted assets as of June 30, 2012 are as follows:

	Current
	Cash and cash equivalents
Series 2011 Note Revenue Account	\$ 341,057
Series 2011 Note Construction Account	1,996,887
Meter deposits	\$ 195,520
Total	\$ 2,533,464

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3. Accounts and Notes Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include police fines receivables.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Court fines	\$ 63,863	\$ (12,773)	\$ 51,090
 Business-Type Activities:			
Utilities	\$ 1,749,679	\$ (306,318)	\$ 1,443,361

Notes Receivable – The City loans money to the Ardmore Development Authority through Community Development Block Grants. The Authority uses the money to provide loans to companies to finance facility development and working capital. This loan was paid in full in the current fiscal year.

Notes Receivable – The City loaned money to the Ardmore Development Authority in the amount of \$600,000. The Authority is to repay this loan using proceeds received from a future debt issuance by Tax Increment District #1, in accordance with the Amended Plan approved by the City and the Authority. The City will not receive interest on the loan, nor will the loan be collateralized in any way. There have been no payments received to date on this loan.

The activity on the notes receivable at June 30, 2012 is as follows:

	Balance 7/1/2011	Additions	Deductions	Balance 6/30/2012	Due Within One Year
Governmental Activities:					
Ardmore Development Authority-ODOC	\$ 21,450	\$ -	\$ (21,450)	\$ -	\$ -
Ardmore Development Authority-TIF	600,000	-	-	600,000	-
Total Governmental Activities, net	\$ 621,450	\$ -	\$ (21,450)	\$ 600,000	\$ -

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, buildings, computers, furniture and fixtures, vehicles, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

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

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	(Restated) Balance at July 1, 2011	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,166,094	\$ 74,889	\$ -	\$ 4,240,983
Total capital assets not being depreciated	<u>4,166,094</u>	<u>74,889</u>	<u>-</u>	<u>4,240,983</u>
Other capital assets:				
Buildings	12,377,305	759,347	29,712	13,106,940
Computers	8,026,272	77,579	168,758	7,935,093
Furniture and fixtures	760,707	39,001	-	799,708
Vehicles	3,701,924	347,533	262,253	3,787,204
Machinery and equipment	3,475,591	379,496	195,564	3,659,523
Infrastructure	54,844,815	1,979,089	-	56,823,904
Total other capital assets at historical cost	<u>83,186,614</u>	<u>3,582,045</u>	<u>656,287</u>	<u>86,112,372</u>
Less accumulated depreciation for:				
Buildings	3,279,985	281,692	15,171	3,546,506
Computers	6,246,821	598,910	148,122	6,697,609
Furniture and fixtures	613,160	29,539	-	642,699
Vehicles	3,378,055	158,492	261,058	3,275,489
Machinery and equipment	2,766,909	238,403	192,581	2,812,731
Infrastructure	<u>41,020,259</u>	<u>3,452,014</u>	<u>-</u>	<u>44,472,273</u>
Total accumulated depreciation	<u>57,305,189</u>	<u>4,759,050</u>	<u>616,932</u>	<u>61,447,307</u>
Other capital assets, net	<u>25,881,425</u>	<u>(1,177,005)</u>	<u>39,355</u>	<u>24,665,065</u>
Governmental activities capital assets, net	<u>\$ 30,047,519</u>	<u>\$ (1,102,116)</u>	<u>\$ 39,355</u>	<u>\$ 28,906,048</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 502,495	\$ -	\$ -	\$ 502,495
Total capital assets not being depreciated	<u>502,495</u>	<u>-</u>	<u>-</u>	<u>502,495</u>
Other capital assets:				
Buildings	48,752,994	-	25,000	48,727,994
Computers	252,261	-	14,996	237,265
Furniture and fixtures	62,738	-	2,300	60,438
Vehicles	4,008,457	297,715	892,381	3,413,791
Machinery and equipment	3,043,923	406,373	162,182	3,288,114
Infrastructure	91,939,753	953,641	135,000	92,758,394
Total other capital assets at historical cost	<u>148,060,126</u>	<u>1,657,729</u>	<u>1,231,859</u>	<u>148,485,996</u>
Less accumulated depreciation for:				
Buildings	8,460,261	969,223	16,499	9,412,985
Computers	227,323	6,373	14,997	218,699
Furniture and fixtures	50,417	3,302	2,300	51,419
Vehicles	3,310,736	265,001	885,361	2,690,376
Machinery and equipment	2,589,502	472,898	161,363	2,901,037
Infrastructure	<u>77,739,959</u>	<u>3,216,147</u>	<u>134,980</u>	<u>80,821,126</u>
Total accumulated depreciation	<u>92,378,198</u>	<u>4,932,944</u>	<u>1,215,500</u>	<u>96,095,642</u>
Other capital assets, net	<u>55,681,928</u>	<u>(3,275,215)</u>	<u>16,359</u>	<u>52,390,354</u>
Business-type activities capital assets, net	<u>\$ 56,184,423</u>	<u>\$ (3,275,215)</u>	<u>\$ 16,359</u>	<u>\$ 52,892,849</u>

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

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Depreciation expense charged to governmental activities:

General government	\$ 772,364
Public safety	279,635
Street	3,387,541
Culture and recreation	224,331
Cemetery	14,814
Airport	60,234
Depreciation expense	<u>\$ 4,738,919</u>

Depreciation expense charged to business-type activities:

Water	\$ 2,544,921
Wastewater	1,815,099
Sanitation	192,100
Golf	36,512
	<u>\$ 4,588,632</u>

Discretely Presented Component Units:

	Balance at July 1, 2011	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2012
<i>Ardmore Main Street Authority:</i>				
Capital assets not being depreciated:				
Land	\$ 58,583	\$ 41,865	\$ -	\$ 100,448
Total capital assets not being depreciated	<u>58,583</u>	<u>41,865</u>	<u>-</u>	<u>100,448</u>
Other capital assets:				
Buildings and improvements	1,987,462	119,022	-	2,106,484
Equipment	173,774	-	-	173,774
Total other capital assets at historical cost	<u>2,161,236</u>	<u>119,022</u>	<u>-</u>	<u>2,280,258</u>
Less accumulated depreciation for:				
Other capital assets	1,063,029	81,834	-	1,144,863
Total accumulated depreciation	<u>1,063,029</u>	<u>81,834</u>	<u>-</u>	<u>1,144,863</u>
Other capital assets, net	<u>1,098,207</u>	<u>37,188</u>	<u>-</u>	<u>1,135,395</u>
Governmental activities capital assets, net	<u>\$ 1,156,790</u>	<u>\$ 79,053</u>	<u>\$ -</u>	<u>\$ 1,235,843</u>

	Balance at July 1, 2011	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2012
<i>Hardy Murphy Coliseum Authority:</i>				
Other capital assets:				
Buildings and improvements	\$ 4,592,840	\$ 468,395	\$ -	\$ 5,061,235
Equipment	173,928	-	-	173,928
Total other capital assets at historical cost	<u>4,766,768</u>	<u>468,395</u>	<u>-</u>	<u>5,235,163</u>
Less accumulated depreciation for:				
Other capital assets	2,446,382	205,808	-	2,652,190
Total accumulated depreciation	<u>2,446,382</u>	<u>205,808</u>	<u>-</u>	<u>2,652,190</u>
Other capital assets, net	<u>2,320,386</u>	<u>262,587</u>	<u>-</u>	<u>2,582,973</u>
Governmental activities capital assets, net	<u>\$ 2,320,386</u>	<u>\$ 262,587</u>	<u>\$ -</u>	<u>\$ 2,582,973</u>

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	Balance at July 1, 2011	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2012
<i>Ardmore Development Authority:</i>				
Capital assets not being depreciated:				
Land	\$ 432,456	\$ -	\$ -	\$ 432,456
Total capital assets not being depreciated	432,456	-	-	432,456
Other capital assets:				
Buildings and improvements	18,072,913	84,967	-	18,157,880
Land Improvements	10,045,465	27,016	-	10,072,481
Equipment	892,680	168,194	-	1,060,874
Vehicles	344,569	34,900	-	379,469
Easements	127,900	-	-	127,900
Runway improvements	23,081,325	54,587	-	23,135,912
Total other capital assets at historical cost	52,564,852	369,664	-	52,934,516
Less accumulated depreciation for:				
Other capital assets	11,993,981	1,418,746	-	13,412,727
Total accumulated depreciation	11,993,981	1,418,746	-	13,412,727
Other capital assets, net	40,570,871	(1,049,082)	-	39,521,789
Governmental activities capital assets, net	\$ 41,003,327	\$ (1,049,082)	\$ -	\$ 39,954,245

	Balance at July 1, 2011	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2012
<i>Ardmore Animal Care Trust:</i>				
Other capital assets:				
Buildings and improvements	\$ 809,488	\$ -	\$ -	\$ 809,488
Equipment	33,595	-	-	33,595
Total other capital assets at historical cost	843,083	-	-	843,083
Less accumulated depreciation for:				
Other capital assets	365,242	22,109	-	387,351
Total accumulated depreciation	365,242	22,109	-	387,351
Other capital assets, net	477,841	(22,109)	-	455,732
Governmental activities capital assets, net	\$ 477,841	\$ (22,109)	\$ -	\$ 455,732

	Balance at July 1, 2011	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2012
<i>Ardmore Regional Park Trust Authority:</i>				
Other capital assets:				
Improvements	\$ 858,929	\$ 6,017	\$ -	\$ 864,946
Equipment	341,350	6,833	-	348,183
Christmas Lighting	284,189	-	-	284,189
Donated Assets	1,716,172	-	-	1,716,172
Sports Complex	3,114,623	-	-	3,114,623
Total other capital assets at historical cost	6,315,263	12,850	-	6,328,113
Less accumulated depreciation for:				
Other capital assets	3,873,341	201,476	-	4,074,817
Total accumulated depreciation	3,873,341	201,476	-	4,074,817
Other capital assets, net	2,441,922	(188,626)	-	2,253,296
Governmental activities capital assets, net	\$ 2,441,922	\$ (188,626)	\$ -	\$ 2,253,296

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	<u>Balance at July 1, 2011</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Balance at June 30, 2012</u>
<i>Ardmore Tourism Authority:</i>				
Capital assets not being depreciated:				
Land	\$ 854,623	\$ -	\$ -	\$ 854,623
Construction in progress	905,989	308,638	1,214,627	-
Total capital assets not being depreciated	<u>1,760,612</u>	<u>308,638</u>	<u>1,214,627</u>	<u>854,623</u>
Other capital assets:				
Buildings and improvements	8,133,918	1,214,627	-	9,348,545
Equipment	534,546	114,900	-	649,446
Total other capital assets at historical cost	<u>8,668,464</u>	<u>1,329,527</u>	<u>-</u>	<u>9,997,991</u>
Less accumulated depreciation for:				
Other capital assets	1,962,977	275,292	-	2,238,269
Total accumulated depreciation	<u>1,962,977</u>	<u>275,292</u>	<u>-</u>	<u>2,238,269</u>
Other capital assets, net	<u>6,705,487</u>	<u>1,054,235</u>	<u>-</u>	<u>7,759,722</u>
Governmental activities capital assets, net	<u>\$ 8,466,099</u>	<u>\$ 1,362,873</u>	<u>\$ 1,214,627</u>	<u>\$ 8,614,345</u>

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2012, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	(Restated) Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>	Due Within <u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 1,324,448	\$ -	\$ 138,657	\$ 1,185,791	\$ 145,881
Capital lease obligations	1,122,376	-	221,563	900,813	192,173
Revenue bonds payable	11,890,000	-	1,140,000	10,750,000	1,200,000
Claims payable	161,024	2,926,836	2,078,719	1,009,141	-
Accrued compensated absences	626,620	249,830	125,324	751,126	75,113
Other Post-Employment Benefits	536,178	295,954	-	832,132	-
Total Governmental Activities	<u>\$ 15,660,646</u>	<u>\$ 3,472,620</u>	<u>\$ 3,704,263</u>	<u>\$ 15,429,003</u>	<u>\$ 1,613,167</u>
Business-Type Activities:					
Notes Payable	\$ 31,330,356	\$ 4,640,000	\$ 2,293,753	\$ 33,676,603	\$ 2,815,864
Capital lease obligations	2,709,223	-	2,363,955	345,268	249,954
Deposits subject to refund	185,268	74,727	64,475	195,520	39,153
Accrued compensated absences	189,650	43,425	37,930	195,145	19,515
Other Post-Employment Benefits	189,933	82,854	-	272,787	-
Total Business-Type Activities	<u>\$ 34,604,430</u>	<u>\$ 4,841,006</u>	<u>\$ 4,760,113</u>	<u>34,685,323</u>	<u>\$ 3,124,486</u>
Less: Unamortized loss on refunding				(45,903)	
				<u>\$ 34,639,420</u>	
Reconciliation to Statement of Net Assets:					
Governmental Activities:					
Due within one year				\$ 1,613,167	
Due in more than one year				13,815,836	
Total Governmental Activities Long-Term Liabilities				<u>\$ 15,429,003</u>	
Business-Type Activities:					
Due within one year				\$ 3,124,486	
Due in more than one year				31,514,934	
Total Business-Type Activities Long-Term Liabilities				<u>\$ 34,639,420</u>	

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Governmental activities long-term debt:

Governmental activities long-term debt payables from net revenues include the following:

Capital Lease Obligations:

\$81,357 lease obligation with Landmark Bank for the purchase of a dump truck, payable in monthly installments of \$1,498 with an annual interest rate of 4.0%, final payment due November 2012.	\$ 7,249
\$1,723,000 lease obligation for with De Lage Landen Public Finance for the purchase of broadband wireless, payable in quarterly installments of \$55,450 with an annual interest rate of 5.09%, final payment due January 2017.	887,029
\$13,958 lease obligation with First National Bank for the purchase of a Ford Ranger truck, payable in monthly installments of \$418 with an annual interest rate of 3.3%, final payment due	6,535
Total Capital Leases Payable	\$ 900,813
Current portion	\$ 192,173
Noncurrent portion	708,640
Total Capital Leases Payable	\$ 900,813

General Obligation Bonds Payable:

In July 1971, the City entered into a contract with the Arbuckle Master Conservance District for the creation of a municipal water supply. This was a joint project of several communities to develop Lake of the Arbuckles. The City of Ardmore was to receive 57.8% of the water supply and bear 57.8% of the costs. The City's allocation of the construction costs as of September 1, 1980, was \$3,170,906. In addition, \$7,300 is added to the required payment each year throughout the entire payment period for payment of the City's additional share of unallocated water. The interest rate is 3.046%. Final maturity date is scheduled for July 2, 2018.

	\$ 1,185,791
Total General Obligation Bonds Payable	\$ 1,185,791
Current portion	\$ 145,881
Noncurrent portion	1,039,910
Total General Obligation Bonds Payable	\$ 1,185,791

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Revenue Bonds Payable:

2010A Series TIF Tax Exempt Revenue Note, original issue amount of \$6,960,000, dated May 27, 2010, issued by Ardmore Development Authority, secured by tax increment revenues, due in semi-annual principal installments each March and September ranging from \$230,000 to \$370,000, interest rate of 4.0%, final maturity March 1, 2025.	\$ 6,960,000
2010B Series TIF Tax Exempt Revenue Note, original issue amount of \$1,595,000, dated May 27, 2010, issued by Ardmore Development Authority, secured by tax increment revenues, due in semi-annual principal installments each March and September ranging from \$200,000 to \$255,000, interest rate of 4.0%, final maturity September 1, 2013.	720,000
2005 Sales Tax Revenue Bonds, original issue amount of \$7,000,000, dated February 1, 2005, issued by Ardmore Community Facilities Authority, secured by a pledged of 71% of a 1/4 cent sales tax, due in annual principal installments each January ranging from \$210,000 to \$1,545,000, interest paid semi-annually with rates from 3.0% to 4.0%, final maturity January 1, 2015.	3,070,000
Total Revenue Bonds Payable	\$ 10,750,000
Current portion	\$ 1,200,000
Noncurrent portion	9,550,000
Total Revenue Bonds Payable	\$ 10,750,000

Accrued Compensated Absences:

	Current portion	75,113
	Noncurrent portion	676,013
Total Accrued Compensated Absences	\$ 751,126	

Claims Payable:

	Current portion	-
	Noncurrent portion	1,009,141
Total Claims Payable	\$ 1,009,141	

Other Post-Employment Benefits:

	Current portion	-
	Noncurrent portion	832,132
Total Other Post-Employment Benefits	\$ 832,132	

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Business-type activities long-term debt payable from net revenues generated by and taxes pledged to the City's business-type activities include the following:

Capital Lease Obligations:

\$335,663 lease obligation with Landmark Bank for the purchase of a sanitation front & rear loader, payable in monthly installments of \$6,140 with an annual interest rate of 3.79%, final payment due September 2013.	\$	84,216
\$570,186 lease obligation with First National Bank for the purchase of sanitary sewer line, payable in monthly installments of \$10,232 with an annual interest rate of 2.95%, final payment due February 2014.		189,697
\$159,045 lease obligation with First National Bank for the purchase of wastewater main line, payable in monthly installments of \$2,918 with an annual interest rate of 3.85%, final payment due October 2013.		45,443
\$119,258 lease obligation with American National Bank for the purchase of Country Club infrastucture, payable in quarterly installments of \$6,654 with an annual interest rate of 4.25%, final payment due June 2013.		25,912
Total Capital Leases Payable	\$	<u>345,268</u>
	Current portion	\$ 249,954
	Noncurrent portion	95,314
Total Capital Leases Payable	\$	<u>345,268</u>

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Notes Payable:

2004 DW SRF Note Payable to Oklahoma Water Resources Board dated December 15, 2004, original amount of \$2,042,000 with an annual interest rate of 3.5% due in semi-annual installments of principal and interest beginning September 15, 2007, final installment due March 15, 2027, payable from and secured by utility revenues.	\$ 1,543,732
2005 CW SRF Note Payable to Oklahoma Water Resources Board dated February 8, 2005, original amount of \$17,000,000 with an annual interest rate of 3.1% due in semi-annual installments of principal and interest beginning September 15, 2007, final installment due March 15, 2026, payable from and secured by utility revenues.	12,599,250
2006 DW SRF Note Payable to Oklahoma Water Resources Board dated December 22, 2006, original amount of \$18,490,500 with an annual interest rate of 3.55% due in semi-annual installments of principal and interest beginning September 15, 2008, final installment due March 15, 2028, payable from and secured by utility revenues.	14,911,281
2009 CW SRF Note Payable to Oklahoma Water Resources Board dated December 18, 2009, original amount of \$1,090,000 with an annual interest rate of 2.67% due in semi-annual installments of principal and interest beginning September 15, 2010, final installment due March 15, 2030, payable from and secured by utility revenues.	647,340
2011 Series Utility System and Sales Tax Revenue Note through Bancfirst dated October 25, 2011, original amount of \$4,640,000 with an annual interest rate of 1.85% due in semi-annual installments of principal and interest beginning April 1, 2012, final installment due October 1, 2016, payable from and secured by utility revenues and 1/2 cent sales tax.	3,975,000

Unamortized Loss on Refunding	(45,903)
Total Notes Payable	<u>\$ 33,630,700</u>
Current portion	\$ 2,815,864
Noncurrent portion	30,814,836
Total Notes Payable	<u>\$ 33,630,700</u>

Accrued Compensated Absences:

Current portion	19,515
Noncurrent portion	175,630
Total Accrued Compensated Absences	<u>\$ 195,145</u>

Deposits Subject to Refund:

Current portion	39,153
Noncurrent portion	156,367
Total Deposits Subject to Refund	<u>\$ 195,520</u>

Other Post-Employment Benefits:

Current portion	-
Noncurrent portion	272,787
Total Other Post-Employment Benefits	<u>\$ 272,787</u>

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Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities					
	General		Capital		Revenue	
	Obligation Bonds		Lease Obligations		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 145,881	\$ 36,119	\$ 192,173	\$ 41,972	\$ 1,200,000	\$ 413,525
2014	153,324	31,676	191,052	32,400	1,275,000	368,144
2015	160,995	27,005	199,217	22,563	2,045,000	326,000
2016	168,899	22,102	209,552	12,228	520,000	244,000
2017	177,043	16,957	108,819	2,082	540,000	223,000
2018-2022	379,649	17,480	-	-	3,035,000	770,400
2023-2025	-	-	-	-	2,135,000	151,700
Totals	<u>\$ 1,185,791</u>	<u>\$ 151,339</u>	<u>\$ 900,813</u>	<u>\$ 111,245</u>	<u>\$ 10,750,000</u>	<u>\$ 2,496,769</u>

<u>Year Ending June 30,</u>	Business Type Activities			
	Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2013	\$ 2,815,864	\$ 1,059,902	\$ 249,954	\$ 8,148
2014	2,743,143	984,545	95,314	861
2015	2,707,204	909,671	-	-
2016	2,025,875	839,906	-	-
2017	1,925,846	758,089	-	-
2018-2022	9,741,173	2,924,806	-	-
2023-2027	10,385,101	1,161,323	-	-
2028-2030	1,332,397	38,964	-	-
Totals	<u>\$ 33,676,603</u>	<u>\$ 8,677,206</u>	<u>\$ 345,268</u>	<u>\$ 9,009</u>

Defeased Debt Outstanding:

The Ardmore Public Works Authority has defeased an outstanding debt issue by placing deposits in irrevocable trusts and escrow accounts for the purchase of U.S. government securities to pay the principal and interest on the defeased debt as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. At year-end, the remaining outstanding defeased bonds were as follows:

<u>Defeased Debt Outstanding:</u>	<u>Outstanding at June 30, 2012</u>
2007 Capital Lease Obligation to Siemens	
Total Defeased Debt Outstanding	<u>\$1,689,036</u>

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Discretely Presented Component Units:

Hardy Murphy Coliseum Authority:

Capital Lease Obligation:	
Lease obligation for three tractors from Deere Credit, Inc.	\$ <u>41,667</u>

Ardmore Development Authority:

Tax apportionment bonds:	
2005B Series Tax Apportionment Bonds, original issue amount of \$2,925,000, issued by Ardmore Development Authority, secured by tax increment revenues, due in semi-annual principal installments, interest rate from 5.0% to 7.0%, final maturity March, 2015.	\$ 785,000
2005C Series Tax Apportionment Bonds, original issue amount of \$4,990,000, issued by Ardmore Development Authority, secured by tax increment revenues, due in semi-annual principal installments, interest rate from 5.0% to 7.0%, final maturity November, 2022.	<u>3,710,000</u>
Total Tax Apportionment Bonds	<u>\$ 4,495,000</u>

Notes Payable:

BancFirst Note Payable, original amount of \$5,300,000, with annual installments of \$526,252 and an annual variable interest rate of 4.875% in current year, final installment due October 2018.	\$ 2,811,146
Oklahoma Industrial Finance Authority Note Payable, original amount of \$1,986,644, with annual installments of \$197,412 and an annual interest rate of 7.50%, final installment due October 2013.	1,058,794
Oklahoma Industrial Finance Authority Note Payable, original amount of \$2,919,140, with annual installments of \$348,252 and an annual interest rate of 7.50%, final installment due October 2013.	440,567
Landmark Bank Note Payable, original amount of \$1,959,788, with annual installments of \$219,492 and an annual interest rate of 7.50%, final installment due March 2021.	1,429,680
First Nation Bank & Trust Note Payable, original amount of \$500,000, with annual installments of \$44,633 and an annual variable interest rate of 7.75% in the current year, final installment due October 2013.	47,374
First Nation Bank & Trust Note Payable, original amount of \$500,659, with annual installments of \$66,084 and an annual variable interest rate of 3.25% in the current year, final installment due January 2016.	137,045
Landmark Bank Note Payable, original amount of \$360,000, with annual installments of \$34,896 and an annual interest rate of 5.25%, final installment due January 2014.	281,114
Note Payable with City of Ardmore in the original amount of \$600,000. The Authority is to repay this loan using proceeds received from a future debt issuance by Tax Increment District #1, in accordance with the Amended Plan approved by the City and the Authority. The City will not receive interest on the loan, nor will the loan be collateralized in any way. There have been no payments received to date on this loan.	600,000
Citizens Bank Bond Anticipation Note 2009, original amount of \$2,500,000, with annual installments of \$304,895 and an annual interest rate of 4.07%, final installment due August 2012.	<u>304,895</u>
Total Notes Payable	<u>\$ 7,110,615</u>

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Ardmore Tourism Authority:

Notes Payable:

Bank Note Payable, original amount of \$3,000,000, with monthly installments of \$10,841 and an annual interest rate of 4.75%, final installment due May 2020.

\$ 1,352,926

6. Net Assets and Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

	General Fund	Community Enhancement Fund	Street Improvement Fund	Other Governmental Funds	TOTAL Governmental
Fund Balances (Deficit):					
Restricted for:					
Car seat grant activities	\$ 21,006	\$ -	\$ -	\$ -	\$ 21,006
Community enhancement	-	1,137,213	-	-	1,137,213
Street improvements	-	-	3,606,951	-	3,606,951
Schools	-	-	-	171,935	171,935
Library grants	-	-	-	18,164	18,164
Grant programs	-	-	-	3,714	3,714
Public safety	-	-	-	22,040	22,040
Library	-	-	-	5,047,929	5,047,929
Cemetery	-	-	-	126,485	126,485
Capital projects	-	-	-	2,415,614	2,415,614
Debt service	-	-	-	3,904,498	3,904,498
Sub-total Restricted	21,006	1,137,213	3,606,951	11,710,379	16,475,549
Assigned for:					
Capital asset replacement	206,256	-	-	-	206,256
Community enhancements	-	5,782	-	-	5,782
Street improvements	-	-	43,910	67,054	110,964
Streets and alleys	-	-	-	40,015	40,015
Library grants	-	-	-	641	641
Capital projects	-	-	-	972,955	972,955
Public safety capital projects	-	-	-	22,579	22,579
Airport	-	-	-	18,085	18,085
Debt service	-	-	-	277	277
Community facilities	-	-	-	1,878,209	1,878,209
Insurance recovery	54,434	-	-	-	54,434
Industrial development projects	192,912	-	-	-	192,912
Drug enforcement	22,905	-	-	-	22,905
Public safety	24,939	-	-	876	25,815
Reserve management	2,539,785	-	-	-	2,539,785
Grant programs	7,426	-	-	1,253	8,679
OHP building maintenance	23,131	-	-	-	23,131
Recreation	201,181	-	-	-	201,181
Library	60,538	-	-	5,162	65,700
Sub-total Assigned	3,333,507	5,782	43,910	3,007,106	6,390,305
Unassigned (deficit):	3,242,552	-	-	(6,736)	3,235,816
TOTAL FUND BALANCES	\$ 6,597,065	\$ 1,142,995	\$ 3,650,861	\$ 14,710,749	\$ 26,101,670

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Beginning fund balances/net assets were restated as of July 1, 2011 as follows:

	Other Governmental Funds										
	Total General Fund	Community Enhancement Fund	Street Improvement Fund	GAPS Tax Schools	Street & Alley	Historical Grant	FAA Grant	Convention Tourism	GAPS Tax City	Ardmore Community Facilities Authority	TIF 2
Beginning fund balance, as previously reported	\$ 6,431,484	\$ 1,009,493	\$ 3,603,352	\$ 218,318	\$ 40,894	\$ (586)	\$ -	\$ 139,355	\$ 2,168,238	\$ -	\$ -
Reported as proprietary fund in prior year/govtl in current year	-	-	-	-	-	-	-	-	-	1,761,887	(5,254,968)
Overstatement of interest payable (proprietary fund)	-	-	-	-	-	-	-	-	-	-	107,336
Understatement of interest payable (proprietary fund)	-	-	-	-	-	-	-	-	-	(7,191)	-
Overstatement of unamortized issue costs (proprietary fund)	-	-	-	-	-	-	-	-	-	(44,633)	(180,133)
Overstatement of bonds payable (proprietary fund)	-	-	-	-	-	-	-	-	-	3,755,000	8,135,000
Overstatement of notes receivable	-	-	-	-	-	-	-	-	-	(4,143,300)	-
Overstatement of unearned revenue	-	-	-	-	-	-	-	-	-	388,300	-
Understatement of capital leases payable	-	-	-	-	-	-	-	-	-	-	-
Understatement of due to component unit	-	-	-	-	-	-	-	(64,670)	-	-	-
Understatement of deferral	(22,763)	-	-	-	-	-	-	-	-	-	-
Overstatement of court fines receivable	(15,552)	-	-	-	-	7,687	-	-	-	-	-
Understatement of receivable	26,579	-	-	-	-	-	16,383	-	-	-	-
Overstatement of receivable	(391,925)	(112,429)	(112,429)	(56,214)	(1,874)	-	-	(74,685)	(56,215)	-	-
Beginning fund balance, restated	\$ 6,027,823	\$ 897,064	\$ 3,490,923	\$ 162,104	\$ 39,020	\$ 7,101	\$ 16,383	\$ -	\$ 2,112,023	\$ 1,710,063	\$ 2,807,235

	Other Enterprise Funds			
	Wastewater Enterprise	Water Enterprise	TIF 2	Ardmore Community Facilities Authority
Beginning net assets, as previously reported	\$ 11,739,063	\$ 15,831,882	\$ (5,254,968)	\$ 1,761,887
Reported as proprietary fund in prior year/govtl in current year	-	-	5,254,968	(1,761,887)
Overstatement of interest payable (proprietary fund)	-	-	-	-
Understatement of interest payable (proprietary fund)	(43,843)	-	-	-
Overstatement of unamortized issue costs (proprietary fund)	-	-	-	-
Overstatement of bonds payable (proprietary fund)	-	-	-	-
Overstatement of notes receivable	-	-	-	-
Overstatement of unearned revenue	-	-	-	-
Understatement of capital leases payable	-	(119,162)	-	-
Understatement of due to component unit	-	-	-	-
Understatement of deferral	-	-	-	-
Overstatement of court fines receivable	-	-	-	-
Understatement of receivable	-	-	-	-
Overstatement of receivable	(56,215)	(56,215)	-	-
Beginning net assets, restated	\$ 11,639,005	\$ 15,656,505	\$ -	\$ -

	Governmental Activities	Business-type Activities
Beginning net assets, as previously reported	\$ 20,328,200	\$ 27,485,817
Reported as proprietary fund in prior year/govtl in current year	(3,493,081)	3,493,081
Overstatement of interest payable (proprietary fund)	107,336	-
Understatement of interest payable (proprietary fund)	(7,191)	(43,843)
Overstatement of unamortized issue costs (proprietary fund)	(224,766)	-
Overstatement of bonds payable (proprietary fund)	11,890,000	-
Overstatement of notes receivable	(4,143,300)	-
Overstatement of unearned revenue	388,300	-
Understatement of capital leases payable	-	(119,162)
Understatement of due to component unit	(64,670)	-
Understatement of deferral	(22,763)	-
Overstatement of court fines receivable	(15,552)	-
Understatement of receivable	50,649	-
Overstatement of receivable	(805,771)	(112,430)
Beginning net assets, restated	\$ 23,987,391	\$ 30,703,463

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Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. At June 30, 2012, the City reported a fund balance deficits in the amounts of \$4,542 and \$2,194 in the FAA Grant Fund and JAG LLEB Grant Fund, respectively.

7. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2012 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Lakeview Golf Course	23,000	Operating transfer
General Fund	Wastewater Enterprise Fund	1,313,433	Sales Tax transfer
General Fund	Water Enterprise Fund	1,313,433	Sales Tax transfer
Community Enhancement Fund	General Fund	1,654,400	Operating transfer
Street Improvement Fund	General Fund	450,000	Operating transfer
Street Improvement Fund	Street and Alley	300,568	Street Lighting/Sidewalk Program
Street Improvement Fund	Hazard Mitigation	233,537	Grant matching funds
Street Improvement Fund	CDBG Fund	51,831	Grant matching funds
GAPS Tax Schools	Ardmore Community Facilities Authority	925,557	Ardmore School portion of sales tax
Street and Alley	General Fund-Commercial Sidewalk	55,756	Transfer for Commercial sidewalk program
Street and Alley	General Fund-RSP	10,446	Operating transfer
Mayor's Anti Crime	General Fund	207,506	Operating transfer for Police
Fire Capital	Homeland Security Grant	3,354	Grant matching funds
Capital Improvement	General Fund	250,000	Operating transfer/capital purchases
Greenbriar Street Assessment	Street Improvement Fund	55	Operating transfer
Main Street Streetscape	Street Improvement Fund	292	Operating transfer
Champion Station Street Assessment	Street Improvement Fund	500	Operating transfer
Streetscape II	Street Improvement Fund	4,000	Operating transfer
GAPS Tax City	General Fund-Drug Enhancement	12,887	Capital asset purchase
Sanitation Enterprise	General Fund	843,744	Operating transfer
Wastewater Enterprise	General Fund	440,225	Operating transfer
Water Enterprise	General Fund	1,409,946	Operating transfer
Water Enterprise	CDBG Fund	98,618	Grant matching funds
Water Enterprise	Governmental Capital Assets	8,501	Governmental capital asset purchase
Total		<u>\$ 9,611,589</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>GW Capital Asset/Grant Purchases/Transfers</u>	<u>Internal Service Activity</u>	<u>Net Transfers</u>
Governmental Funds	\$ 6,953,222	\$ (6,810,555)	\$ (50,234)	\$ 118,292	\$ 210,725
Proprietary Funds	2,649,866	(2,801,034)	58,735	(118,292)	(210,725)
Governmental Capital Assets	8,501	-	(8,501)	-	-
	<u>\$ 9,611,589</u>	<u>\$ (9,611,589)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Balances:

Interfund receivable and payables at June 30, 2012 were comprised of the following:

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Due From	Due To	Amount	Nature of Balance
General Fund	Wastewater Enterprise Fund	171,935	Portion of sales tax accrual
General Fund	Water Enterprise Fund	171,935	Portion of sales tax accrual
General Fund	Employee Benefit Internal Service Fund	641,493	Portion of self-insurance claims payable
FAA Grant	General Fund	598	Reimburse for matching grant costs
Hazard Mitigation	Street Improvement Fund	85,724	Short-term interfund loan until grant monies received
Downtown Executive Airport	General Fund	63,584	Short-term interfund loan until grant monies received
Library Capital Improvement	Employee Benefit Internal Service Fund	1,652	Portion of self-insurance claims payable
Sanitation Enterprise Fund	Employee Benefit Internal Service Fund	42,504	Portion of self-insurance claims payable
Wastewater Enterprise Fund	Employee Benefit Internal Service Fund	56,712	Portion of self-insurance claims payable
Water Enterprise Fund	Employee Benefit Internal Service Fund	86,287	Portion of self-insurance claims payable
Garage Cash Fund	Employee Benefit Internal Service Fund	19,469	Portion of self-insurance claims payable
Total		\$ 1,341,893	

Reconciliation to Fund Financial Statements:

	Due From	Due To	Internal Service Fund Activity	Net Internal Balances
Governmental Funds	\$ 149,906	\$ (1,136,921)	\$ 828,648	\$ (158,367)
Proprietary Funds	343,870	(185,503)	-	158,367
Internal Service Funds	848,117	(19,469)	(828,648)	-
Total	\$ 1,341,893	\$ (1,341,893)	\$ -	\$ -

8. Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge – The City has pledged ½ cents of future sales tax revenues and net water and wastewater utility revenues to repay the following notes payable: \$2,042,000 of 2004 OWRB, \$17,000,000 of 2005 OWRB, \$18,490,500 of 2006 OWRB, \$1,090,000 of 2009 OWRB Notes Payable, and \$4,640,000 of 2011 Series Utility System and Sales Tax Revenue Notes. Proceeds from the bonds provided for the purchase or construction of water and utility systems. The notes are payable from pledged sales tax and net water and sewer utility revenues through 2027, 2026, 2028, 2030, and 2016, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$42,353,809. Pledged net water and sewer utility revenues in the current fiscal year were \$6,013,892. Maximum annual debt service on all parity debt totaled \$3,875,767 which was 155% of total pledged revenues for these notes.

Gross Revenue Available for Debt Service:	
Charges for services	\$9,091,171
Sales tax pledged (1/2 cents)	2,626,866
Total Gross Revenues Available	11,718,037
Operating Expenses:	
Operations	5,704,145
Total Operating Expenses	5,704,145
Net Revenues Available for Debt Service	\$6,013,892
Debt Service Requirements:	
Maximum annual debt service on all APWA parity debt	\$3,875,767
Computed Coverage	155%
Coverage Requirement	125%

The above gross revenue and operating expenses include only water and sewer operations of the Ardmore Public Works Authority, excluding depreciation and amortization.

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9. Risk Management

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

General Liability, Physical Property and Automobile Liability/ Physical Damage – general liability, physical property and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group risk entity pool. Deductibles range from \$0 to \$5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by OMAG.

Internal Service

The City's risk management activities are recorded in the Internal Service Funds. The purpose of the fund is to administer employee life and health insurance programs of the City on a cost-reimbursement basis. This fund accounts for the risk financing of the City but does not constitute a transfer of risk from the City. The City maintains a stop-loss policy for the indemnity health plan to limit risk associated with that plan. The City records an estimated liability for indemnity health care. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and estimate for claims incurred but not reported based on historical experience.

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents the changes in approximate aggregate health care liabilities for the City from July 1, 2009, to June 30, 2011:

	Employee Health
Claims liability, July 1, 2009	\$230,492
Claims incurred and changes in estimates	3,360,947
Claims paid	(3,175,184)
Claims liability, July 1, 2010	416,255
Claims incurred and changes in estimates	2,772,888
Claims paid	(2,987,671)
Claims liability, July 1, 2011	201,472
Claims incurred and changes in estimates	3,258,479
Claims paid	(2,450,810)
Claims liability, June 30, 2012	1,009,141
Assets available to pay claims at June 30, 2012	\$2,319,453

10. Commitments and Contingencies

Litigation:

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and 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 Ardmore participates in various federal or state grant/loan programs from year to year. In 2012, the City's involvement in federal and state award programs was material. 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.

Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

11. Pension Plan Participation

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

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan.
- Oklahoma Municipal Retirement Fund – an agent multiple-employer defined benefit plan.

Firefighters' Plan:

Pursuant to the requirements of Title 11, section 49-102, the City of Ardmore participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

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Police Plan:

Pursuant to the requirements of Title 11, section 50-102, the City of Ardmore participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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

Summary of Contributions – Cost Sharing Plans:

<u>Oklahoma Police Pension and Retirement System</u>			<u>Oklahoma Firefighter's Pension and Retirement System</u>		
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 283,426	100%	2010	\$ 221,899	100%
2011	\$ 272,387	100%	2011	\$ 220,933	100%
2012	\$ 277,843	100%	2012	\$ 226,976	100%

The state made on-behalf payments of \$247,732 for the police pension system and \$464,428 for the fire pension during the current fiscal year.

Employee Plan:

The City provides a pension benefit for all of its full-time employees with the exception of the police and fire departments, through the Oklahoma Municipal Retirement Fund (OMRF).

A. Plan Description

Effective May 2004, the City began contributing to the City of Ardmore 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. Administration of the City's individual plan rests with the City Commission. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase Bank of Oklahoma City acts as administrator and securities custodian. OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 1200 N.W. 63rd, 4th Floor, Oklahoma City, Oklahoma 73116.

B. Eligibility Factors, Contribution Methods and Benefit Provisions

Provision

OMRF Plan

a. Eligible to Participate

Full-time, non-uniformed employees of the City or Authority upon hire if less than age 60.

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- b. Contribution Requirements:
- Authorization By City ordinance
 - Actuarially Determined Yes
 - Employer Rate 6.0% of covered payroll
 - Employee Rate 20.5% of covered payroll
- c. Period Required to Vest 5 years of credited service; July 2011-new hires 7 years of credited service.
- d. Eligibility for Distribution
- Normal retirement at age 65 with 5 years of service
 - Early retirement at age 55 with 5 years of service
 - Disability retirement upon disability with 5 years of service
 - 50% death benefit with 5 years of service for married employees
- 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 3.0% 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 Benefit computed as for normal retirement based upon age and service at termination
 - Death Benefit 50% of employee’s accrued benefit, but terminates upon spouse re-marriage
 - Prior to 5 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.

C. Annual Pension Costs

1. Current Year Contribution Information

For the year ended June 30, 2012, the City’s annual pension cost and required contributions of \$1,476,381 were made.

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2. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2012
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Amortization Method of Unfunded Actuarial Accrued Liability	Level percentage of projected payroll
g. Remaining Amortization Period	None
h. Asset Valuation Method	Actuarial method

D. Funded Status and Funding Progress

As of January 1, 2012, the funded status of the OMRF defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$17,781,946
Actuarial value of plan assets	<u>14,624,030</u>
Overfunded (Unfunded) actuarial accrued liability (UAAL)	(\$ 3,157,916)
Funded ratio (actuarial value of plan assets/AAL)	82.2%
Annual covered payroll (active plan members)	\$7,116,115
UAAL as a percentage of covered payroll	44.4%

Period Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 1,516,533	100%	-
June 30, 2010	\$ 1,570,175	100%	-
June 30, 2011	\$ 1,655,190	100%	-
June 30, 2012	\$ 1,476,381	100%	-

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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E. City Manager Retirement Plan

The City of Ardmore participates in the Oklahoma Municipal Retirement Funds City Manager Retirement Plan. The City is required to contribute the maximum annual amount for the year ended June 30, 2012. The City Manager is not required to contribute.

F. Oklahoma Municipal Retirement Fund 457 Plan

The OMRF 457 Plan is a voluntary retirement plan City employees can participate in. The City is not required to match funds contributed to the plan. The City contributes to the Oklahoma Municipal Retirement Fund 457 Plan for certain members of the executive staff. The employees are not required to contribute to the plan. Contribution amounts vary by employee, no set percentage is required.

The City's contributions for the year ended June 30, 2012 were \$97,779.

G. Annual OPEB Cost and Net OPEB Obligation.

Plan Description. The City of Ardmore Postretirement Medical Plan is a single employer defined benefit healthcare plan administered by the City of Ardmore. The Plan provides medical, dental and prescription drug benefits to eligible retirees and their dependents who elect to make the required contributions. The contribution requirements of the City and plan members are established and may be amended by the City Commission. These contributions are neither guaranteed nor mandatory. The City has retained the right to unilaterally modify its payments toward retiree health care benefits. Retirees receiving benefits contribute a percentage of the monthly insurance premium.

Funding Policy. The contribution requirements of plan members and the City of Ardmore are established and may be amended by the Board or Commissioners of City of Ardmore. The required contribution is based on projected pay-as-you-go financing requirements.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2012:

Annual required contribution	\$ 563,749
Interest on net OPEB obligation	33,150
Amortization of NOO	(68,594)
Annual OPEB cost (expense)	528,305
Contributions made	(160,053)
Increase in net OPEB obligation	368,252
Net OPEB obligation—beginning of year	736,667
Net OPEB obligation—end of year	\$ 1,104,919

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net unfunded OPEB obligation for 2012 was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Unfunded OPEB Obligation</u>
6/30/10	\$541,101	33.43%	\$360,229
6/30/11	\$557,311	33.17%	\$726,110
6/30/12	\$528,305	30.30%	\$1,104,919

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date, the plan is funded on the pay-as-you-go basis, resulting in no plan assets. The actuarial accrued liability for benefits was \$4,869,519, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,869,519. The covered payroll (annual payroll of active employees covered by the plan) was \$10.8 million, and the ratio of the UAAL to the covered payroll was 45.2 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2014, based upon dependent rates. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2012, was twenty-eight years.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2012

GENERAL FUND Budget and Actual (with Variances) - Budgetary Basis Year Ended June 30, 2012				
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 9,224,700	\$ 9,224,700	\$ 9,774,682	\$ 549,982
Licenses and permits	117,500	117,500	118,098	598
Intergovernmental	331,000	331,000	379,879	48,879
Charges for services	140,000	140,000	175,608	35,608
Fines and Forfeitures	188,500	188,500	217,010	28,510
Investment earnings	14,500	14,500	17,725	3,225
Miscellaneous	242,500	242,500	378,234	135,734
Total revenues	<u>10,258,700</u>	<u>10,258,700</u>	<u>11,061,236</u>	<u>802,536</u>
EXPENDITURES				
Department:				
<i>General Government:</i>				
Legislative	200,838	200,838	191,933	8,905
Municipal court	81,309	81,309	81,249	60
City manager	322,246	322,246	314,238	8,008
Human resources	374,338	274,338	244,385	29,953
Information tech	715,117	755,117	749,538	5,579
Legal	129,984	129,984	102,147	27,837
Finance	466,345	466,345	462,628	3,717
Purchasing	142,550	142,550	134,696	7,854
Engineering	509,945	459,945	433,931	26,014
Development services	567,793	575,793	575,623	170
GIS	88,860	89,360	89,237	123
Technical services	606,836	606,836	576,007	30,829
Pension benefits & insurance	809,700	1,259,700	1,246,367	13,333
Total General Government	<u>5,015,861</u>	<u>5,364,361</u>	<u>5,201,979</u>	<u>162,382</u>
<i>Public Safety:</i>				
Fire	2,829,457	2,839,457	2,838,863	594
Police	4,446,200	4,216,200	4,135,770	80,430
Police jail	121,200	121,200	110,000	11,200
Animal Control	135,304	135,304	111,192	24,112
Forensic lab	167,084	167,084	139,297	27,787
Emergency dispatch	568,612	568,612	535,423	33,189
Total Public Safety	<u>8,267,857</u>	<u>8,047,857</u>	<u>7,870,545</u>	<u>177,312</u>
<i>Street:</i>				
Street maintenance	1,224,241	1,114,241	1,065,650	48,591
Total Street	<u>1,224,241</u>	<u>1,114,241</u>	<u>1,065,650</u>	<u>48,591</u>
<i>Culture and Recreation:</i>				
Community center	235,929	225,929	205,598	20,331
Community pool	145,646	152,146	151,596	550
Parks & recreation	940,775	940,775	910,899	29,876
R.O.W. maintenance	483,097	468,097	406,157	61,940
Library	780,796	780,796	776,301	4,495
Total Culture and Recreation	<u>2,586,243</u>	<u>2,567,743</u>	<u>2,450,551</u>	<u>117,192</u>
<i>Cemetery:</i>				
Cemetery	327,636	327,636	300,584	27,052
Total Cemetery	<u>327,636</u>	<u>327,636</u>	<u>300,584</u>	<u>27,052</u>
Total Expenditures	<u>17,421,838</u>	<u>17,421,838</u>	<u>16,889,309</u>	<u>505,477</u>
Excess (deficiency) of revenues over expenditures	<u>(7,163,138)</u>	<u>(7,163,138)</u>	<u>(5,828,073)</u>	<u>1,308,013</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,286,321	6,286,321	6,252,695	(33,626)
Transfers out	(443,000)	(443,000)	(364,000)	79,000
Total other financing sources and uses	<u>5,843,321</u>	<u>5,843,321</u>	<u>5,888,695</u>	<u>45,374</u>
Net change in fund balances	<u>(1,319,817)</u>	<u>(1,319,817)</u>	<u>60,622</u>	<u>1,380,439</u>
Fund balances - beginning, restated	1,908,226	1,908,226	3,675,603	1,767,377
Fund balances - ending	<u>\$ 588,409</u>	<u>\$ 588,409</u>	<u>\$ 3,736,225</u>	<u>\$ 3,147,816</u>

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COMMUNITY ENHANCEMENT FUND
Budget and Actual (with Variances) - Budgetary Basis
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
REVENUES				
Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,607,203	\$ 207,203
Investment earnings	2,300	2,300	2,958	658
Total revenues	<u>2,402,300</u>	<u>2,402,300</u>	<u>2,610,161</u>	<u>207,861</u>
EXPENDITURES				
Departmental:				
General government	708,800	733,924	729,494	4,430
Total General government	<u>708,800</u>	<u>733,924</u>	<u>729,494</u>	<u>4,430</u>
Total Expenditures	<u>708,800</u>	<u>733,924</u>	<u>729,494</u>	<u>4,430</u>
Excess (deficiency) of revenues over expenditures	<u>1,693,500</u>	<u>1,668,376</u>	<u>1,880,667</u>	<u>212,291</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,654,400)</u>	<u>(1,654,400)</u>	<u>(1,654,400)</u>	<u>-</u>
Total other financing sources and uses	<u>(1,654,400)</u>	<u>(1,654,400)</u>	<u>(1,654,400)</u>	<u>-</u>
Net change in fund balances	39,100	13,976	226,267	212,291
Fund balances - beginning	470,195	470,195	572,858	102,663
Fund balances - ending	<u>\$ 509,295</u>	<u>\$ 484,171</u>	<u>\$ 799,125</u>	<u>\$ 314,954</u>

Footnotes to Budgetary Comparison Schedules:

1. The City prepares its budgets for all funds on the modified accrual basis of accounting with the exception of payroll accruals and certain expenditures related to on-behalf payments for police and fire and sales tax revenue transfers. For budgetary purposes, expenditures are recorded in the period the invoice is received, except for payroll expenditures that are recorded when paid.
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 Commission. All supplemental appropriations require the approval of the City Commission. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund	Community Enhancement Fund
Total revenue - budgetary basis	\$ 17,313,931	\$ 2,610,161
Total expenses - budgetary basis	<u>(17,253,309)</u>	<u>(2,383,894)</u>
Change in fund balance - budgetary basis	60,622	226,267
Revenue accruals	(53,316)	19,664
Expenditure accruals	(79,986)	-
Change in fund balance - GAAP basis	<u>\$ (72,680)</u>	<u>\$ 245,931</u>

**CITY OF ARDMORE, OKLAHOMA
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Schedule of Pension Plan Funding Progress – OMRF Defined Benefit Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -- Entry Age</u>	<u>Unfunded Liability AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
1/1/05	\$3,005,892	\$3,986,858	\$980,965	75.4%	\$5,798,942	16.9%
1/1/06	\$4,079,324	\$4,918,406	\$839,082	82.9%	\$5,975,213	14.0%
1/1/07	\$5,417,663	\$6,212,718	\$795,055	87.2%	\$6,434,428	12.4%
1/1/08	\$6,971,159	\$10,503,727	\$3,532,568	66.4%	\$7,032,998	50.2%
1/1/09	\$8,440,628	\$12,499,353	\$4,058,725	67.5%	\$7,274,284	55.8%
1/1/10	\$10,264,324	\$15,209,309	\$4,944,985	67.5%	\$7,343,669	67.1%
1/1/11	\$12,484,073	\$17,589,213	\$5,105,140	71.0%	\$7,526,857	67.8%
1/1/12	\$14,624,030	\$17,781,946	\$3,157,916	82.2%	\$7,116,155	44.4%

Schedule of Funding Progress – OPEB Liability

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -- PUC Method</u>	<u>Unfunded Liability AAL</u>	<u>Funded Ratio</u>	<u>(est) Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
7/1/09	\$0	\$3,745,587	\$3,745,587	0%	\$7,218,000	52%
7/1/10	\$0	\$4,044,420	\$4,044,420	0%	\$8,999,000	45%
7/1/11	\$0	\$4,099,507	\$4,099,507	0%	\$10,780,000	38%

**CITY OF ARDMORE, OKLAHOMA
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OTHER SUPPLEMENTARY INFORMATION

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Combining Balance Sheet -- Nonmajor Governmental Funds -- June 30, 2012

	Special Revenue Funds									
	GAPS Tax Schools	Street and Alley	Library State Grant	Historical Grant	Pass Thru Grants	FAA Grant	Mayor's Anti Crime	Homeland Security Grant	JAG LLEB Grant	ADA Industrial
ASSETS										
Cash and cash equivalents	\$ -	\$ 319	\$ 20,381	\$ 5,318	\$ 683	\$ -	\$ 24,416	\$ 975	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	9,980	8,200	43,540	-	-	31	171,935
Receivable from other governments	171,935	39,696	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Other taxes receivable, net	-	-	-	-	-	-	-	-	-	-
Court fines receivable, net	-	-	-	-	-	-	-	-	-	-
Ambulance receivable, net	-	-	-	-	-	-	-	-	-	-
Utilities receivable, net	-	-	-	-	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 171,935	\$ 40,015	\$ 20,381	\$ 15,298	\$ 8,883	\$ 43,540	\$ 24,416	\$ 975	\$ 31	\$ 171,935
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,556	\$ 9,139	\$ 8,200	\$ 43,199	\$ 1,500	\$ -	\$ 2,225	\$ -
Due to other funds	-	-	-	-	-	598	-	-	-	-
Due to component unit	-	-	-	2,850	-	4,285	-	-	-	171,935
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	1,556	11,989	8,200	48,082	1,500	-	2,225	171,935
Fund balances:										
Restricted	171,935	-	18,164	3,031	683	-	22,040	-	-	-
Assigned	-	40,015	641	278	-	-	876	975	-	-
Unassigned	-	-	-	-	-	(4,542)	-	-	(2,194)	-
Total fund balances (deficits)	171,935	40,015	18,805	3,309	683	(4,542)	22,916	975	(2,194)	-
Total liabilities and fund balances	\$ 171,935	\$ 40,015	\$ 20,381	\$ 15,298	\$ 8,883	\$ 43,540	\$ 24,416	\$ 975	\$ 31	\$ 171,935

(Continued)

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2012, (Continued)

	Special Revenue Funds					Capital Project Funds				
	Irres. Grant	Library Trust	Convention Tourism	Hazard Mitigation	Fire Capital	Downtown Executive Airport	Capital Improvement	CDBG Fund	Cemetery Care	Library Capital Improvement
ASSETS										
Cash and cash equivalents	\$ -	\$ 490,526	\$ -	\$ -	\$ 22,579	\$ 33,105	\$ 951,346	\$ -	\$ 126,485	\$ 82,778
Investments	-	3,888,663	-	-	-	-	-	-	-	600,000
Interest receivable	-	-	-	-	-	-	-	-	-	-
Receivable from other governments	-	-	-	85,724	-	88,093	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Other taxes receivable, net	-	-	83,805	-	-	-	-	-	-	-
Court fines receivable, net	-	-	-	-	-	-	-	-	-	-
Ambulance receivable, net	-	-	-	-	-	-	-	-	-	-
Utilities receivable, net	-	-	-	-	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ 4,380,179	\$ 83,805	\$ 85,724	\$ 22,579	\$ 121,198	\$ 951,346	\$ -	\$ 126,485	\$ 682,778
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,529	\$ -	\$ -	\$ -	\$ 8,214
Due to other funds	-	-	-	85,724	-	63,564	-	-	-	1,652
Due to component unit	-	-	83,805	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	83,805	85,724	-	103,113	-	-	-	9,866
Fund balances:										
Restricted	-	4,380,179	-	-	-	-	-	-	126,485	687,750
Assigned	-	-	-	-	22,579	18,085	951,346	-	-	5,182
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances (deficits)	-	4,380,179	-	-	22,579	18,085	951,346	-	126,485	672,912
Total liabilities and fund balances	\$ -	\$ 4,380,179	\$ 83,805	\$ 85,724	\$ 22,579	\$ 121,198	\$ 951,346	\$ -	\$ 126,485	\$ 682,778

(Continued)

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2012

	Special Revenue Funds									
	GAAPS Tax. Schools	Street and Alley	Library State Grant	Historical Grant	Pass Thru Grants	FAA Grant	Mayor's Antl. Crime	Homeland Security Grant	JAG LLEB Grant	ADA Industrial
REVENUES										
Taxes	\$ 1,313,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,313,433
Intergovernmental	-	211,209	36,917	10,104	119,121	130,539	-	12,407	28,096	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Investment earnings	-	19	108	88	-	-	258	-	-	-
Miscellaneous	-	-	350	-	-	-	194,070	-	-	-
Total revenues	1,313,432	211,228	37,375	10,202	119,121	130,539	194,326	12,407	28,096	1,313,433
EXPENDITURES										
Current:										
General government	378,044	-	-	-	119,121	-	-	6,459	16,966	1,313,433
Public safety	-	-	-	-	-	-	21,918	-	-	-
Street	-	437,814	-	-	-	-	-	-	-	-
Culture and recreation	-	-	16,386	14,174	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	151,464	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	30,386	-	-	-	10,844	8,327	14,324	-
Debt service:										
Principal	-	6,734	-	-	-	-	-	-	-	-
Interest and other charges	-	51	-	-	-	-	-	-	-	-
Total Expenditures	378,044	444,599	46,792	14,174	119,121	151,464	32,762	14,786	31,290	1,313,433
Excess (deficiency) of revenues over expenditures	935,388	(233,371)	(9,417)	(3,972)	-	(20,925)	161,564	(2,378)	(2,194)	-
OTHER FINANCING SOURCES (USES)										
Proceeds from Interfund advance	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	180	-	-	-	-	-	-
Transfers in	-	300,588	-	-	-	-	-	3,354	-	-
Transfers out	(925,657)	(68,202)	-	-	-	-	(207,508)	-	-	-
Total other financing sources and uses	(925,657)	234,386	-	180	-	-	(207,508)	3,354	-	-
Net change in fund balances	9,831	995	(9,417)	(3,792)	-	(20,925)	(45,942)	975	(2,194)	-
Fund balances (deficits) - beginning, restated	162,104	39,020	28,222	7,101	883	16,383	68,858	-	-	-
Fund balances (deficits) - ending	\$ 171,935	\$ 40,015	\$ 18,805	\$ 3,309	\$ 883	\$ (4,542)	\$ 22,916	\$ 975	\$ (2,194)	\$ -

(Continued)

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
 As of and for the Year Ended June 30, 2012

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2012, (Continued)

	Special Revenue Funds					Capital Project Funds				
	Trea Grant	Library Trust	Convention-Tourism	Hazard Mitigation	Fire Capital	Executive Airport	Capital Improvement	GDBG Fund	Cemetery Care	Library Capital Improvement
REVENUES										
Taxes	\$ 7,943	\$ -	\$ 782,086	\$ -	\$ -	\$ -	\$ -	\$ 98,618	\$ -	\$ -
Intergovernmental	-	-	-	702,010	14,219	581,515	-	-	13,244	-
Charges for services	-	-	-	600	138	174	4,899	-	659	1,304
Investment earnings	-	131,286	-	-	-	21,412	330,618	21,773	-	-
Miscellaneous	2,735	276,649	-	-	-	-	-	-	-	-
Total revenues	10,678	407,935	782,086	702,610	14,357	603,101	335,517	120,391	13,903	1,304
EXPENDITURES										
Current:										
General government	10,678	-	-	134	4,935	-	-	34	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Street	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	14,922	-	-	-	-	-	-	675	107,625
Cemetery	-	-	-	-	-	14,309	-	-	-	-
Airport	-	-	-	-	-	617,026	-	249,033	-	-
Economic development	-	-	782,086	936,013	11,904	-	-	-	9,775	58,463
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	21,450	-	-
Interest and other charges	-	-	-	-	-	-	-	323	-	-
Total Expenditures	10,678	14,922	782,086	936,147	16,839	631,335	-	270,840	10,450	166,088
Excess (deficiency) of revenues over expenditures	-	393,013	-	(233,537)	(2,482)	(28,234)	335,517	(150,449)	3,453	(164,784)
OTHER FINANCING SOURCES (USES)										
Proceeds from interfund advance	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	4,575	-	233,537	-	-	-	150,449	-	-
Transfers in	-	-	-	-	(3,354)	-	(250,000)	-	-	-
Transfers out	-	(4,575)	-	(233,537)	(3,354)	-	(250,000)	150,449	-	-
Total other financing sources and uses	-	-	-	-	(5,636)	(28,234)	85,517	-	3,453	(164,784)
Net change in fund balances	-	397,588	-	-	28,415	46,319	865,829	-	123,032	837,696
Fund balances (deficits) - beginning, restated	-	3,992,591	-	-	22,579	18,065	951,346	-	126,485	672,912
Fund balances (deficits) - ending	\$ -	\$ 4,390,179	\$ -	\$ -	\$ 22,579	\$ 18,065	\$ 951,346	\$ -	\$ 126,485	\$ 837,696

(Continued)

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
 As of and for the Year Ended June 30, 2012

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -- Nonmajor Governmental Funds -- For the Year Ended June 30, 2012, (Continued)

	Capital Project Funds							Debt Service Funds			Total-Other Governmental Funds
	Grassier Street Assessment	Main Street Streetscape	Timber Grove Street Assessment	Champion Station Street Assessment	Streetscape II Assessment	Valley Ranch Road Assessment	GAP's Tax City	Debt Service Fund	Community Facilities Authority	IF 2	
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,313,433	\$ 228,282	\$ -	\$ 2,072,178	\$ 7,022,842
Intergovernmental	-	-	-	-	-	-	-	-	-	-	1,839,479
Charges for services	-	-	-	-	-	-	-	-	-	-	23,063
Investment earnings	-	2	7	7	54	283	7,965	-	-	277	188,071
Miscellaneous	-	-	-	822	2,273	17,589	-	-	38,999	-	888,189
Total revenues	-	2	2	629	2,327	17,822	1,321,398	228,282	38,999	2,072,453	10,044,844
EXPENDITURES											
Current:											
General government	-	-	-	13	-	52	128,583	645,498	-	856,191	3,451,781
Public safety	-	-	-	-	-	-	-	-	-	-	50,278
Street	-	-	-	-	-	-	-	-	-	-	437,814
Culture and recreation	-	-	-	-	-	-	-	-	-	-	153,117
Cemetery	-	-	-	-	-	-	-	-	-	-	185,676
Airport	-	-	-	-	-	-	-	-	-	-	185,773
Economic development	-	-	-	-	-	-	849,702	-	-	-	782,088
Capital city	-	-	-	-	-	-	-	-	-	-	2,786,807
Debt service:											
Principal	-	-	-	-	-	-	-	191,973	686,000	455,000	1,384,870
Interest and other charges	-	-	-	-	-	-	4,713	49,246	111,109	324,400	485,531
Total Expenditures	-	-	-	13	-	52	893,301	886,810	798,109	1,635,591	9,957,732
Excess (deficiency) of revenues over expenditures	-	2	2	616	2,327	17,770	338,097	(658,534)	(757,411)	436,862	356,912
OTHER FINANCING SOURCES (USES)											
Proceeds from interfund advances	-	-	-	-	-	-	-	634,389	-	-	634,389
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	925,557	-	4,735
Transfers in	(55)	(292)	-	(500)	(4,000)	-	(12,857)	-	-	-	1,813,468
Transfers out	(55)	(292)	-	(500)	(4,000)	-	(12,857)	634,389	925,557	-	(1,470,363)
Total other financing sources and uses	(65)	(292)	-	(500)	(4,000)	-	(12,857)	634,389	925,557	-	782,266
Net change in fund balances	(65)	(290)	2	116	(1,673)	17,770	325,200	(24,145)	168,146	436,862	1,139,168
Fund balances (deficits) - beginning, restricted	55	293	96	814	9,111	40,815	2,112,023	684,823	1,710,083	2,807,235	13,571,681
Fund balances (deficits) - ending	-	3	98	930	7,438	58,586	2,437,223	660,678	1,878,229	3,244,097	14,710,749

CITY OF ARDMORE, OKLAHOMA
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Combining Balance Sheet Schedule – General Fund Accounts – June 30, 2012

	General Fund	C.A.R.R. Account	Emergency Management Account	Insurance Recovery Account	Commercial Sidewalk Account	Drug Enforcement Account	A.L.E.R.T. Account	City Lakes Account	E.C. Hall Doll Account	Hester, K. Horn Account
ASSETS										
Cash and cash equivalents	\$ 2,601,499	\$ 206,256	\$ 2,776	\$ 54,629	-	\$ 22,905	\$ 5,711	\$ 2,846	\$ 656	\$ 81
Investments	671,093	-	-	-	-	-	-	-	-	-
Receivable from other governments	1,631,777	-	-	-	-	-	-	-	-	-
Due from other funds	51,090	-	-	-	-	-	-	-	-	-
Court fines receivable, net	2,963	-	7,532	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 4,958,412</u>	<u>\$ 206,256</u>	<u>\$ 10,308</u>	<u>\$ 54,629</u>	<u>\$ -</u>	<u>\$ 22,905</u>	<u>\$ 5,711</u>	<u>\$ 2,846</u>	<u>\$ 656</u>	<u>\$ 81</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 679,266	\$ -	\$ 3,363	\$ 195	\$ -	\$ -	\$ 70	\$ 947	\$ -	\$ -
Due to other funds	982,148	-	24	-	-	-	-	-	-	-
Due to bondholders	1,670	-	-	-	-	-	-	-	-	-
Deferred revenue	15,301	-	-	-	-	-	-	-	-	-
Other payables	33,396	-	-	-	-	-	-	-	-	-
Total liabilities	<u>1,711,781</u>	<u>-</u>	<u>3,387</u>	<u>195</u>	<u>-</u>	<u>-</u>	<u>70</u>	<u>947</u>	<u>-</u>	<u>-</u>
Fund balances:										
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	3,246,631	206,256	6,921	54,434	-	22,905	5,641	1,899	656	81
Total fund balances	<u>3,246,631</u>	<u>206,256</u>	<u>6,921</u>	<u>54,434</u>	<u>-</u>	<u>22,905</u>	<u>5,641</u>	<u>1,899</u>	<u>656</u>	<u>81</u>
Total liabilities and fund balances	<u>\$ 4,958,412</u>	<u>\$ 206,256</u>	<u>\$ 10,308</u>	<u>\$ 54,629</u>	<u>\$ -</u>	<u>\$ 22,905</u>	<u>\$ 5,711</u>	<u>\$ 2,846</u>	<u>\$ 656</u>	<u>\$ 81</u>

(Continued)

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Balance Sheet Schedule – General Fund Accounts – June 30, 2012, (Continued)

	OHP Account	Recreation Account	Library Cash Account	Reserve Management Account	Emergency 911 Account	Car Seat Grant Account	Parts Cash Account	R.S.P. Account	Revolving Loan-ADA Account	Total General Fund Accounts
ASSETS										
Cash and cash equivalents	\$ 23,170	\$ 6,574	\$ 59,801	\$ 1,460,388	\$ -	\$ 21,511	\$ 201,135	\$ -	\$ 192,314	\$ 4,882,252
Investments	-	-	-	900,000	-	-	-	-	-	1,571,093
Receivable from other governments	-	-	-	246,211	-	-	-	-	-	1,877,988
Due from other funds	-	-	-	63,584	-	-	-	-	588	64,182
Court fines receivable, net	-	-	-	-	-	-	-	-	-	51,090
Other receivables	-	-	-	-	19,288	-	-	-	-	29,763
Total assets	\$ 23,170	\$ 6,574	\$ 59,801	\$ 2,670,183	\$ 19,288	\$ 21,511	\$ 201,135	\$ -	\$ 192,912	\$ 8,456,388
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 39	\$ 7,462	\$ -	\$ 130,398	\$ -	\$ -	\$ 1,853	\$ -	\$ -	\$ 823,593
Due to other funds	-	3,191	-	-	-	-	-	-	-	986,363
Due to bondholders	-	-	-	-	-	-	-	-	-	1,670
Deferred revenue	-	-	-	-	-	-	-	-	-	15,301
Other payables	-	-	-	-	-	-	-	-	-	33,396
Total liabilities	\$ 39	\$ 10,653	\$ -	\$ 130,398	\$ -	\$ -	\$ 1,853	\$ -	\$ -	\$ 1,858,323
Fund balances:										
Restricted	-	-	-	-	-	21,006	-	-	-	21,006
Assigned	23,131	-	59,801	2,539,785	19,288	505	199,282	-	192,912	3,333,507
Unassigned	23,131	(4,079)	59,801	2,539,785	19,288	21,511	199,282	-	192,912	3,242,552
Total fund balances	\$ 23,170	\$ 6,574	\$ 59,801	\$ 2,670,183	\$ 19,288	\$ 21,511	\$ 201,135	\$ -	\$ 192,912	\$ 6,597,065
Total liabilities and fund balances	\$ 23,170	\$ 6,574	\$ 59,801	\$ 2,670,183	\$ 19,288	\$ 21,511	\$ 201,135	\$ -	\$ 192,912	\$ 8,456,388

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended June 30, 2012

General Fund	C.A.R.R. Account	Emergency Management Account	Insurance Recovery Account	Commercial Sidewalk Account	Drug Enforcement Account	A.L.E.R.T. Account	City Lakes Account	E.C. Hall Doll. Account	Hester K. Horn. Account
REVENUES									
Taxes	\$ 12,401,548	-	-	-	-	-	-	-	\$ -
Intergovernmental	1,092,039	30,126	-	-	-	-	-	-	-
Licenses and permits	118,098	-	-	-	-	-	13,729	-	-
Charges for services	175,608	-	-	-	-	11,450	-	-	-
Fines and forfeitures	217,010	-	-	-	-	-	-	-	-
Investment earnings	26,727	16	288	-	110	43	11	3	2
Miscellaneous	335,247	-	35,027	-	11,044	-	565	184	-
Total revenues	14,368,277	30,142	35,315	-	11,154	11,493	14,305	187	2
EXPENDITURES									
Current:									
General government	4,666,603	-	18,576	-	-	-	-	264	-
Public safety	9,074,409	75,048	-	-	11,600	13,900	-	-	-
Street	1,150,197	-	-	55,756	-	-	-	-	-
Culture and recreation	2,432,112	-	-	-	-	-	28,055	-	158
Cemetery	314,213	-	-	-	-	-	-	-	-
Capital outlay	218,042	8,600	24,880	-	26,340	-	8,758	-	-
Debt service:									
Principal	17,288	-	-	-	-	-	-	-	-
Interest and other charges	691	-	-	-	-	-	-	-	-
Total expenditures	17,875,455	83,648	43,456	55,756	37,940	13,900	37,813	264	158
Excess (deficiency) of revenues over expenditures	(3,509,178)	(53,506)	(8,141)	(55,756)	(26,786)	(2,407)	(23,508)	(77)	(156)
OTHER FINANCING SOURCES (USES)									
Proceeds from sale of capital assets	46,796	-	-	-	4,100	-	-	-	-
Intraaccount transfer in	930,747	54,500	-	-	-	-	23,500	-	-
Intraaccount transfer out	(147,000)	-	-	-	-	-	-	-	-
Transfers in	5,255,821	-	-	55,756	12,987	-	-	-	-
Transfers out	(2,649,866)	-	-	-	(16,987)	-	-	-	-
Total other financing sources and uses	3,436,498	54,500	-	55,756	16,987	-	23,500	-	-
Net change in fund balances	(72,680)	994	(8,141)	-	(9,799)	(2,407)	(8)	(77)	(156)
Fund balances (deficit) - beginning	3,319,311	5,927	62,575	-	32,704	8,048	1,907	733	237
Fund balances - ending	3,246,631	6,921	54,434	-	22,905	5,641	1,899	656	81

(Continued)

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – For the Year Ended June 30, 2012, (Continued)

	OHP Account	Recreation Account	Library-Cash Account	Reserve Management Account	Emergency 911 Account	Car Seat Grant Account	Parts-Cash Account	R.S.P. Account	Revolving Loan-ADA Account	Total General Fund Accounts
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ 1,722,854	\$ 230,998	\$ -	\$ -	\$ -	\$ -	\$ 14,355,400
Intergovernmental	-	-	-	-	-	-	-	-	-	1,122,165
Licenses and permits	-	-	-	-	-	-	-	-	-	131,827
Charges for services	-	-	8,319	-	-	-	-	-	-	195,377
Fines and forfeitures	-	-	-	-	-	-	-	-	-	217,010
Investment earnings	138	16	-	7,966	-	-	819	-	1,003	38,136
Miscellaneous	7,200	72,709	1,045	102	-	25,000	116,144	-	-	604,267
Total revenues	7,338	72,725	9,364	1,730,922	230,998	25,000	116,963	-	1,003	16,664,182
EXPENDITURES										
Current:										
General government	-	-	-	196,168	-	3,984	-	-	-	4,887,505
Public safety	9,820	-	-	-	-	-	-	-	-	8,184,877
Street	-	-	-	-	-	-	-	10,446	-	1,216,399
Culture and recreation	-	135,453	11,670	-	-	-	28,111	-	-	2,637,559
Cemetery	-	-	-	-	-	-	-	-	-	314,213
Capital outlay	4,754	3,006	240	270,762	-	-	15,294	-	-	580,676
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	17,288
Interest and other charges	-	-	-	-	-	-	-	-	-	691
Total expenditures	14,674	138,459	11,910	466,930	-	3,984	44,405	10,446	-	18,839,206
Excess (deficiency) of revenues over expenditures	(7,336)	(65,734)	(2,546)	1,263,992	230,998	21,006	72,558	(10,446)	1,003	(2,175,026)
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of capital assets	-	-	7,565	-	-	505	258	-	-	59,224
Interaccount transfer in	-	69,000	-	-	(230,747)	-	-	-	-	1,077,747
Interaccount transfer out	-	-	-	(700,000)	-	-	-	-	-	(1,077,747)
Transfers in	-	-	-	-	-	-	-	10,446	-	5,334,910
Transfers out	-	69,000	7,565	(700,000)	(230,747)	505	258	-	-	(2,649,866)
Total other financing sources and uses	-	3,266	5,019	563,992	251	21,511	72,816	-	1,003	569,242
Net change in fund balances	(7,336)	(7,345)	54,782	1,975,793	19,047	-	126,466	-	191,909	6,027,823
Fund balances (deficit) - beginning	30,467	(7,345)	59,801	2,539,785	19,288	21,511	199,282	-	192,912	6,587,065
Fund balances - ending	\$ 23,131	\$ (4,079)	\$ 59,801	\$ 2,539,785	\$ 19,288	\$ 21,511	\$ 199,282	\$ -	\$ 192,912	\$ 6,587,065

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Statement of Net Assets – Nonmajor Enterprise Funds – June 30, 2012

	<u>Lakeview Golf</u> <u>Course</u>	<u>Golf Course</u> <u>Building</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 25,922	\$ 39,489	\$ 65,411
Total current assets	<u>25,922</u>	<u>39,489</u>	<u>65,411</u>
Non-current assets:			
Capital Assets:			
Land and other non-depreciable assets	260,000	-	260,000
Other capital assets, net of depreciation	403,772	-	403,772
Total non-current assets	<u>663,772</u>	<u>-</u>	<u>663,772</u>
Total assets	<u>689,694</u>	<u>39,489</u>	<u>729,183</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	<u>-</u>	<u>2,877</u>	<u>2,877</u>
Total liabilities	<u>-</u>	<u>2,877</u>	<u>2,877</u>
NET ASSETS			
Invested in capital assets, net of related debt	663,772	-	663,772
Unrestricted	<u>25,922</u>	<u>36,612</u>	<u>62,534</u>
Total net assets	<u>\$ 689,694</u>	<u>\$ 36,612</u>	<u>\$ 726,306</u>

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Revenues, Expenses, and Changes in Net Assets – Nonmajor Enterprise Funds – Year Ended June 30, 2012

	<u>Lakeview Golf</u> <u>Course</u>	<u>Golf Course</u> <u>Building</u>	<u>Total</u>
REVENUES			
Charges for services - Golf	\$ 437,429	\$ 11,590	\$ 449,019
Miscellaneous	25,191	-	25,191
Total operating revenues	<u>462,620</u>	<u>11,590</u>	<u>474,210</u>
OPERATING EXPENSES			
Golf operations	486,458	11,374	497,832
Depreciation	36,512	-	36,512
Total Operating Expenses	<u>522,970</u>	<u>11,374</u>	<u>534,344</u>
Operating income (loss)	<u>(60,350)</u>	<u>216</u>	<u>(60,134)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	77	185	262
Gain (loss) on sale of capital assets	(514)	-	(514)
Total non-operating revenue (expenses)	<u>(437)</u>	<u>185</u>	<u>(252)</u>
Income (loss) before contributions and transfers	<u>(60,787)</u>	<u>401</u>	<u>(60,386)</u>
Transfers in	23,000	-	23,000
Change in net assets	<u>(37,787)</u>	<u>401</u>	<u>(37,386)</u>
Total net assets - beginning	727,481	36,211	763,692
Total net assets - ending	<u>\$ 689,694</u>	<u>\$ 36,612</u>	<u>\$ 726,306</u>

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Statement of Cash Flows – Nonmajor Enterprise Funds – Year Ended June 30, 2012

	<u>Lakeview Golf Course</u>	<u>Golf Course Building</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 462,620	\$ 11,590	\$ 474,210
Payments to suppliers	(485,458)	(8,497)	(493,955)
Net Cash Provided by (Used in) Operating Activities	<u>(22,838)</u>	<u>3,093</u>	<u>(19,745)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	23,000	-	23,000
Net Cash Provided by Noncapital Financing Activities	<u>23,000</u>	<u>-</u>	<u>23,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	77	185	262
Net Cash Provided by Investing Activities	<u>77</u>	<u>185</u>	<u>262</u>
Net Increase in Cash and Cash Equivalents	239	3,278	3,517
Balances - beginning of the year	<u>25,683</u>	<u>36,211</u>	<u>61,894</u>
Balances - end of the year	<u>\$ 25,922</u>	<u>\$ 39,489</u>	<u>\$ 65,411</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (60,350)	\$ 216	\$ (60,134)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	36,512	-	36,512
Change in assets and liabilities:			
Accounts payables	1,000	2,877	3,877
Net Cash Provided by (Used in) Operating Activities	<u>\$ (22,838)</u>	<u>\$ 3,093</u>	<u>\$ (19,745)</u>

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Net Assets – Internal Service Funds – June 30, 2012

	<u>Garage Fund</u>	<u>Employee Benefit</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 880	\$ 811,979	\$ 812,859
Investments	-	500,000	500,000
Due from other funds	-	848,117	848,117
Other receivables	-	159,357	159,357
Inventories	33,540	-	33,540
Total assets	34,420	2,319,453	2,353,873
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	15,968	-	15,968
Due to other funds	19,469	-	19,469
Compensated absences	2,436	-	2,436
Total current liabilities	37,873	-	37,873
Non-current liabilities:			
Compensated absences	21,925	-	21,925
Other postemployment benefit obligation	8,696	-	8,696
Claims payable	-	1,009,141	1,009,141
Total non-current liabilities	30,621	1,009,141	1,039,762
Total liabilities	68,494	1,009,141	1,077,635
NET ASSETS			
Unrestricted (deficit)	(34,074)	1,310,312	1,276,238
Total net assets	\$ (34,074)	\$ 1,310,312	\$ 1,276,238

Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds – Year Ended June 30, 2012

	<u>Garage Fund</u>	<u>Employee Benefit</u>	<u>Total</u>
REVENUES			
Charges for services	\$ 624,044	\$ 3,554,549	\$ 4,178,593
Miscellaneous	-	327,697	327,697
Total operating revenues	624,044	3,882,246	4,506,290
OPERATING EXPENSES			
General Government	733,530	3,258,479	3,992,009
Total operating expenses	733,530	3,258,479	3,992,009
Operating income (loss)	(109,486)	623,767	514,281
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	60	4,912	4,972
Gain on sale of capital assets	1,200	-	1,200
Total non-operating revenue (expenses)	1,260	4,912	6,172
Change in net assets	(108,226)	628,679	520,453
Total net assets - beginning	74,152	681,633	755,785
Total net assets - ending	\$ (34,074)	\$ 1,310,312	\$ 1,276,238

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Statement of Cash Flows – Internal Service Funds – Year Ended June 30, 2012

	<u>Garage Fund</u>	<u>Employee Benefit</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 624,044	\$ 3,722,889	\$ 4,346,933
Receipts (payments) from (to) other funds	19,469	(807,669)	(788,200)
Payments to suppliers	(318,063)	(373,515)	(691,578)
Payments to employees	(392,208)	-	(392,208)
Claims and judgments paid	-	(2,078,719)	(2,078,719)
	<u>(66,758)</u>	<u>462,986</u>	<u>396,228</u>
Net Cash Provided by (Used in) Operating Activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets	1,200	-	1,200
	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Net Cash Provided by Capital and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (Purchase) of investments	-	(500,000)	(500,000)
Interest and dividends	60	4,912	4,972
	<u>60</u>	<u>(495,088)</u>	<u>(495,028)</u>
Net Cash Provided by (Used in) Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(65,498)	(32,102)	(97,600)
Balances - beginning of the year	66,378	844,081	910,459
Balances - end of the year	\$ 880	\$ 811,979	\$ 812,859
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (109,486)	\$ 623,767	\$ 514,281
Change in assets and liabilities:			
Inventory	(8,297)	-	(8,297)
Due from other funds	-	(807,669)	(807,669)
Other receivables	-	(159,357)	(159,357)
Accounts payables	6,129	(1,424)	4,705
Due to other funds	19,469	-	19,469
Other accrued expenses	(7,630)	-	(7,630)
Claims payable	-	807,669	807,669
Other post-employment benefit obligation	8,696	-	8,696
Accrued compensated absences	24,361	-	24,361
	<u>(66,758)</u>	<u>462,986</u>	<u>396,228</u>
Net Cash Provided by (Used in) Operating Activities			

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Schedule of Net Assets – Water Enterprise Fund Accounts – June 30, 2012

	Water Enterprise	Utilities Account	Series 2011 Note Account	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,947,056	\$ -	\$ -	\$ 1,947,056
Restricted cash and cash equivalents	-	195,520	2,337,944	2,533,464
Investments	1,100,000	-	-	1,100,000
Accounts receivable, net of allowance	675,555	-	-	675,555
Due from other funds	171,935	-	-	171,935
Other receivables	68	-	-	68
Inventories	246,812	-	-	246,812
Total current assets	4,141,426	195,520	2,337,944	6,674,890
Noncurrent assets:				
Land and other non-depreciable assets	61,762	-	-	61,762
Other capital assets, net of depreciation	29,442,198	-	-	29,442,198
Unamortized note issuance costs	72,001	-	75,820	147,821
Total noncurrent assets	29,575,961	-	75,820	29,651,781
Total assets	33,717,387	195,520	2,413,764	36,326,671
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	85,329	-	-	85,329
Accrued interest payable	173,394	-	18,083	191,477
Due to other funds	86,287	-	-	86,287
Other payables	1,400	-	-	1,400
Current portion of:				
Compensated absences	9,748	-	-	9,748
Deposits subject to refund	-	39,153	-	39,153
Notes payable	783,353	-	1,275,000	2,058,353
Total current liabilities	1,139,511	39,153	1,293,083	2,471,747
Noncurrent liabilities:				
Compensated absences	87,735	-	-	87,735
Deposits subject to refund	-	156,367	-	156,367
Other postemployment benefit obligation	126,513	-	-	126,513
Notes payable	15,671,660	-	2,654,097	18,325,757
Total non-current liabilities	15,885,908	156,367	2,654,097	18,696,372
Total liabilities	17,025,419	195,520	3,947,180	21,168,119
NET ASSETS				
Invested in capital assets, net of related debt	13,120,948	-	(1,533,416)	11,587,532
Unrestricted	3,571,020	-	-	3,571,020
Total net assets	\$ 16,691,968	\$ -	\$ (1,533,416)	\$ 15,158,552

CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Schedule of Revenues, Expenses, and Changes in Net Assets – Water Enterprise Fund Accounts – Year Ended June 30, 2012

	<u>Water Enterprise Fund</u>			<u>Total</u>
	<u>Water Enterprise</u>	<u>Utilities Account</u>	<u>Series 2011 Note Account</u>	
OPERATING REVENUES				
Charges for services:				
Water	\$ 5,796,689	\$ -	\$ -	\$ 5,796,689
Miscellaneous	57,671	-	-	57,671
Total operating revenues	<u>5,854,360</u>	<u>-</u>	<u>-</u>	<u>5,854,360</u>
OPERATING EXPENSES				
Water operations	3,016,066	-	-	3,016,066
Administration	-	-	481,556	481,556
Amortization	5,143	-	13,380	18,523
Depreciation	2,544,921	-	-	2,544,921
Total operating expenses	<u>5,566,130</u>	<u>-</u>	<u>494,936</u>	<u>6,061,066</u>
Operating income (loss)	<u>288,230</u>	<u>-</u>	<u>(494,936)</u>	<u>(206,706)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	12,788	-	157	12,945
Miscellaneous revenue	55,566	-	-	55,566
Gain on sale of capital assets	12,405	-	-	12,405
Interest expense	<u>(629,036)</u>	<u>-</u>	<u>(67,080)</u>	<u>(696,116)</u>
Total non-operating revenue (expenses)	<u>(548,277)</u>	<u>-</u>	<u>(66,923)</u>	<u>(615,200)</u>
Income (loss) before contributions and transfers	<u>(260,047)</u>	<u>-</u>	<u>(561,859)</u>	<u>(821,906)</u>
Capital contributions	527,585	-	-	527,585
Interaccount transfer in	2,015,999	-	1,044,442	3,060,441
Interaccount transfer out	<u>(1,044,442)</u>	<u>-</u>	<u>(2,015,999)</u>	<u>(3,060,441)</u>
Transfers in	1,313,433	-	-	1,313,433
Transfers out	<u>(1,517,065)</u>	<u>-</u>	<u>-</u>	<u>(1,517,065)</u>
Change in net assets	1,035,463	-	(1,533,416)	(497,953)
Total net assets - beginning, restated	<u>15,656,505</u>	<u>-</u>	<u>-</u>	<u>15,656,505</u>
Total net assets - ending	<u>\$ 16,691,968</u>	<u>\$ -</u>	<u>\$ (1,533,416)</u>	<u>\$ 15,158,552</u>

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
Department of Libraries:			
State Aid	N/A	\$24,529	\$24,529
Oklahoma Department of Homeland Security:			
State Match - Disaster Recovery (Severe Winter Storm)	DR-1876-OK	2,928	2,928
TOTAL STATE AWARDS		\$27,457	\$27,457

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedule of Expenditures of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

2. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

SINGLE AUDIT AND INTERNAL CONTROL COMPLIANCE INFORMATION

Casey J. Russell CPA, Inc.

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

Members of the City Commission
City of Ardmore
23 S. Washington
Ardmore, Oklahoma 73401

We have audited the financial statements of the governmental activities, the business-type activities, the major and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ardmore, Oklahoma as of and for the year ending June 30, 2012, which collectively comprise the City of Ardmore's basic financial statements and have issued our report thereon dated July 31, 2013. Our report includes a reference to other auditors. Our reports on the discretely presented component units identified in Note 1(C), disclosed that as described in Note 1(C) to the financial statements, these entities prepare their financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Except as discussed in the preceding sentence, 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. Other Auditors audited the financial statements of the Ardmore Regional Park Trust Authority, Ardmore Tourism Authority, Ardmore Development Authority, Ardmore Animal Care Trust Authority and the Ardmore Main Street Authority, discretely presented component units of the City of Ardmore, as described in our report on the City of Ardmore's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

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

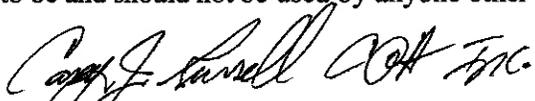
A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

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

deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ardmore, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. This report is intended solely for the information and use of management, City Commission, other within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cary J. Russell CPA FRC

July 31, 2013

Casey J. Russell CPA, Inc.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the City Commission
City of Ardmore
23 S. Washington
Ardmore, OK 73401

COMPLIANCE

We have audited City of Ardmore, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Ardmore's major federal programs for the year ended June 30, 2012. City of Ardmore, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Ardmore, Oklahoma's management. Our responsibility is to express an opinion on City of Ardmore, Oklahoma's compliance based on our audit.

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

In our opinion, City of Ardmore, Oklahoma complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

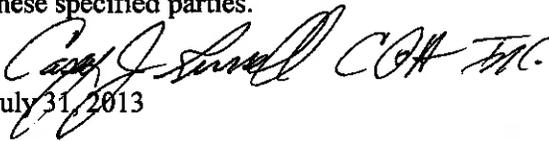
Management of City of Ardmore, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Ardmore, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ardmore's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

 Cary J. Small, CPA, FRC.
July 31, 2013

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
U.S. DEPARTMENT OF INTERIOR:				
Passed through Oklahoma Historical Society:				
Historic Preservation Fund Grnats-In-Aid	15.904	10-613	10,800	2,710
Historic Preservation Fund Grnats-In-Aid	15.904	11-613	11,250	10,244
Sub-total CFDA 15.904			22,050	12,954
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant	14.228	14412 CDBG 10	98,618	98,618
Sub-total CFDA 14.228			98,618	98,618
U.S. DEPARTMENT OF COMMERCE:				
Broadband Technology Opportunities Program - ARRA				
Sub-total CFDA 11.557	11.557	40-41-B10519	11,387	11,387
			11,387	11,387
U.S. DEPARTMENT OF JUSTICE:				
Bureau of Justice Assistance - JAG Grant				
Sub-total CFDA 16.738	16.738	2011-DJ-BX-3067	29,860	29,065
			29,860	29,065
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed through Oklahoma Aeronautics Commission:				
Airport Improvement Program	20.106	3-40-0006-010-2010	38,522	2,698
Airport Improvement Program	20.106	3-40-0005-012-2010	317,300	24,624
Airport Improvement Program	20.106	3-40-0006-012-2012	110,700	88,093
Airport Improvement Program	20.106	3-40-0005-011-2008	239,095	16,383
Airport Improvement Program	20.106	3-40-0005-013-2011	272,222	110,200
Airport Improvement Program	20.106	3-40-0006-011-2011	490,724	490,724
Sub-total CFDA 20.106			1,468,563	732,722
Passed through Oklahoma Department of Agriculture/ODOT:				
Highway Tree Grant Program	20.205	SAFETEALU-11-02	18,750	7,943
Sub-total CFDA 20.205			18,750	7,943
Total U.S. Department of Transportation			1,487,313	740,665
U.S. DEPARTMENT OF LIBRARIES:				
Grants to States - Continuing Education Conference Grant				
Sub-total CFDA 45.310	45.31	F-12-207	1,001	1,001
			1,001	1,001
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Passed through Oklahoma Department of Emergency Management:				
Hazard Mitigation Grant Program	97.039	FEMA-1678-DR-OK	821,714	702,010
Hazard Mitigation Grant Program - SAFE room grant	97.039	FEMA-1823-DR-OK	273,375	119,121
Sub-total CFDA 97.039			1,095,089	821,131
Passed through Oklahoma Department of Emergency Management:				
Emergency Mgmt Reimb - State 10-11	97.042	EMPG 11	30,126	7,531
Emergency Mgmt Reimb - State 11-12	97.042	EMPG 12	30,126	22,595
Sub-total CFDA 97.042			60,252	30,126
Passed through Oklahoma Department of Emergency Management:				
Federal Emergency Management Admin Grant	97.055	180.002	7,054	6,245
Sub-total CFDA 97.055			7,054	6,245
Passed through Ground Gateway Economic Development Association:				
Oklahoma Homeland Security Grant	97.067	OK-HSEEP 2011	15,000	6,162
Sub-total CFDA 97.067			15,000	6,162
Total U.S. Department of Homeland Security			1,177,395	863,664
TOTAL FEDERAL ASSISTANCE			\$ 2,827,624	\$ 1,757,354

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ardmore and is presented in accordance with the basis for determining federal awards expended as defined by Section 205 of Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Ardmore, Oklahoma
 Schedule of Findings and Questioned Costs
 For the Year Ending June 30, 2012

SECTION I: SUMMARY OF AUDITOR'S REPORT

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not Considered to be material weaknesses	None
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are Not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with 510(a) of Circular A-133	No
Identification of major programs:	
CFDA# 20.106	
CFDA#97.039	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**City of Ardmore, Oklahoma
Schedule of Prior Year Audit Findings
For the Year Ending June 30, 2012**

There were no prior year findings with regard to the federal award programs

**CITY OF ARDMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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