

ANNUAL FINANCIAL REPORT
CITY OF NEWKIRK, OKLAHOMA
INCLUDING THE NEWKIRK
MUNICIPAL AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2011

**CITY OF NEWKIRK
INCLUDING THE NEWKIRK MUNICIPAL AUTHORITY
ANNUAL FINANCIAL REPORT
KAY COUNTY
FOR THE YEAR ENDED JUNE 30, 2011**

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INCLUDING THE NEWKIRK MUNICIPAL AUTHORITY
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KAY COUNTY, OKLAHOMA
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PUTNAM & COMPANY, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Governing Board
City of Newkirk, Oklahoma

We have audited the accompanying financial statements, each major fund, and the aggregate remaining fund information of the City of Newkirk, including the Newkirk Municipal Authority, as of and for the year ended June 30, 2011, as listed in the table of contents, which collectively comprise a portion of the City's basic financial statements required by accounting principles generally accepted in the United States of America, as applied to the City's modified cash basis of accounting. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The City has not implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Accounting principles generally accepted in the United States of America, as applied to the City's modified cash basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from modified cash basis transactions for the City's governmental and business-type activities are not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, the respective financial position of the governmental activities, business-type activities, and the aggregate remaining fund information of the City of Newkirk, including the Newkirk Public Works Authority as of and for the year ended June 30, 2011, and the cash flows of its business-type activities for the year ended on the basis of accounting described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying Schedule of Federal Financial Assistance 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 not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. Since the City expended less than the annual threshold amount for Federal awards, it is exempt from Federal audit reporting requirements but must maintain records for review or audit by appropriate officials of Federal agencies, pass-through entities, and the General Accounting Office (GAO). The limited procedures that we performed with respect to this information do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2012, on our consideration of the City's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Putnam & Company, PLLC

Edmond, Oklahoma
April 3, 2012

PUTNAM & COMPANY, PLLC
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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Honorable Governing Board
City of Newkirk, Oklahoma

We have audited the financial statements, each major fund, and the aggregate remaining fund information of the City of Newkirk, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's financial statements and have issued our report thereon dated April 3, 2012. The report on these financial statements is adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United States of America because the City has elected to prepare its financial statements in conformity with a modified cash basis of accounting, and the City has not implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose prescribed 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's financial statements are free of material misstatement; we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of City of Newkirk in a separate letter dated April 3, 2012.

This report is intended solely for the information and use of management, the audit committee and others within the organization, 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. However, though restricted in use, this report is a matter of public record, and its distribution is not limited.



Putnam & Company, PLLC

Edmond, Oklahoma
April 3, 2012

COMBINED FINANCIAL STATEMENTS

**THE CITY OF NEWKIRK, OKLAHOMA
INCLUDING THE NEWKIRK MUNICIPAL AUTHORITY
COMBINED BALANCE SHEET
ALL FUND TYPES--MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	CITY OF NEWKIRK				NEWKIRK MUNICIPAL AUTHORITY					TOTALS	
	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	PROPRIETARY FUND TYPE	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	(Memorandum Only)	
	General	Special Revenue	Capital Projects	Trust and Agency	Enterprise	Special Revenue	Capital Projects	Debt Service	Trust and Agency	2011	2010
ASSETS											
Cash, including time deposits	\$664,680	50,195	13,723	156,568	2,593	169,058	665,285	91,231	126,949	1,940,282	1,786,555
Property, Plant and Equipment					3,078,928					3,078,928	3,078,928
Total Assets	664,680	50,195	13,723	156,568	3,081,521	169,058	665,285	91,231	126,949	5,019,210	4,865,483
LIABILITIES											
Warrants Outstanding	\$89,443	2,194				2,395			303	94,335	60,075
Reserve for Encumbrance	23,842									23,842	0
Bonds Payable							600,000			600,000	625,000
Note Payable (OWRB)					466,400					466,400	506,300
Refundable Meter Deposits									126,646	126,646	124,777
Total Liabilities	113,285	2,194	0	0	466,400	2,395	600,000	0	126,949	1,311,223	1,316,152
FUND EQUITY											
Reserved for Debt Service								91,231		91,231	90,985
Reserved for Capital Projects			13,723				65,285			79,008	81,354
Reserved for Cemetery Care				156,568						156,568	150,514
Fund Balance - Unreserved	551,395	48,001				166,663				766,059	651,256
Retained Earnings - Unreserved					2,615,121					2,615,121	2,575,222
Total Fund Equity	551,395	48,001	13,723	156,568	2,615,121	166,663	65,285	91,231	0	3,707,987	3,549,331
Total Liabilities and Fund Equity	\$664,680	50,195	13,723	156,568	3,081,521	169,058	665,285	91,231	126,949	5,019,210	4,865,483

See accompanying letter and notes to financial statements.

THE CITY OF NEWKIRK, OKLAHOMA
INCLUDING THE NEWKIRK MUNICIPAL AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS--MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	CITY OF NEWKIRK				NEWKIRK MUNICIPAL AUTHORITY				TOTALS	
	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	(Memorandum Only)	
	General	Special Revenue	Capital Projects	Trust and Agency	Special Revenue	Capital Projects	Debt Service	Trust and Agency	2011	2010
REVENUES:										
Taxes	16,610				139,754				156,364	152,734
Licenses and Permits	2,125								2,125	2,047
Intergovernmental	13,775	21,600							35,375	32,566
Charges for Service	183,593	13,018							196,611	195,555
Fines and Forfeitures	19,400								19,400	13,453
Interest	7,460	40		2,168	1,065	6	172		10,911	14,025
Grants					100,741				100,741	268,460
Loan					32,566				32,566	0
Revenue Bonds									0	0
Insurance									0	0
Miscellaneous	57,733	17,347	31,004	3,886	3,220				113,190	195,474
Total Revenues	300,696	52,005	31,004	6,054	277,346	6	172	0	667,283	874,314
EXPENDITURES										
Personal Services	1,475,859								1,475,859	1,434,098
Maintenance and Operation	2,161,939								2,161,939	2,006,364
Capital Outlay	71,153	50,232	37,020		186,204				344,609	450,483
Solid Waste Fees					1,966				1,966	2,580
Grants					100,741				100,741	268,460
Trustee Fee						1,250	1,000		2,250	2,250
Payment of Debt							41,050		41,050	37,650
Interest Expense						29,775	6,876		36,651	40,465
Total Expenditures	3,708,951	50,232	37,020	0	288,911	31,025	48,926	0	4,165,065	4,242,350
Revenues Over/(Under) Expenditures	(3,408,255)	1,773	(6,016)	6,054	(11,565)	(31,019)	(48,754)	0	(3,497,782)	(3,368,036)
OTHER FINANCING SOURCES/(USES)										
Deobligation of Prior Years' Warrants									0	10,882
Transfers to/from Enterprise Fund	3,533,290				59,250	59,689	49,000		3,701,229	3,312,396
Transfers between Funds									0	0
Debt Service Payments						(25,000)			(25,000)	(25,000)
Payment of Bonds					(59,686)				(59,686)	(55,458)
Total Other Financing Sources/(Uses)	3,533,290	0	0	0	(436)	34,689	49,000	0	3,616,543	3,242,820
Revenues and Other Sources Over/ (Under) Expenditures and Other Uses	125,035	1,773	(6,016)	6,054	(12,001)	3,670	246	0	118,761	(125,216)
Fund Balance, Beginning of Year	426,360	46,228	19,739	150,514	178,664	61,615	90,985	0	974,105	1,099,321
Fund Balance, End of Year	\$551,395	48,001	13,723	156,568	166,663	65,285	91,231	0	1,092,866	974,105

See accompanying letter and notes to financial statements

**THE CITY OF NEWKIRK, OKLAHOMA
INCLUDING THE NEWKIRK MUNICIPAL AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS--MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund			Special Revenue Funds			TOTALS (Memorandum Only)		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:									
Taxes	\$14,096	16,610	2,514			0	14,096	16,610	2,514
Licenses and Permits	1,670	2,125	455			0	1,670	2,125	455
Intergovernmental	11,309	13,775	2,466		21,600	21,600	11,309	35,375	24,066
Charges for Service	141,411	183,593	42,182		13,018	13,018	141,411	196,611	55,200
Fines and Forfeitures	17,993	19,400	1,407			0	17,993	19,400	1,407
Interest	6,206	7,460	1,254		40	40	6,206	7,500	1,294
Miscellaneous	54,721	57,733	3,012		17,347	17,347	54,721	75,080	20,359
Total Revenues	247,406	300,696	53,290	0	52,005	52,005	247,406	352,701	105,295
EXPENDITURES:									
Personal Services	1,519,246	1,475,859	43,387			0	1,519,246	1,475,859	43,387
Maintenance and Operation	2,149,810	2,161,939	(12,129)			0	2,149,810	2,161,939	(12,129)
Capital Outlay	282,581	71,153	211,428	46,228	50,232	(4,004)	328,809	121,385	207,424
Solid Waste Fees			0			0	0	0	0
Total Expenditures	3,951,637	3,708,951	242,686	46,228	50,232	(4,004)	3,997,865	3,759,183	238,682
Revenues Over/(Under) Expenditures	(3,704,231)	(3,408,255)	295,976	(46,228)	1,773	48,001	(3,750,459)	(3,406,482)	343,977
OTHER FINANCING SOURCES/(USES):									
Deobligation of Prior Years' Warrants			0			0	0	0	0
Transfers from Enterprise Fund	3,277,871	3,533,290	255,419			0	3,277,871	3,533,290	255,419
Total Other Financing Sources/(Uses)	3,277,871	3,533,290	255,419	0	0	0	3,277,871	3,533,290	255,419
Revenues and Other Sources Over/ (Under) Expenditures and Other Uses	(426,360)	125,035	551,395	(46,228)	1,773	48,001	(472,588)	126,808	599,396
Fund Balance, Beginning of Year	426,360	426,360	0	46,228	46,228	0	472,588	472,588	0
Fund Balance, End of Year	\$0	551,395	551,395	0	48,001	48,001	0	599,396	599,396

See accompanying letter and notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

THE CITY OF NEWKIRK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Newkirk, Oklahoma relating to the funds included in the financial statements conform to generally accepted accounting principles of state and local governments, except as noted below. The following represents the more significant accounting and reporting policies and practices of the City:

(a) Reporting Entity

The City of Newkirk, for financial reporting purposes, includes funds and account groups over which the governing board exercises oversight authority.

INCLUDED ENTITIES

The Newkirk Municipal Authority is a public trust created under authority of and pursuant to the provisions of 60 O.S. Sections 177-180.3, for the use and benefit of the City of Newkirk, Oklahoma. The Authority leases the existing water, sewer, trash, and electrical facilities from the City and receives revenues from their use. The Authority also reimburses the City for expenditures made from its general fund appropriations for utilities and sanitation.

(b) Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, transfers, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the financial statements in this report, as follows:

Governmental Fund Types

General Fund - The General Fund is the principal fund of the City which accounts for all financial transactions not properly accounted for in other funds. This fund accounts for the general operating transactions of the City including police and fire protection, street repairs and maintenance, planning and development, and administration.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

THE CITY OF NEWKIRK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Capital Projects Fund - The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt and related costs.

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. This fund includes the Newkirk Municipal Authority.

Fiduciary Funds

Fiduciary funds are trust or agency funds used to account for assets held by the City in a trustee capacity or as an agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Account Groups

General Fixed Assets - This account group is used to account for all fixed assets of the City, other than those accounted for in Proprietary funds. No depreciation is provided on general fixed assets.

General Long-Term Debt - This account group is used to account for all long-term obligations of the City except those which are accounted for in its proprietary type funds. Long-term liabilities expected to be repaid from governmental funds are accounted for in the General Long-Term Account Group, and not are not reflected as liabilities within the governmental funds.

THE CITY OF NEWKIRK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(c) Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified cash basis of accounting is followed. Revenues are recognized when they are received rather than earned. Expenditures are generally recognized when paid, however. Outstanding encumbrances, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation.

This method of accounting is a comprehensive basis of accounting which differs from the method required under generally accepted accounting principles. The City has not implemented the new financial reporting model, as required by GASB Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and local Governments.

(d) Total (Memorandum Only)

The combined financial statements have "Total (Memorandum Only)" columns. These columns do not purport to present the consolidated financial position of the City of Newkirk, Oklahoma. All significant interfund transactions would be eliminated and other adjustments would be made in the preparation of consolidated financial statements.

(e) Budget

The City's budget represents appropriations originally authorized and any subsequent revisions that were officially adopted during the fiscal year. The City's budget is also prepared under the modified cash basis of accounting. In accordance with Oklahoma law, all remaining unexpended appropriations lapse at year end.

(f) Compensated Absences

The City records vacation and sick leave expenditures only at the time such leave is actually paid.

THE CITY OF NEWKIRK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(2) DEPOSITS, INVESTMENTS, AND COLLATERAL

Custodial Credit Risk - The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement.

At June 30, 2011, the City was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The City investment policy limits investments to those allowed in state law applicable to municipalities 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.

Investment Credit Risk (continued) - Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy limits investments to those with a short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

THE CITY OF NEWKIRK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(2) DEPOSITS, INVESTMENTS, AND COLLATERAL (continued)

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City's investment policy requires diversification of investments.

At June 30, 2011, the City had no concentration of credit risk as defined above.

(3) LONG-TERM DEBT

The City of Newkirk and its component unit have Long-Term Debt as noted in the following paragraphs.

Oklahoma Water Resources Board Series 1991 Promissory Note

A loan was provided to the Authority by the Oklahoma Water Resources Board (OWRB) in the amount of \$915,000. The life of this loan is approximately 28 years. This loan provided for an interest rate of 3.592% from March 1, 1992 through February 28, 1993. Subsequent interest rates and monthly payment schedules are to be determined and provided by the OWRB.

The following is a summary of the Authority's transactions with respect to this promissory note for the year ended June 30, 2011.

Loan Payable, June 30, 2010	\$ 506,300
Principal Payments	<u>39,900</u>
Loan Payable, June 30, 2011	<u>\$ 466,400</u>

Utility System Revenue Bonds

During calendar year 2006, the Newkirk Municipal Authority issued \$725,000 in utility system revenue bonds. The bonds provide for an interest rate of 4.100% to 5.125% from September 1, 2005 through September 1, 2025. Annual principal maturities begin at \$25,000 and increase in established increments over the life of the bond issue.

THE CITY OF NEWKIRK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(3) LONG-TERM DEBT (continued)

The following is a summary of the Authority's transactions with respect to the revenue bonds for the year ended June 30, 2011.

Bonds Payable, June 30, 2010	\$ 625,000
Additions	0
Retirements	<u>25,000</u>
Balance, June 30, 2011	<u>\$ 600,000</u>

(4) DEDICATED SALES TAX

1% Sales Tax

The Board of Commissioners of the city passed a resolution dated October 1, 1983, which appropriated the proceeds of a 1% City sales tax (approved by election on June 14, 1983), to the Authority to be used for the retirement of principal and the payment of interest and agent fees in connection with the 1984 Series Newkirk Municipal Authority Revenue Bonds. All debt from that Bond issue has been retired, however, a subsequent election authorized the continued collection of this 1% sales tax.

2% Sales Tax

The Board of Commissioners of the city passed a resolution dated April 9, 1979, which appropriated the proceeds of a 2% City sales tax received after June 30, 1979, to the Authority. Proceeds from this tax are to be used for payment of capital costs, debt service and operational expenses and for accumulation of reserves.

(5) PENSION AND RETIREMENT PLANS

All police personnel participate in the Statewide Oklahoma State Police Pension and Retirement System.

All firefighters participate in the Statewide Oklahoma Firefighter's Pension and Retirement System.

Other City employees other than Police and Firefighters participate in the Oklahoma Municipal Retirement System.

THE CITY OF NEWKIRK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

5) **PENSION AND RETIREMENT PLANS (continued)**

Historical trend information is presented in annual reports for these retirement systems. This information is useful in assessing a pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

(6) **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Accordingly, the City purchases commercial insurance to reduce its risk of loss. Also, all personnel responsible for custody of cash were bonded during the fiscal year.

Management estimates that the amount of actual or potential claims against the city as of June 30, 2011, will not materially affect the financial condition of the City. Therefore, none of the City's funds contains any provisions for any type of loss.

(7) **COMMITMENTS AND CONTINGENT LIABILITIES**

The financial statements do not include any provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, cities generally establish a sinking fund to satisfy legal judgments rendered against them. Tax revenues are then specifically assessed for payment of these claims which have been reduced to judgment. Such claims are generally paid through these special tax assessments over a three (3) year period.

(8) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 3, 2012, which is the date the financial statements were available.

**COMBINING FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULE**

THE CITY OF NEWKIRK, OKLAHOMA
SCHEDULE OF REVENUES BY SOURCE--GENERAL FUND
BUDGET AND ACTUAL-MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE/ (UNFAVORABLE)
TAXES:			
Franchise Tax	\$14,096	16,610	2,514
LICENSES AND PERMITS:			
Dog Tax	250	315	65
Building Permits	1,420	1,810	390
Total Licenses and Permits	1,670	2,125	455
INTERGOVERNMENTAL:			
Alcoholic Beverage Tax	6,794	8,359	1,565
Tobacco Tax	4,515	5,416	901
Total Intergovernmental	11,309	13,775	2,466
CHARGES FOR SERVICE:			
Library	520	593	73
Swimming Pool	1,661	4,996	3,335
Cemetery	12,745	18,531	5,786
Ambulance	124,266	156,679	32,413
Country Club	2,219	2,794	575
Total Charges for Service	141,411	183,593	42,182
FINES AND FORFEITURES:	17,993	19,400	1,407
INTEREST:	6,206	7,460	1,254
MISCELLANEOUS:			
Rent and Royalty	11,861	14,671	2,810
Insure Oklahoma	12,896	12,896	0
Worker's Comp. Refund	21,785	21,785	0
Weed Tax	694	769	75
Nuisance Clean Up	62	88	26
Other	7,423	7,524	101
Total Miscellaneous	54,721	57,733	3,012
TOTALS	\$247,406	300,696	53,290

See accompanying letter and notes to financial statements.

**THE CITY OF NEWKIRK, OKLAHOMA
SCHEDULE OF EXPENDITURES BY CLASSIFICATION
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE/ (UNFAVORABLE)
POLICE:			
Personal Services	\$284,167	284,167	0
Maintenance and Operation	18,200	18,037	163
Capital Outlay	38,057	36,041	2,016
Total Police	340,424	338,245	2,179
FIRE:			
Personal Services	201,451	200,607	844
Maintenance and Operation	10,000	9,113	887
Total Fire	211,451	209,720	1,731
STREETS:			
Personal Services	106,732	84,714	22,018
Maintenance and Operation	7,000	6,172	828
Capital Outlay	25,000	7,855	17,145
Total Streets	138,732	98,741	39,991
WATER:			
Personal Services	81,881	75,954	5,927
Maintenance and Operation	83,000	81,399	1,601
Capital Outlay	9,641	9,641	0
Total Water	174,522	166,994	7,528
SANITATION:			
Maintenance and Operation	133,500	133,358	142
SEWER:			
Personal Services	34,755	34,752	3
Maintenance and Operation	13,500	12,956	544
Capital Outlay	6,000		6,000
Total Sewer	54,255	47,708	6,547
CITY TREASURER:			
Personal Services	28,782	28,610	172
Maintenance and Operation	400	234	166
Capital Outlay	400	345	55
Total City Treasurer	29,582	29,189	393

**THE CITY OF NEWKIRK, OKLAHOMA
SCHEDULE OF EXPENDITURES BY CLASSIFICATION
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE/ (UNFAVORABLE)
PARKS:			
Personal Services	74,287	74,286	1
Maintenance and Operation	10,200	9,661	539
Total Parks	84,487	83,947	540
LIBRARY:			
Personal Services	51,019	51,018	1
Maintenance and Operation	1,000	956	44
Total Library	52,019	51,974	45
AMBULANCE:			
Personal Services	151,780	150,753	1,027
Maintenance and Operation	11,400	11,346	54
Capital Outlay	3,803	3,803	0
Total Ambulance	166,983	165,902	1,081
CEMETERY:			
Personal Services	41,821	41,733	88
Maintenance and Operation	6,900	6,273	627
Total Cemetery	48,721	48,006	715
GENERAL GOVERNMENT:			
Maintenance and Operation	167,340	160,817	6,523
Capital Outlay	147,846		147,846
Total General Government	315,186	160,817	154,369
MANAGERIAL:			
Maintenance and Operation	3,600	3,550	50
CITY ATTORNEY:			
Personal Services	7,105	7,105	0

**THE CITY OF NEWKIRK, OKLAHOMA
SCHEDULE OF EXPENDITURES BY CLASSIFICATION
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE/ (UNFAVORABLE)</u>
SWIMMING POOL:			
Personal Services	23,013	19,822	3,191
Maintenance and Operation	1,100	1,091	9
Total Swimming Pool	<u>24,113</u>	<u>20,913</u>	<u>3,200</u>
ELECTRIC:			
Personal Services	175,631	163,402	12,229
Maintenance and Operation	1,630,000	1,629,643	357
Capital Outlay	23,660	13,468	10,192
Total Electric	<u>1,829,291</u>	<u>1,806,513</u>	<u>22,778</u>
MUNICIPAL COURT:			
Personal Services	44,452	44,410	42
Maintenance and Operation	1,400	883	517
Total Municipal Court	<u>45,852</u>	<u>45,293</u>	<u>559</u>
CITY CLERK:			
Personal Services	204,809	204,192	617
Maintenance and Operation	2,450	2,447	3
Total City Clerk	<u>207,259</u>	<u>206,639</u>	<u>620</u>
SERVICE CENTER:			
Maintenance and Operation	69,500	69,320	180
CITY SENIOR DIRECTOR			
Personal Services	10,335	10,334	1
Maintenance and Operation	4,720	4,683	37
	<u>15,055</u>	<u>15,017</u>	<u>38</u>
TOTALS	<u><u>\$3,951,637</u></u>	<u><u>3,708,951</u></u>	<u><u>242,686</u></u>

See accompanying letter and notes to financial statements.

**THE CITY OF NEWKIRK, OKLAHOMA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS-MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	INSURANCE FUND	STREET & ALLEY FUND	JUVENILE CASH FUND	LIBRARY CASH FUND	PARK & RECREATION FUND	SENIOR BUILDING FUND	TOTALS (Memorandum Only)	
							2011	2010
ASSETS								
Cash, including time deposits	\$7,890	16,694	2,726	2,654	19,734	497	50,195	54,255
Total Assets	\$7,890	16,694	2,726	2,654	19,734	497	50,195	54,255
LIABILITIES								
Warrants Outstanding	\$0			506	1,688		2,194	8,027
Total Liabilities	0	0	0	506	1,688	0	2,194	8,027
FUND EQUITY								
Fund Balance:								
Unreserved	7,890	16,694	2,726	2,148	18,046	497	48,001	46,228
Total Fund Equity	7,890	16,694	2,726	2,148	18,046	497	48,001	46,228
Total Liabilities and Fund Equity	\$7,890	16,694	2,726	2,654	19,734	497	50,195	54,255

See accompanying letter and notes to financial statements.

THE CITY OF NEWKIRK, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS-MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	INSURANCE FUND	STREET & ALLEY FUND	JUVENILE CASH FUND	LIBRARY CASH FUND	PARK & RECREATION FUND	SENIOR BUILDING FUND	TOTALS (Memorandum Only)	
							2011	2010
REVENUES:								
Intergovernmental	\$0	21,600					21,600	19,070
Interest		35	3			2	40	961
Utility Reimbursement					13,018		13,018	38,666
Insurance Proceeds							0	0
Miscellaneous	8,445	214	75	7,203		1,410	17,347	13,739
Total Revenues	8,445	21,849	78	7,203	13,018	1,412	52,005	72,436
EXPENDITURES:								
Capital Outlay	477	13,313		8,936	25,082	2,424	50,232	54,444
Total Expenditures	477	13,313	0	8,936	25,082	2,424	50,232	54,444
Revenues Over/(Under) Expenditures	7,968	8,536	78	(1,733)	(12,064)	(1,012)	1,773	17,992
Other Financing Sources (Uses):								
Transfer in							0	0
Deobligation of prior year funds							0	0
Total Other Financing Sources (Uses):	0	0	0	0	0	0	0	0
Fund Balance, Beginning of Year	(78)	8,158	2,648	3,881	30,110	1,509	46,228	28,236
Fund Balance, End of Year	\$7,890	16,694	2,726	2,148	18,046	497	48,001	46,228

See accompanying letter and notes to financial statements

THE CITY OF NEWKIRK, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS-MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	INSURANCE FUND			JUVENILE CASH FUND			STREET & ALLEY FUND		
	Budget	Actual	Variance-Favorable/ (Unfavorable)	Budget	Actual	Variance-Favorable/ (Unfavorable)	Budget	Actual	Variance-Favorable/ (Unfavorable)
REVENUES:									
Intergovernmental	\$0		0			0	21,600	21,600	
Interest			0		3	3	35	35	
Donations			0			0			0
State Aid			0			0			0
Grants			0			0			0
Utility Reimbursement			0			0			0
FEMA			0			0			0
Insurance Proceeds			0			0			0
Miscellaneous		8,445	8,445		75	75		214	214
Total Revenues	0	8,445	8,445	0	78	78	0	21,849	21,849
EXPENDITURES:									
Capital Outlay	(78)	477	(555)	2,648		2,648	8,158	13,313	(5,155)
Total Expenditures	(78)	477	(555)	2,648	0	2,648	8,158	13,313	(5,155)
Revenues Over/(Under) Expenditur	78	7,968	7,890	(2,648)	78	2,726	(8,158)	8,536	16,694
Other Financing Sources (Uses):									
Transfer in									0
Fund Balance, Beginning of Year	(78)	(78)	0	2,648	2,648	0	8,158	8,158	0
Fund Balance, End of Year	\$0	7,890	7,890	0	2,726	2,726	0	16,694	16,694

THE CITY OF NEWKIRK, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS-MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	LIBRARY CASH FUND			PARK & RECREATION FUND			SENIOR BUILDING FUND			TOTALS (Memorandum Only)		
	Budget	Actual	Variance- Favorable/ (Unfavorable)	Budget	Actual	Variance- Favorable/ (Unfavorable)	Budget	Actual	Variance- Favorable/ (Unfavorable)	Budget	Actual	Variance- Favorable/ (Unfavorable)
REVENUES:												
Intergovernmental			0			0			0	0	21,600	21,600
Interest			0			0		2	2	0	40	40
Donations			0			0			0	0	0	0
State Aid			0			0			0	0	0	0
Grant			0			0			0	0	0	0
Utility Reimbursement			0		13,018	13,018			0	0	13,018	13,018
FEMA			0			0			0	0	0	0
Insurance Proceeds			0			0			0	0	0	0
Miscellaneous		7,203	7,203			0		1,410	1,410	0	17,347	17,347
Total Revenues	0	7,203	7,203	0	13,018	13,018	0	1,412	1,412	0	52,005	52,005
EXPENDITURES:												
Capital Outlay	3,881	8,936	(5,055)	30,110	25,082	4,878	1,509	2,424	4,878	46,228	50,232	(4,004)
Total Expenditures	3,881	8,936	(5,055)	30,110	25,082	4,878	1,509	2,424	4,878	46,228	50,232	(4,004)
Revenues Over/(Under) Expenditur	(3,881)	(1,733)	2,148	(30,110)	(12,064)	18,046	(1,509)	(1,012)	497	(46,228)	1,773	48,001
Other Financing Sources (Uses):												
Transfer in												
Deobligation of Prior Year's funds			0			0			0	0	0	0
Total other Financing Sources(Uses):												
Fund Balance, Beginning of Year	3,881	3,881	0	30,110	30,110	0	1,509	1,509	0	46,228	46,228	0
Fund Balance, End of Year	0	2,148	2,148	0	18,046	18,046	0	497	497	0	48,001	48,001

See accompanying letter and notes to financial statements

**THE CITY OF NEWKIRK, OKLAHOMA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS-MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	WATER EXTENSION FUND	RURAL FIRE EXTENSION FUND	ELECTRIC EXTENSION FUND	TOTALS (Memorandum Only)	
				2011	2010
<u>ASSETS</u>					
Cash, including time deposits	\$6,176	2,780	4,767	13,723	19,929
Total Assets	<u>\$6,176</u>	<u>2,780</u>	<u>4,767</u>	<u>13,723</u>	<u>19,929</u>
<u>LIABILITIES</u>					
Warrants Outstanding	\$0		0	0	190
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>190</u>
<u>FUND EQUITY</u>					
Fund Balance:					
Unreserved	6,176	2,780	4,767	13,723	19,739
Total Fund Equity	<u>6,176</u>	<u>2,780</u>	<u>4,767</u>	<u>13,723</u>	<u>19,739</u>
Total Liabilities and Fund Equity	<u>\$6,176</u>	<u>2,780</u>	<u>4,767</u>	<u>13,723</u>	<u>19,929</u>

See accompanying letter and notes to financial statements.

THE CITY OF NEWKIRK, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS--MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	WATER EXTENSION FUND	RURAL FIRE EXTENSION FUND	ELECTRIC EXTENSION FUND	TOTALS (Memorandum Only)	
				2011	2010
REVENUES:					
Miscellaneous	\$3,228	23,827	3,949	31,004	126,381
Total Revenues	<u>3,228</u>	<u>23,827</u>	<u>3,949</u>	<u>31,004</u>	<u>126,381</u>
EXPENDITURES:					
Capital Outlay	11,131	24,732	1,157	37,020	116,958
Total Expenditures	<u>11,131</u>	<u>24,732</u>	<u>1,157</u>	<u>37,020</u>	<u>116,958</u>
Revenues Over/(Under) Expenditures	(7,903)	(905)	2,792	(6,016)	9,423
OTHER FINANCING SOURCES (USES):					
Deobligation of Prior Year Funds				0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, Beginning of Year	14,079	3,685	1,975	19,739	10,316
Fund Balance, End of Year	<u>\$6,176</u>	<u>2,780</u>	<u>4,767</u>	<u>13,723</u>	<u>19,739</u>

See accompanying letter and notes to financial statements.

**THE CITY OF NEWKIRK, OKLAHOMA
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS - MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	CEMETERY FUND	TOTALS (Memorandum Only)	
		2011	2010
<u>ASSETS</u>			
Cash, including time deposits	\$156,568	156,568	150,514
Total Assets	<u>\$156,568</u>	<u>156,568</u>	<u>150,514</u>
<u>LIABILITIES</u>			
Warrants Outstanding	\$0	0	
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
<u>FUND EQUITY</u>			
Fund Balance:			
Reserved for Cemetery Care	156,568	156,568	150,514
Unreserved	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Equity	<u>156,568</u>	<u>156,568</u>	<u>150,514</u>
Total Liabilities and Fund Equity	<u>\$156,568</u>	<u>156,568</u>	<u>150,514</u>

See accompanying letter and notes to financial statements.

THE CITY OF NEWKIRK, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TRUST AND AGENCY FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	CEMETERY FUND	TOTALS (Memorandum Only)	
		2011	2010
REVENUES:			
Interest	\$2,168	2,168	3,851
Cemetery Care	2,811	2,811	2,060
Rent	1,075	1,075	539
Total Revenues	6,054	6,054	6,450
EXPENDITURES:			
Maintenance and Operation		0	0
Total Expenditures	0	0	0
Revenues Over/(Under) Expenditures	6,054	6,054	6,450
Fund Balance, Beginning of Year	150,514	150,514	144,064
Fund Balance, End of Year	\$156,568	156,568	150,514

See accompanying letter and notes to financial statements.

**THE NEWKIRK MUNICIPAL AUTHORITY
COMBINING BALANCE SHEET
PROPRIETARY FUND TYPE - MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	ENTERPRISE FUND	
	2011	2010
<u>ASSETS</u>		
Current Assets:		
Cash, including time deposits	\$2,593	2,594
Fixed Assets:		
Plant, Property and Equipment	3,078,928	3,078,928
Total Assets	\$3,081,521	3,081,522
<u>LIABILITIES AND RETAINED EARNINGS</u>		
Long Term Debt:		
Oklahoma Water Resources Board Note	\$466,400	506,300
Retained Earnings	2,615,121	2,575,222
Total Liabilities and Retained Earnings	\$3,081,521	3,081,522

See accompanying letter and notes to financial statements.

**THE NEWKIRK MUNICIPAL AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>ENTERPRISE FUND</u>	
	<u>2011</u>	<u>2010</u>
REVENUES:		
Charges for Service:		
Water	\$279,595	223,350
Sewer	163,268	153,769
Trash	150,868	144,779
Electric	2,718,550	2,443,587
Licenses and Permits	1,712	1,775
	<u>3,313,993</u>	<u>2,967,260</u>
Total Charges for Service		
Franchise Tax	16,223	19,390
Interest	3,573	4,025
Use Tax	23,819	23,813
Sales Tax	255,691	242,354
	<u>3,613,299</u>	<u>3,256,842</u>
Total Revenues		
EXPENDITURES:	<u>0</u>	<u>0</u>
Total Expenditures		
Revenues Over/(Under) Expenditures	<u>3,613,299</u>	<u>3,256,842</u>
OTHER FINANCING SOURCES/(USES):		
Transfers to Debt Service Fund	(49,000)	(47,500)
Transfers to Utility Bond	(59,250)	(55,650)
Retirement of Long Term Debt--by Debt Service Fund	39,900	36,900
Transfer from Meter Fund	67	33
Transfers of Surplus to the City of Newkirk	(3,505,117)	(3,153,788)
	<u>(3,573,400)</u>	<u>(3,220,005)</u>
Total Other Financing Sources/(Uses)		
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	39,899	36,837
Retained Earnings, Beginning of Year	<u>2,575,222</u>	<u>2,538,385</u>
Retained Earnings, End of Year	<u><u>\$2,615,121</u></u>	<u><u>2,575,222</u></u>

See accompanying letter and notes to financial statements.

**THE NEWKIRK MUNICIPAL AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

Cash Flows from Operating Activities:	
Net Income (Loss) from Operations	<u>\$3,613,299</u>
Cash Flows from Capital and Related Financing Activities:	
Operating Transfers	<u>(3,613,300)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1)
Cash and Cash Equivalents, June 30, 2010	<u>2,594</u>
Cash and Cash Equivalents, June 30, 2011	<u><u>\$2,593</u></u>

The notes to the financial statements are an integral part of this statement.

**THE NEWKIRK MUNICIPAL AUTHORITY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS- MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	1 CENT SALES TAX FUND	SOLID WASTE FEE FUND	CDBG GRANT FUND-WTR/SWR	UTILITY UPGRADE FUND	UTILITY BOND PAYMENT FUND	HOME GRANT FUND	TOTALS (Memorandum Only)	
							2011	2010
ASSETS								
Cash, including time deposits	\$158,858	2,701	2,395	3	5,101	0	169,058	178,664
Total Assets	\$158,858	2,701	2,395	3	5,101	0	169,058	178,664
LIABILITIES								
Warrants Outstanding	\$0		2,395				2,395	0
Total Liabilities	0	0	2,395	0	0	0	2,395	0
FUND EQUITY								
Fund Balance:								
Reserved for Incomplete Projects	158,858	2,701	0	3	5,101	0	166,663	178,664
Total Fund Equity	158,858	2,701	0	3	5,101	0	166,663	178,664
Total Liabilities and Fund Equity	\$158,858	2,701	2,395	3	5,101	0	169,058	178,664

See accompanying letter and notes to financial statements

**THE NEWKIRK MUNICIPAL AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2011**

	1 CENT SALES TAX FUND	SOLID WASTE FEE FUND	CDBG GRANT FUND-WTR/SWR	UTILITY UPGRADE FUND	UTILITY BOND PAYMENT FUND	HOME GRANT FUND	TOTALS (Memorandum Only)	
							2011	2010
REVENUES								
Sales Tax	\$127,845						127,845	121,177
Use Tax	11,909						11,909	11,906
Cigarette Tax							0	0
Interest	1,060	2			3		1,065	1,449
Grants			100,741				100,741	268,460
Loan			32,566				32,566	0
Solid Waste Fees		3,220					3,220	3,219
Total Revenues	140,814	3,222	133,307	0	3	0	277,346	406,211
EXPENDITURES								
Capital Outlay	153,638		32,566				186,204	245,999
Grant			100,741				100,741	268,460
Solid Waste Fees		1,966					1,966	2,580
Total Expenditures	153,638	1,966	133,307	0	0	0	288,911	517,039
Revenues Over/(Under) Expenditures	(12,824)	1,256	0	0	3	0	(11,565)	(110,828)
OTHER FINANCING SOURCES/(USES):								
Transfer from Municipal Authority					59,250		59,250	55,650
Transfer Among Debt Service Funds							0	0
Payment of Bonds					(59,686)		(59,686)	(55,458)
Deobligation of Prior Year Funds	0	0	0	0	0		0	0
Total Other Financing Sources/(Uses)	0	0	0	0	(436)	0	(436)	192
Fund Balance, Beginning of Year	171,682	1,445	0	3	5,534	0	178,664	289,300
Fund Balance, End of Year	\$158,858	2,701	0	3	5,101	0	166,663	178,664

See accompanying letter and notes to financial statements

**THE NEWKIRK MUNICIPAL AUTHORITY
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND - MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	UTILITY REVENUE BOND FUND	TOTALS (Memorandum Only)	
		2011	2010
<u>ASSETS</u>			
Cash, including time deposits	\$665,285	665,285	686,615
Total Assets	<u>\$665,285</u>	<u>665,285</u>	<u>686,615</u>
<u>LIABILITIES</u>			
Warrants Outstanding	\$0	0	0
Bonds Payable	600,000	600,000	625,000
Total Liabilities	<u>600,000</u>	<u>600,000</u>	<u>625,000</u>
<u>FUND EQUITY</u>			
Fund Balance:			
Reserved for Encumbrances	0	0	0
Unreserved	65,285	65,285	61,615
Total Fund Equity	<u>65,285</u>	<u>65,285</u>	<u>61,615</u>
Total Liabilities and Fund Equity	<u>\$665,285</u>	<u>665,285</u>	<u>686,615</u>

See accompanying letter and notes to financial statements.

THE NEWKIRK MUNICIPAL AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	UTILITY REVENUE BOND FUND	TOTALS (Memorandum Only)	
		2011	2010
REVENUES:			
Interest	\$6	6	5
Total Revenues	<u>6</u>	<u>6</u>	<u>5</u>
EXPENDITURES:			
Capital Outlay	0	0	0
Interest Expense	29,775	29,775	30,800
Fiscal Agent's Fees	1,250	1,250	1,250
Total Expenditures	<u>31,025</u>	<u>31,025</u>	<u>32,050</u>
Revenues Over/(Under) Expenditures	(31,019)	(31,019)	(32,045)
OTHER FINANCING SOURCES/(USES):			
Debt Service Payments	(25,000)	(25,000)	(25,000)
Transfer from Municipal Authority	59,689	59,689	55,458
Transfer Among Debt Service Funds	0	0	0
Total Other Financing Sources/(Uses)	<u>34,689</u>	<u>34,689</u>	<u>30,458</u>
Fund Balance, Beginning of Year	<u>61,615</u>	<u>61,615</u>	<u>63,202</u>
Fund Balance, End of Year	<u><u>\$65,285</u></u>	<u><u>65,285</u></u>	<u><u>61,615</u></u>

See accompanying letter and notes to financial statements.

**THE NEWKIRK MUNICIPAL AUTHORITY
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS - MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	SEWER RESERVE FUND	DEBT SERVICE FUND	SEWER CONSTR. RESERVE FUND	TOTALS (Memorandum Only)	
				2011	2010
<u>ASSETS</u>					
Cash, including time deposits	\$4,601	4,109	82,521	91,231	90,985
Total Assets	<u>\$4,601</u>	<u>4,109</u>	<u>82,521</u>	<u>91,231</u>	<u>90,985</u>
<u>LIABILITIES</u>					
Warrants Outstanding	\$0	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>FUND EQUITY</u>					
Fund Balance:					
Reserved for Debt Service	4,601	4,109	82,521	91,231	90,985
Total Fund Equity	<u>4,601</u>	<u>4,109</u>	<u>82,521</u>	<u>91,231</u>	<u>90,985</u>
Total Liabilities and Fund Equity	<u>\$4,601</u>	<u>4,109</u>	<u>82,521</u>	<u>91,231</u>	<u>90,985</u>

See accompanying letter and notes to financial statements.

THE NEWKIRK MUNICIPAL AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	SEWER RESERVE FUND	DEBT SERVICE FUND	SEWER CONSTR. RESERVE FUND	TOTALS (Memorandum Only)	
				2011	2010
REVENUES:					
Interest	\$3	4	165	172	263
Total Revenues	<u>3</u>	<u>4</u>	<u>165</u>	<u>172</u>	<u>263</u>
EXPENDITURES:					
Payment of Debt		41,050		41,050	37,650
Interest Expense		6,876		6,876	9,665
Fiscal Agent Fees	1,000			1,000	1,000
Capital Outlay				0	0
Total Expenditures	<u>1,000</u>	<u>47,926</u>	<u>0</u>	<u>48,926</u>	<u>48,315</u>
Revenues Over/(Under) Expenditures	<u>(997)</u>	<u>(47,922)</u>	<u>165</u>	<u>(48,754)</u>	<u>(48,052)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers from Enterprise Fund	49,000			49,000	47,500
Transfers Between Debt Service Funds	(47,889)	48,054	(165)	0	0
Total Other Financing Sources/(Uses)	<u>1,111</u>	<u>48,054</u>	<u>(165)</u>	<u>49,000</u>	<u>47,500</u>
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	<u>114</u>	<u>132</u>	<u>0</u>	<u>246</u>	<u>(552)</u>
Fund Balance, Beginning of Year	<u>4,487</u>	<u>3,977</u>	<u>82,521</u>	<u>90,985</u>	<u>91,537</u>
Fund Balance, End of Year	<u><u>\$4,601</u></u>	<u><u>4,109</u></u>	<u><u>82,521</u></u>	<u><u>91,231</u></u>	<u><u>90,985</u></u>

See accompanying letter and notes to financial statements.

**THE NEWKIRK MUNICIPAL AUTHORITY
COMBINING BALANCE SHEET
TRUST AND AGENCY FUND - MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	METER DEPOSIT FUND	
	2011	2010
<u>ASSETS</u>		
Cash, including time deposits	\$126,949	125,119
Total Assets	126,949	125,119
<u>LIABILITIES</u>		
Warrants Outstanding	303	342
Refundable Meter Deposits	126,646	124,777
Total Liabilities	126,949	125,119
<u>FUND EQUITY</u>		
Fund Balance: Unreserved	0	0
Total Fund Equity	0	0
Total Liabilities and Fund Equity	\$126,949	125,119

See accompanying letter and notes to financial statements.

NEWKIRK MUNICIPAL AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
TRUST AND AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	METER DEPOSIT FUND	TOTALS (Memorandum Only)	
		2011	2010
REVENUES	\$0	0	0
Total Revenues	0	0	0
EXPENDITURES	0	0	0
Total Expenditures	0	0	0
Excess of Revenues Over/(Under) Expenditures	0	0	0
OTHER FINANCING SOURCES/(USES):			
Customer Deposits in Excess of Refunds	1,868	1,868	3,423
Increase in Refundable Deposits	(1,868)	(1,868)	(3,423)
Total Other Financing Sources/(Uses)	0	0	0
Excess of Revenues and Other Sources Over/ (Under) Expenditures and Other Uses	0	0	0
Fund Balance, Beginning of Year	0	0	0
Fund Balance, End of Year	\$0	0	0

See accompanying letter and notes to financial statements.

**THE CITY OF NEWKIRK, OKLAHOMA
(INCLUDING THE NEWKIRK MUNICIPAL AUTHORITY)
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

CFDA Number	Program or Award Amount	Cash/ Beginning Balance at July 1, 2010	Federal Receipts	Federal Expenditures	Cash/ Ending Balance at June 30, 2011
<u>US Department of Housing and Economic Development</u>					
Passed through Oklahoma Department of Commerce					
	CDBG Contract No. 14168	\$50,000	0	50,000	50,000
	CDBG Contract No. 11873	100,000	24,538	24,538	0
	10 Reap Fund KA10-7	26,203	26,203	26,203	0
	11 Reap Fund KA11-3	17,860		17,860	(17,860)
	11.300				
<hr/>					
Total Federal Assistance	<u>\$194,063</u>	<u>0</u>	<u>100,741</u>	<u>118,601</u>	<u>(17,860)</u>

See accompanying letter and notes to financial statements.

**MANAGEMENT LETTER AND SCHEDULE OF
FINDINGS**

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

FAX (405) 348-7965

April 3, 2012

Honorable Governing Board
City of Newkirk, Oklahoma

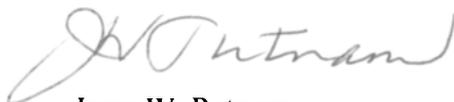
We have audited financial statements of the City of Newkirk, including the Newkirk Municipal Authority, as of and for the year ended June 30, 2011, as listed in the table of contents, and have issued our report thereon dated April 3, 2012. As a part of our audit, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 3, 2012, on the financial statements of the City of Newkirk.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,



Jerry W. Putnam

PUTNAM & COMPANY, PLLC

**CITY OF NEWKIRK
KAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS

Some corrective action has been taken by the City with regard to the prior year's comments. (Those comments which have not been completely resolved are repeated below as applicable.)

CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS

Internal Control:

Due to the size of the City's staff, it is impossible to prevent individuals from having complete control over a financial transaction.

Supporting Documentation:

The supporting documentation for the purchase orders and payments was found to be very good.