

CITY OF ELK CITY OKLAHOMA
ELK CITY, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2011

THE CITY OF ELK CITY, OKLAHOMA
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Hunter & Gibbins, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Elk City, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Elk City, Oklahoma's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 October 18, 2011, on our consideration of the City of Elk City, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 17 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elk City, Oklahoma's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hunter & Gibbins, P.C.

Elk City, Oklahoma
October 18, 2011



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Within this section, the City of Elk City's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2011. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL SUMMARY

- At June 30, 2011, the assets of the City exceeded its liabilities by \$80,374,510 (net assets). Of this amount \$19,831,331 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors. This compared to the previous year when assets exceeded liabilities by \$56,408,250, before change in reporting of the Industrial Authority of \$16,518,256.
- The City's total net assets are comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$58,810,748 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net assets of \$1,732,431.
 - (3) Unrestricted net assets of \$19,831,331 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City increased by \$1,296,251 during the fiscal year. The increase is attributable to draws on business-type activities debt offset by payments made during the year.
- After transfers of \$9,249,091 to business-type activities from governmental activities, net assets of governmental activities decreased \$987,455 or 2%, and net assets of business-type activities increased \$8,380,207 or 32%. Overall the health of the City improved when compared to prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,880,520 or 51% of total General Fund expenditures, excluding transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. All current year revenues and expenses are

included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electricity, water, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the meter deposits and police bonds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information detailing the combining statements of non-major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net assets at June 30, 2011 are \$80,374,510. This is a \$7,448,004 increase over June 30, 2010 net assets of \$72,926,506, including change in presentation. The City reported positive balances in total net assets for both governmental and business-type activities, reporting \$45,954,211 and \$34,420,299, respectively. The City's overall financial position improved during fiscal year 2011.

	Summary of Net Assets							
	Governmental Activities		Business-Type Activities		Total		\$	%
	2011	2010	2011	2010	2011	2010		
Current assets	\$ 12,915,256	\$ 13,173,668	\$ 12,640,247	\$ 11,636,110	\$ 25,555,503	\$ 24,809,778	\$ 745,725	3%
Non-current assets	-	-	1,990,678	-	1,990,678	-	1,990,678	100%
Capital assets, net	34,911,719	35,899,609	44,326,010	37,330,268	79,237,729	73,229,877	6,007,852	8%
Total assets	47,826,975	49,073,277	58,956,935	48,966,378	106,783,910	98,039,655	8,744,255	9%
Current liabilities	588,703	946,131	2,695,383	946,706	3,284,086	1,892,837	1,391,249	74%
Non-current liabilities	1,284,061	1,240,732	21,841,253	21,979,580	23,125,314	23,220,312	(94,998)	0%
Total liabilities	1,872,764	2,186,863	24,536,636	22,926,286	26,409,400	25,113,149	1,296,251	5%
Net assets								
Invested in capital assets, net of related debt	34,911,719	35,899,609	23,899,029	22,005,508	58,810,748	57,905,117	905,631	2%
Restricted	1,732,431	3,673,166	-	-	1,732,431	3,673,166	(1,940,735)	-53%
Unrestricted	9,310,061	7,313,639	10,521,270	4,034,584	19,831,331	11,348,223	8,483,108	75%
Total net assets	\$ 45,954,211	\$ 46,886,414	\$ 34,420,299	\$ 26,040,092	\$ 80,374,510	\$ 72,926,506	\$ 7,448,004	10%

Net assets increased 10% over prior year. This increase is attributable to purchases of capital assets and liquid assets offset by an increase in draws on long-term liabilities.

Summary of Changes in Net Assets

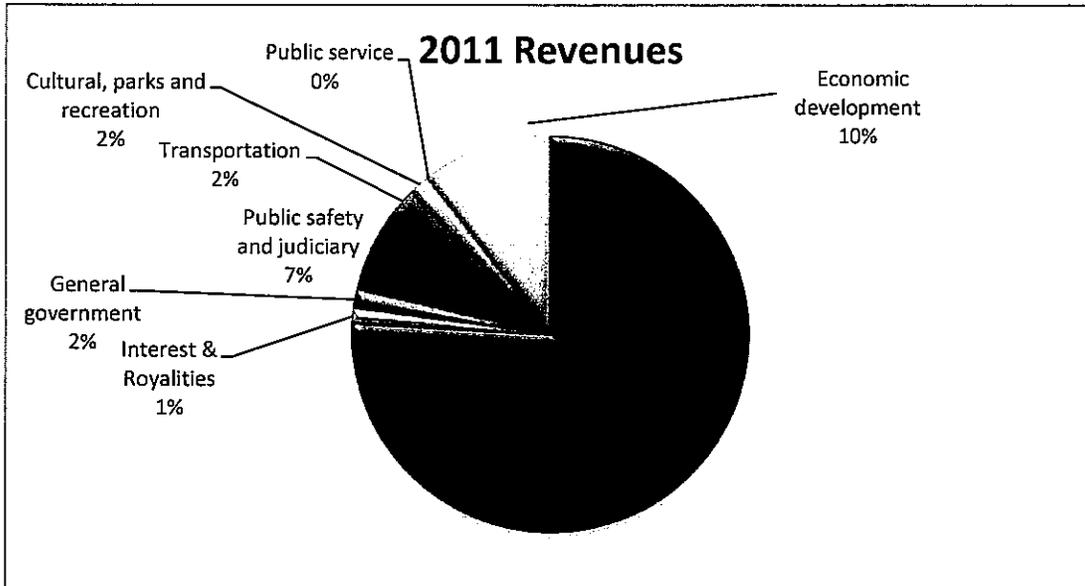
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2011	2010	2011	2010	2011	2010		
Revenues								
Program revenues	\$ 4,144,021	\$ 2,367,397	\$ 6,952,290	\$ 6,083,996	\$ 11,096,311	\$ 8,451,393	\$ 2,644,918	31%
Taxes and other general revenues	13,890,297	10,583,867	43,497	4,468,304	13,933,794	15,052,171	(1,118,377)	-7%
Total revenues	18,034,318	12,951,264	6,995,787	10,552,300	25,030,105	23,503,564	1,526,541	24%
Expenses								
General government	427,388	391,081	-	-	427,388	391,081	36,307	9%
Public safety and judiciary	5,330,857	5,057,320	-	-	5,330,857	5,057,320	273,537	5%
Transportation	100,912	-	-	-	100,912	-	100,912	100%
Cultural, parks, and recreation	1,785,431	1,792,863	-	-	1,785,431	1,792,863	(7,432)	0%
Public service	1,442,468	1,106,320	-	-	1,442,468	1,106,320	336,148	30%
Economic development	685,626	658,916	-	-	685,626	658,916	26,710	4%
Utilities	-	-	2,330,091	3,888,271	2,330,091	3,888,271	(1,558,180)	-40%
Airport	-	-	313,637	180,957	313,637	180,957	132,680	73%
Customer service	-	-	1,698,737	10,867	1,698,737	10,867	1,687,870	15532%
Industrial development	-	-	3,522,206	3,190,364	3,522,206	3,190,364	331,842	10%
Total expenses	9,772,682	9,006,500	7,864,671	7,270,459	17,637,353	16,276,959	1,360,394	8%
Excess (deficiency) before transfers	\$ 8,261,636	\$ 3,944,764	\$ (868,884)	\$ 3,281,841	\$ 7,392,752	\$ 7,226,605	\$ 166,147	2%
Transfers	(9,249,091)	299,213	9,249,091	(299,213)	-	-	-	0%
Increase (decrease) in net assets	\$ (987,455)	\$ 4,243,977	\$ 8,380,207	\$ 2,982,628	\$ 7,392,752	\$ 7,226,605	\$ 166,147	2%

Certain reclassifications have been made from prior year balances to conform to current year presentation.

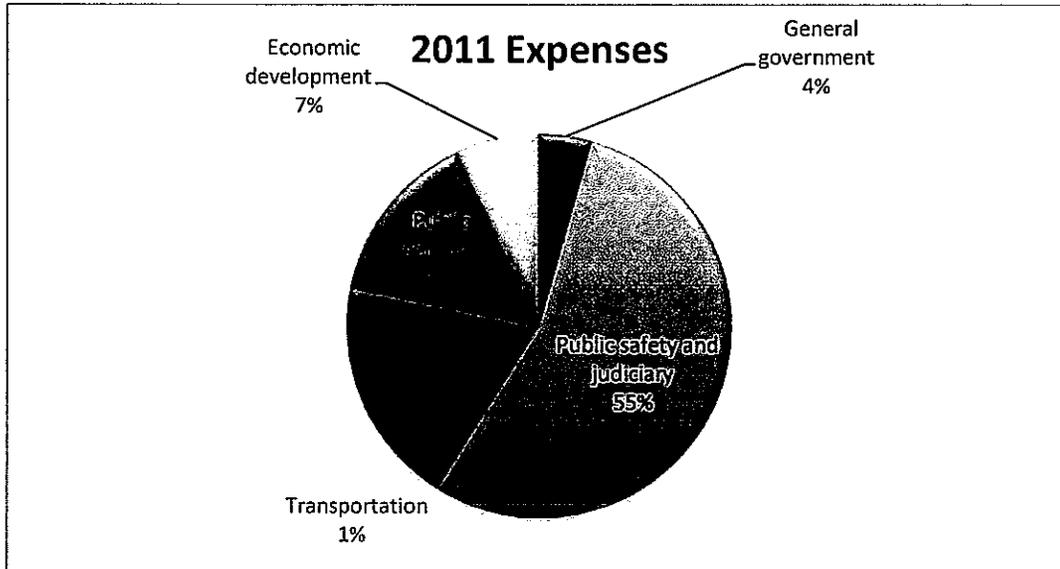
Revenues for the City increased 24% year over year. This increase in revenues is attributable to increase in utility usage from citizens, increase in general tax revenues, offset by a decrease in intergovernmental revenues.

Operating expenses also noted a modest increase over fiscal year 2010 of 8%. This increase is a function of the repairs and improvements made to the City infrastructure during the fiscal year coupled with increase in personnel in fuel costs.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.

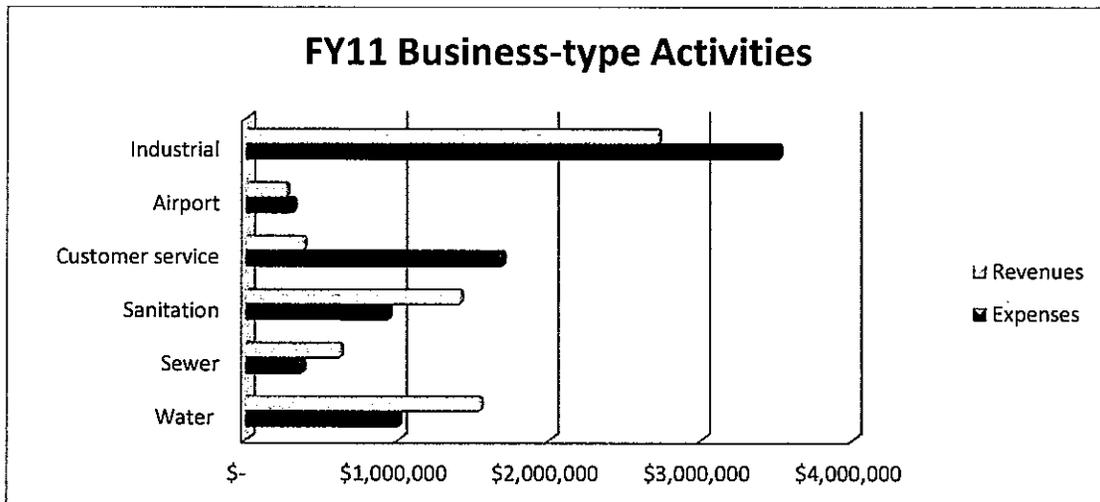


Taxes provided 76% of the City's governmental revenues in fiscal year 2011. Economic development provided 10% of governmental revenues for the year.



For the year ended June 30, 2011, total expenses for governmental activities were \$9,772,682. Of this amount, public safety and judiciary with \$5,330,857, was the largest operating service department at 55% of the total cost of services for the City government. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, and Water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

For the fiscal year ended June 30, 2011, revenues from water, sewer, and sanitation services covered the cost of operating their respective departments.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2011 was \$8,039,355. This was a decrease of \$4,811,166 over the previous year's budget. Total expenditures for the City were \$7,655,915, which is \$383,440 less than the approved budget. Total General Fund expenditures were less than approved budgeted amounts, however certain departments exceeded budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had \$58,810,748 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and utility improvements/infrastructure in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)
 (in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 3,163	\$ 3,194	\$ 440	\$ 270	\$ 3,603	\$ 3,464
Buildings	15,906	15,199	34,169	34,169	50,075	49,368
Machinery & equipment	16,784	16,743	2,111	1,847	18,895	18,590
Utility property & improvements	29,803	29,756	20,267	12,573	50,070	42,329
Total cost	\$ 65,656	\$ 64,892	\$ 56,987	\$ 48,859	\$ 122,643	\$ 113,751
Accumulated depreciation	30,744	28,992	12,661	11,541	43,405	40,533
Total capital assets, net	\$ 34,912	\$ 35,900	\$ 44,326	\$ 37,318	\$ 79,238	\$ 73,218

The most significant additions to the City's capital assets included continued development of the industrial park, completion of City Hall, street and paving improvements, waterline engineering and construction, and nine 2010 police cars.

Long-Term Debt

At year-end, the City had \$21,263,479 in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Business-type	
	Activities	
	2011	2010
Notes payable	22,746,555	21,058,536
less current portion	(1,483,076)	(1,204,981)
Total long term debt	21,263,479	19,853,555

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

The national economic recession resulted in economic concerns and issues for the City. Overall tax revenues remained steady in fiscal year 2011. However, there were a significant number of capital projects undertaken by the municipality that impacted cash flow. Because the City has effective processes in place to deal with the economic declines and the planning for capital improvements, the impact on the City has not been as detrimental as it has in other cities and other part of the country. Improvement in the economic position is cautiously projected.

Fiscal Year 2012 Planning

The City of Elk City has approved a budget for the municipal entity that is based upon the need to maintain current levels of service to citizens. The Commission undertook three main objectives as part of the outlook for the City, historic and systemic wage and compensation issues, an aggressive capital improvements program, a steady process to create an actual City "Reserve Fund", the establishment of a conservative balance within each operating fund in preparation for economic slowdowns. To meet these goals, an 8% salary increase was included, adjustments to the funding of the retirement plan, re-direction of sales tax, and deliberate effort to control operating costs combined with the exploration of new revenue sources.

A utility rate study is planned for fiscal year 2012 to ensure that the cost of providing services is covered by the charges generated by use.

Capital improvements of \$6.7 million, funded with sales tax, are approved for fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Elk City City Hall, 320 West 3rd St, Elk City, Oklahoma.

City of Elk City, Oklahoma
Statement of Net Assets
June 30, 2011

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 3,495,834	\$ 7,617,357	\$ 11,113,191
Investments	1,834,000	1,507,000	3,341,000
Due from other governments	72,660	1,761	74,421
Accounts receivable (net)	149,454	1,047,542	1,196,996
Note receivable, current	-	328,896	328,896
Inventory	13,436	1,123,112	1,136,548
Due from other funds	(14,227)	14,227	-
Total current assets	5,551,157	11,639,895	17,191,052
Restricted assets:			
Cash and cash equivalents	5,012,099	1,000,352	6,012,451
Investments	2,352,000	-	2,352,000
Total restricted assets	7,364,099	1,000,352	8,364,451
Noncurrent Assets:			
Note receivable	-	1,990,678	1,990,678
Land and construction in progress	3,163,050	440,000	3,603,050
Other capital assets (net of accumulated depreciation)	31,748,669	43,886,010	75,634,679
Total noncurrent assets	34,911,719	46,316,688	81,228,407
Total assets	\$ 47,826,975	\$ 58,956,935	\$ 106,783,910
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 282,170	\$ 744,227	\$ 1,026,397
Payroll liabilities	-	40,660	40,660
Compensated absences	306,533	74,890	381,423
Deferred income	-	266,667	266,667
Other liabilities	-	14,125	14,125
Accrued payables	-	71,738	71,738
Notes payable, current	-	1,483,076	1,483,076
Total current liabilities	588,703	2,695,383	3,284,086
Noncurrent liabilities:			
Other accrued liabilities	1,284,061	577,774	1,861,835
Notes payable, non-current	-	21,263,479	21,263,479
Total noncurrent liabilities	1,284,061	21,841,253	23,125,314
Total liabilities	1,872,764	24,536,636	26,409,400
NET ASSETS			
Invested in capital assets, net of related debt	34,911,719	23,899,029	58,810,748
Reserved for restricted purposes	1,732,431	-	1,732,431
Unrestricted	9,310,061	10,521,270	19,831,331
Total net assets	\$ 45,954,211	\$ 34,420,299	\$ 80,374,510

**City of Elk City, Oklahoma
Statement of Activities
Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants & Contributions
Governmental activities:					
General government	\$ 427,388	\$ 114,710	\$ 151,323	\$ 15,911	\$ (145,444)
Public safety and judiciary	5,330,857	1,213,761	-	33,660	(4,083,436)
Transportation	100,912	-	96,260	330,416	325,764
Cultural, parks and recreation	1,785,431	248,301	12,132	4,600	(1,520,398)
Public service	1,442,468	46,307	-	-	(1,396,161)
Economic development	685,626	-	489,300	1,387,340	1,191,014
Total governmental activities	9,772,682	1,623,079	749,015	1,771,927	(5,628,661)
Business-type activities:					
Water	1,010,817	1,547,868	-	-	537,051
Sewer	372,116	623,267	-	-	251,151
Sanitation	947,158	1,414,535	-	-	467,377
Customer service	1,698,737	378,629	-	-	(1,320,108)
Airport	313,637	265,882	-	-	(47,755)
Industrial	3,522,206	2,722,109	-	-	(800,097)
Total business-type activities	7,864,671	6,952,290	-	-	(912,381)
Total primary government	\$ 17,637,353	\$ 8,575,369	\$ 749,015	\$ 1,771,927	\$ (6,541,042)

City of Elk City, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2011

Changes in Net Assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense)/revenue	\$ (5,628,661)	\$ (912,381)	\$ (6,541,042)
General revenues:			
Taxes:			
Sales tax	11,700,935	-	11,700,935
Use tax	954,716	-	954,716
Franchise tax	529,446	-	529,446
Other taxes	230,864	-	230,864
Oil and gas royalties	189,752	-	189,752
Investment income	150,294	77,101	227,395
Gain/(loss) on sale of assets	57,420	(59,104)	(1,684)
Transfers-Internal activity	(9,249,091)	9,249,091	-
Other	76,870	25,500	102,370
Total general revenues and transfers	<u>4,641,206</u>	<u>9,292,588</u>	<u>13,933,794</u>
Change in net assets	(987,455)	8,380,207	7,392,752
Net assets-beginning	46,886,414	26,040,092	72,926,506
Prior period adjustment	55,252	-	55,252
Net assets-ending	<u>\$ 45,954,211</u>	<u>\$ 34,420,299</u>	<u>\$ 80,374,510</u>

City of Elk City, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Debt Service	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,587,460	\$ 1,103,461	\$ 2,241,489	\$ 724,935	\$ 1,850,588	\$ 8,507,933
Investments	1,671,000	-	-	2,000,000	515,000	4,186,000
Due from other governments	30,511	-	-	-	42,149	72,660
Accounts receivable	149,454	-	-	-	-	149,454
Inventory	-	-	-	-	13,436	13,436
Total assets	<u>\$ 4,438,425</u>	<u>\$ 1,103,461</u>	<u>\$ 2,241,489</u>	<u>\$ 2,724,935</u>	<u>\$ 2,421,173</u>	<u>\$ 12,929,463</u>
LIABILITIES						
Accounts payable	\$ 237,145	\$ -	\$ -	\$ -	\$ 45,025	\$ 282,170
Due to other funds	14,227	-	-	-	-	14,227
Compensated absences	306,533	-	-	-	-	306,533
Total liabilities	<u>557,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,025</u>	<u>602,930</u>
FUND BALANCES						
Nonspendable	-	-	-	-	13,436	13,436
Restricted	-	1,103,461	-	-	628,970	1,732,431
Committed	-	-	2,241,489	-	793,398	3,034,887
Assigned	-	-	-	2,724,935	873,867	3,598,802
Unassigned	3,880,520	-	-	-	66,477	3,946,997
Total fund balances	<u>3,880,520</u>	<u>1,103,461</u>	<u>2,241,489</u>	<u>2,724,935</u>	<u>2,376,148</u>	<u>12,326,553</u>
Total liabilities and fund balances	<u>\$ 4,438,425</u>	<u>\$ 1,103,461</u>	<u>\$ 2,241,489</u>	<u>\$ 2,724,935</u>	<u>\$ 2,421,173</u>	<u>\$ 12,929,463</u>
Total fund balance- total governmental funds						\$ 12,326,553
Amounts reported for governmental activities in the Statement of Net assets are different because:						
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported						
					3,163,050	
					62,492,401	
					<u>(30,743,732)</u>	
						34,911,719
Long-term portion of liabilities are not due and payable in the current period and are not reported						
						<u>(1,284,061)</u>
Net assets of governmental activities						<u>\$ 45,954,211</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2011

	General Fund	Debt Service	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
REVENUES						
Sales tax	\$ 6,579,776	\$ -	\$ 5,121,159	\$ -	\$ -	\$ 11,700,935
Use tax	954,716	-	-	-	-	954,716
Franchise tax	529,446	-	-	-	-	529,446
Other taxes	164,696	6	-	-	-	164,704
Licenses and permits	45,153	-	-	-	-	45,153
Rents & royalties	82,189	140,923	-	-	4,530	227,642
Fines and forfeitures	476,008	-	-	-	5,229	481,237
Charges for services	435,353	-	-	-	462,205	897,558
Intergovernmental revenues	120,331	-	1,387,340	-	590,131	2,097,802
Donations	-	-	-	-	42,656	42,656
Other revenues	75,470	-	244,899	86,067	722,302	1,128,738
Interest	81,084	951	7,043	37,173	24,043	150,294
Total revenues	9,544,224	141,880	6,760,441	123,240	1,851,096	18,420,861
EXPENDITURES						
General government:						
Managerial	455,099	-	-	-	-	455,099
City clerk	709,486	-	-	-	-	709,486
City treasurer	92,516	-	-	-	-	92,516
City attorney	38,547	-	-	-	-	38,547
General government	260,779	-	80	-	172,486	433,345
Total general government	1,566,427	-	80	-	172,486	1,728,993
Public safety and judiciary:						
Police	2,066,314	-	-	-	32,692	2,099,006
Municipal court	73,822	-	-	-	-	73,822
Animal control	170,248	-	-	-	-	170,248
Fire	1,061,160	-	-	-	20,090	1,081,250
Ambulance	182,269	-	-	-	538,719	721,018
Total public safety and judiciary	3,553,843	-	-	-	591,501	4,145,344
Transportation:						
Street	-	-	-	-	83,426	83,426
Total transportation	-	-	-	-	83,426	83,426
Cultural, parks and recreation:						
Museum	366,276	-	-	-	56,317	422,593
Library	155,078	-	-	-	10,132	165,210
Civic center	87,379	-	-	-	-	87,379
Park	290,885	-	-	-	-	290,885
Swimming pool	82,522	-	-	-	-	82,522
Total cultural, parks and recreation	982,140	-	-	-	66,449	1,048,589
Public service:						
Cemetery	132,632	-	-	-	-	132,632
Inspection	146,379	-	-	-	-	146,379
Landfill	-	-	-	-	7,074	7,074
Total public service	279,011	-	-	-	7,074	286,085
Economic development:						
Hotel/motel tax	-	-	-	36	375,000	375,036
Total economic development	-	-	-	36	375,000	375,036
Capital outlay	1,284,494	-	-	118,945	57,114	1,460,553
Total expenditures	7,655,915	-	80	118,981	1,353,050	9,128,026
Excess (deficiency) of revenues over expenditures	1,888,309	141,880	6,760,361	4,259	498,046	9,292,855
OTHER FINANCING SOURCES (USES)						
Transfers in	839,182	-	-	222,553	229,490	1,291,225
Transfers out	(2,925,234)	-	(7,230,457)	-	(384,625)	(10,540,316)
Total other financing sources and uses	(2,086,052)	-	(7,230,457)	222,553	(155,135)	(9,249,091)
Net change in fund balances	(197,743)	141,880	(470,096)	226,812	342,911	43,764
Fund balances - beginning	4,078,263	961,581	2,711,585	2,498,123	2,033,237	12,282,789
Fund balances - ending	\$ 3,880,520	\$ 1,103,461	\$ 2,241,489	\$ 2,724,935	\$ 2,376,148	\$ 12,326,553

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2011

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

Net change in fund balances - total governmental funds \$ 43,764
Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	1,460,553	
Depreciation expense	<u>(2,061,880)</u>	(601,327)

In the statement of activities, the loss on the disposal of assets is reported,
whereas in the governmental funds, the proceeds from the sale increase
financial resources. The change in net assets differs from the change in
fund balance by the cost of the assets disposed, net of related
accumulated depreciation.

Sale of assets - governmental funds	443,983	
Loss of disposal of assets - government-wide	<u>(57,420)</u>	(386,563)

Some expenses reported in the statement of activities do not require
the use of current financial resources and are not reported as expenditures
in governmental funds. This includes the net increase in the liability
related to closure and post closure cost of the City's solid waste landfill

(43,329)

Change in Net Assets of Governmental Activities \$ (987,455)

City of Elk City Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2011

	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Sales tax	\$ 3,066,921	\$ 3,654,542	\$ 587,621
Franchise Tax	462,860	529,446	66,586
Other tax and licenses	964,943	1,185,574	220,631
Airport fuel sales	297,000	-	(297,000)
License, Fees & Permits	426,746	162,734	(264,012)
Museum	160,670	63,148	(97,522)
Police Fines & Court Fees	393,812	454,243	60,431
Oil & Gas Royalty	-	48,829	48,829
Rentals	35,000	33,360	(1,640)
Interest Income	-	81,084	81,084
Ambulance Revenue	590,140	276,489	(313,651)
Grants	164,738	54,171	(110,567)
Miscellaneous Sales and Service	24,417	75,370	50,953
Total revenues	<u>6,587,247</u>	<u>6,618,990</u>	<u>31,743</u>
EXPENDITURES			
<u>General government:</u>			
Managerial:			
Personal Service	308,593	275,824	32,769
Maintenance & Operation	69,500	179,275	(109,775)
Capital Outlay		64,664	(64,664)
General Government:			
Personal Service	64,739	78,238	(13,499)
Maintenance & Operation	-	904	(904)
City Clerk:			
Personal Service	294,314	76,687	217,627
Maintenance & Operation	304,500	632,799	(328,299)
Capital Outlay	40,000	39,953	47
City Treasurer:			
Personal Service	87,743	87,446	297
Maintenance & Operation	5,000	5,070	(70)
Capital Outlay	2,500	2,978	(478)
City Attorney:			
Personal Service	41,569	38,238	3,331
Maintenance & Operation	750	309	441
Maintenance:			
Personal Service	-	49,493	(49,493)
Maintenance & Operation	-	8,712	(8,712)
Reserve Account:			
Capital Outlay	765,126	739,110	26,016
Total General government:	<u>1,984,334</u>	<u>2,279,700</u>	<u>(295,366)</u>
<u>Public safety and judiciary:</u>			
Municipal Court:			
Personal Service	70,473	72,524	(2,051)
Maintenance & Operation	2,750	1,298	1,452
Capital Outlay	1,000	-	1,000
Police Department:			
Personal Service	1,553,104	1,789,436	(236,332)
Maintenance & Operation	193,205	276,878	(83,673)
Capital Outlay	160,000	285,748	(125,748)
Fire Department:			
Personal Service	964,886	924,211	40,675
Maintenance & Operation	85,573	136,949	(51,376)
Capital Outlay	37,000	43,271	(6,271)
Animal Control:			
Personal Service	103,471	117,555	(14,084)
Maintenance & Operation	49,583	52,693	(3,110)
Capital Outlay	25,500	-	25,500
Ambulance:			
Personal Service	703,570	156,410	547,160
Maintenance & Operation	136,700	25,889	110,811
Capital Outlay	9,000	-	9,000
Total Public safety and judiciary:	<u>4,095,815</u>	<u>3,882,862</u>	<u>212,953</u>

City of Elk City Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Culture and recreation:</u>			
Park:			
Personal Service	182,671	210,652	(27,981)
Maintenance & Operation	108,952	80,233	28,719
Capital Outlay	45,500	85,902	(40,402)
Library:			
Personal Service	138,966	124,120	14,846
Maintenance & Operation	55,595	30,958	24,637
Capital Outlay	35,000	12,068	22,932
Swimming Pool:			
Personal Service	78,846	67,903	10,943
Maintenance & Operation	15,750	14,619	1,131
Capital Outlay	5,500	-	5,500
Museum:			
Personal Service	285,045	249,203	35,842
Maintenance & Operation	29,434	117,073	(87,639)
Capital Outlay	80,000	7,500	72,500
Civic Center:			
Maintenance & Operation	67,106	87,379	(20,273)
Capital Outlay	30,000	3,300	26,700
Total Culture and recreation:	<u>1,158,365</u>	<u>1,090,910</u>	<u>67,455</u>
<u>Public services</u>			
Inspection:			
Personal Service	92,010	101,321	(9,311)
Maintenance & Operation	18,611	45,058	(26,447)
Capital Outlay	750	-	750
Airport:			
Personal Service	68,959	-	68,959
Maintenance & Operation	308,000	-	308,000
Capital Outlay	7,000	-	7,000
Cemetery:			
Personal Service	114,013	109,156	4,857
Maintenance & Operation	21,405	23,476	(2,071)
Capital Outlay	32,500	-	32,500
Youth and Family:			
Personal Service	82,342	88,798	(6,456)
Maintenance & Operation	51,751	34,634	17,117
Capital Outlay	3,500	-	3,500
Total Public services	<u>800,841</u>	<u>402,443</u>	<u>398,398</u>
Total expenditures	<u>8,039,355</u>	<u>7,655,915</u>	<u>383,440</u>
Revenue over (under) expenditures	(1,452,108)	(1,036,925)	(351,697)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in/(out)	<u>567,154</u>	<u>839,182</u>	<u>272,028</u>
Net other financing sources (uses)	<u>567,154</u>	<u>839,182</u>	<u>272,028</u>
Revenues and other financing sources over (under) expenditures and other uses	(884,954)	(197,743)	(79,669)
Fund balance at beginning of year (Non-GAAP budgetary basis)		4,078,263	4,078,263
Fund balance at end of year (Non-GAAP budgetary basis)		<u>\$ 3,880,520</u>	<u>\$ 3,998,594</u>

City of Elk City, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Public Utility Authority	Airport Authority	Industrial Authority	Elk City Electric	Elk City Online	Total Enterprise Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,708,193	\$ 112,549	\$ 4,796,615	\$ -	\$ -	\$ 7,617,357
Investments	702,000	5,000	600,000	-	-	1,507,000
Due from other funds	21,629	-	-	-	-	21,629
Other receivables	1,761	-	-	-	-	1,761
Accounts receivable, net	353,392	10,377	683,244	-	529	1,047,542
Note receivable, current	-	-	193,715	-	-	193,715
Inventory	396,418	45,195	681,499	-	-	1,123,112
Total current assets	<u>4,183,393</u>	<u>173,121</u>	<u>7,155,073</u>	<u>-</u>	<u>529</u>	<u>11,512,116</u>
Current assets:						
Restricted assets:						
Cash, including time deposits	-	-	1,000,352	-	-	1,000,352
Total restricted assets	<u>-</u>	<u>-</u>	<u>1,000,352</u>	<u>-</u>	<u>-</u>	<u>1,000,352</u>
Noncurrent assets:						
Note receivable	-	-	2,125,859	-	-	2,125,859
Capital assets (net)	16,038,287	498,078	27,776,591	-	13,054	44,326,010
Total noncurrent assets	<u>16,038,287</u>	<u>498,078</u>	<u>29,902,450</u>	<u>-</u>	<u>13,054</u>	<u>46,451,869</u>
Total assets	\$ 20,221,680	\$ 671,199	\$ 38,057,875	\$ -	\$ 13,583	\$ 58,964,337
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 342,502	\$ 2,753	\$ 388,972	\$ -	\$ -	\$ 744,227
Payroll liabilities	107,246	6,268	2,036	-	-	115,550
Due to other funds	-	415	6,987	-	-	7,402
Other liabilities	-	14,125	266,667	-	-	280,792
Accrued interest payable	71,738	-	-	-	-	71,738
Notes payable, current	241,584	-	1,241,492	-	-	1,483,076
Total current liabilities	<u>763,070</u>	<u>23,561</u>	<u>1,915,154</u>	<u>-</u>	<u>-</u>	<u>2,702,785</u>
Noncurrent liabilities:						
Deferred income	-	-	577,774	-	-	577,774
Notes payable, non-current	6,457,396	-	14,806,083	-	-	21,263,479
Total noncurrent liabilities	<u>6,457,396</u>	<u>-</u>	<u>15,383,857</u>	<u>-</u>	<u>-</u>	<u>21,841,253</u>
Total liabilities	7,220,466	23,561	17,300,011	-	-	24,544,038
NET ASSETS						
Invested in capital assets, net of related debt	9,339,307	498,078	14,048,590	-	13,054	23,889,029
Unrestricted	3,661,907	149,560	6,709,274	-	529	10,521,270
Total net assets	\$ 13,001,214	\$ 647,638	\$ 20,757,864	\$ -	\$ 13,583	\$ 34,420,299

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Public Utility Authority	Airport Authority	Industrial Authority	Elk City Electric	Elk City Online	Total Enterprise Funds
Operating revenues:						
Charges for services:						
Water charges	\$ 1,594,113	\$ -	\$ -	\$ -	\$ -	\$ 1,594,113
Sewer charges	623,267	-	-	-	-	623,267
Sanitation charges	1,414,535	-	-	-	-	1,414,535
Sale of fuel and rock	-	227,141	2,399,320	-	-	2,626,461
Penalties	54,104	-	-	-	-	54,104
Total charges for services	3,685,019	227,141	2,399,320	-	-	6,312,480
Lease and rental income	26,467	38,524	316,667	-	-	381,658
Other fees and charges	277,281	217	6,122	32	-	283,652
Total operating revenues	<u>3,989,767</u>	<u>265,882</u>	<u>2,722,109</u>	<u>32</u>	<u>-</u>	<u>6,977,750</u>
Operating expenses:						
Cost of sales	-	193,872	1,708,918	-	-	1,902,790
Personal services	1,721,034	72,815	86,690	-	-	1,880,539
Materials and supplies	1,290,820	23,927	136,647	47	-	1,451,441
Other services and charges	294,539	12,037	-	-	-	306,576
Depreciation and amortization	525,392	10,966	829,233	-	6,979	1,372,590
Total operating expenses	<u>3,831,785</u>	<u>313,637</u>	<u>2,761,488</u>	<u>47</u>	<u>6,979</u>	<u>6,913,936</u>
Net operating income	157,982	(47,755)	(39,379)	(15)	(6,979)	63,854
Nonoperating revenue (expense):						
Investment income	32,463	1,934	40,696	2,008	-	77,101
Interest expense	(190,017)	-	(760,718)	-	-	(950,735)
Gain/(loss) on sale of assets	36,249	-	(94,194)	-	(1,159)	(58,104)
Total nonoperating revenue (expense)	<u>(121,305)</u>	<u>1,934</u>	<u>(814,216)</u>	<u>2,008</u>	<u>(1,159)</u>	<u>(932,738)</u>
Net income before contributions and transfers	36,677	(45,821)	(853,595)	1,993	(8,138)	(868,884)
Transfers from other funds	6,692,339	-	2,925,234	-	-	9,617,573
Transfers to other funds	(2,559)	(811)	(50,000)	(299,612)	(15,500)	(368,482)
Change in net assets	6,726,457	(46,632)	2,021,639	(297,619)	(23,638)	8,380,207
Net assets-beginning of year	6,274,757	694,270	18,736,225	297,619	37,221	26,040,092
Net assets-end of year	<u>\$ 13,001,214</u>	<u>\$ 647,638</u>	<u>\$ 20,757,864</u>	<u>\$ -</u>	<u>\$ 13,583</u>	<u>\$ 34,420,299</u>

City of Elk City, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Public Utility Authority	Airport Authority	Industrial Authority	Elk City Electric	Elk City Online	Total Enterprise Funds
Cash flows from operating activities:						
Receipts from customers	\$ 3,887,319	\$ 263,982	\$ 2,043,803	\$ 32	\$ 11,147	\$ 6,206,283
Payments to suppliers	(1,661,569)	(236,977)	(1,643,792)	(47)	-	(3,542,485)
Payments to employees	(1,733,638)	(72,815)	(86,590)	-	-	(1,893,143)
Net cash provided (used) by operating activities	492,012	(45,810)	313,321	(15)	11,147	770,655
Cash flows from non-capital financing activities:						
Transfers from other funds	6,666,390	-	2,925,234	-	-	9,591,624
Transfers to other funds	-	(396)	(50,000)	(299,612)	(15,500)	(365,508)
Net cash provided (used) by non-capital financing activities	6,666,390	(396)	2,875,234	(299,612)	(15,500)	9,226,116
Cash flows from capital and related financing activities:						
Purchases of capital assets	(8,372,239)	(51,857)	(107,932)	-	-	(8,532,038)
Sale of capital assets	70,249	-	30,000	-	4,353	104,602
Issuance of capital debt	2,893,001	-	-	-	-	2,893,001
Principal paid on capital debt	(6,250)	-	(998,064)	-	-	(1,004,314)
Interest paid on capital debt	(190,017)	-	(766,987)	-	-	(957,004)
Net cash provided (used) by capital and related financing activities	(5,605,256)	(51,857)	(1,842,983)	-	4,353	(7,495,753)
Cash flows from investing activities:						
Investment income	32,463	1,934	40,696	2,008	-	77,101
Net cash provided (used) by investing activities	32,463	1,934	40,696	2,008	-	77,101
Net increase (decrease) in cash and cash equivalents	1,585,609	(96,139)	1,386,288	(297,619)	-	2,578,119
Cash & cash equivalents, June 30, 2010	1,122,584	208,688	4,410,699	297,619	-	6,039,590
Cash & cash equivalents, June 30, 2011	\$ 2,708,193	\$ 112,549	\$ 5,796,987	\$ -	\$ -	\$ 8,617,709
Cash, including time deposits	\$ 2,708,193	\$ 112,549	\$ 4,796,615	\$ -	\$ -	\$ 7,617,357
Restricted cash, including time deposits	-	-	1,000,352	-	-	1,000,352
Total cash and cash equivalents, end of year	\$ 2,708,193	\$ 112,549	\$ 5,796,987	\$ -	\$ -	\$ 8,617,709
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 157,982	\$ (47,755)	\$ (39,379)	\$ (15)	\$ (6,979)	\$ 63,854
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	525,392	10,986	829,233	-	6,979	1,372,590
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(102,448)	(1,900)	(411,639)	-	11,147	(504,840)
(Increase) decrease in inventory	(76,310)	(356)	(12,883)	-	-	(89,549)
Increase (decrease) in accounts payable	(12,604)	(6,765)	(266,667)	-	-	(285,056)
Increase (decrease) in other liabilities	-	-	214,656	-	-	214,656
Total adjustments	334,030	1,945	352,700	-	18,126	706,801
Net cash provided (used) by operating activities	\$ 492,012	\$ (45,810)	\$ 313,321	\$ (15)	\$ 11,147	\$ 770,655

City of Elk City, Oklahoma
Statement of Fiduciary Net Assets
June 30, 2011

	District 2 Drug Task Force Trust Funds	Agency Funds	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 364,917	\$ 93,412	\$ 458,329
Investments	3,725,373	96,000	3,821,373
Due from other governments	-	2,560	2,560
Property, plant and equipment, net	15,385	-	15,385
Total assets	<u>\$ 4,105,675</u>	<u>\$ 191,972</u>	<u>\$ 4,297,647</u>
LIABILITIES			
Accounts payable	\$ 11,535	\$ -	\$ 11,535
Bonds and deposits subject to refund	-	191,972	191,972
Due to other funds	1,761	-	1,761
Total liabilities	<u>13,296</u>	<u>191,972</u>	<u>205,268</u>
NET ASSETS HELD IN TRUST			
District 2 drug task force funds	4,092,379	-	4,092,379
Net assets held in trust	<u>\$ 4,092,379</u>	<u>\$ -</u>	<u>\$ 4,092,379</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fiduciary Net Assets
Trust Funds
Year Ended June 30, 2011

	District 2 Drug Task Force Trust Funds
<u>ADDITIONS</u>	
Forfeitures	\$ 203,622
Other Income	4,458
Interest	59,044
Total additions	267,124
<u>DEDUCTIONS</u>	
Personal Services	372,327
Supplies and Repairs	113,014
Depreciation	15,767
Total deductions	501,108
Change in net assets	(233,984)
<u>NET ASSETS HELD IN TRUST FOR DISTRICT 2 DRUG TASK FORCE</u>	
Beginning of year	4,326,363
End of year	\$ 4,092,379

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Elk City, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2011. The City operates under a charter with a Council-Manager form of government.

A. Reporting Entity

Fund Types and Major Funds

Major Governmental Funds

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund

Accounts for the accumulation of financial resources for the payment of principal and interest on the City's debt.

Capital Projects Fund

Accounts for the capital expenditures of the 1.75% limited purpose sales tax.

Economic Development Fund

Accounts for operations of the economic development of the City of Elk City.

Major Proprietary Funds

Elk City Public Works Authority

Accounts for the operating activities of the water, sewer, and sanitation utilities of the City. The City Council serves as the trustees of the Authority. The Elk City Public Works Authority was established in June 1981 and amended in March 1999.

Elk City Airport Authority

Accounts for the operating activities of the Elk City Municipal Airport. The City Council serves as the trustees of the Airport Authority established in July 1979.

Elk City Industrial Authority

Created in March 1967 to promote the development of industry within the City. The Industrial Authority includes the operations of the rock yard.

Fiduciary Component Units (reported in fiduciary financial statements)

District 2 Drug Task Force Trust

Established to account for the operations of the drug task force of the District

B. Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB)

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

District 2 Drug Task Force funds recognize revenue in the period the assets are seized. The Agency Fund is custodial in nature and does not measure results of operations.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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 to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

C. Budget Policy and Practice

Budget Approval

The City Manager submits an annual budget to the City Commission in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Commission for review, and public hearings are held to address priorities and the allocation of resources. In June, the Commission adopts the annual fiscal year budgets for City's operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Manager and must be approved by the Commission. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Commission review and approval process.

Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Commission approval. Revisions to the budget were made throughout the year.

The budgets for operating funds and proprietary funds are prepared on the cash basis. Revenues are budgeted in the year they are expected to be received. Expenses are budgeted in the year they are expected to be paid.

Noncompliance

The City was not in compliance with legal provisions as follows:

The City is in violation of the Municipal Budget Act by exceeding departmental budgeted appropriations in the General Fund. Detail of departments which exceeded appropriations can be found in the required supplemental information section of this report.

The City is in violation of the Municipal Budget Act by failing to provide a budget for all funds. During fiscal year ending 2011, the City failed to provide budgets for any other funds except the General Fund while the provisions of the Municipal Budget Act require budgets for all funds except public trusts.

Management's Response

The City staff have reviewed the Oklahoma Municipal Budget Act and communicated the requirements there within to all involved parties. This education included the establishment of clear roles and responsibilities in the budget process and reporting mechanisms to assist in monitoring compliance. Furthermore, the City has made personnel changes in key areas to ensure the Oklahoma Municipal Budget Act is followed. One such change includes the hiring of external financial consultants, knowledgeable in Government Accounting Standards and the Municipal Budget Act to oversee the budget operations of the City. The City Commission is reviewing monthly budget to actual reports detailing current status compared to approved budgeted amounts. Budget amendments are addressed on a quarterly basis, at a minimum.

D. Policies Related to Assets, Liabilities, and Fund Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Inventories

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost and recorded as an expense at the time the item is used. Governmental inventory consists of maintenance supplies for the museum. Business-type inventory includes rock, maintenance parts, and repair supplies.

Accounts Receivable

Significant receivables for governmental activities include sales and use tax receivables and ambulance receivables. Business-type receivables consist mainly of amount due from customers primarily for rock sales and utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. At June 30, 2011, the City has estimated an allowance of \$182,479.

Restricted Assets

Restricted assets include assets legally restricted for capital projects and special revenue funds funded through sales tax or charges for services. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost of \$4,000 or more as purchase and construction outlay occur.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

• Buildings	40 years
• Machinery, furniture & equipment	5-10 years
• Infrastructure	40 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to all of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Fund Equity

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Assets

Both proprietary fund financial statements and government-wide financial statements report net assets. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

Amounts reported as restricted consist of net assets with constraints placed on their 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.

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

E. Policies Related to Revenues and Expenses

Program Revenues

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

General Revenues

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

Sales Tax

The City levied a 4% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to use. The unrestricted portion (1.25%) is recorded as sales tax revenue within the General Fund; 1.75% is restricted and recorded as sales tax revenue in the Capital Improvement fund, and 1% is restricted for debt payments in the Industrial Authority.

Allocation of Indirect Expenses

The City allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall City management, accounting, financial reporting, payroll, and accounts payable. Allocations are charged to programs based on total expenses of the department.

(2) ASSETS AND LIABILITIES

A. Assets

Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

<u>Types of Investments</u>	<u>Primary Government</u>			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
INVESTMENTS:				
Certificates of deposit	\$ 5,693,000	\$ 5,693,000	N/A	19
Total investments	<u>5,693,000</u>	<u>5,693,000</u>		
 Total primary government investments	 <u>\$ 5,693,000</u>	 <u>\$ 5,693,000</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 1,834,000	\$ 1,507,000	\$ 3,341,000
Investments, restricted	<u>2,352,000</u>	<u>-</u>	<u>2,352,000</u>
Total investments	<u>\$ 4,186,000</u>	<u>\$ 1,507,000</u>	<u>\$ 5,693,000</u>

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using either duration or weighted average days to maturity depending on the respective policy.

<u>Restricted Assets</u>	<u>Primary Government</u>		
	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Governmental Activities			
Debt service	\$ 1,103,461	\$ -	\$ 1,103,461
Capital projects	2,241,489	-	2,241,489
Economic development	724,935	2,000,000	2,724,935
Street & alley	83,704	100,000	183,704
Cemetery	39,811	60,000	99,811
Library	99,929	60,000	159,929
Carousel maintenance	85,127	100,000	185,127
Museum	262,062	25,000	287,062
Fire department	45,883	7,000	52,883
Police department	36,072	-	36,072
Airport	289,626	-	289,626
Total Governmental Activities	<u>5,012,099</u>	<u>2,352,000</u>	<u>7,364,099</u>
Business-type Activities			
Economic development	1,000,352	-	1,000,352
Total Business-type Activities	<u>1,000,352</u>	<u>-</u>	<u>1,000,352</u>
 Total Primary Government	 <u>\$ 6,012,451</u>	 <u>\$ 2,352,000</u>	 <u>\$ 8,364,451</u>

Receivables and Uncollectable Amounts

Due from other governments

Governmental activities report sales taxes receivable and grant receivable amounts as due from other governments. Sales tax receivable is comprised of amounts received after year-end for current year taxes on sales. Balances are considered fully collectible.

Accounts Receivable

Governmental activities report ambulance patient receivables totaling \$305,607, net of allowance of \$156,133.

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Proprietary activities report accounts receivable of \$1,230,021 comprised of amounts due from rock yard vendors and citizens for utility services provided. The City has recorded an allowance of \$182,479 based upon historical management knowledge and experience.

Note Receivable

The Elk City Industrial Authority entered into a note receivable with Superior Fabrication, Inc. for the purpose of leasing a building valued at \$3,000,000, of which \$2,319,574 is still due to the city as of June 30, 2011. The note has a variable interest rate that was 5.25% at June 30, 2011. The terms of the note call for 180 monthly payments of principal and interest in the amount of \$27,408, and the note matures on August 1, 2022. Superior Fabrication, Inc. has the option to purchase the building at anytime by paying the amount owed on the offsetting loan (Note 2(B)) or extending the agreement another 15 years after the agreement matures in 2022.

Capital Assets

Changes in Capital Assets

	Primary Government			
	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
<u>Governmental Activities</u>				
Land	\$ 3,193,903	\$ 143,944	\$ 174,797	\$ 3,163,050
Buildings & structures	15,198,808	707,040	-	15,905,848
Machinery, furniture, & equipment	16,743,115	562,405	521,907	16,783,613
Infrastructure & improvements	29,755,775	47,164	-	29,802,939
Total	64,891,601	1,460,553	696,704	65,655,450
Less accumulated depreciation	28,991,992	2,061,880	310,141	30,743,731
Governmental fixed assets, net	\$ 35,899,609	\$ (601,327)	\$ (386,563)	\$ 34,911,719
<u>Business-type Activities</u>				
Land	\$ 270,000	\$ 170,000	\$ -	\$ 440,000
Buildings & structures	34,168,710	-	-	34,168,710
Machinery, furniture, & equipment	1,846,956	681,417	417,051	2,111,322
Infrastructure & improvements	12,573,756	7,693,205	-	20,266,961
Total	48,859,422	8,544,622	417,051	56,986,993
Less accumulated depreciation	11,541,738	1,372,590	253,345	12,660,983
Business-type fixed assets, net	\$ 37,317,684	\$ 7,172,032	\$ (163,706)	\$ 44,326,010
Total primary government	\$ 73,217,293	\$ 6,570,705	\$ (550,269)	\$ 79,237,729

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

Depreciation Expense

Primary Government			
Governmental Activities		Business Type Activities	
General government	\$ 310,091	Water	\$ 520,612
Public safety & judiciary	261,788	Customer service	11,759
Transportation	3,882	Airport	10,986
Cultural, parks & recreation	423,582	Industrial	829,233
Public service	870,613		
Economic development	191,924	Total depreciation expense	\$ 1,372,590
Total depreciation expense	\$ 2,061,880		

B. Liabilities

Notes and Bonds Payable

Business Type Activities

Notes Payable:

The Elk City Public Works Authority entered into a loan with the City of Sayre for a percentage of Oklahoma Department of Commerce loan funds. The funds were obtained for landfill improvements. The loan is non-interest bearing and has a final maturity date of June 28, 2019. Principal payments of \$521 are due each month. \$ 49,999

In fiscal year 2010, The Elk City Public Works Authority obtained a loan original amount \$8,825,000 from the Oklahoma Water Resources Board (OWRB) to finance construction of a waterline. The loan has a fixed interest rate of 3.09% plus an administrative fee of .50% per year and is payable in semi-annual installments of \$117,667 plus interest and administrative fees beginning September 15, 2011. The loan is secured with the Elk City Public Works Authority's assets and future revenues and matures March 15, 2041. As of June 30, 2010, the unfunded portion of this loan was \$2,176,019. 6,648,981

The Elk City Industrial Authority entered into a loan agreement with First National Bank & Trust for the purpose of constructing a building for Superior Fabrication, Inc. The loan is offset with a note receivable with Superior Fabrication, Inc. (Note 2(A)) which has the same payment terms as this loan. The loan is payable in 180 monthly installments of principal and interest of \$27,408 and matures on August 1, 2022. The loan has a variable interest rate which was 5.25% on June 30, 2011. The loan can be paid of early if Superior Fabrication, Inc. chooses to purchase the building for the remaining cost of the loan. 2,319,574

Conduit Debt Obligations:

The Elk City Industrial Authority entered into a loan with Deutsche Bank for the amount of \$2,995,000 to partially finance the construction of a school arena complex. This loan is secured with a 1% sales tax on the gross receipts derived from all sales within the City approved by the citizens of Elk City during the year ended June 30, 2004. The loan bears interest at 4.175% and is payable in semi-annual installments of principal and interest of \$184,715 until the loan matures during 2013. Refer to conduit debt further described below. 818,001

The Elk City Industrial Authority entered into two separate loans \$10,000,000 and \$7,000,000 with Bank of America for a total of \$17,000,000 to finance the construction of a school arena complex. Both loans are secured with a 1% sales tax on the gross receipts derived from all sales within the City approved by the citizens of Elk City during the year ended June 30, 2004. The loans carry a variable interest rate calculated at 65% of 6-month LIBOR plus 150 basis points. The Authority has entered in to an interest rate swap agreement that effectively establishes a fixed rate for each loan 5.43% and 5.4%, respectively. The loans are payable in annual installments ranging from \$709,000-\$1,336,000 plus interest each year until the loans mature in 2023. Refer to conduit debt further described below. 12,910,000

\$ 22,746,555

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Conduit Debt

The Elk City Industrial Authority issued three limited obligations to finance the construction of a school arena complex. This facility is owned by the Industrial Authority and leased by Elk City Public Schools and reported as an Industrial Authority asset. The debt is a limited obligation of the Industrial Authority and payable only from the dedicated 1 cent sales tax. This does not constitute a pledge of faith and the Authority has no obligation for the debt beyond the dedicated sales tax. The debt is reported under the Industrial Authority. At June 30, 2011, the Industrial Authority reported \$13,728,001 of outstanding conduit debt.

Changes in Long-Term Debt

Type of Debt	Balance at July 1, 2010	Amount Issued	Amount Retired	Balance at June 30, 2011	Due in One Year
Business-type activities					
Public Works Authority					
City of Sayre	\$ 56,249	\$ -	\$ 6,250	\$ 49,999	\$ 6,250
OWRB	3,755,980	2,893,001	-	6,648,981	235,334
Total Public Works Authority	<u>3,812,229</u>	<u>2,893,001</u>	<u>6,250</u>	<u>6,698,980</u>	<u>241,584</u>
Industrial Authority					
First National Bank	2,520,242	-	200,668	2,319,574	193,715
Conduit Debt	14,726,065	-	998,064	13,728,001	1,047,777
Total Industrial Authority	<u>17,246,307</u>	<u>-</u>	<u>1,198,732</u>	<u>16,047,575</u>	<u>1,241,492</u>
Total Business-type debt	<u>\$ 21,058,536</u>	<u>\$ 2,893,001</u>	<u>\$ 1,204,982</u>	<u>\$ 22,746,555</u>	<u>\$ 1,483,076</u>

Annual Debt Service Requirements

Year Ending June 30	Public Works Authority		Industrial Authority		Conduit Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 241,584	\$ 238,695	\$ 193,715	\$ 107,771	\$ 1,047,777	\$ 710,871
2013	241,584	230,247	222,592	106,302	1,101,069	657,112
2014	241,584	221,798	234,563	94,331	915,155	601,749
2015	241,584	213,350	247,179	81,715	831,000	555,233
2016	241,584	204,901	260,473	68,422	877,000	508,966
2017-2021	1,195,246	897,779	1,161,052	194,175	5,149,000	1,758,127
2022-2026	1,176,670	686,567	-	-	3,807,000	316,638
2027-2031	1,176,670	475,354	-	-	-	-
2032-2036	1,176,670	291,625	-	-	-	-
2037-2041	765,804	31,758	-	-	-	-
Totals	<u>\$ 6,698,980</u>	<u>\$ 3,492,074</u>	<u>\$ 2,319,574</u>	<u>\$ 652,716</u>	<u>\$ 13,728,001</u>	<u>\$ 5,108,696</u>

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

C. Interfund Balances

	<u>Transfer In</u>	<u>Transfer Out</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
NON-MAJOR FUNDS	\$ 370,336	\$ -
CAPITAL PROJECTS	468,846	-
INDUSTRIAL AUTHORITY	-	2,925,234
<i>CAPITAL PROJECTS</i>		
PUBLIC WORKS AUTHORITY	-	6,539,058
ECONOMIC DEVELOPMENT	-	222,553
GENERAL FUND	-	468,846
<i>ECONOMIC DEVELOPMENT</i>		
CAPITAL PROJECTS	222,553	-
<i>NON-MAJOR FUNDS</i>		
PUBLIC WORKS AUTHORITY	-	14,289
GENERAL FUND	-	370,336
ELK CITY ELECTRIC	229,490	
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
CAPITAL PROJECTS	6,539,058	-
NON-MAJOR FUNDS	16,848	2,559
AIRPORT AUTHORITY	811	-
ELK CITY ONLINE	15,500	-
ELK CITY ELECTRIC	70,122	-
INDUSTRIAL AUTHORITY	50,000	-
<i>AIRPORT AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	-	811
<i>INDUSTRIAL AUTHORITY</i>		
GENERAL FUND	2,925,234	-
PUBLIC WORKS AUTHORITY	-	50,000
<i>ELK CITY ONLINE</i>		
PUBLIC WORKS AUTHORITY	-	15,500
<i>ELK CITY ELECTRIC</i>		
PUBLIC WORKS AUTHORITY	-	70,122
NON-MAJOR FUNDS		229,490
	<u>\$ 10,908,798</u>	<u>\$ 10,908,798</u>

(3) FUNDS NET ASSETS AND FUNDS BALANCE

Prior Period Adjustment

Classification of Funds

The City of Elk City Public Facilities Funds was reported as a Trust Fund in the June 30, 2010. Management has elected to report the fund as a special revenue fund in governmental activities at June 30, 2011. The Limited Purpose Sales Tax established to fund the construction of the BAR-S facility and the school arena was reported as a Trust Fund in the June 30, 2010. The funds are reported as part of the Industrial Authority at June 30, 2011.

(4) REVENUES AND EXPENSES

Interfund Transfers

Refer to Note (2)C. Interfund Balances

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

(L) PENSION AND POST-EMPLOYMENT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
The Hartford Deferred Comp	457 Deferred Compensation Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the City's full time employees, with the exception of police officers and firefighters, participate in a deferred contribution plan administered by The Hartford. The plan is funded through contributions as elected by the City Commission. Participants may contribute a portion of their salary to the plan under Internal Revenue Code section 457. The City contributes to the plan using a sliding scale dependent upon longevity.

The fair value of the plan assets for the City is \$2,163,643 as of June 30, 2011. For the year ended June 30, 2011, total contributions to the plan were \$215,452.

B. Oklahoma Police and Firefighter's Pension and Retirement Systems

Plan Description

The City participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions.

These two systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	<u>Oklahoma Firefighter's Pension and Retirement System</u>	<u>Oklahoma Police Pension and Retirement System</u>
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	8% of covered payroll	8% of covered payroll
City's contribution rate	13% per year, per firefighter	13% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.	NA
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.	Yes, 20 years credited service with option to participate in deferred option plan for a maximum of 5 years

Annual Required Contributions

Provision for:

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Cost of living adjustment	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

Contributions are required by Oklahoma State Statute. Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems; Oklahoma Firefighter Pension and Retirement System at 4545 N. Lincoln Blvd., Ste. 265, Oklahoma City, OK 73105 and the Oklahoma Police Pension and Retirement System 1001 N.W. 63rd Street, Suite 305, Oklahoma City, OK 7316-7335.

(6) **COMMITMENTS AND CONTINGENCIES**

A. **Landfill Closure and Post-Closure Care**

State and federal laws and regulations require the City of Elk City to place a final cover on landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure on the current landfill. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste as a liability based on landfill capacity used as of June 30, 2011. The landfill, which is currently in use, was estimated to have used ninety-seven percent of its capacity as of June 30, 2011 and has approximately 2 years of capacity remaining. Engineering reports estimate the total closure and post-closure costs of the cell currently being used to be \$1,327,390.

Ninety-seven percent of that amount or \$1,248,061 has been recorded as a liability in long-term debt. These amounts are only estimates based on current circumstances and may change due to inflation, changes in technology, or changes in regulations.

B. **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 accrual or provisions for loss contingencies that may result from these proceedings. 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.

C. **Grant Program Involvement**

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. 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. 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 El City, Oklahoma
 Combining Balance Sheet
 Non-Major Governmental Funds (continued)
 June 30, 2011

	Street Alley Fund	Improvement Fund	Civil Defense	Police Special Revenue	Fire Special Revenue	Cemetery Corpus Fund
ASSETS						
Cash and cash equivalents	\$ 83,704	\$ 42,982	\$ 6,775	\$ 36,072	\$ 45,883	\$ 25,723
Investments	100,000	15,000	2,000	-	7,000	60,000
Due from other governments	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total assets	<u>\$ 183,704</u>	<u>\$ 57,982</u>	<u>\$ 8,775</u>	<u>\$ 36,072</u>	<u>\$ 52,883</u>	<u>\$ 85,723</u>
LIABILITIES						
Accounts payable	\$ 7,329	\$ 3,944	\$ -	\$ -	\$ 8,401	\$ -
Total liabilities	<u>7,329</u>	<u>3,944</u>	<u>-</u>	<u>-</u>	<u>8,401</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	176,375	-	-	-	-	85,723
Committed	-	-	-	-	-	-
Assigned	-	54,038	8,775	36,072	44,482	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>176,375</u>	<u>54,038</u>	<u>8,775</u>	<u>36,072</u>	<u>44,482</u>	<u>85,723</u>
Total liabilities and fund balances	<u>\$ 183,704</u>	<u>\$ 57,982</u>	<u>\$ 8,775</u>	<u>\$ 36,072</u>	<u>\$ 52,883</u>	<u>\$ 85,723</u>

City of El Cerrillo, Oklahoma
 Combining Balance Sheet
 Non-Major Governmental Funds (continued)
 June 30, 2011

	Cemetery Interest Fund	Municipal Court Fund	Museum Building Fund	Special Library Fund	Department of Corrections Fund	Revolving Loan Fund
ASSETS						
Cash and cash equivalents	\$ 14,088	\$ 1,521	\$ 239,519	\$ 99,929	\$ 14,381	\$ 4,069
Investments	-	-	-	60,000	-	5,000
Due from other governments	-	-	-	-	-	-
Inventory	-	-	13,436	-	-	-
Total assets	<u>\$ 14,088</u>	<u>\$ 1,521</u>	<u>\$ 252,955</u>	<u>\$ 159,929</u>	<u>\$ 14,381</u>	<u>\$ 9,069</u>
LIABILITIES						
Accounts payable	\$ -	\$ 1,521	\$ 5,759	\$ 4,133	\$ 1,108	\$ -
Total liabilities	<u>-</u>	<u>1,521</u>	<u>5,759</u>	<u>4,133</u>	<u>1,108</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	13,436	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	233,760	155,796	13,273	9,069
Unassigned	14,088	-	-	-	-	-
Total fund balances	<u>14,088</u>	<u>-</u>	<u>247,196</u>	<u>155,796</u>	<u>13,273</u>	<u>9,069</u>
Total liabilities and fund balances	<u>\$ 14,088</u>	<u>\$ 1,521</u>	<u>\$ 252,955</u>	<u>\$ 159,929</u>	<u>\$ 14,381</u>	<u>\$ 9,069</u>

City of El C City, Oklahoma
 Combining Balance Sheet
 Non-Major Governmental Funds (continued)
 June 30, 2011

	Juvenile Crime Prevention Fund	Police Range Fund	Grants Management	Airport Grant Fund	Rural Gang Initiative	Local Law Enforcement
ASSETS						
Cash and cash equivalents	\$ 11,825	\$ 1,986	\$ 19	\$ 289,626	\$ 947	\$ 5
Investments	-	-	-	-	-	-
Due from other governments	-	-	-	42,149	-	-
Inventory	-	-	-	-	-	-
Total assets	<u>\$ 11,825</u>	<u>\$ 1,986</u>	<u>\$ 19</u>	<u>\$ 331,775</u>	<u>\$ 947</u>	<u>\$ 5</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,023	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,023</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	11,825	-	-	331,775	-	-
Committed	-	-	-	-	-	-
Assigned	-	1,986	19	-	-	5
Unassigned	-	-	-	-	(1,076)	-
Total fund balances	<u>11,825</u>	<u>1,986</u>	<u>19</u>	<u>331,775</u>	<u>(1,076)</u>	<u>5</u>
Total liabilities and fund balances	<u>\$ 11,825</u>	<u>\$ 1,986</u>	<u>\$ 19</u>	<u>\$ 331,775</u>	<u>\$ 947</u>	<u>\$ 5</u>

City of El City, Oklahoma
 Combining Balance Sheet
 Non-Major Governmental Funds (continued)
 June 30, 2011

	Carousel Maintenance	Museum Exhibit Fund	Paving Special Revenue	GAP Special Revenue	To-acco Grant	Toys for Kids
ASSETS						
Cash and cash equivalents	\$ 85,127	\$ 22,543	\$ 105	\$ 62,358	\$ 29,774	\$ 3,305
Investments	100,000	25,000	-	-	-	-
Due from other governments	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total assets	<u>\$ 185,127</u>	<u>\$ 47,543</u>	<u>\$ 105</u>	<u>\$ 62,358</u>	<u>\$ 29,774</u>	<u>\$ 3,305</u>
LIABILITIES						
Accounts payable	\$ -	\$ 4,200	\$ -	\$ -	\$ 6,607	\$ -
Total liabilities	<u>-</u>	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>6,607</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	105	-	23,167	-
Committed	-	-	-	-	-	-
Assigned	185,127	43,343	-	62,358	-	3,305
Unassigned	-	-	-	-	-	-
Total fund balances	<u>185,127</u>	<u>43,343</u>	<u>105</u>	<u>62,358</u>	<u>23,167</u>	<u>3,305</u>
Total liabilities and fund balances	<u>\$ 185,127</u>	<u>\$ 47,543</u>	<u>\$ 105</u>	<u>\$ 62,358</u>	<u>\$ 29,774</u>	<u>\$ 3,305</u>

City of El Cerrito, California
 Combining Balance Sheet
 Non-Major Governmental Funds (continued)
 June 30, 2011

	Amulance	Landfill	Clearing	12 ¹ Reimbursement	Public Facilities	Hotel Tax Fund	Total Non-Major Funds
ASSETS							
Cash and cash equivalents	\$ 17,884	\$ 450,315	\$ 53,465	\$ 4,575	\$ 14,931	\$ 187,152	\$ 1,850,588
Investments	-	-	-	-	41,000	100,000	515,000
Due from other governments	-	-	-	-	-	-	42,149
Inventory	-	-	-	-	-	-	13,436
Total assets	<u>\$ 17,884</u>	<u>\$ 450,315</u>	<u>\$ 53,465</u>	<u>\$ 4,575</u>	<u>\$ 55,931</u>	<u>\$ 287,152</u>	<u>\$ 2,421,173</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,025
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,025</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	13,436
Restricted	-	-	-	-	-	-	628,970
Committed	-	450,315	-	-	55,931	287,152	793,398
Assigned	17,884	-	-	4,575	-	-	873,867
Unassigned	-	-	53,465	-	-	-	66,477
Total fund balances	<u>17,884</u>	<u>450,315</u>	<u>53,465</u>	<u>4,575</u>	<u>55,931</u>	<u>287,152</u>	<u>2,376,148</u>
Total liabilities and fund balances	<u>\$ 17,884</u>	<u>\$ 450,315</u>	<u>\$ 53,465</u>	<u>\$ 4,575</u>	<u>\$ 55,931</u>	<u>\$ 287,152</u>	<u>\$ 2,421,173</u>

City of El Paso, Texas
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 June 30, 2011

	Street & Alley Fund	Improvement Fund	Civil Defense	Police Special Revenue	Fire Special Revenue	Cemetery Corpus Fund
REVENUES						
Intergovernmental revenue	\$ 96,260	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	2,716
Fines & forfeitures	-	-	-	-	-	-
Rental income	-	-	-	-	-	-
Other income	7	15,640	-	6,911	36,560	-
Donations	-	-	500	-	-	-
Interest income	1,307	222	34	337	492	-
Total revenues	97,574	15,862	534	7,248	37,052	2,716
EXPENDITURES						
General government:						
General government	-	21,384	-	-	-	-
Total general government	-	21,384	-	-	-	-
Public safety and judiciary:						
Police	-	-	-	571	-	-
Fire	-	-	-	-	20,090	-
Ambulance	-	-	-	-	-	-
Total public safety and judiciary	-	-	-	571	20,090	-
Transportation:						
Street	83,426	-	-	-	-	-
Total transportation	83,426	-	-	-	-	-
Cultural, parks and recreation:						
Museum	-	-	-	-	-	-
Library	-	-	-	-	-	-
Total cultural, parks and recreation	-	-	-	-	-	-
Public Service:						
Landfill	-	-	-	-	-	-
Total public services	-	-	-	-	-	-
Economic Development:						
Economic development	-	-	-	-	-	-
Total economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	11,381	-
Total expenditures	83,426	21,384	-	571	31,471	-
Excess (deficiency) of revenues over expenditures	14,148	(5,522)	534	6,677	5,581	2,716
OTHER FINANCING SOURCES (USES)						
Transfers in(out)	-	(427)	-	-	-	-
Total other financing sources and uses	-	(427)	-	-	-	-
Net change in fund balances	14,148	(5,949)	534	6,677	5,581	2,716
Fund balances - beginning	162,227	59,987	8,241	29,395	38,901	83,007
Fund balances - ending	\$ 176,375	\$ 54,038	\$ 8,775	\$ 36,072	\$ 44,482	\$ 85,723

City of El Cerrito, California
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 June 30, 2011

	Cemetery Interest Fund	Municipal Court Fund	Museum Building Fund	Special Library Fund	Department of Corrections Fund	Revolving Loan Fund
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 12,132	\$ -	\$ -
Charges for services	-	-	89,564	-	-	-
Fines & forfeitures	-	-	-	-	-	-
Rental income	-	-	4,530	-	-	-
Other income	-	-	-	3,223	23,692	-
Donations	-	-	3,614	-	-	-
Interest income	797	-	2,233	1,769	-	74
Total revenues	797	-	99,931	17,124	23,692	74
EXPENDITURES						
General government:						
General government	-	-	-	-	-	-
Total general government	-	-	-	-	-	-
Public safety and judiciary:						
Police	-	-	-	-	10,850	-
Fire	-	-	-	-	-	-
Ambulance	-	-	-	-	-	-
Total public safety and judiciary	-	-	-	-	10,850	-
Transportation:						
Street	-	-	-	-	-	-
Total transportation	-	-	-	-	-	-
Cultural, parks and recreation:						
Museum	-	-	55,014	-	-	-
Library	-	-	-	10,132	-	-
Total cultural, parks and recreation	-	-	55,014	10,132	-	-
Public Service:						
Landfill	-	-	-	-	-	-
Total public services	-	-	-	-	-	-
Economic Development:						
Economic development	-	-	-	-	-	-
Total economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	-	-	55,014	10,132	10,850	-
Excess (deficiency) of revenues over expenditures	797	-	44,917	6,992	12,842	74
OTHER FINANCING SOURCES (USES)						
Transfers in/(out)	-	-	(955)	-	-	-
Total other financing sources and uses	-	-	(955)	-	-	-
Net change in fund balances	797	-	43,962	6,992	12,842	74
Fund balances - beginning	13,291	-	203,234	146,804	431	8,995
Fund balances - ending	\$ 14,088	\$ -	\$ 247,196	\$ 153,796	\$ 13,273	\$ 9,069

City of El C City, O la O ma
 Comining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 June 30, 2011

	Juvenile Crime Prevention Fund	Police Range Fund	Grants Management	Airport Grant Fund	Rural Gang Initiative	Local Law Enforcement
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 330,416	\$ -	\$ -
Charges for services	-	-	-	-	16,843	-
Fines & forfeitures	5,229	-	-	-	-	-
Rental income	-	-	-	-	-	-
Other income	7,958	-	-	-	-	-
Donations	-	-	-	-	-	-
Interest income	-	-	-	1,080	-	-
Total revenues	12,587	-	-	331,496	16,843	-
EXPENDITURES						
General government:						
General government	-	-	-	-	-	-
Total general government	-	-	-	-	-	-
Public safety and judiciary:						
Police	-	-	-	-	21,271	-
Fire	-	-	-	-	-	-
Ambulance	-	-	-	-	-	-
Total public safety and judiciary	-	-	-	-	21,271	-
Transportation:						
Street	-	-	-	-	-	-
Total transportation	-	-	-	-	-	-
Cultural, parks and recreation:						
Museum	-	-	-	-	-	-
Library	-	-	-	-	-	-
Total cultural, parks and recreation	-	-	-	-	-	-
Public Service:						
Landfill	-	-	-	-	-	-
Total public services	-	-	-	-	-	-
Economic Development:						
Economic development	-	-	-	-	-	-
Total economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	-	-	-	-	21,271	-
Excess (deficiency) of revenues over expenditures	12,587	-	-	331,496	(4,428)	-
OTHER FINANCING SOURCES (USES)						
Transfers in/(out)	500	-	-	-	1,250	-
Total other financing sources and uses	500	-	-	-	1,250	-
Net change in fund balances	13,087	-	-	331,496	(3,178)	-
Fund balances - beginning	(1,262)	1,988	19	279	2,102	5
Fund balances - ending	\$ 11,825	\$ 1,988	\$ 19	\$ 331,775	\$ (1,076)	\$ 5

City of El Cerrillo, Oklahoma
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 June 30, 2011

	Carousel Maintenance	Museum Exhibit Fund	Paving Special Revenue	GAP Special Revenue	Tobacco Grant	Toys for Kids
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 151,323	\$ -
Charges for services	-	-	-	-	-	-
Fines & forfeitures	-	-	-	-	-	-
Rental income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Donations	-	32,000	-	-	-	6,542
Interest income	2,338	365	-	693	98	4
Total revenues	2,338	32,365	-	693	151,421	6,546
EXPENDITURES						
General government:						
General government	-	-	-	-	142,819	8,283
Total general government	-	-	-	-	142,819	8,283
Public safety and judiciary:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Ambulance	-	-	-	-	-	-
Total public safety and judiciary	-	-	-	-	-	-
Transportation:						
Street	-	-	-	-	-	-
Total transportation	-	-	-	-	-	-
Cultural, parks and recreation:						
Museum	-	1,303	-	-	-	-
Library	-	-	-	-	-	-
Total cultural, parks and recreation	-	1,303	-	-	-	-
Public Service:						
Landfill	-	-	-	-	-	-
Total public services	-	-	-	-	-	-
Economic Development:						
Economic development	-	-	-	-	-	-
Total economic development	-	-	-	-	-	-
Capital outlay	-	18,000	-	-	-	-
Total expenditures	-	19,303	-	-	142,819	8,283
Excess (deficiency) of revenues over expenditures	2,338	13,062	-	693	8,602	(1,737)
OTHER FINANCING SOURCES (USES)						
Transfers in/(out)	-	-	-	(8,328)	-	-
Total other financing sources and uses	-	-	-	(8,328)	-	-
Net change in fund balances	2,338	13,062	-	(7,635)	8,602	(1,737)
Fund balances - beginning	182,789	30,281	105	69,993	14,565	5,042
Fund balances - ending	\$ 185,127	\$ 43,343	\$ 105	\$ 62,358	\$ 23,167	\$ 3,305

City of El Cerrito, California
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 June 30, 2011

	Amalgamated	Landfill	Clearing	120 Reimbursement	Public Facilities	Hotel Tax Fund	Total Non-Major Funds
REVENUES							
Intragovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 590,131
Charges for services	353,092	-	-	-	-	-	452,205
Fines & forfeitures	-	-	-	-	-	-	5,223
Rental income	-	-	-	-	-	-	4,530
Other income	11,579	128,012	-	20	-	488,300	722,302
Donations	-	-	-	-	-	-	42,556
Interest income	102	2,809	1,152	6	679	7,452	24,043
Total revenues	364,773	130,821	1,152	26	679	496,752	1,851,096
EXPENDITURES							
General government:							
General government	-	-	-	-	-	-	172,486
Total general government	-	-	-	-	-	-	172,486
Public safety and judiciary:							
Police	-	-	-	-	-	-	33,592
Fire	-	-	-	-	-	-	20,090
Ambulance	538,719	-	-	-	-	-	538,719
Total public safety and judiciary	538,719	-	-	-	-	-	591,501
Transportation:							
Street	-	-	-	-	-	-	83,426
Total transportation	-	-	-	-	-	-	83,426
Cultural, parks and recreation:							
Museum	-	-	-	-	-	-	56,317
Library	-	-	-	-	-	-	10,132
Total cultural, parks and recreation	-	-	-	-	-	-	66,449
Public Service:							
Landfill	-	7,074	-	-	-	-	7,074
Total public services	-	7,074	-	-	-	-	7,074
Economic Development:							
Economic development	-	-	-	-	-	375,000	375,000
Total economic development	-	-	-	-	-	375,000	375,000
Capital outlay	27,733	-	-	-	-	-	57,114
Total expenditures	566,452	7,074	-	-	-	375,000	1,353,050
Excess (deficiency) of revenues over expenditures	(201,679)	123,747	1,152	26	679	121,752	498,046
OTHER FINANCING SOURCES (USES)							
Transfers in/out	80,700	146,988	-	51	-	(374,914)	(155,135)
Total other financing sources and uses	80,700	146,988	-	51	-	(374,914)	(155,135)
Net change in fund balances	(120,979)	270,735	1,152	77	679	(253,162)	342,911
Fund balances - beginning	138,863	179,580	52,313	4,498	55,252	540,314	2,033,237
Fund balances - ending	\$ 17,884	\$ 450,315	\$ 53,465	\$ 4,575	\$ 55,931	\$ 287,152	\$ 2,376,148

City of El City, Oklahoma
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

	<u>Water Meter Deposit Fund</u>	<u>Municipal Court Bond Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 91,650	\$ 1,762	\$ 93,412
Cash and investments, restricted	96,000	-	96,000
Due from other governments	2,560	-	2,560
Total assets	<u>\$ 190,210</u>	<u>\$ 1,762</u>	<u>\$ 191,972</u>
LIABILITIES			
Bonds and deposits subject to refund	\$ 190,210	\$ 1,762	\$ 191,972
Total liabilities	<u>\$ 190,210</u>	<u>\$ 1,762</u>	<u>\$ 191,972</u>

CITY OF ELK CITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Thru Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>			
<u>Direct Program:</u>			
Bullet Proof Vest Partnership Program	16.607		8,160
<u>U.S. Department of Transportation</u>			
<u>Direct Program:</u>			
Airport Improvement Program	20.106		330,416
<u>U.S. Department of Commerce</u>			
<u>Direct Program:</u>			
ARRA-Economic Adjustment Assistance	11.307		<u>1,387,340</u>
Total Expenditures of Federal Awards			<u>\$ 1,725,916</u>

CITY OF ELK CITY, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Elk City, Oklahoma under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Elk City, Oklahoma, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Elk City, Oklahoma.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

CITY OF ELK CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I-Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Elk City, Oklahoma.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the 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*. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of the City of Elk City, Oklahoma were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for the City of Elk City, Oklahoma expresses an unqualified opinion on all major federal programs.
5. No audit findings required to be reported by OMB Circular A-133 for the City of Elk City, Oklahoma were found. No prior year audit findings required to be reported by OMB Circular A-133 were found, therefore, no corrective action plan is required.
6. The programs tested as major programs included:

Airport Improvement Program	CFDA 20.106
Economic Adjustment Assistance	CFDA 11.307
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The City of Elk City, Oklahoma does not qualify to be a low-risk auditee.

CITY OF ELK CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

Section II-Findings Required to be Reported in Accordance with Government Auditing Standards:

2011-01 Budget Noncompliance

Condition: Several items of noncompliance were found with respect to the Municipal Budget Act which was first effective for the City during the year ended June 30, 2011. Following is a list of noncompliance items:

- The City failed to budget all funds as required.
- The City Council failed to authorize by resolution an appropriate representative to approved transfers within funds as required.
- The City Council did not approve supplemental budget adjustments as required.
- Expenditures exceeded budgeted amounts in 9 out of 21 departments in the general fund.

Criteria: Procedures should be in place to ensure compliance with budget laws.

Cause: Effective budget monitoring procedures were not in place or were not affective.

Recommendations:

- All funds except public trusts should be budgeted.
- If the City Council wishes to authorize a representative to approve transfers within funds, it should do so by resolution.
- Budget amendments that increase or decrease the overall fund expenditures should be approved by the City Council.
- Monitoring procedures should be implementation, for example monthly reporting by the City Clerk to the City Manager (and/or the City Manager to the City Council.)

Response: The City staff have reviewed the Oklahoma Municipal Budget Act and communicated the requirements there within to all involved parties. This education included the establishment of clear roles and responsibilities in the budget process and reporting mechanisms to assist in monitoring compliance. Furthermore, the City has made personnel changes in key areas to ensure the Oklahoma Municipal Budget Act is followed. One such change includes the hiring of external financial consultants, knowledgeable in Government Accounting Standards and the Municipal Budget Act to oversee the budget operations of the City. The City Commission is reviewing monthly budget to actual reports detailing current status compared to approved budgeted amounts. Budget amendments are addressed on a quarterly basis, at a minimum.

Section III-Findings Required to be Reported in Accordance with OMB Circular A-133:

None

See accompanying accountants' report.



Hunter & Gibbins, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

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 Mayor and City Commissioners
City of Elk City, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Elk City, Oklahoma, basic financial statements and have issued our report thereon dated October 16, 2011. 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 of Elk City, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Elk City, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Elk City, Oklahoma's internal control over reporting.

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

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



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elk City, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2011-01

City of Elk City, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Elk City, Oklahoma's response and, accordingly, we express no opinion on it.

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

Hunter & Gibbins, P.C.

Elk City, Oklahoma
October 16, 2011



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CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Commissioners
City of Elk City, Oklahoma

Compliance

We have audited City of Elk City, 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 Elk City, Oklahoma's major federal programs for the year ended June 30, 2011. City of Elk City, 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 Elk City, Oklahoma's management. Our responsibility is to express an opinion on City of Elk City, 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 Elk City, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Elk City, Oklahoma's compliance with those requirements.

In our opinion, City of Elk City, Oklahoma, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.



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Internal Control Over Compliance

Management of City of Elk City, 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 Elk City, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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 City of Elk City, Oklahoma'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.

City of Elk City, Oklahoma's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Elk City, Oklahoma's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Hunter & Gibbins, P.C.

Elk City, Oklahoma
October 16, 2011



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Hunter & Gibbins, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor and City Commissioners
City of Elk City, Oklahoma

State of Oklahoma Department of Environment Quality
Oklahoma City, Oklahoma

At your request we have applied the agreed-upon procedures enumerated below to the accounting records of the City of Elk City, Oklahoma as of June 30, 2011. It is understood that this report is for the purpose of submission to the State of Oklahoma Department of Environmental Quality that financial assurance exists to insure closure and post-closure cost without the use of other third party mechanisms for the City of Elk City, Oklahoma's landfill. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

Our procedures were to test the accounting records of the City of Elk City, Oklahoma as of June 30, 2011 to insure that the City of Elk City, Oklahoma satisfied the requirements OAC 252:515-27-82 (a) through (k).

1. We determined by examining correspondence, from the State of Oklahoma Department of Environmental Quality that the City currently has approved closure and post-closure cost of \$1,327,390.
2. We determined from the audited financial statements of the City as of June 30, 2011 that the City does not have general obligation bonds.
3. We determined from the audited financial statements that the City has not operated at a deficit in each of the past three years.
4. We determined that the City's financial statements for the year ended June 30, 2011 have been audited and an unqualified opinion issued by our firm.



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5. We determined that City satisfies each of the following financial ratios based on the most recent audited annual financial statement:

- A. A ratio of cash plus marketable securities to total expenditures is greater than or equal to 0.05; and
- B. A ratio of annual debt service to total expenditures less than or equal to 0.20.

The City's financial ratios are as follows:

- A. Ratio of cash plus marketable securities to total expenditures.

Cash plus marketable securities	\$22,818,642
	= 1.2938
Total expenditures	\$17,637,353

- B. Ratio of annual debt service to total expenditures.

Annual debt service	\$ 1,204,982
	= .0683
Total expenditures	\$17,637,353

6. We have determined that the Financial Statements were prepared in conformity with Generally Accepted Accounting Principles and have been audited by an independent CPA.

7. We determined that the City has no other environmental operations for which financial assurance must be provided other than the landfill and the total financial assurance obligations required does not exceed 43 percent of the City's Total Annual Revenue as reflected in the City's June 30, 2011 financial statements.

Total financial assurance obligation	\$1,327,390
43% of Total annual revenue (43% X 25,030,105)	\$10,762,945

8. The city has disclosed the closure and post-closure care cost into its comprehensive annual financial report on page 35 of the report. The disclosure includes the nature and source of closure and post-closure care requirements, the reported liability at the balance sheet date, the estimated total closure and post-closure care cost remaining to be recognized, the percentage of landfill capacity used to date and the estimated life of the landfill.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Hunter & Gibbins, P.C.

Elk City, Oklahoma



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