

**ANNUAL FINANCIAL REPORT**  
**CITY OF NICOMA PARK, OKLAHOMA**  
**(INCLUDING THE NICOMA PARK**  
**DEVELOPMENT AUTHORITY)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**CITY OF NICOMA PARK  
OKLAHOMA COUNTY, OKLAHOMA  
FOR THE YEAR ENDED JUNE 30, 2011**

**TABLE OF CONTENTS**

Report of Independent Public Accountants:

Independent Auditor's Report

Independent Auditor's Report on Internal Control Structure Over  
Financial Reporting and on Compliance and other matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

Combined Financial Statements:

Combined Balance Sheet – Modified Cash Basis – All Fund Types	Statement 1
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – All Governmental Fund Types	Statement 2
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – Budget and Actual - General Fund	Statement 3

**CITY OF NICOMA PARK  
OKLAHOMA COUNTY, OKLAHOMA  
FOR THE YEAR ENDED JUNE 30, 2011**

**TABLE OF CONTENTS**

Notes to the Financial Statements

Combining Financial Statements and Supporting Schedules:

Schedule of Revenues by Source - Budget and Actual - General Fund	A-1
Schedule of Expenditures by Classification - Budget and Actual - General Fund	A-2
Combining Statement of Assets and Liabilities - Special Revenue Funds	B-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Funds	B-2
Combining Statement of Assets and Liabilities - Enterprise Fund	C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Enterprise Fund	C-2
Combining Statement of Assets and Liabilities – Trust & Agency Fund	D-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Trust & Agency Fund	D-2
Schedule of Federal Financial Assistance	E-1

Management Letter and Comments

# **PUTNAM & COMPANY, PLLC**

Certified Public Accountants

169 S.E. 32nd Street

Edmond, OK 73013

(405) 348-3800

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Governing Board  
City of Nicoma Park, Oklahoma

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

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

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

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

The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. Since the City expended less than the annual threshold amount for Federal awards, it is exempt from Federal audit reporting requirements but must maintain records for review or audit by appropriate officials of Federal agencies, pass-through entities, and the General Accounting Office (GAO). The limited procedures that we performed with respect to this information do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, on our consideration of the City's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Putnam & Company, PLLC

Edmond, Oklahoma  
January 27, 2012

**PUTNAM & COMPANY, PLLC**

**Certified Public Accountants**

169 S.E. 32nd

Edmond, Oklahoma 73013

(405) 348-3800

Fax (405) 348-7965

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

Honorable Governing Board  
City of Nicoma Park, 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 Nicoma Park, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's financial statements and have issued our report thereon dated January 27, 2012. The report on these financial statements is adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United States of America because the City has elected to prepare its financial statements in conformity with a modified cash basis of accounting, and the City has not implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

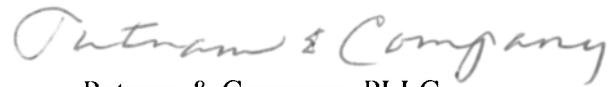
Our consideration of internal control over financial reporting was for the limited purpose prescribed in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

## Compliance and Other Matters

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

We noted certain matters that we reported to management of City of Nicoma Park in a separate letter dated January 27, 2012.

This report is intended solely for the information and use of management, the audit committee and others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, though restricted in use, this report is a matter of public record, and its distribution is not limited.

  
Putnam & Company, PLLC

Edmond, Oklahoma  
January 27, 2012

# **COMBINED FINANCIAL STATEMENTS**

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

	GOVERNMENTAL FUND TYPES		DEBT SERVICE FUND	FIDUCIARY FUND TYPES	PROPRIETARY FUND TYPES	Account Groups		TOTAL
	General Fund	Special Revenue Funds	Sinking Fund	Trust & Agency	Enterprise Fund	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
<b>ASSETS</b>								
Cash and Cash Equivalents	\$765,418	97,834	3,444	22,203	351,076			1,239,975
Property and Equipment					2,019,017	1,635,155		3,654,172
<b>Total Assets</b>	<b>\$765,418</b>	<b>97,834</b>	<b>3,444</b>	<b>22,203</b>	<b>2,370,093</b>	<b>1,635,155</b>	<b>0</b>	<b>4,894,147</b>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities:</b>								
Warrants Payable	\$57,484	1,909		0	19,448			78,841
Reserved for Encumbrances	10,000							10,000
Customers' Deposits Payable					7,998			7,998
OWRB SRF Note Payable					74,863			74,863
OWRB FAP Note Payable					205,000			205,000
Judgments Payable								0
<b>Total Liabilities</b>	<b>67,484</b>	<b>1,909</b>	<b>0</b>	<b>0</b>	<b>307,309</b>	<b>0</b>	<b>0</b>	<b>376,702</b>
<b>Fund Balance:</b>								
Fund Balance - Unreserved	697,934			22,203				720,137
Fund Balance - Reserved		95,925						95,925
Reserved for Debt Service			3,444					3,444
Retained Earnings					2,062,784			2,062,784
Investment in General Fixed Assets						1,635,155		1,635,155
<b>Total Fund Balance</b>	<b>697,934</b>	<b>95,925</b>	<b>3,444</b>	<b>22,203</b>	<b>2,062,784</b>	<b>1,635,155</b>	<b>0</b>	<b>4,517,445</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$765,418</b>	<b>97,834</b>	<b>3,444</b>	<b>22,203</b>	<b>2,370,093</b>	<b>1,635,155</b>	<b>0</b>	<b>4,894,147</b>

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

**CITY OF NICOMA PARK, OKLAHOMA**  
**INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ALL GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	GOVERNMENTAL FUND TYPES			TOTALS
	General Fund	Debt Service Fund	Special Revenue Funds	(Memorandum Only)
<b>REVENUES:</b>				
Taxes	96,094		21,736	117,830
Ad Valorem Tax		1,809		1,809
Licenses and Permits	19,291			19,291
Intergovernmental	763,151			763,151
Interest	1,579	9	187	1,775
Grants	249,776			249,776
Fines and Forfeitures	170,473			170,473
Miscellaneous	4,250		39,814	44,064
<b>Total Revenues</b>	<b>1,304,614</b>	<b>1,818</b>	<b>61,737</b>	<b>1,368,169</b>
<b>EXPENDITURES:</b>				
Personal Services	660,411			660,411
Maintenance and Operations	184,593		53,260	237,853
Capital Outlay	18,883			18,883
Intergovernmental	174,830			174,830
Other	236,338			236,338
Reserve for Judgments		0		0
Interest on Judgments		0		0
<b>Total Expenditures</b>	<b>1,275,055</b>	<b>0</b>	<b>53,260</b>	<b>1,328,315</b>
<b>Revenues Over/(Under) Expenditures</b>	<b>29,559</b>	<b>1,818</b>	<b>8,477</b>	<b>39,854</b>
<b>OTHER FINANCING SOURCES/(USES):</b>				
Transfers Among Funds				0
Deobligation of Prior Year Funds	11,537	0		11,537
<b>Total Other Financing Sources/(Uses)</b>	<b>11,537</b>	<b>0</b>	<b>0</b>	<b>11,537</b>
<b>Revenues and Other Sources Over/(Under) Expenditures and Other Uses</b>	<b>41,096</b>	<b>1,818</b>	<b>8,477</b>	<b>51,391</b>
<b>Fund Balance, Beginning of Year</b>	<b>656,838</b>	<b>1,626</b>	<b>87,448</b>	<b>745,912</b>
<b>Fund Balance, End of Year</b>	<b>697,934</b>	<b>3,444</b>	<b>95,925</b>	<b>797,303</b>

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

**CITY OF NICOMA PARK, OKLAHOMA**  
**INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>			
Taxes	78,042	96,094	18,052
Licenses and Permits	10,162	19,291	9,129
Intergovernmental	547,138	763,151	216,013
Interest	992	1,579	587
Fines and Forfeitures	101,763	170,473	68,710
Grants	164,245	249,776	85,531
Miscellaneous	10,678	4,250	(6,428)
<b>Total Revenues</b>	<b>913,020</b>	<b>1,304,614</b>	<b>391,594</b>
<b>EXPENDITURES :</b>			
Personal Services	735,030	660,411	74,619
Travel	7,000	0	7,000
Maintenance and Operations	249,931	184,593	65,338
Capital Outlay	53,700	18,883	34,817
Intergovernmental	211,200	174,830	36,370
Other	312,997	236,338	76,659
<b>Total Expenditures</b>	<b>1,569,858</b>	<b>1,275,055</b>	<b>294,803</b>
Revenues Over/(Under) Expenditures	(656,838)	29,559	686,397
<b>OTHER FINANCING SOURCES/(USES):</b>			
Transfers Between Funds			0
Deobligation of Prior Year Funds		11,537	11,537
<b>Total Other Financing Sources/(Uses)</b>	<b>0</b>	<b>11,537</b>	<b>11,537</b>
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	(656,838)	41,096	697,934
Fund Balance, Beginning of Year	656,838	656,838	0
Fund Balance, End of Year	0	697,934	697,934

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

(a) Reporting Entity

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

**INCLUDED ENTITIES**

The Nicoma Park Development Authority is a public trust created under authority of and pursuant to the provisions of 60 O.S. Sections 176-180., for the use and benefit of the City of Nicoma Park, Oklahoma. The trust has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, gas, electric, or other forms or types of public and Municipal services within and without the corporate boundaries of the City of Nicoma Park. The Authority financed the construction of a sanitary sewer system which connects some residents into the Choctaw Utility Authority's sewer system. The city council functions as the trustees of the Nicoma Park Development Authority.

(b) Fund Accounting

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

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

(b) Fund Accounting (continued)

Governmental Fund Types

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

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

Special revenue funds include:

Street and Alley - Established to account for revenues received from gasoline excise and commercial vehicle tax, and expenditures made for street maintenance and operations, and capital outlay.

Municipal Park - Used to keep track of funds designated for a city park.

Police Warrant - Accounts for forty percent (40%) of citations collected by police officers.

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

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

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

(b) Fund Accounting (continued)

Proprietary Fund Types

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

Fiduciary Funds

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

Fiduciary fund types include:

Agency Funds - Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. They are custodial in nature and do not involve measurement of results of operations.

Agency funds include:

Municipal Court - The municipal court fund accounts for the collection and refund or forfeiture of municipal court bonds.

Account Groups

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

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

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

(c) Basis of Accounting

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

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

(d) Total (Memorandum Only)

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

(e) Budget

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

(f) Compensated Absences

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

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

The City is statutorily limited to investing public funds in insured checking accounts, certificates of deposit, insured savings accounts, savings certificates and U.S. or Oklahoma government obligations. The City is also required to secure collateral for invested funds in excess of amounts insured by the Federal Deposit Insurance Corporation or Federal Savings & Loan Insurance Corporation. Acceptable collateral is primarily limited to federal, state and local government obligations.

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

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

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

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

***Investment Credit Risk*** – The City's investment policy limits investments to those allowed in state law applicable to school districts as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

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

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

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

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

***Concentration of Investment Credit Risk*** – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City's investment policy requires diversification of investments. At June 30, 2011, the City had no concentration of credit risk as defined above.

**(3) LONG-TERM DEBT**

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

Enterprise Fund

Notes Payable

Note payable to Oklahoma Water Resources Board, dated August 25, 1995, in the amount of \$850,000 for the OWRB Finance Assistance Program (FAP), payable in annual installments through September 1, 2013, with interest from 3.90% to 6.02%, secured by the sewer system	\$ 205,000
---	------------

Note payable to Oklahoma Water Resources Board, dated August 15, 1994, in the amount of \$568,960 for the OWRB State Revolving Fund Financing Program (SRF), payable in semi-annual installments of \$14,973, plus an annual .5% administrative fee based on the outstanding balance, secured by the sewer system	\$ 74,862
---	-----------

Long-term debt transactions, for the year ended June 30, 2010, and changes therein were as follows:

Notes Payable - OWRB - FAP	
Balance, July 1, 2010	\$ 265,000
Additions	
Retirements	<u>60,000</u>
Balance, June 30, 2011	\$ <u>205,000</u>

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

(3) LONG-TERM DEBT (continued)

Notes Payable - OWRB - SRF-	
Balance, July 1, 2010	\$ 104,808
Additions	
Retirements	<u>29,946</u>
Balance, June 30, 2011	\$ <u>74,862</u>

Annual payments required to amortize the OWRB notes payable obligations next year and in five year increments thereafter, are as follows:

<u>Year ending June 30</u>	<u>FAP Note</u>		<u>SRF Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$65,000	10,385	29,945	341
2013-2014	<u>140,000</u>	8,428	<u>44,718</u>	228
	<u>\$205,000</u>	<u>18,813</u>	<u>74,863</u>	<u>.569</u>

(4) PENSION AND RETIREMENT PLANS

All police personnel participate in the Statewide Oklahoma State Police Pension and Retirement System. Plan members are required to contribute 8.0% of their annual covered salary and the City of Nicoma Park contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature.

All firefighters participate in the Statewide Oklahoma Firefighter's Pension and Retirement System. Plan members are required to contribute 8.0% of their annual covered salary and the City of Nicoma Park contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature.

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

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

**(5) RISK MANAGEMENT**

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

**(6) COMMITMENTS AND CONTINGENT LIABILITIES**

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

In 1991 the Nicoma Park Development Authority entered into an agreement with the Chociaw Utilities Authority (CUA) whereby the CUA provides wastewater treatment service to the Authority. A condition of the agreement was that the Authority maintains an interest-bearing account with a minimum deposit of \$22,700 in the event that the Authority failed to make its monthly payment for services to the CUA at any time during the duration of the agreement.

**(7) SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 27, 2012, which is the date the financial statements were available to be issued.

**COMBINING FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES**

**CITY OF NICOMA PARK, OKLAHOMA  
GENERAL FUND  
SCHEDULE OF REVENUES BY SOURCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER/ (UNDER)</u>
<b>TAXES:</b>			
Franchise Taxes	\$78,042	96,094	18,052
<b>LICENSES AND PERMITS</b>			
	10,162	19,291	9,129
<b>INTERGOVERNMENTAL:</b>			
Alcoholic Beverage Tax	1,771	3,675	1,904
Sales Tax	540,534	691,684	151,150
Tobacco Tax	4,833	9,915	5,082
Charges for Services	0	39,080	39,080
Use Tax	0	18,797	18,797
Total Intergovernmental	547,138	763,151	216,013
<b>INTEREST</b>			
	992	1,579	587
<b>FINES AND FORFEITURES:</b>			
Police Fines	101,763	170,473	68,710
<b>MISCELLANEOUS:</b>			
Copies	0	80	80
Insurance Recoveries	3,678	0	(3,678)
State Grants	164,245	249,776	85,531
Sale of Property	0	288	288
Royalty	0	2,678	2,678
Fire and Police Reports	0	0	0
Other Revenue Collections	7,000	1,204	(5,796)
Total Miscellaneous	174,923	254,026	79,103
<b>TOTAL REVENUES</b>	<b>\$913,020</b>	<b>1,304,614</b>	<b>391,594</b>

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

**THE CITY OF NICOMA PARK, OKLAHOMA**  
**SCHEDULE OF EXPENDITURES BY CLASSIFICATION**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE/ (UNFAVORABLE)
<b>MUNICIPAL COURT</b>			
Personal Services	\$71,597	71,349	248
Maintenance and Operation	17,350	11,341	6,009
Capital Outlay	1,500		1,500
Other	4,100	0	4,100
<b>Total Municipal Court</b>	<b>94,547</b>	<b>82,690</b>	<b>11,857</b>
<b>GENERAL GOVERNMENT</b>			
Personal Services	131,501	125,275	6,226
Travel	7,000		7,000
Maintenance and Operation	68,651	53,987	14,664
Capital Outlay	11,000	468	10,532
Intergovernmental	193,600	174,114	19,486
Other	248,472	226,221	22,251
<b>Total General Government</b>	<b>660,224</b>	<b>580,065</b>	<b>80,159</b>
<b>POLICE DEPARTMENT</b>			
Personal Services	307,484	287,112	20,372
Maintenance and Operation	94,450	76,050	18,400
Capital Outlay	21,400	18,370	3,030
Intergovernmental	17,000	445	16,555
Other	7,210	6,800	410
<b>Total Police Department</b>	<b>447,544</b>	<b>388,777</b>	<b>58,767</b>
<b>FIRE DEPARTMENT</b>			
Personal Services	194,778	169,489	25,289
Maintenance and Operation	48,100	32,946	15,154
Capital Outlay	19,800	45	19,755
Intergovernmental	600	271	329
Other	52,695	2,805	49,890
<b>Total Fire Department</b>	<b>315,973</b>	<b>205,556</b>	<b>110,417</b>
<b>MAINTENANCE DEPARTMENT</b>			
Personal Services	29,670	7,186	22,484
Maintenance and Operation	21,380	10,269	11,111
Other	520	512	8
<b>Total Maintenance Department</b>	<b>51,570</b>	<b>17,967</b>	<b>33,603</b>
<b>TOTALS</b>	<b>\$1,569,858</b>	<b>1,275,055</b>	<b>294,803</b>

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

CITY OF NICOMA PARK, OKLAHOMA  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
AS OF JUNE 30, 2011

	STREET AND ALLEY FUND	POLICE WARRANT FUND	CDBG FUND	POLICE TRAINING FUND	JUVENILE COURT	FIREWORKS FUND	SENIOR MEALS FUND	TOTALS (Memorandum Only)
<b>ASSETS</b>								
Cash and Cash Equivalents	\$42,392	18,035	20,935	4,525	5,128	4,386	2,433	97,834
Total Assets	<u>\$42,392</u>	<u>18,035</u>	<u>20,935</u>	<u>4,525</u>	<u>5,128</u>	<u>4,386</u>	<u>2,433</u>	<u>97,834</u>
<b>LIABILITIES AND FUND BALANCE</b>								
Liabilities:								
Warrants Outstanding	1,909	0		0			0	1,909
Reserved for Encumbrances								0
Total Liabilities	<u>1,909</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,909</u>
Fund Balance:								
Fund Balance - Reserved	40,483	18,035	20,935	4,525	5,128	4,386	2,433	95,925
Total Fund Balance	<u>40,483</u>	<u>18,035</u>	<u>20,935</u>	<u>4,525</u>	<u>5,128</u>	<u>4,386</u>	<u>2,433</u>	<u>95,925</u>
Total Liabilities and Fund Balance	<u>\$42,392</u>	<u>18,035</u>	<u>20,935</u>	<u>4,525</u>	<u>5,128</u>	<u>4,386</u>	<u>2,433</u>	<u>97,834</u>

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

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

	STREET AND ALLEY FUND	POLICE WARRANT FUND	CDBG FUND	POLICE TRAINING FUND	JUVENILE COURT	FIREWORKS FUND	SENIOR MEALS FUND	TOTALS (Memorandum Only)
<b>REVENUES:</b>								
Intergovernmental:								
Gasoline Tax	\$4,459							4,459
Motor Vehicle Tax	17,277							17,277
Warrant Fund Collections		9,068						9,068
Lien Collections	3,448							3,448
Miscellaneous	20		11,400	3,925	790	4,100	7,063	27,298
Total Intergovernmental	25,204	9,068	11,400	3,925	790	4,100	7,063	61,550
Interest	92		95	0	0	0	0	187
Total Revenues	25,296	9,068	11,495	3,925	790	4,100	7,063	61,737
<b>EXPENDITURES:</b>								
Maintenance and Operations	28,464	4,740	9,000	2,032	0	3,200	5,824	53,260
Total Expenditures	28,464	4,740	9,000	2,032	0	3,200	5,824	53,260
Revenues Over/(Under) Expenditures	(3,168)	4,328	2,495	1,893	790	900	1,239	8,477
<b>OTHER FINANCING SOURCES/(USES):</b>								
Transfer from Other Funds	0	0		0	0	0	0	0
Deobligation of prior years								0
Total Other Financing Sources/(Uses)	0	0	0	0	0	0	0	0
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	(3,168)	4,328	2,495	1,893	790	900	1,239	8,477
Fund Balance - Reserved, Beginning of Year	43,651	13,707	18,440	2,632	4,338	3,486	1,194	87,448
Fund Balance - Reserved, End of Year	<u>\$40,483</u>	<u>18,035</u>	<u>20,935</u>	<u>4,525</u>	<u>5,128</u>	<u>4,386</u>	<u>2,433</u>	<u>95,925</u>

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

**NICOMA PARK DEVELOPMENT AUTHORITY  
ENTERPRISE FUND  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2011**

ASSETS

Cash and Cash Equivalents	\$351,076
Property and Equipment	<u>2,019,017</u>
 Total Assets	 <u><u>\$2,370,093</u></u>

LIABILITIES AND RETAINED EARNINGS

Liabilities:

Warrants Payable	\$19,448
Customers' Deposits Payable	7,998
OWRB SRF Note Payable	74,863
OWRB FAP Note Payable	<u>205,000</u>

Total Liabilities	<u>307,309</u>
-------------------	----------------

Retained Earnings:

Retained Earnings	<u>2,062,784</u>
-------------------	------------------

Total Retained Earnings	<u>2,062,784</u>
-------------------------	------------------

Total Liabilities and Retained Earnings	<u><u>\$2,370,093</u></u>
---	---------------------------

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

**NICOMA PARK DEVELOPMENT AUTHORITY  
ENTERPRISE FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

## OPERATING REVENUES:

Charges for Services:	
Sewer Revenue	139,876
Stormwater Fees	7,373
Garbage Collection	18,160
Water Revenues	4,081
Other Charges for Services	3,442
Total Charges for Services	<u>172,932</u>
Taxes:	
Sales Tax	171,942
Miscellaneous:	
Rents	6,000
Credit Card Fee Collections	251
Refunds	(158)
Other Revenue Collectons	11,950
Total Miscellaneous	<u>18,043</u>
Total Operating Revenues	362,917
OPERATING EXPENDITURES:	
Maintenance & Operations	153,422
TOTAL OPERATING EXPENSES	153,422
Operating Revenues Over (Under) Operating Expenditures	209,495
OTHER FINANCING SOURCES (USES):	
Restatement of Property and Equipment	(42,281)
Transfer to General Fund	(22,252)
Transfer to CDBG	(2,400)
Total Other Financing Sources (Uses)	<u>(66,933)</u>
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	142,562
	<u>1,920,222</u>
Retained Earnings, Beginning of Year	
	<u>\$2,062,784</u>
Retained Earnings, End of Year	

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

**CITY OF NICOMA PARK, OKLAHOMA  
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS - ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2011**

Cash Flows from Operating Activities:	
Net Income (Loss) from Operations	<u>\$209,495</u>
 Cash Flows From Non-Capital Financing Activities:	
Transfers in (out)	<u>(24,652)</u>
 Cash Flows from Capital and Related Financing Activities:	
Capital Purchases--Water Line	(166,837)
Reduction in Long Term Debt	(89,945)
Reduction in Warrants Payable	(4,661)
Reduction in Customer Deposits Payable	(845)
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(262,288)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	(77,445)
 Cash and Cash Equivalents, June 30, 2010	<u>428,521</u>
 Cash and Cash Equivalents, June 30, 2011	<u><u>\$351,076</u></u>

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

**THE CITY OF NICOMA PARK, OKLAHOMA  
COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
TRUST AND AGENCY FUND  
JUNE 30, 2011**

	<u>MUNICIPAL COURT FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>ASSETS</u>		
Cash, including time deposits	<u>\$22,203</u>	<u>22,203</u>
Total Assets	<u><u>\$22,203</u></u>	<u><u>22,203</u></u>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Warrants Outstanding	<u>\$0</u>	<u>0</u>
Fund Balance:		
Unreserved	<u>22,203</u>	<u>22,203</u>
Total Liabilities and Fund Equity	<u><u>\$22,203</u></u>	<u><u>22,203</u></u>

See accompanying letter and notes to financial statements.

**THE CITY OF NICOMA PARK, OKLAHOMA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE  
TRUST AND AGENCY FUND - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

	MUNICIPAL COURT FUND	TOTAL (MEMORANDUM ONLY)
REVENUE:		
Fines	\$129,026	129,026
Court Bonds	52,024	52,024
Credit Card Fees	43	43
Refunds	(3,560)	(3,560)
	<u>177,533</u>	<u>177,533</u>
Total Revenue		
EXPENDITURES:		
Maintenance and Operation	15,813	15,813
	<u>15,813</u>	<u>15,813</u>
Total Expenditures		
REVENUE IN EXCESS OF EXPENDITURES	<u>161,720</u>	<u>161,720</u>
OTHER FINANCING SOURCES (USES):		
Transfers Among Funds	(175,171)	
	<u>(175,171)</u>	<u>(175,171)</u>
TOTAL OTHER FINANCING SOURCES (USES):		
REVENUE IN EXCESS OF EXPENDITURES AND OTHER FINANCING SOURCES (USES) :	<u>(13,451)</u>	<u>(13,451)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>35,654</u>	<u>35,654</u>
FUND BALANCE, END OF YEAR	<u><u>\$22,203</u></u>	<u><u>22,203</u></u>

See accompanying letter and notes to financial statements.

**CITY OF NICOMA PARK, OKLAHOMA  
(INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY)  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program or Award Amount</u>	<u>Cash/ Beginning Balance at July 1, 2010</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>	<u>Refunded Expenditures</u>	<u>Cash/ Ending Balance at June 30, 2011</u>
<u>U.S. Department of Housing and Urban Development</u>						
<u>Passed Through the</u>						
<u>Association of Central Oklahoma Governments</u>						
A-COG-REAP FY-2011-19\	\$23,078		16,367	16,367		0
ACOG-REAP FY-2010-17	\$34,962		34,962	34,962		
	<u>51,329</u>		<u>51,329</u>	<u>34,962</u>		
<u>JAG Grant</u>						
JR-09-141	2,210		2,210	2,210		0
	<u>2,210</u>		<u>2,210</u>	<u>2,210</u>		
<u>FEMA Grant</u>						
1718-DR-OK Project 5	21,758		22,628	22,628		0
	<u>21,758</u>		<u>22,628</u>	<u>22,628</u>		
<u>Dept. of Public Safety</u>						
PT-10-03-27-01	14,645		1,298	1,298		0
	<u>14,645</u>		<u>1,298</u>	<u>1,298</u>		
<u>Oklahoma Dept. of Commerce</u>						
14233-CDC-10	5,000		5,000	5,000		
13973SEECBG09-ARRA	163,000		162,948	159,738	3,210	0
	<u>168,000</u>		<u>167,948</u>	<u>164,738</u>	<u>3,210</u>	
<b>Total Federal Assistance</b>	<u>\$318,192</u>	<u>0</u>	<u>298,952</u>	<u>279,375</u>	<u>0</u>	<u>0</u>

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

## **MANAGEMENT LETTER AND COMMENTS**

**PUTNAM & COMPANY, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

FAX (405) 348-7965

January 27, 2012

Honorable Governing Board  
City of Nicoma Park, Oklahoma

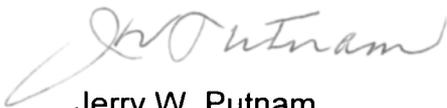
We have audited financial statements of the City of Nicoma Park, including the Nicoma Park Development Authority, as of and for the year ended June 30, 2011, as listed in the table of contents, and have issued our report thereon dated January 27, 2012. As a part of our audit, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 27, 2012, on the financial statements of the City of Nicoma Park.

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

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

Sincerely,



Jerry W. Putnam

PUTNAM & COMPANY, PLLC

**CITY OF NICOMA PARK  
OKLAHOMA COUNTY, OKLAHOMA  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS**

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

**CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS**

**PURCHASING**

Our review of purchase orders indicated that there were some purchase orders dated after the accompanying invoices. (This practice indicates that some purchases were made or that some obligations were incurred **without** prior written approval.) We recommend that more care be exercised to insure that purchases are only made subsequent to the proper execution of a written purchase order.

**CITY'S RESPONSE TO AUDIT COMMENTS AND RECOMMENDATIONS**

The City has received the findings and recommendations above and will review current procedures in order to implement necessary changes. It appears that the current staff has already implemented many of the recommendations.