

**CITY OF NEW CORDELL, OKLAHOMA
NEW CORDELL, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2011**

CITY OF NEW CORDELL, OKLAHOMA
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CITY OF NEW CORDELL, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

Alex Damon, Mayor

Zetta Penner

Rick Wiest, Council President

Vickie Dunlap

Steve McLaughlin

Terry Patton, NCUA President

Rick Oliver

Cheryl Wedel

Mike Stowers

CITY CLERK

Kristen Lee



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of New Cordell, Oklahoma

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

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 New Cordell, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2011, on our consideration of City of New Cordell, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents 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 regarding 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 New Cordell, Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements as listed in the accompanying table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above 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.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
December 15, 2011

Our discussion and analysis of the City of New Cordell's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the City's total net assets increased by \$382,139 or 7.3% from the prior year.
- During the year, City's expenses for governmental activities amounted to \$1,715,814 and were funded by program revenues of \$396,430 and further funded programs with taxes and other general revenues and transfers that totaled \$1,444,868.
- In the City's business-type activities, including utilities and economic development, program revenues exceeded expenses by \$537,089.
- At June 30, 2011, the General Fund reported an unassigned fund balance of \$126,542, a increase of \$39,081.
- For budgetary reporting purposes, the General Fund reported actual revenues above final estimates of revenues of \$40,567 or 3.5%, while expenditures were under final appropriations by \$94,363 or 5.9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

These two government-wide statements report the City's net assets and changes in them from the prior year. You can think of the City's net assets – the difference between assets and liabilities- as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

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

- Governmental activities- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, wastewater, and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net assets increased from \$5,256,919 to \$5,639,058 between fiscal years 2010 and 2011. Net assets of governmental and business-type activities each showed an increase when compared to prior year.

	Governmental Activities		Business-Type Activities		Total		Difference	
	2010	2011	2010	2011	2010	2011	\$	%
Current assets	\$ 310,039	\$ 485,325	\$ 2,829,673	\$ 2,934,314	\$ 3,244,353	\$ 3,419,639	\$ 175,286	5%
Capital assets, net	1,768,972	1,692,331	2,411,046	2,387,248	4,180,018	4,079,579	(100,439)	-2%
Total assets	2,079,011	2,177,656	5,240,719	5,321,562	7,424,371	7,499,218	74,847	1%
Current liabilities	143,548	136,712	535,743	534,685	679,291	671,397	(7,894)	-1%
Non-current liabilities	34,165	14,162	1,349,355	1,174,601	1,383,520	1,188,763	(194,757)	-14%
Total liabilities	177,713	150,874	1,885,098	1,709,286	2,062,811	1,860,160	(202,651)	-10%
Net assets								
Invested in capital assets, net of related debt	1,699,995	1,658,166	1,204,850	1,346,479	2,904,845	3,004,645	99,800	3%
Unrestricted	201,303	368,616	2,150,771	2,265,797	2,352,074	2,634,413	282,339	12%
Total net assets	\$ 1,901,298	\$ 2,026,782	\$ 3,355,621	\$ 3,612,276	\$ 5,256,919	\$ 5,639,058	\$ 382,139	7%

CITY OF NEW CORDELL, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2011

Changes in Net Assets

For the year ended June 30, 2011, net assets of the primary government changed as follows:

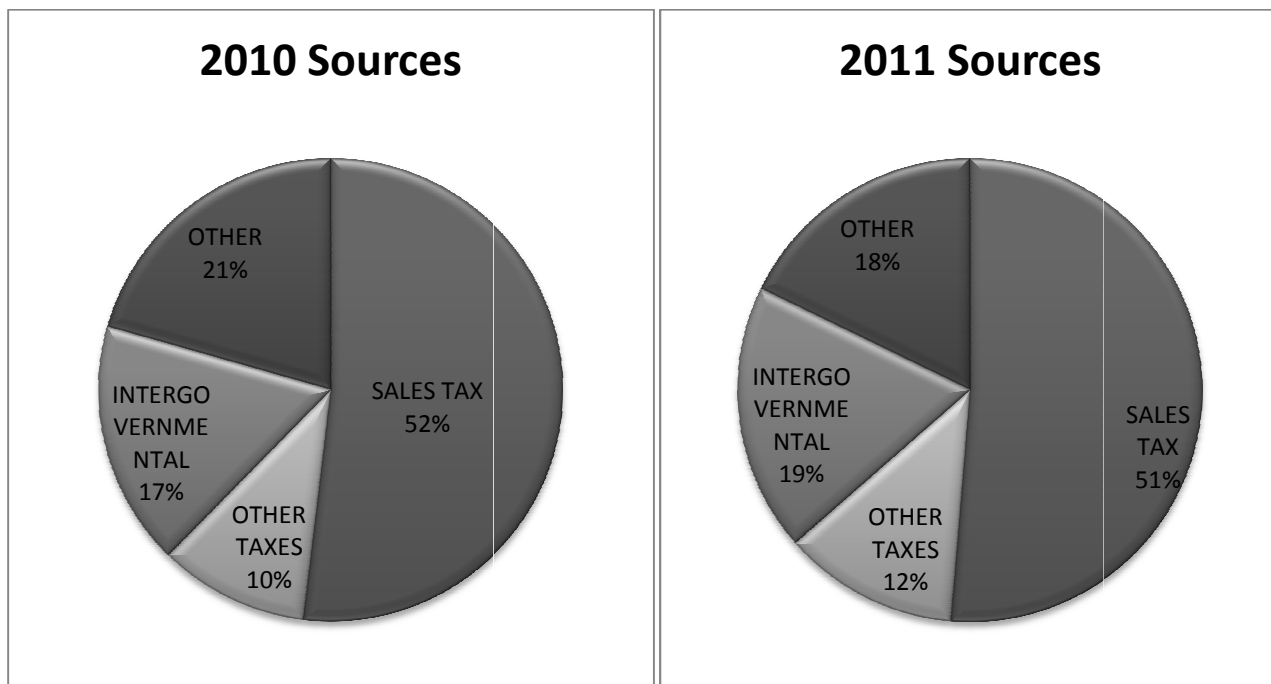
	Governmental Activities		Business-type Activities		Difference			
					Governmental Activities		Business-type Activities	
	2010	2011	2010	2011	\$	%	\$	%
Revenues								
Program revenues	\$ 543,521	\$ 396,430	\$ 3,604,924	\$ 3,991,989	\$ (147,091)	-27%	\$ 387,065	11%
Taxes and other general revenues	867,429	1,052,557	140,276	111,877	185,128	21%	(28,399)	-20%
Total revenues	1,410,950	1,448,987	3,745,200	4,103,866	38,037	3%	358,666	10%
Expenses								
General government	290,128	215,970	-	-	(74,158)	-26%	-	-
Public safety and judiciary	858,314	886,863	-	-	28,549	3%	-	-
Transportation	368,510	402,784	-	-	34,274	9%	-	-
Cultural, parks, and recreation	146,319	167,295	-	-	20,976	14%	-	-
Public services	50,080	42,902	-	-	(7,178)	-14%	-	-
Electric	-	-	1,772,223	1,841,229	-	-	69,006	4%
Water	-	-	727,837	761,155	-	-	33,318	5%
Sewer	-	-	55,759	81,846	-	-	26,087	47%
Sanitation	-	-	341,519	325,371	-	-	(16,148)	-5%
Customer service	-	-	413,051	391,445	-	-	(21,606)	-5%
Economic development	-	-	53,801	53,854	-	-	53	0%
Total expenses	1,713,351	1,715,814	3,364,190	3,454,900	2,463	0%	90,710	3%
Excess (deficiency) before transfers	(302,401)	(266,827)	381,010	648,966	35,574	-12%	267,956	70%
Transfers	334,870	392,311	(334,870)	(392,311)	57,441	17%	(57,441)	17%
Increase (decrease) in net assets	\$ 32,469	\$ 125,484	\$ 46,140	\$ 256,655	\$ 93,015	286%	\$ 210,515	456%

The City's governmental activities' increase in net assets of \$125,484 is attributable to an increase in program revenues related to airport grants offset by an increase in total expenses. The business-type activities' increase in net assets is a function of the operating departments covering the cost of service in the current year. The results indicate that, as a whole, the City's financial condition improved from the prior year.

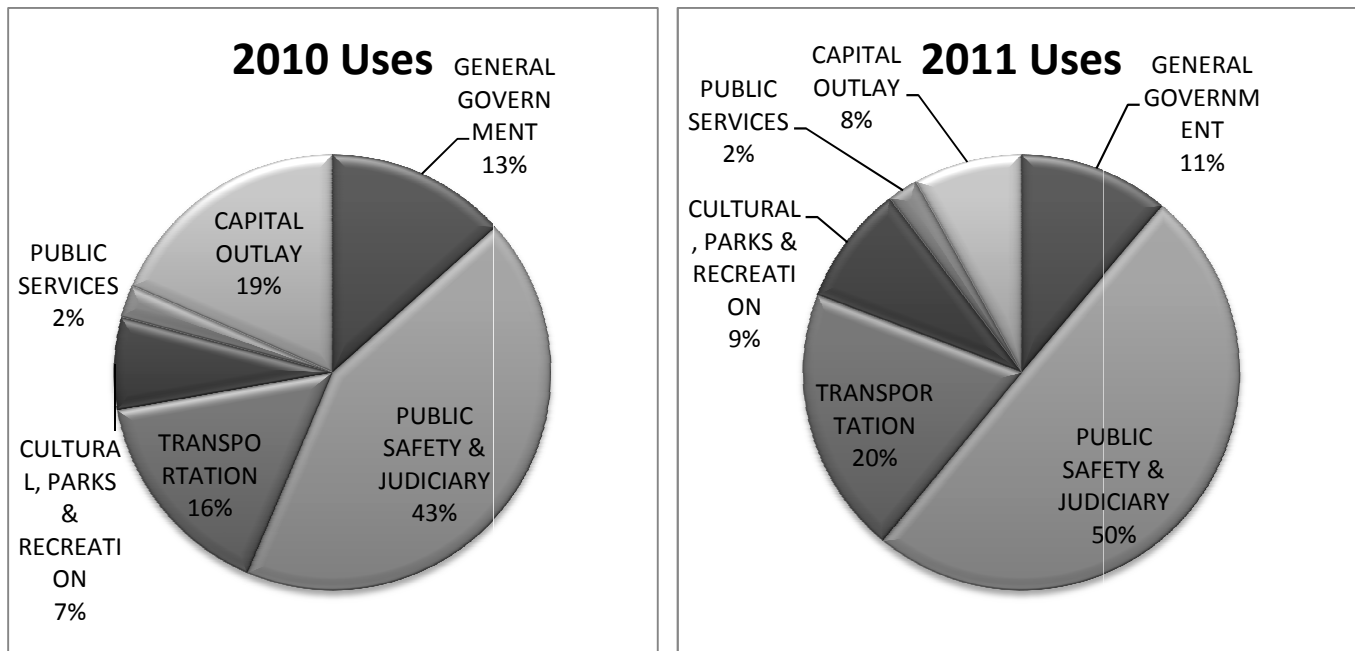
Governmental Activities

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

The City's governmental activities were funded and used as follows:



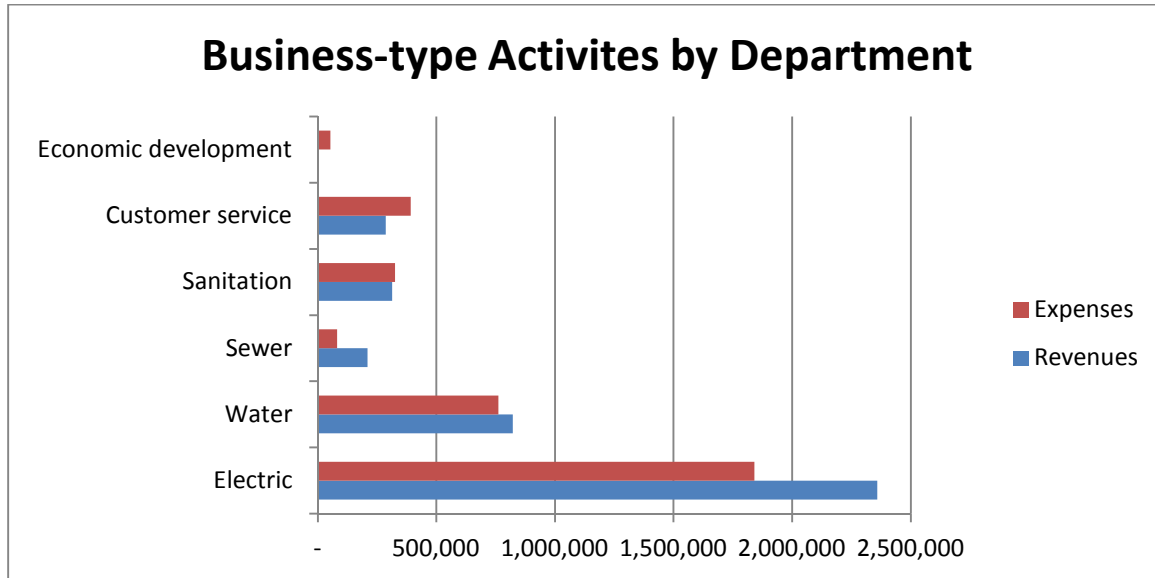
For the year ended June 30, 2011 and 2010, sales tax provided the most significant source of funding for governmental activities at 52% and 61%, respectively. Intergovernmental revenues increased as a funding source in fiscal year 2010 due to grants received for transportation.



Consistent between fiscal years, public safety and judiciary expenses were the largest use of governmental funds at 43% and 50% for 2010 and 2011, respectively. Capital outlay expenses noted a decrease in fiscal year 2011 at 8% of uses as compared to 19% in fiscal year 2010.

Business-type Activities

Business-type activities are designed to cover their cost of operations. The following chart displays total revenues and total expenses of each business-type department for fiscal year 2011:



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$368,616 or a 83.1% increase over the prior year. The enterprise funds reported combined net assets of \$3,612,276 or a 7.6% increase over 2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had \$3,004,645 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Land and improvements	925,169	925,169	111,135	111,135	1,036,304	1,036,304
Buildings	460,197	411,924	1,760,087	1,805,536	2,220,284	2,217,460
Machinery & equipment	383,606	355,238	186,665	175,806	570,271	531,044
Utility property & improvements	-	-	296,890	240,437	296,890	240,437
Construction in process	-	-	-	-	-	-
Totals	<u>\$ 1,768,972</u>	<u>\$ 1,692,331</u>	<u>\$ 2,354,777</u>	<u>\$ 2,332,914</u>	<u>\$ 4,123,749</u>	<u>\$ 4,025,245</u>

This year's more significant capital asset additions included:

- In Governmental Activities: \$34,363 for fire/storm siren and \$1,300 for an overhead door in the fire department, \$11,600 for a modified tank car for the street department, \$68,870 in swimming pool renovations, \$6,089 for a mower at the airport, \$6,836 for a mower for the cemetery, and \$5,307 for equipment in the police department.
- In Business-type Activities: \$10,175 for an electrical transformer, \$112,992 for water tower equalization, \$3,000 for a water department overhead door, \$21,097 for other water department equipment, and \$3,482 for a sewer pump.

Long-Term Debt

At year-end, the City had \$1,261,711 in outstanding long-term debt which represents a net decrease of \$146,156 from the prior year. The City's Changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Revenue bonds	\$ -	\$ -	\$ 1,400,000	\$ 1,300,000	\$ 1,400,000	\$ 1,300,000
Notes payable/capital leases	68,977	34,165	87,753	53,701	156,730	87,866
subtotal	68,977	34,165	1,487,753	1,353,701	1,556,730	1,387,866
less current portion	(34,812)	(20,003)	(114,051)	(106,152)	(148,863)	(126,155)
Totals	<u>\$ 34,165</u>	<u>\$ 14,162</u>	<u>\$ 1,373,702</u>	<u>\$ 1,247,549</u>	<u>\$ 1,407,867</u>	<u>\$ 1,261,711</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

The economic outlook of the City of New Cordell is based, in a small way, of that of the Oklahoma City market area. In prior years, the state of Oklahoma felt the impact of the weak national economic conditions. This resulted in a flat economic environment for the City. The economy is expected to recover slowly. The impact of such slowdown has been integrated into the City's annual budget.

In fiscal year 2011, sales tax collections noted an increase for the first time in a couple of years. As the City continues to manage the decreasing revenue sources, costs of doing business are seeing increased levels, including employment costs in healthcare, worker's compensation insurance, and unemployment rates. The budget for fiscal year 2012 reflected a conservative estimate of 90% of recurring revenues. Utility revenues are expected to increase slightly due to the proposed rate increase for fiscal year 2012. The rate increase will allow the City to cover the rising cost of providing services to its citizens.

The City has identified capital projects that it would like to complete for fiscal year 2012; however, those projects will be dependent upon funding. The City will further focus on priorities established by the elected officials, specifically maintaining a cash reserve and consideration of future capital improvements.

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 101 East Main, Cordell, Oklahoma, 73632 or phone at (580) 832-3825.

City of New Cordell, Oklahoma
Statement of Net Assets
June 30, 2011

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash, including time deposits	\$ 375,799	\$ 1,605,384	\$ 1,981,183
Investments	34,232	264,868	299,100
Interest receivable	7	102	109
Due from other funds	474	54	528
Taxes receivable	74,813	-	74,813
Accounts receivable (net)	-	703,218	703,218
Prepaid expenses	-	7,487	7,487
Total current assets	<u>485,325</u>	<u>2,581,113</u>	<u>3,066,438</u>
Restricted assets:			
Cash, including time deposits	-	353,201	353,201
Total restricted assets	<u>-</u>	<u>353,201</u>	<u>353,201</u>
Accounts payable			
Unamortized bond issue costs	-	54,334	54,334
Land and construction in progress	925,169	111,135	1,036,304
Other capital assets (net of accumulated depreciation)	767,162	2,221,779	2,988,941
Total noncurrent assets	<u>1,692,331</u>	<u>2,387,248</u>	<u>4,079,579</u>
Total assets	<u>2,177,656</u>	<u>5,321,562</u>	<u>7,499,218</u>
LIABILITIES			
Current liabilities:			
Accounts payable	43,897	294,477	338,374
Wages and benefits payable	28,347	7,545	35,892
Compensated absences, current	43,937	8,345	52,282
Due to other funds	528	-	528
Notes payable, current	20,003	36,152	56,155
Total current liabilities	<u>136,712</u>	<u>346,519</u>	<u>483,231</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	13,871	13,871
Customer deposits payable	-	104,295	104,295
Bonds payable, current	-	70,000	70,000
Total liabilities payable from restricted assets	<u>-</u>	<u>188,166</u>	<u>188,166</u>
Noncurrent liabilities:			
Notes payable, non-current	14,162	17,549	31,711
Bonds payable, non-current	-	1,230,000	1,230,000
Deferred amount on refunding	-	(72,948)	(72,948)
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	-	1,157,052	1,157,052
Total noncurrent liabilities	<u>14,162</u>	<u>1,174,601</u>	<u>1,188,763</u>
Total liabilities	<u>150,874</u>	<u>1,709,286</u>	<u>1,860,160</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,658,166	1,346,479	3,004,645
Unrestricted	368,616	2,265,797	2,634,413
Total net assets	<u>\$ 2,026,782</u>	<u>\$ 3,612,276</u>	<u>\$ 5,639,058</u>

City of New Cordell, 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:					
General government Administration	\$ 110,036	\$ 15,732	\$ 40,848	\$ -	\$ (53,456)
Grant Writing	90,904	-	-	-	(90,904)
	15,030	-	-	-	(15,030)
Total general government	<u>215,970</u>	<u>15,732</u>	<u>40,848</u>	<u>-</u>	<u>(159,390)</u>
Public safety and judiciary:					
Legislative & judicial	13,053	-	-	-	(13,053)
Police	622,845	62,175	200	-	(560,470)
Fire	232,134	-	1,700	27,076	(203,358)
Animal Control	18,831	-	-	-	(18,831)
Total public safety and judiciary	<u>886,863</u>	<u>62,175</u>	<u>1,900</u>	<u>27,076</u>	<u>(795,712)</u>
Transportation:					
Street	271,483	-	26,008	-	(245,475)
Airport	131,301	5,960	715	153,185	28,559
Total transportation	<u>402,784</u>	<u>5,960</u>	<u>26,723</u>	<u>153,185</u>	<u>(216,916)</u>
Cultural, parks and recreation:					
Park	81,454	-	-	-	(81,454)
Swimming pool	85,841	19,921	-	26,097	(39,823)
Total cultural, parks and recreation	<u>167,295</u>	<u>19,921</u>	<u>-</u>	<u>26,097</u>	<u>(121,277)</u>
Public services:					
Public works	938	14,851	-	-	13,913
Cemetery	21,705	1,962	-	-	(19,743)
City garage	20,259	-	-	-	(20,259)
Total public services	<u>42,902</u>	<u>16,813</u>	<u>-</u>	<u>-</u>	<u>(26,089)</u>
Total governmental activities	<u>1,715,814</u>	<u>120,601</u>	<u>69,471</u>	<u>206,358</u>	<u>(1,319,384)</u>
Business-type activities:					
Electric	1,841,229	2,358,418	-	-	517,189
Water	761,155	680,661	-	141,342	60,848
Sewer	81,846	210,110	-	-	128,264
Sanitation	325,371	313,335	-	-	(12,036)
Customer service	391,445	286,668	-	-	(104,777)
Economic development	53,854	1,455	-	-	(52,399)
Total business-type activities	<u>3,454,900</u>	<u>3,850,647</u>	<u>-</u>	<u>141,342</u>	<u>537,089</u>
Total	<u>\$ 5,170,714</u>	<u>\$ 3,971,248</u>	<u>\$ 69,471</u>	<u>\$ 347,700</u>	<u>\$ (782,295)</u>

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

Changes in Net Assets:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,319,384)	\$ 537,089	\$ (782,295)
General revenues:			
Taxes:			
Sales tax	743,253	-	743,253
Use tax	30,826	-	30,826
E-911 tax	53,275	-	53,275
Franchise taxes	52,216	-	52,216
Alcoholic beverage tax	35,624	-	35,624
Cigarette tax	12,928	-	12,928
Oil & gas royalties	121,684	-	121,684
Investment income	2,751	27,745	30,496
Penalties	-	58,546	58,546
Gain on sale	-	-	-
Miscellaneous	-	25,586	25,586
Transfers-Internal activity	392,311	(392,311)	-
Total general revenues and transfers	<u>1,444,868</u>	<u>(280,434)</u>	<u>1,164,434</u>
Change in net assets	125,484	256,655	382,139
Net assets-beginning	1,901,298	3,355,621	5,256,919
Net assets-ending	<u>\$ 2,026,782</u>	<u>\$ 3,612,276</u>	<u>\$ 5,639,058</u>

**City of New Cordell, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash, including time deposits	\$ 170,725	\$ 205,074	\$ 375,799
Investments	-	34,232	34,232
Interest receivable	-	7	7
Taxes receivable	72,472	2,341	74,813
Due from other funds	-	474	474
Prepaid expenses	-	-	-
Total assets	<u>\$ 243,197</u>	<u>\$ 242,128</u>	<u>\$ 485,325</u>
LIABILITIES			
Accounts payable	\$ 43,897	\$ -	\$ 43,897
Wages and benefits payable	28,347	-	28,347
Due to other funds	474	54	528
Compensated absences, current	43,937	-	43,937
Total liabilities	<u>116,655</u>	<u>54</u>	<u>116,709</u>
FUND BALANCES			
Restricted for:			
Capital projects fund	-	23,434	23,434
Special revenue funds	-	218,640	218,640
Unassigned	126,542	-	126,542
Total fund balances	<u>126,542</u>	<u>242,074</u>	<u>368,616</u>
Total liabilities and fund balances	<u>\$ 243,197</u>	<u>\$ 242,128</u>	<u>\$ 485,325</u>
Total fund balance- total governmental funds			368,616
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds. See Note 3(B) for additional detail.			
Land and construction in process		925,169	
Capital assets		7,194,430	
Less: Accumulated depreciation		<u>(6,427,268)</u>	1,692,331
Long-term liabilities are not due and payable in the current period and are not reported in the funds.			<u>(34,165)</u>
Net assets of governmental activities			<u>\$ 2,026,782</u>

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Sales taxes	\$ 743,253	\$ -	\$ 743,253
Use taxes	30,826	-	30,826
E911 taxes	53,275	-	53,275
Beverage tax	35,624	-	35,624
Franchise taxes	44,558	-	44,558
Cigarette tax	12,928	-	12,928
Licenses and permits	9,951	-	9,951
Oil and gas royalties	120,160	1,524	121,684
Fines and forfeitures	62,175	-	62,175
Investment income	1,500	1,251	2,751
Charges for services	21,627	256	21,883
Rental income	11,741	-	11,741
Intergovernmental	38,455	232,366	270,821
Proceeds from debt issuance	-	-	-
Miscellaneous	25,817	1,700	27,517
Total revenues	<u>1,211,890</u>	<u>237,097</u>	<u>1,448,987</u>
<u>EXPENDITURES</u>			
Current:			
General government:			
General government	80,695	-	80,695
Administration	90,904	-	90,904
Grant Writing	15,030	-	15,030
Total general government	<u>186,629</u>	<u>-</u>	<u>186,629</u>
Public safety and judiciary:			
Legislative & judicial	13,053	-	13,053
Police	568,273	-	568,273
Fire	179,114	13,907	193,021
Animal Control	18,831	-	18,831
Total public safety and judiciary	<u>779,271</u>	<u>13,907</u>	<u>793,178</u>
Transportation:			
Street	231,733	14,877	246,610
Airport	63,559	22,044	85,603
Total transportation	<u>295,292</u>	<u>36,921</u>	<u>332,213</u>
Cultural, parks and recreation:			
Park	63,424	-	63,424
Swimming pool	85,841	-	85,841
Total cultural, parks and recreation	<u>149,265</u>	<u>-</u>	<u>149,265</u>
Public Services:			
Public works	938	-	938
Cemetery	16,752	-	16,752
City garage	20,259	-	20,259
Total public services	<u>37,949</u>	<u>-</u>	<u>37,949</u>
Debt service			
Capital lease obligation	40,386	-	40,386
Total debt service	<u>40,386</u>	<u>-</u>	<u>40,386</u>
Capital outlay	73,686	60,679	134,365
Total expenditures	<u>1,562,478</u>	<u>111,507</u>	<u>1,673,985</u>
Excess (deficiency) of revenues over expenditures	<u>(350,588)</u>	<u>125,590</u>	<u>(224,998)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	403,084	-	403,084
Transfers out	(13,415)	2,642	(10,773)
Total other financing sources and uses	<u>389,669</u>	<u>2,642</u>	<u>392,311</u>
Net change in fund balances	39,081	128,232	167,313
Fund balances - beginning	87,461	113,842	201,303
Fund balances - ending	<u>\$ 126,542</u>	<u>\$ 242,074</u>	<u>\$ 368,616</u>

City of New Cordell, 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 \$ 167,313
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	134,365	
Equipment disposed	9,005	
Depreciation expense	<u>(220,011)</u>	(76,641)

The proceeds of debt issuances provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net assets. Repayment
of debt principle is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net assets.

Debt activity reported in the fund statements		
Proceeds from debt issuance	-	
Payments on capital lease obligations	<u>34,812</u>	<u>34,812</u>

	<u><u>\$ 125,484</u></u>
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City of New Cordell, 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

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ 654,769	\$ 80,000	\$ 734,769	\$ 738,612	\$ 3,843
Use taxes	29,882	-	29,882	30,659	777
E911 taxes	64	50,000	50,064	53,275	3,211
Beverage tax	31,707	2,500	34,207	35,276	1,069
Cigarette tax	7,850	4,000	11,850	12,710	860
Franchise taxes	52,366	(10,000)	42,366	44,558	2,192
Fines and forfeitures	51,529	5,000	56,529	62,175	5,646
Charges for services	27,173	4,000	31,173	43,308	12,135
Intergovernmental	-	37,000	37,000	38,455	1,455
Investment income	1,330	-	1,330	1,500	170
Miscellaneous	41,093	95,000	136,093	145,302	9,209
Total revenues	<u>897,763</u>	<u>267,500</u>	<u>1,165,263</u>	<u>1,205,830</u>	<u>40,567</u>
EXPENDITURES					
General government:					
General government	3,800	-	3,800	861	2,939
Administration	167,930	-	167,930	179,995	(12,065)
Grant writing	32,350	7,000	47,350	14,789	32,561
Total general government	<u>204,080</u>	<u>7,000</u>	<u>219,080</u>	<u>195,645</u>	<u>23,435</u>
Public safety and judiciary:					
Legislative and judicial	29,670	(14,750)	14,920	13,997	923
Police	605,480	10,000	615,480	590,902	24,578
Fire	177,020	33,000	210,020	196,478	13,542
Animal Control	20,580	250	20,830	18,718	2,112
Total public safety and judiciary	<u>832,750</u>	<u>28,500</u>	<u>861,250</u>	<u>820,095</u>	<u>41,155</u>
Transportation:					
Street	198,090	62,000	260,090	246,174	13,916
Airport	35,678	32,500	68,178	62,774	5,404
Total transportation	<u>233,768</u>	<u>94,500</u>	<u>328,268</u>	<u>308,948</u>	<u>19,320</u>
Cultural, parks and recreation:					
Park	52,610	12,500	65,110	62,542	2,568
Swimming pool	67,150	13,000	80,150	79,695	455
Total cultural, parks and recreation	<u>119,760</u>	<u>25,500</u>	<u>145,260</u>	<u>142,237</u>	<u>3,023</u>
Public Services:					
Cemetery	27,210	-	27,210	23,463	3,747
City garage	25,326	(1,500)	23,826	20,143	3,683
Total public services	<u>52,536</u>	<u>(1,500)</u>	<u>51,036</u>	<u>43,606</u>	<u>7,430</u>
Total expenditures	<u>1,442,894</u>	<u>154,000</u>	<u>1,604,894</u>	<u>1,510,531</u>	<u>94,363</u>
Excess (deficiency) of revenues over expenditures	<u>(545,131)</u>	<u>113,500</u>	<u>(439,631)</u>	<u>(304,701)</u>	<u>134,930</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	455,000	-	455,000	361,552	(93,448)
Operating transfers out	-	-	-	(13,414)	(13,414)
Net other financing sources (uses)	<u>455,000</u>	<u>-</u>	<u>455,000</u>	<u>348,138</u>	<u>(106,862)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>(90,131)</u>	<u>113,500</u>	<u>15,369</u>	<u>43,437</u>	<u>28,068</u>
Fund balance at beginning of year (Non-GAAP budgetary basis):					
Appropriated for current year budget	172,000	-	172,000	152,707	(19,293)
Fund balance at beginning of year (Non-GAAP budgetary basis)	<u>172,000</u>	<u>-</u>	<u>172,000</u>	<u>152,707</u>	<u>(19,293)</u>
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 81,869</u>	<u>\$ 113,500</u>	<u>\$ 187,369</u>	<u>\$ 196,144</u>	<u>\$ 8,775</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				4,819	
Expenditure and transfer accruals				(74,421)	
Fund balance at end of year (GAAP basis)				<u>\$ 126,542</u>	

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

	New Cordell Utilities Authority	Development Redevelopment Authority	Total Enterprise Funds
ASSETS			
Current assets:			
Cash, including time deposits	\$ 1,581,912	\$ 23,472	\$ 1,605,384
Investment	264,868	-	264,868
Interest receivable	102	-	102
Due from other funds	-	54	54
Accounts receivable, net of allowance of \$76,592	703,218	-	703,218
Prepaid expenses	7,487	-	7,487
Total current assets	<u>2,557,587</u>	<u>23,526</u>	<u>2,581,113</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	353,201	-	353,201
Total restricted assets	<u>353,201</u>	<u>-</u>	<u>353,201</u>
Noncurrent assets:			
Unamortized bond issue costs	54,334	-	54,334
Capital assets (net)	1,752,441	580,473	2,332,914
Total noncurrent assets	<u>1,806,775</u>	<u>580,473</u>	<u>2,387,248</u>
Total assets	<u>4,717,563</u>	<u>603,999</u>	<u>5,321,562</u>
LIABILITIES			
Current liabilities:			
Accounts payable	294,477	-	294,477
Wages an benefits payable	7,545	-	7,545
Compensated absences, current	8,345	-	8,345
Due to other funds	-	-	-
Notes payable, current	36,152	-	36,152
Total current liabilities	<u>346,519</u>	<u>-</u>	<u>346,519</u>
Liabilities payable from restricted assets:			
Accrued interest payable	13,871	-	13,871
Customer deposits payable	104,295	-	104,295
Bonds payable, current	70,000	-	70,000
Total liabilities payable from restricted assets	<u>188,166</u>	<u>-</u>	<u>188,166</u>
Noncurrent liabilities:			
Notes payable, noncurrent	17,549	-	17,549
Bonds payable, noncurrent	1,230,000	-	1,230,000
Deferred amount on refunding	(72,948)	-	(72,948)
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	1,157,052	-	1,157,052
Total noncurrent liabilities	<u>1,174,601</u>	<u>-</u>	<u>1,174,601</u>
Total liabilities	<u>1,709,286</u>	<u>-</u>	<u>1,709,286</u>
NET ASSETS			
Invested in capital assets, net of related debt	766,006	580,473	1,346,479
Unrestricted	<u>2,242,271</u>	<u>23,526</u>	<u>2,265,797</u>
Total net assets	<u>\$ 3,008,277</u>	<u>\$ 603,999</u>	<u>\$ 3,612,276</u>

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

	<u>New Cordell Utilities Authority</u>	<u>Development Redevelopment Authority</u>	<u>Total Enterprise Funds</u>
<u>Operating revenues:</u>			
Charges for services:			
Electric charges	\$ 2,358,418	\$ -	\$ 2,358,418
Water charges	680,661	-	680,661
Sewer charges	210,110	-	210,110
Sanitation charges	313,335	-	313,335
Penalties	58,546	-	58,546
Total charges for services	<u>3,621,070</u>	<u>-</u>	<u>3,621,070</u>
Lease and rental income	-	1,440	1,440
Miscellaneous	25,585	15	25,600
Total operating revenues	<u>3,646,655</u>	<u>1,455</u>	<u>3,648,110</u>
<u>Operating expenses:</u>			
Cost of goods sold	2,215,423	-	2,215,423
Personal services	407,077	-	407,077
Materials and supplies	244,615	17,418	262,033
Other services and charges	316,625	7,121	323,746
Depreciation	143,294	29,315	172,609
Total operating expenses	<u>3,327,034</u>	<u>53,854</u>	<u>3,380,888</u>
Net operating income	319,621	(52,399)	267,222
<u>Nonoperating revenue (expense):</u>			
Investment income	27,563	182	27,745
Grant income	141,342	-	141,342
Interest expense	(64,733)	-	(64,733)
Amortization	(9,279)	-	(9,279)
Other income	250,790	35,879	286,669
Total nonoperating revenue (expense)	<u>345,683</u>	<u>36,061</u>	<u>381,744</u>
Net Income before contributions and transfers	665,304	(16,338)	648,966
Transfers from other funds	773	10,000	10,773
Transfers to other funds	(403,084)	-	(403,084)
Change in net assets	262,993	(6,338)	256,655
Net assets-beginning of year	2,745,284	610,337	3,355,621
Net assets-end of year	<u>\$ 3,008,277</u>	<u>\$ 603,999</u>	<u>\$ 3,612,276</u>

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

	New Cordell Utilities Authority	Development Redevelopment Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers	\$ 3,580,091	\$ 1,455	\$ 3,581,546
Payments to suppliers	(2,769,162)	(24,539)	(2,793,701)
Payments to employees	(406,133)	-	(406,133)
Other operating revenues	25,585	-	25,585
Net cash provided (used) by operating activities	430,381	(23,084)	407,297
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	773	10,000	10,773
Transfers to other funds	(403,084)	-	(403,084)
Payments on interfund loan agreements	(212)	-	(212)
Receipts from nonoperating income	250,789	35,878	286,667
Net cash provided (used) by non-capital financing activities	(151,734)	45,878	(105,856)
<u>Cash flows from capital and related financing activities:</u>			
Purchases of capital assets	(150,745)	-	(150,745)
Proceeds from capital grants	141,342	-	141,342
Principal paid on capital debt	(1,434,052)	-	(1,434,052)
Proceeds from issuance of debt	1,300,000	-	1,300,000
Interest paid on capital debt	(69,195)	-	(69,195)
Bond issue costs paid	(55,944)	-	(55,944)
Net cash provided (used) by capital and related financing activities	(268,594)	-	(268,594)
<u>Cash flows from investing activities:</u>			
Sale of investments	152,869	-	152,869
Investment income	27,892	182	28,074
Net cash provided (used) by investing activities	180,761	182	180,943
Net increase (decrease) in cash and cash equivalents	190,814	22,976	213,790
Cash and cash equivalents, July 1, 2010	1,744,299	496	1,744,795
Cash & cash equivalents, June 30, 2011	\$ 1,935,113	\$ 23,472	\$ 1,958,585
Cash, including time deposits	\$ 1,581,912	\$ 23,472	\$ 1,605,384
Restricted cash, including time deposits	353,201	-	353,201
Total cash and cash equivalents, end of year	\$ 1,935,113	\$ 23,472	\$ 1,958,585
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ 319,621	\$ (52,399)	\$ 267,222
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	143,294	29,315	172,609
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(44,179)	-	(44,179)
(Increase) decrease in prepaids	130	-	130
Increase (decrease) in accounts payable	7,371	-	7,371
Increase (decrease) in wages & benefits payable	5,634	-	5,634
Increase (decrease) in compensated absences	(4,690)	-	(4,690)
Increase (decrease) in deposits subject to refund	3,200	-	3,200
Total adjustments	110,760	29,315	140,075
Net cash provided (used) by operating activities	\$ 430,381	\$ (23,084)	\$ 407,297

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

A. Organization

The City of New Cordell, Oklahoma (the "City") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on May 22, 1908. The City operates under the statutory Aldermanic form of government. The City provides the following services: public safety (police and fire), streets, utility (sanitation, water, sewer, and electric) planning and zoning, public improvements, library, airport, parks, and general administration.

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of New Cordell. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of New Cordell.

The financial statements of the City include the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

New Cordell Utilities Authority - created October 6, 1986 by Declaration of Trust and as amended by Amendment to Declaration of Trust dated 01/08/88, under Title 60, OS (1981) Section 176-804. The City has beneficial interest and the City Council members serve as Trustees of the Authority. City employees carry on the activities of the Authority.

Cordell Development and Redevelopment Authority - The City Council members serve as trustees of the Authority.

The Cordell Hospital Authority and the Cordell Recreation Authority are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the related organization

B. Basis of Presentation

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.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City has no fiduciary funds.

Measurement Focus and Basis of Accounting

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

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, intergovernmental revenues, and investment income. 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.

Restricted Assets

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. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

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.

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.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
Cemetery Care	Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.
Fireman Fund	Accounts for collection of rural fire fighting fees and is administratively restricted for fire department needs.
Grant Fund	Accounts for funds received for grant programs.
Disaster Fund	Accounts for spent in the City's response to the October 9, 2001 tornado and the winter ice storm.

Capital Project Fund

This fund is used to account for financial resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by proprietary funds). The City of New Cordell has expanded its use to include major repairs with full board approval.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprises funds:

FUND	BRIEF DESCRIPTION
New Cordell Utilities Authority	Accounts for the activities of the authority in providing electric, water, wastewater, and solid waste services to the public.
Cordell Development & Redevelopment Authority	Accounts for economic development activities and for the operation of the theatre.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The City Administrator submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. 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 Council review and approval process.

Budgetary Control

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. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E. Assets, Liabilities and 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. Securities traded on national or international exchanges are valued at the last reported sales price.

Allowance for Uncollectible Accounts

The City has established an allowance for collectible accounts based on management's prior experience. Management does not believe there are significant losses in excess of the allowance.

Restricted Assets

Restricted assets include current assets of proprietary fund types that are legally restricted as to their use. The restricted assets are primarily related investments restricted for customer refunds, and cash reserved for payment of the revenue bond obligation.

Property, Plant and Equipment

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

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|------------------------------------|-------------|
| • Buildings | 25-50 years |
| • Other improvements | 10-50 years |
| • Machinery, furniture & equipment | 3-20 years |
| • Infrastructure | 25-50 years |

Fund Financial Statements:

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

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amount to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. The estimated liabilities include salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, and fiduciary financial statements.

Equity Classifications

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

F. Revenues, Expenditures and Expenses

Sales Tax

The City levied a three-cent 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. The sales tax received is recorded as sales tax revenue within the general fund.

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.

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.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over city resources follows:

A. Deficit Fund Net Assets/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statues.

The City reported no deficit fund balances or net assets for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2011, the City complied, in all material respects, with the applicable budget laws. The city did not materially overspend in any department-level category.

C. Debt Covenants

The 2011 Series bonds held by the Cordell Utility Authority contain a number of covenants which are related to financial matters. The most significant of which is the Debt Service Coverage, whereby, pledged revenues less operating expenses shall provide Net Revenues Available for Debt Service equal to 1.20 times average annual debt service on the respective notes for the Authority. As calculated on the Schedule Debt Service Coverage Requirements in the Other Supplementary Schedules section of this report, the City complied with this requirement.

E. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes
Airport Revenue	Airport Operations and Debt Service
Cemetery Revenue (12.5%)	Cemetery Capital Improvements
911 Fees	Capital items and personnel for Emergency Management

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash 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.

<u>Types of Investments</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				
<u>GOVERNMENTAL ACTIVITIES</u>				
Certificates of deposit	\$ 34,232	\$ 34,232	N/A	22
Total governmental activities	34,232	34,232		
<u>BUSINESS-TYPE ACTIVITIES</u>				
Certificates of deposit	\$ 264,868	\$ 264,868	N/A	334
Total business-type activities	264,868	264,868		
Total primary government investments	\$ 299,100	\$ 299,100		

Reconciliation to statement of net assets:

Investments	
Governmental activities	\$ 34,232
Business-type activities	264,868
	\$ 299,100

(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.

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

At June 30, 2011 the City held restricted assets totaling \$353,201. Assets were restricted for the following purposes:

Business-type activities:

Cash, including time deposits

Debt service 2011 Revenue Bonds	\$	183,533
Customer deposits		100,636
Board restrictions		69,032
		\$ 353,201

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2011 follows:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Land and land improvements	\$ 925,169	\$ -	\$ -	\$ 925,169
Buildings & structures	4,151,958	1,300	-	4,153,258
Machinery, furniture, & equipment	1,776,331	64,196	3,500	1,837,027
Improvements other than land	1,135,275	68,870	-	1,204,145
Construction in process	-	-	-	-
	7,988,733	134,366	3,500	8,119,599
Total	7,988,733	134,366	3,500	8,119,599
Less accumulated depreciation	6,219,761	220,011	12,504	6,427,268
	-	-	-	-
Fixed assets, net	\$ 1,768,972	\$ (85,645)	\$ 9,004	\$ 1,692,331

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2011 follows:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Cordell Utility Authority:				
Electric plant				
Land	\$ 308	\$ -	\$ -	\$ 308
Structures & improvements	141,292	-	-	141,292
Plant & equipment	367,320	-	-	367,320
Distribution system	902,215	10,175	-	912,390
Construction in process	-	-	-	-
	<u>1,411,135</u>	<u>10,175</u>	<u>-</u>	<u>1,421,310</u>
Water plant				
Land	11,649	-	-	11,649
Structures & improvements	991,596	115,992	-	1,107,588
Plant & equipment	889,091	21,097	-	910,188
Distribution system	987,656	-	-	987,656
	<u>2,879,992</u>	<u>137,089</u>	<u>-</u>	<u>3,017,081</u>
Sewer plant				
Structures & improvements	1,057,232	-	-	1,057,232
Plant & equipment	187,279	3,482	-	190,761
Distribution system	82,085	-	-	82,085
Equipment	14,162	-	-	14,162
	<u>1,340,758</u>	<u>3,482</u>	<u>-</u>	<u>1,344,240</u>
General and administrative				
Land	69,178	-	-	69,178
Structures & improvements	48,902	-	-	48,902
Equipment	285,198	-	-	285,198
Transportation equipment	360,422	-	-	360,422
	<u>763,700</u>	<u>-</u>	<u>-</u>	<u>763,700</u>
Ambulance garage	<u>7,849</u>	<u>-</u>	<u>-</u>	<u>7,849</u>
Total	6,403,434	150,746	-	6,554,180
Less accumulated depreciation	<u>4,658,445</u>	<u>143,294</u>	<u>-</u>	<u>4,801,739</u>
Fixed assets, net	<u>\$ 1,744,989</u>	<u>\$ 7,452</u>	<u>\$ -</u>	<u>\$ 1,752,441</u>
Cordell Development/Redevelopment Authority:				
Land	\$ 30,000	\$ -	\$ -	30,000
Building - Theater	879,436	-	-	879,436
Equipment - Theater	16,257	-	-	16,257
Total	<u>925,693</u>	<u>-</u>	<u>-</u>	<u>925,693</u>
Less: accumulated depreciation	<u>315,905</u>	<u>29,315</u>	<u>-</u>	<u>345,220</u>
Fixed assets, net	<u>\$ 609,788</u>	<u>\$ (29,315)</u>	<u>\$ -</u>	<u>\$ 580,473</u>
Total Business-type activities, net	<u>\$ 2,354,777</u>	<u>\$ (21,863)</u>	<u>\$ -</u>	<u>\$ 2,332,914</u>

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

All vehicles purchased by the Utility Authority are depreciated under the general and administrative transportation equipment.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$	38,346
Public safety & judiciary		88,111
Transportation		70,571
Cultural, parks & recreation		22,983
Total governmental activities depreciation expense	<u>\$</u>	<u>220,011</u>

Depreciation expense charges to business-type activities:

Electric	\$	23,149
Water		85,543
Customer service		2,136
Sewer		32,466
Economic development		29,315
Total business-type activities depreciation expense	<u>\$</u>	<u>172,609</u>

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2011:

NOTES PAYABLE

Governmental Activities:

Capital lease agreement with Ford Motor Credit Company for a 2010 Ford F350 effective March 5, 2010 with a cost of \$36,008. The vehicle will be used in the Fire department. The lease will carry an interest rate of 7.25% for 36 months, maturing February 5, 2013. \$ 21,084

Capital lease agreement with Ford Motor Credit for a 2010 Ford F150 super cab 4X4 to be used in the Police department financed at \$22,179 with an interest rate of 7.25% for 36 months, maturing February 2013. 13,081

\$ 34,165

Business-Type Activities:

Note payable to The First State Bank in Cordell, OK for the purchase of a 2008 Dump truck in the amount of \$54,490.50, payable in monthly installments of \$1,281.97 carrying a 6% interest rate, maturing January 31, 2013. \$ 23,045

Note payable to The First State Bank in Cordell, OK for the purchase of a 2009 Dodge bucket truck in the amount of \$81,732.22, payable in monthly installments of \$1,922.84 carrying a 6% interest rate, maturing April 20, 2013. 30,656

\$ 53,701

REVENUE BONDS PAYABLE:

2011 Series New Cordell Utilities Authority Utility System Refunding Revenue Bonds original issue amount of \$1,300,000, dated October 1, 2010, issued by the New Cordell Utilities Authority, secured by the net revenue of the system, interest rates from 1.0% to 4.75%, final maturity on October 1, 2022. \$ 1,300,000

Total revenue bonds payable 1,300,000

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Less: unamortized deferred amount on refunding	(72,948)
Net revenue bonds payable	\$ 1,227,052

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

Type of Debt	Balance at July 1, 2010	Amount Issued	Amount Retired	Balance at June 30, 2011	Due within One Year
Governmental activities:					
Capital lease payable	\$ 68,977	\$ -	\$ 34,812	\$ 34,165	\$ 20,003
Total governmental activities	\$ 68,977	\$ -	\$ 34,812	\$ 34,165	\$ 20,003
Business-type activities					
Notes payable	\$ 87,753	\$ -	\$ 34,052	\$ 53,701	\$ 36,152
Revenue bonds payable	1,400,000	1,300,000	1,400,000	1,300,000	70,000
Total governmental activities	\$ 1,487,753	\$ 1,300,000	\$ 1,434,052	\$ 1,353,701	\$ 106,152
Total primary government debt	\$ 1,556,730	\$ 1,300,000	\$ 1,468,864	\$ 1,387,866	\$ 126,155

Annual Debt Service Requirements:

The annual debt service requirement to maturity, including principal and interest, for long-term debt as of June 30, 2010 is as follows:

Year Ending June 30	Governmental Activities	Business-type Activities			
	Capital Leases Payable	Notes Payable		Revenue Bonds	
		Principal	Interest	Principal	Interest
2012	\$ 20,003	\$ 36,152	\$ 2,239	\$ 70,000	\$ 44,739
2013	14,162	17,549	405	100,000	40,050
2014	-	-	-	100,000	38,425
2015	-	-	-	100,000	36,550
2016	-	-	-	105,000	34,238
2017-2021	-	-	-	575,000	115,768
2022-2023	-	-	-	250,000	11,719
Totals	\$ 34,165	\$ 53,701	\$ 2,644	\$ 1,300,000	\$ 321,489

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2011 were as follows:

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

<u>Operating Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
GENERAL FUND:		
Cordell Utility Authority	\$ 403,084	\$ 773
Street and Alley fund	-	2,642
Development Redevelopment Authority	-	10,000
STREET AND ALLEY FUND:		
General Fund	2,642	-
ENTERPRISE FUNDS - Cordell Utility Authority		
General Fund	773	403,084
DEVELOPMENT REDEVELOPMENT AUTHORITY		
General Fund	10,000	-
	<u>\$ 416,499</u>	<u>\$ 416,499</u>

(4) RETIREMENT PLANS

The City participates in two employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters 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, except police and firefighters, participate in a defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. Membership in the plan is as follows:

	<u>As of January 1, 2011</u>
Retired participants and beneficiaries	24
Vested active participants	13
Nonvested active participants	11
Total	<u>48</u>

The following is a summary of eligibility, contribution methods and benefits provisions:

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, regular employees of the City or Authority, except police, firefighters, and other employees who are covered under an approved system
b. Contributions Requirement	
- Authorization	By City Ordinance
- Actuarially Determined	Yes
- Employer Rate	17.28% of covered payroll for FY11 18.18% of covered payroll for FY12
- Employee Rate	0% of covered payroll
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	- Normal retirement at age 65 - Early Retirement at age 55 - Disability retirement upon total and permanent disability with 7 years of service. - Death benefits with 7 years of service for single or married

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

- employees.
- e. Benefit Determination Base
Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
 - f. Benefit Determination Methods:
 - Normal Retirement
2.625% of final average compensation multiplied by the number of years of credited service.
 - Early Retirement
Accrued benefit reduced 5% per year prior to normal retirement or benefit starting at normal retirement age
 - Disability Retirement
Payable upon disablement without early payment reduction
 - Death Benefit
Married: 50% of employee's accrued benefit, but terminates upon spouse remarriage, Other: 50% of employee's accrued benefit for 5 years
 - Prior to 7 Years Service
Return of employee contributions with accrued interest.
 - g. Form of Benefit Payments
Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Employee may elect, with City consent, optional form based on actuarial equivalent basis.

Funding Status and Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
01/01/10	3,301,449	3,771,338	469,889	87.5%	811,732	57.9%
01/01/11	3,446,104	3,941,112	495,008	87.4%	748,304	66.2%

- a. Date of last Actuarial Valuation
March 2011
- b. Significant Actuarial Assumptions Used:
 - 1. Rate of Return on Investments
7.5% per annum
 - 2. Projected Salary Increase
4.0% - 7.42%
 - 3. Retirement Age
Normal and Early Rates, based upon current age
 - 4. Mortality Table
UP 1994 mortality (projected)
 - 5. Asset Value
Actuarial method
- c. Actuarial cost method
Entry age normal cost method
- d. Amortization method
Level % of payroll
- e. Fiscal Year 2011 Contributions Made
Total Contributions- 17.28% of covered payroll \$ 141,716

B. Oklahoma Firefighter's Pension and Retirement System

Plan Description

The City's firefighters participated in the statewide Oklahoma State Firefighters Pension and Retirement System (System), a multi-employer, cost-sharing defined benefit plan. The system is funded by contributions from participants, employers, insurance premium taxes, and State appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Plan member's contribution rate	8% of covered payroll
City's contribution rate	13% of covered payroll, \$60 per year for volunteer firefighters
Period required to vest	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.
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.
Deferred retirement option	Yes, 20 years credited service for a maximum of five years

The system is administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriates, as necessary.

Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are:

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Provision for:	
Cost of living adjustment	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes
Valuation Date	7/1/10
Actuarial cost method	Individual entry age normal
Amortization method/period	Level dollar 30 years, open
Actuarial asset valuation method	5 year moving average
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase	5.0% - 19.0%
Post retirement benefit increase (max)	2.0%
Inflation	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

(5) COMMITMENTS AND CONTINGENCIES

A. 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. State statutes

provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

B. Leasing Arrangements

Pursuant to Ordinance No. 89-2, on January 16, 1989, the City entered into a 15 year lease with the Cordell Hospital Authority, leasing all hospital related real property, equipment and facilities plus future additions and improvements made by the City. Consideration of this lease is the installation and construction of improvements and operation of the facilities by the Authority. This lease was extended for 15 years beginning on January 17, 2004 and ending on January 17, 2019.

On June 20, 1989, a 50 year lease agreement dated December 5, 1988, was filed between the City and the New Cordell Utilities Authority. The City leased to the Authority all existing water and sanitary sewer system, related equipment, real property and unexplored leases and contracts. The Authority, for consideration of the lease, agrees to obtain financing and expend proceeds for extensions and improvements of facilities; and to set fair rates sufficient to pay debt service and facility operation expenses.

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 New Cordell, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

	Special Revenue					Total Special Rev Funds	Capital Projects Fund	Total Other Governmental Funds
	Street & Alley Fund	Cemetery Care Fund	Fireman's Fund	Grant Fund	Disaster Fund			
ASSETS								
Cash, including time deposits	\$ 29,034	\$ 5,088	\$ 5,916	\$ 131,143	\$ 10,405	\$ 181,586	\$ 23,488	\$ 205,074
Investments	-	34,232	-	-	-	34,232	-	34,232
Interest receivable	-	7	-	-	-	7	-	7
Due from other funds	474	-	-	-	-	474	-	474
Accounts receivable, taxes	2,341	-	-	-	-	2,341	-	2,341
Total assets	<u>\$ 31,849</u>	<u>\$ 39,327</u>	<u>\$ 5,916</u>	<u>\$ 131,143</u>	<u>\$ 10,405</u>	<u>\$ 218,640</u>	<u>\$ 23,488</u>	<u>\$ 242,128</u>
LIABILITIES								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54	\$ 54
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>54</u>
FUND BALANCES								
Restricted for:								
Special revenue funds	31,849	39,327	5,916	131,143	10,405	218,640	-	218,640
Capital projects fund	-	-	-	-	-	-	23,434	23,434
Total fund balances	<u>31,849</u>	<u>39,327</u>	<u>5,916</u>	<u>131,143</u>	<u>10,405</u>	<u>218,640</u>	<u>23,434</u>	<u>242,074</u>
Total liabilities and fund balances	<u>\$ 31,849</u>	<u>\$ 39,327</u>	<u>\$ 5,916</u>	<u>\$ 131,143</u>	<u>\$ 10,405</u>	<u>\$ 218,640</u>	<u>\$ 23,488</u>	<u>\$ 242,128</u>

City of New Cordell, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue					Total Special Rev Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	Street & Alley Fund	Cemetery Care Fund	Fireman's Funds	Grant Fund	Disaster Fund			
REVENUES								
Oil & gas royalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,524	\$ 1,524
Investment income	354	548	-	-	110	1,012	239	1,251
Charges for services	-	256	-	-	-	256	-	256
Intergovernmental programs	26,008	-	27,076	179,282	-	232,366	-	232,366
Miscellaneous	-	-	1,700	-	-	1,700	-	1,700
Total revenues	<u>26,362</u>	<u>804</u>	<u>28,776</u>	<u>179,282</u>	<u>110</u>	<u>235,334</u>	<u>1,763</u>	<u>237,097</u>
EXPENDITURES								
Current:								
General government:								
General government	-	-	-	-	-	-	-	-
Total general government	-	-	-	-	-	-	-	-
Public safety and judiciary:								
Police	-	-	-	-	-	-	-	-
Fire	-	-	13,907	-	-	13,907	-	13,907
Total public safety and judiciary	-	-	<u>13,907</u>	-	-	<u>13,907</u>	-	<u>13,907</u>
Transportation:								
Street	14,877	-	-	-	-	14,877	-	14,877
Airport	-	-	-	22,044	-	22,044	-	22,044
Total transportation	<u>14,877</u>	-	-	<u>22,044</u>	-	<u>36,921</u>	-	<u>36,921</u>
Cultural, parks and recreation:								
Cemetery	-	-	-	-	-	-	-	-
Total cultural, parks and recreation	-	-	-	-	-	-	-	-
Capital outlay								
Capital outlay	11,600	-	22,982	26,097	-	60,679	-	60,679
Total expenditures	<u>26,477</u>	-	<u>36,889</u>	<u>48,141</u>	-	<u>111,507</u>	-	<u>111,507</u>
Excess (deficiency) of revenues over expenditures	<u>(115)</u>	<u>804</u>	<u>(8,113)</u>	<u>131,141</u>	<u>110</u>	<u>123,827</u>	<u>1,763</u>	<u>125,590</u>
OTHER FINANCING SOURCES (USES)								
Transfers in/(out)	2,642	-	-	-	-	2,642	-	2,642
Total other financing sources and uses	<u>2,642</u>	-	-	-	-	<u>2,642</u>	-	<u>2,642</u>
Net change in fund balances	2,527	804	(8,113)	131,141	110	126,469	1,763	128,232
Fund balances - beginning	29,322	38,523	14,029	2	10,295	92,171	21,671	113,842
Fund balances - ending	<u>\$ 31,849</u>	<u>\$ 39,327</u>	<u>\$ 5,916</u>	<u>\$ 131,143</u>	<u>\$ 10,405</u>	<u>\$ 218,640</u>	<u>\$ 23,434</u>	<u>\$ 242,074</u>

CITY OF NEW CORDELL, OKLAHOMA
 Schedule of Debt Service Coverage Requirements
 2011 Series New Cordell Utility Authority
 Year Ended June 30, 2011

Revenue Bond Coverage:

Gross revenue available for debt service:	
Operating revenue for Cordell Utility Authority	<u>\$ 3,646,655</u>
Gross revenue available for debt service	<u>3,646,655</u>
Operating expenses for Cordell Utility Authority excluding depreciation and amortization	<u>(3,183,740)</u>
Net revenues available for debt service	<u><u>\$ 462,915</u></u>
Debt service requirements:	
Average annual debt service - revenue bonds 2011	<u><u>\$ 107,692</u></u>
Accounts payable	<u><u>4.30</u></u>
Coverage requirement	<u><u>1.20</u></u>

The accompanying notes are an integral part of these statements.



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

The Honorable Mayor and City Council
City of New Cordell, 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 New Cordell, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of New Cordell, Oklahoma's basic financial statements and have issued our report thereon dated December 15, 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 New Cordell, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Cordell, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the City Council and administrative employees of City of New Cordell, Oklahoma, in a separate statement of audit comments included with this report.

This report is intended solely for the information and use of the City Council and administrative employees, all applicable county, state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
December 15, 2011



MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

