CITY OF CUSHING
Cushing, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2011

CITY OF CUSHING
Cushing, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

October 14, 2011

Honorable Board of City Commissioners
City of Cushing
Cushing, Oklahoma

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 Cushing, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011 on our consideration of the City's internal control over financial reporting and 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.

Management's Discussion and Analysis on pages 3 through 9, budgetary comparison information on pages 44 through 46 and the notes on page 47 are not a required part of the financial statements but are 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cushing's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. The combining and individual non-major governmental fund statements and HUD schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

CBEW Professional Group, LLP

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2011
Unaudited

As management of the City of Cushing (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

The total net assets of the City increased $6,981,554 this year. Net assets of governmental activities increased $4,385,015 or 13.76% over the fiscal year.

General revenues accounted for $7,498,419 or 76.52% of total governmental activities revenue. Program specific revenues accounted for $2,300,379 or 23.48% of total governmental activities revenue.

Governmental activities capital assets, net-increased $489,639, included are $155,798 in additions to the airport; $262,795 for lights and dugouts for the Quadraplex; $9,180 for bus for Senior Citizens Center; $74,995 for vehicles and $4,975 for a copier for the police department; $349,055 for a rescue truck, $262,040 for a tanker truck, $27,653 for physical fitness equipment and $19,000 for thermal-image cameras for the fire department; $485,903 for the land and construction costs of public safety building; $4,850 for digital copier at library; $17,200 for equipment for the parks department; and $1,183,804 in depreciation. Business-type activities capital assets, net-decreased $620,020, included are $5,551 for a digital copier; $84,773 for vehicles; $13,500 for an air compressor; and $700,442 in depreciation.

The City had $8,531,539 in expenses related to governmental activities; $2,300,379 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $6,231,160 were offset by general revenues (primarily tax revenues, reimbursements, and investment earnings) of $7,498,419. An additional transfer from the other funds (primarily the business-type activities) of $355,905 was needed to offset any additional expenses including capital expenses.

Net assets for the business-type activities, which are made up of the Municipal Authority and Fountaine Bleau Apartments increased over the fiscal year by $2,596,539 or 7.02%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information as well as other supplementary information.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (fire, ambulance and police), streets, judicial, airport, health and social services, culture, parks and recreation, public improvements and planning and zoning. The business-type activities of the City include public works (electric, water, sewer and refuse) and low-income apartment rentals for the geographical area.

The government-wide financial statements can be found on pages 10–12 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decision. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Hospital Authority funds, all of which are considered to be major funds. Data from the other seven funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds and Capital Improvement Funds. Budgetary comparison schedules have been provided for the General Fund, Special Revenue Funds and Capital Improvement Funds that adopts a budget to demonstrate compliance with the budget and are presented as required supplemental information.

The basic governmental fund financial statements can be found on pages 13–16 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer and refuse and low-income apartment rental operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management and health and disability programs. Because services accounted for in internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Cushing Municipal Authority since it is considered to be a major fund of the City. Because Fountain Bleau Apartments is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Government Accounting Standards Board (GASB) Statement No 34.

The basic proprietary fund financial statements can be found on pages 17–20 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 22–44 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparisons and corresponding notes. Required supplementary information can be found on pages 45–48 of this report.

Other Information – The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 49–51 of this report.

Governmental-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Cushing, assets exceed liabilities by $75,856,176 as of June 30, 2011.

A large portion of the City's net assets (62.81%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

City of Cushing's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Current and other assets	$ 12,682,117	$ 12,248,482	$ 20,159,263	$ 17,948,651	$ 32,841,380	$ 30,197,133
Deferred charges	187,303	189,627	120,739	137,378	308,042	327,005
Capital assets	32,007,574	31,517,935	29,404,123	30,024,143	61,411,697	61,542,078
Total assets	44,876,994	43,956,044	49,684,125	48,110,172	94,561,119	92,066,216
Long-term liabilities	4,853,860	5,757,324	8,912,438	9,784,518	13,766,298	15,541,842
Other liabilities	3,761,969	6,322,570	1,176,673	1,327,178	4,938,642	7,649,748
Total liabilities	8,615,829	12,079,894	10,089,111	11,111,696	18,704,940	23,191,590
Net assets:						
Invested in capital assets, net of related debt	27,153,714	25,760,611	20,491,685	20,239,625	47,645,399	46,000,236
Restricted	17,814,442	14,022,903	-	-	17,814,442	14,022,903
Unrestricted	(8,706,991)	(7,907,364)	19,103,329	16,758,851	10,396,338	8,851,487
Total net assets	$ 36,261,165	$ 31,876,150	$ 39,595,014	$ 36,998,476	$ 75,856,179	$ 68,874,626

As of June 30, 2011, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories – governmental and business-type activities.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended June 30, 2011 with comparative totals for the year ended June 30, 2010. Governmental activities increased the City of Cushing's net assets by $4,385,015, accounting for 62.81% of the total growth in net assets. Business-type activities increased the City's net assets by $2,596,539, accounting for 37.19% of the total growth in net assets.

City of Cushing's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Revenues:						
Program revenues						
Charges for services	$ 1,766,897	$ 1,686,255	$ 14,196,254	$ 14,673,070	$ 15,963,151	$ 16,359,325
Operating grants and contributions	363,204	100,279	-	-	363,204	100,279
Capital grants and contributions	170,278	252,482	-	-	170,278	252,482
General revenues:						
Sales, use and cigarette taxes	5,748,963	5,050,576	-	-	5,748,963	5,050,576
Hotel/motel taxes	22,689	18,856	-	-	22,689	18,856
Franchise fees	158,689	168,791	-	-	158,689	168,791
Intergovernmental	102,497	101,668	-	-	102,497	101,668
Investment earnings	111,605	164,775	171,474	229,712	283,079	394,487
Miscellaneous	1,107,906	241,365	125,224	136,064	1,233,130	377,429
Oil and gas royalty	187,062	-	-	-	187,062	-
Lease receipts	8,400	8,400	-	-	8,400	8,400
Sale of property	-	-	59,710	22,274	59,710	22,274
Workmen's compensation refund	50,608	37,629	-	-	50,608	37,629
Change in OPEB liability	2,761,851	-	-	-	2,761,851	-
Late charges	-	-	145,801	176,676	145,801	176,676
Total revenues	12,560,649	7,831,076	14,698,463	15,237,796	27,259,112	23,068,872
Expenses:						
General government	1,511,946	5,466,390	-	-	1,511,946	5,466,390
Public safety and judiciary	3,709,155	3,538,025	-	-	3,709,155	3,538,025
Transportation	508,201	466,992	-	-	508,201	466,992
Cultural, parks and recreation	1,291,069	1,233,613	-	-	1,291,069	1,233,613
Hospital/economic development	327,364	362,491	-	-	327,364	362,491
Unallocated depreciation	1,183,804	1,096,441	700,442	681,485	1,884,246	1,777,926
Apartment housing	-	-	217,023	247,610	217,023	247,610
Utilities	-	-	10,431,595	9,879,309	10,431,595	9,879,309
Financing	-	-	396,959	446,671	396,959	446,671
Total expenses	8,531,539	12,163,952	11,746,019	11,255,075	20,277,558	23,419,027
Increases in net assets before transfers	4,029,110	(4,332,876)	2,952,444	3,982,721	6,981,554	(350,155)
Transfers	355,905	493,522	(355,905)	(493,522)	-	-
Increase in net assets	4,385,015	(3,839,354)	2,596,539	3,489,199	6,981,554	(350,155)
Net assets - beginning of year	31,876,150	35,715,504	36,998,475	33,509,276	68,874,625	69,224,780
Net assets - end of year	$ 36,261,165	$ 31,876,150	$ 39,595,014	$ 36,998,475	$ 75,856,179	$ 68,874,625

Financial Analysis of the Government's Funds

Governmental funds – The focus of the City of Cushing's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved net assets may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Cushing's governmental funds reported combined ending net assets balances of $36,261,165. Approximately 50.87% of the total amount $18,446,723 constitutes unreserved net assets. The remainder of the net assets is reserved to indicate that it is not available for new spending because it has already been committed 1) for hospital reacquisition ($280,792), 2) for Special Projects ($4,074,646), and 3) for the Hospital Authority ($13,459,004).

In the general fund, the City budgeted for a decrease in the net assets of $761,026. With subsidies from the CMA totaling $500,000, the General fund still reported an increase in net assets.

Proprietary Funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the respective proprietary funds are CMA – $19,080,966 and apartment rentals – $22,363.

Capital Assets

The City of Cushing's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to $61,411,697 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and infrastructure. Major capital asset events during the current fiscal year included the following:

Governmental activities include: additions to the Airport, the purchase of equipment and trucks for the fire department, the lights and dugouts for the Quadraplex, the purchase of equipment for the library, the purchase of equipment for the park department, the purchase of vehicles and equipment for the police department, beginning costs for the public safety building and a vehicle for the Senior Citizens Center.

Business-type activities include: the purchase of vehicles and equipment.

Capital Assets at Year-end Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Land	$ 2,937,819	$ 2,892,096	$ 793,946	$ 793,946	$ 3,731,765	$ 3,686,042
Construction in process	440,179	-	-	-	440,179	-
Buildings & Improvement	20,551,790	21,152,186	26,823,090	27,350,802	47,374,880	48,502,988
Furniture & Equipment	1,221,481	1,296,996	1,581,186	1,734,584	2,802,667	3,031,580
Vehicles	1,734,942	1,222,029	205,901	144,811	1,940,843	1,366,840
Infrastructure	5,121,363	4,954,628	-	-	5,121,363	4,954,628
Total	$ 32,007,574	$ 31,517,935	$ 29,404,123	$ 30,024,143	$ 61,411,697	$ 61,542,078

Additional information on the City of Cushing's capital assets can be found in note 2 on pages 32–33 of this report.

Debt Administration

At the end of the current fiscal year, the City of Cushing had total bonded debt and notes payable of $13,766,299. Of this amount, $7,245,000 comprises the bonded debt backed by the full faith and credit of the government, $6,932,580 represents notes secured solely by CMA revenues and ($411,281) represents deferred loss on early retirement of debt.

Outstanding Debt at Year-end Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Revenue bonds payable	$ 4,880,000	$ 5,790,000	$ 2,365,000	$ 2,810,000	$ 7,245,000	$ 8,600,000
Notes payable	-	-	6,932,580	7,436,687	6,932,580	7,436,687
Deferred loss on early retirement of debt	(26,142)	(32,677)	(385,139)	(462,168)	(411,281)	(494,845)
Total	$ 4,853,858	$ 5,757,323	$ 8,912,441	$ 9,784,519	$ 13,766,299	$ 15,541,842

Additional information on the City of Cushing's long-term debt can be found in footnote 2 on pages 35-36 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2011-12 Budget, General fund revenues and transfers in are budgeted to increase from the 2010-11 budget year with sales taxes making up about 62% of general fund budgeted revenues and transfers in. The City's budgets for all funds have benefited from a strong local economy centered around the expanding oil storage and transportation industry during the past several years, sales tax receipts are expected to remain stable or strong. This revenue source is the most volatile and subject to decline if an economic slowdown happens.

In the 2011-12 Budget, the Municipal Authority is budgeted to operate at a net profit after transfers. This is possible due to recent growth of the economy which allows the Municipal Authority to transfer less funds to the general fund.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact Steve Spears, City Manager, P.O. Box 311, Cushing, OK 74023, or call 918-225-2394.

CITY OF CUSHING
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3)	$ 2,803,161	$ 7,692,196	$ 10,495,357
Investments, at cost	6,812,761	8,805,197	15,617,958
Receivables (net of allowance for uncollectibles):			
Services	1,017,811	1,373,284	2,391,095
Unbilled revenues	-	1,194,150	1,194,150
Taxes	944,083	-	944,083
Interest	2,181	4,142	6,323
Due to/from other funds (Note 2D)	(243,722)	243,723	1
Grants receivable	378,099	-	378,099
Restricted assets:			
Accrued interest receivable on bond funds	593	-	593
Bond fund/cash & investments (Notes 3 & 4)	614,594	833,065	1,447,659
Tenant security deposits	-	1,362	1,362
Reserve for replacement	-	12,144	12,144
Capital assets:			
Land and work in process	3,377,998	939,661	4,317,659
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	28,629,576	28,464,462	57,094,038
Deferred charges:			
Bond project costs	184,058	60,125	244,183
Bond issue cost (net of accumulated amortization) (Note 1)	3,245	60,614	63,859
Other:			
Deferred inventory receivable (Note 2)	352,556	-	352,556
Total assets	$ 44,876,994	$ 49,684,125	$ 94,561,119
Liabilities:			
Accounts payable	$ 598,512	$ 971,685	$ 1,570,197
Deferred compensation (Note 4)	612,716	-	612,716
Accrued compensated absences payable (Note 1)	224,613	107,668	332,281
OPEB liability	2,017,197	-	2,017,197
Estimated insurance and unemployment benefits payable	166,568	-	166,568
Payable from restricted assets:			
Interest payable	139,568	95,958	235,526
Appearance bonds	2,795	-	2,795
Deposits	-	1,362	1,362
Notes payable (Note 3)	-	6,932,580	6,932,580
Revenue bonds payable (Notes 3 & 4)	4,853,860	1,979,858	6,833,718
Total liabilities	8,615,829	10,089,111	18,704,940
Net assets:			
Invested in capital assets, net of related debt	27,153,714	20,491,685	47,645,399
Restricted	17,814,442	-	17,814,442
Unrestricted	(8,706,991)	19,103,329	10,396,338
Total net assets	$ 36,261,165	$ 39,595,014	$ 75,856,179

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental activities:					
General government:					
City clerk	$ 83,812	$ -	$ -	$ -	$ (83,812)
City manager	254,359	-	-	-	(254,359)
City treasurer	117,554	-	-	-	(117,554)
General government	1,056,221	54,089	10	-	(1,002,122)
Total general government	1,511,946	54,089	10	-	(1,457,847)
Public safety and judiciary:					
City attorney	146,902	-	-	-	(146,902)
Code enforcement	373,731	-	-	-	(373,731)
Fire and ambulance	1,716,991	592,142	319,821	-	(805,028)
Municipal court	75,848	58,055	-	-	(17,793)
Police	1,373,365	125	4,650	-	(1,368,590)
Civil emergency management	22,318	-	15,000	-	(7,318)
Total public safety and judiciary	3,709,155	650,322	339,471	-	(2,719,362)
Transportation:					
Airport	42,263	15,461	-	170,278	143,476
Streets	465,938	-	-	-	(465,938)
Total transportation	508,201	15,461	-	170,278	(322,462)
Cultural, parks and recreation:					
Lake	1,670	1,924	-	-	254
Library/Quadraplex	263,300	4,656	17,283	-	(241,361)
Parks	377,331	-	-	-	(377,331)
Senior citizens center	129,288	795	2,267	-	(126,226)
Swimming pool	148,486	136,759	-	-	(11,727)
Youth center	370,994	31,850	-	-	(339,144)
Total cultural, parks and recreation	1,291,069	175,984	19,550	-	(1,095,535)
Hospital/economic development					
Hospital activities	311,967	871,041	4,173	-	563,247
Economic development	15,397	-	-	-	(15,397)
Total hospital/economic development	327,364	871,041	4,173	-	547,850
Unallocated depreciation*	1,183,804	-	-	-	(1,183,804)
Total governmental activities	8,531,539	1,766,897	363,204	170,278	(6,231,160)
Business-type activities					
Apartment housing	217,023	160,972	-	-	(56,051)
Billing & collection	449,615	-	-	-	(449,615)
General operations	230,596	-	-	-	(230,596)
General manager	35,468	-	-	-	(35,468)
Electric	7,446,210	9,898,473	-	-	2,452,263
Water	772,942	1,759,464	-	-	986,522
Sewer	647,234	1,276,921	-	-	629,687
Sanitation	849,520	938,588	-	-	89,068
Financing costs	396,969	-	-	-	(396,969)
Prison	-	161,836	-	-	161,836
Unallocated depreciation*	700,442	-	-	-	(700,442)
Total business-type activities	11,746,019	14,196,254	-	-	2,450,235
Total	$ 20,277,558	$ 15,963,151	$ 363,204	$ 170,278	$ (3,780,925)

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(6,231,160)	2,450,235	(3,780,925)
General revenues:			
Taxes:			
Sales, use and cigarette taxes	5,748,963	-	5,748,963
Hotel/motel taxes	22,689	-	22,689
Franchise taxes	158,689	-	158,689
Intergovernmental	102,497	-	102,497
Investment earnings	111,605	171,474	283,079
Miscellaneous	1,107,906	125,224	1,233,130
Oil and gas royalty	187,062	-	187,062
Lease receipts	8,400	-	8,400
Sale of property	-	59,710	59,710
Late charges	-	145,801	145,801
Workmen's compensation	50,608	-	50,608
Change in OPEB liabilty	2,761,851	-	2,761,851
Transfers	355,905	(355,905)	-
Total general revenues and transfers	10,616,175	146,304	10,762,479
Change in net assets	4,385,015	2,596,539	6,981,554
Net assets - beginning of year	31,876,150	36,998,475	68,874,625
Net assets - end of year	$ 36,261,165	$ 39,595,014	$ 75,856,179

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Permanent Fund Hospital Authority	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 3)	$ 554,888	$ 1,015,889	$ 1,232,384	$ 2,803,161
Investments, at cost	2,695,045	1,095,000	3,022,716	6,812,761
Receivables (net of allowance for uncollectibles):				
Accounts receivable	1,005,306	-	12,505	1,017,811
Taxes	944,083	-	-	944,083
Interest	1,450	-	731	2,181
Due from other funds (Note 2D)	-	142,576	216,003	358,579
Grants receivable	33,414	-	344,685	378,099
Restricted assets:				
Accrued interest receivable on bond funds	-	593	-	593
Bond fund/cash & investments (Notes 3 & 4)	-	614,594	-	614,594
Capital assets				
Land and construction in progress	-	249,869	100,020	349,889
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	-	14,801,235	909	14,802,144
Deferred charges:				
Bond project costs	7,183	176,875	-	184,058
Bond issue cost (net of accumulated amortization) (Note 1)	-	3,245	-	3,245
Other:				
Deferred inventory receivable (Note 2)	-	352,556	-	352,556
Total assets	$ 5,241,369	$ 18,452,432	$ 4,929,953	$ 28,623,754
Liabilities:				
Accounts payable	$ 305,876	$ -	$ 292,636	$ 598,512
Due to other funds (Note 3)	602,301	-	-	602,301
Deferred compensation (Note 4)	-	-	612,716	612,716
Estimated insurance and unemployment benefits payable	166,568	-	-	166,568
Payable from restricted assets:				
Interest payable	-	139,568	-	139,568
Appearance bonds	2,795	-	-	2,795
Notes payable (Note 3)	-	-	-	-
Revenue bonds payable (Notes 3 & 4)	-	4,853,860	-	4,853,860
Total liabilities	1,077,540	4,993,428	905,352	6,976,320
Fund balance:				
Restricted for:				
Economic development	-	-	83,334	83,334
Hospital	280,792	13,459,004	-	13,739,796
Youth center	50,045	-	-	50,045
Other purposes	-	-	3,941,267	3,941,267
Unassigned	3,832,992	-	-	3,832,992
Total fund balance	4,163,829	13,459,004	4,024,601	21,647,434
Total liabilities and fund equity	$ 5,241,369	$ 18,452,432	$ 4,929,953	$ 28,623,754

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2011

Total Fund Balances - Total Governmental Funds		$ 21,647,434
Amounts reported for governmental activities in the statement of net assets are different because:		
Accrued compensated absenses payable		(224,613)
OPEB liability		(2,017,197)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 2,587,930	
Construction in process	440,179	
Buildings & Improvements	16,804,744	
Furniture & Equipment	5,839,903	
Infrastructure	10,886,431	
Vehicles	4,075,660	
Accumulated Depreciation	(23,779,306)	
Total		16,855,541
Net assets of governmental activities		$ 36,261,165

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General Fund	Permanent Fund Hospital Authority	Other Governmental Funds	Total Governmental Funds
Revenues:				
Charges for services	$ 783,587	$ -	$ -	$ 783,587
Licenses and permits	54,089	-	-	54,089
Interest	57,112	22,682	31,811	111,605
Franchise fees	158,689	-	-	158,689
Hotel/motel taxes	22,689	-	-	22,689
Intergovernmental programs	30,614	-	507,459	538,073
Fines and forfeits	58,055	-	-	58,055
Lease receipts	8,400	871,041	-	879,441
Miscellaneous revenue	1,021,605	-	31,671	1,053,276
Taxes	5,748,963	-	76,281	5,825,244
Oil and gas royalties	187,062	-	-	187,062
Reimbursements	54,754	-	-	54,754
Workmen's compensation refund	50,608	-	-	50,608
Sale of property	-	-	-	-
Donations and other	7,452	4,173	10,000	21,625
Total revenues	8,243,679	897,896	657,222	9,798,797
Expenditures:				
Current:				
General government	1,431,550	-	34,336	1,465,886
Economic development	-	-	15,397	15,397
Public safety	3,693,833	-	15,322	3,709,155
Highways roads and airport	456,451	-	51,750	508,201
Cultural and recreational	1,278,459	-	12,610	1,291,069
Administrative	1,512	18,022	-	19,534
Interest expense	-	292,433	-	292,433
Capital outlay	106,350	-	1,567,093	1,673,443
Total expenditures	6,968,155	310,455	1,696,508	8,975,118
Excess of revenues over (under) expenditures	1,275,524	587,441	(1,039,286)	823,679
Other financing uses:				
Operating transfers in (out)	(1,487,442)	836,493	1,006,854	355,905
Total other financing uses	(1,487,442)	836,493	1,006,854	355,905
Excess of revenues over (under) expenditures & transfers	(211,918)	1,423,934	(32,432)	1,179,584
Fund balance - beginning of year	4,375,747	12,035,070	4,057,033	20,467,850
Fund balance - end of year	$ 4,163,829	$ 13,459,004	$ 4,024,601	$ 21,647,434

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	$	1,179,584
Amounts reported for governemental activities in the Statement of Activities are different because:		
Government-Wide Statement of Activities and Changes in Net Assets report accrued compensated absenses in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absenses recorded in the current period.		(46,061)
Government-Wide Statement of Activities and Changes in Net Assets report OPEB liabilities in the period incurred. However, Governmental Funds do not pay on this liability. The amount of the change for the OPEB liability recorded in the current period.		2,761,851
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		1,673,443
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(1,183,802)
Change in Net Assets of Governmental Activities	$	4,385,015

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	Fountaine Bleau (Non-major)	Totals
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3)	$ 7,676,252	$ 15,944	$ 7,692,196
Investments, at cost	8,805,197	-	8,805,197
Receivables (net of allowance for uncollectibles):			
Accounts receivable	1,369,236	4,048	1,373,284
Unbilled revenues	1,194,150	-	1,194,150
Interest	4,142	-	4,142
Due from other funds	243,723	-	243,723
Grants receivable	-	-	-
Bond fund/cash & investments (Notes 3 & 4)	833,065	-	833,065
Tenant security deposits	-	1,362	1,362
Reserve for replacement	-	12,144	12,144
Capital assets:			
Land and work in process	914,661	25,000	939,661
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	28,090,104	374,358	28,464,462
Deferred charges:			
Bond project costs	60,125	-	60,125
Bond issue cost (net of accumulated amortization) (Note 1)	60,614	-	60,614
Total assets	$ 49,251,269	$ 432,856	$ 49,684,125
Liabilities:			
Accounts payable	$ 963,360	$ 8,325	$ 971,685
Due to other funds	-	-	-
Accrued compensated absences payable (Note 1)	106,220	1,448	107,668
Payable from restricted assets:			
Interest payable	95,958	-	95,958
Deposits	-	1,362	1,362
Notes payable (Note 3)	6,932,580	-	6,932,580
Revenue bonds payable (Notes 3 & 4)	1,979,858	-	1,979,858
Total liabilities	10,077,976	11,135	10,089,111
Net assets:			
Invested in capital assets, net of related debt	20,092,327	399,358	20,491,685
Restricted	-	-	-
Unrestricted	19,080,966	22,363	19,103,329
Total net assets	$ 39,173,293	$ 421,721	$ 39,595,014

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	Fountaine Bleau (Non-major)	Totals
Revenues:			
Net rental revenue	$ -	$ 150,773	$ 150,773
Water revenue	1,759,464	-	1,759,464
Sewer revenue	1,276,921	-	1,276,921
Garbage revenue	938,588	-	938,588
Electric revenue	9,898,473	-	9,898,473
Late charges	145,801	-	145,801
Miscellaneous revenue	125,221	10,199	135,420
Grant revenue	-	-	-
Telephone & gas revenue	161,836	-	161,836
Sale of property and materials	59,710	-	59,710
Total revenues	14,366,014	160,972	14,526,986
Utility operations expense:			
Billing and collection	449,615	-	449,615
General and administrative	230,596	-	230,596
General manager	35,468	-	35,468
Electric service	7,446,207	-	7,446,207
Water service	772,942	-	772,942
Sewer service	647,234	-	647,234
Garbage service	849,520	-	849,520
Gas expense	-	-	-
Total utility operations expense	10,431,582	-	10,431,582
Rental expense:			
Personal services	-	65,758	65,758
Maintenance and operations	-	127,863	127,863
Depreciation expense	700,442	23,402	723,844
Total rental expense	700,442	217,023	917,465
Total operating expenses	11,132,024	217,023	11,349,047
Income before non-operating revenues, expenses & transfers	3,233,990	(56,051)	3,177,939
Non-operating revenues (expenses):			
Interest revenue	171,224	250	171,474
Interest expense	(263,881)	-	(263,881)
Amortization of bond issue cost	(16,639)	-	(16,639)
Amortization of deferred loss on early retirement of debt	(23,461)	-	(23,461)
Amortization of acquisition cost	(53,567)	-	(53,567)
Loan administration fee	(35,921)	-	(35,921)
Trustee fees	(3,500)	-	(3,500)
Total	(225,745)	250	(225,495)

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

(Contiuned)	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	Fountain Bleau (Non-major)	Totals
Income (loss) before operating transfers	3,008,245	(55,801)	2,952,444
Transfers in (out)	(385,498)	29,593	(355,905)
Change in net assets	2,622,747	(26,208)	2,596,539
Net assets at beginning of year	36,550,546	447,929	36,998,475
Net assets at end of year	$ 39,173,293	$ 421,721	$ 39,595,014

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	Fountaine Bleau (Non-major)	Totals
Cash flows from operating activities:			
Cash received from customers & service users	$ 14,076,034	$ 169,162	$ 14,245,196
Cash payments for goods & services & employees	(10,553,627)	(196,204)	(10,749,831)
Other operating revenues	59,710	-	59,710
Net cash provided by operating activities	3,582,117	(27,042)	3,555,075
Cash flows from noncapital financing activities:			
Tenant security deposits	-	(1,706)	(1,706)
Net change in due to/due from other funds	(1)	5,407	5,406
Operating transfers out to other funds	(478,563)	-	(478,563)
Operating transfers in from other funds	93,065	29,593	122,658
Net cash provided (used) for noncapital financing activities	(385,499)	33,294	(352,205)
Cash flows from capital and related financing activities:			
Acquisition & construction of capital assets	(103,824)	-	(103,824)
Principal paid on debt	(949,107)	-	(949,107)
Interest paid on debt	(288,053)	-	(288,053)
Principal received on notes	-	-	-
Loan administration fee	(35,921)	-	(35,921)
Trustee fees	(3,500)	-	(3,500)
Net cash provided (used) for capital and related financing activities	(1,380,405)	-	(1,380,405)
Cash flows from investing activities:			
(Purchase) liquidation of investments - unrestricted	3,760,000	-	3,760,000
Interest on investments	178,533	250	178,783
Net cash provided by investing activities	3,938,533	250	3,938,783
Net increase (decrease) in cash & cash equivalents	5,754,746	6,502	5,761,248
Cash and cash equivalents - beginning of year	2,754,571	22,948	2,777,519
Cash and cash equivalents - end of year	$ 8,509,317	$ 29,450	$ 8,538,767
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 3,233,990	$ (56,051)	$ 3,177,939
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	700,442	23,402	723,844
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(230,270)	8,190	(222,080)
(Increase) decrease in grants receivable	-	-	-
Increase (decrease) in accounts payable	(91,046)	(2,905)	(93,951)
Increase (decrease) in accrued expenses	(30,999)	322	(30,677)
Total adjustments	348,127	29,009	377,136
Net cash provided by operating activities	$ 3,582,117	$ (27,042)	$ 3,555,075

The accompanying notes are an integral part of the basic financial statements.

CITY OF CUSHING
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Agency Funds
Assets:	
Cash and investments at cost	$ 687,606
Total assets	$ 687,606
Liabilities:	
Deposits	$ 687,606
Total liabilities	$ 687,606

The accompanying notes are an integral part of the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cushing, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Cushing, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning, and low income apartment rentals for the geographical area organized as the City of Cushing, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Cushing Municipal Authority (CMA) was created pursuant to a Trust Indenture dated January 1, 1973, for the benefit of the City of Cushing, Oklahoma. CMA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, electrical and hospital facilities for the City of Cushing. The water, sanitary sewer, electricity, and solid waste disposal systems owned by the City have been leased to CMA until such date that all indebtedness of the Authority is retired or provided for. CMA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. CMA is exempt from State and Federal Income taxes. CMA is reported as an enterprise fund.

The Cushing Hospital Authority (CHA) was created pursuant to a Trust Indenture dated August 1, 1978, for the benefit of the City of Cushing, Oklahoma. CHA was established to plan, finance, establish, develop, construct, enlarge, remodel, improve, make alterations, extend, maintain, equip, operate, lease, furnish and regulate hospitals, extended care facilities, clinics, community mental health centers, geriatrics facilities, and related facilities for the City of Cushing. CHA is a public trust and an agency of the State of Oklahoma, under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. CHA is exempt from State and Federal Income taxes. CHA is reported as a permanent fund.

The Cushing Industrial Authority (CIA) was created February 15, 1967, for the benefit of the City of Cushing, Oklahoma. CIA was created to promote the development of industry and to provide additional employment in the Cushing, Oklahoma, area. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. CIA is exempt from State and Federal Income taxes. CIA is reported as a permanent fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Other Component Units/Trusts:

The Cushing Agri-Civic Center Authority was created by Trust Indenture dated December 30, 1974, under the provisions of Title 60, Oklahoma Statutes 1968, Sections 176 to 180, inclusive. The Trust was created generally to construct, operate and maintain the Agri-Civic Center for the benefit of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The land and building owned by the Agri-Civic Center Authority were transferred to the Cushing School District in 1992 and the remaining funds were subsequently disbursed to local community 501 (c) (3) organizations and to the City of Cushing. There are currently no assets or liabilities of the Cushing Agri-Civic Center Authority and there were no activities during the year. The City of Cushing, as beneficiary, has elected to preserve the legal structure of this Authority for a potential future use.

The Cushing Home Finance Authority was created by Trust Indenture dated January 21, 1983, under the provisions of Title 60, Oklahoma Statutes 1968, Sections 176 to 180, inclusive. The Trust was created generally to provide resources for the purpose of promoting the development of decent, safe and sanitary residential housing facilities for families of low to moderate income or lower income tenants residing within the territorial limits of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. In 1983 the Authority issued 1983 Series A-Multifamily Housing Revenue Bonds in the amount of $2,100,000 for the purpose of providing funds to finance qualified multifamily residential project loans. Final maturity of those bonds was 1993. There are currently no assets or liabilities of the Cushing Home Finance Authority and there were no activities during the year. The City of Cushing, as beneficiary, has elected to preserve the legal structure of this Authority for a potential future use.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Cushing Hospital Authority – is a permanent fund that accounts for the revenue and expenditures related to the leasing of the hospital and surrounding properties.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street and Alley, Airport and Grant Funds.

Capital Projects Fund – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Library/Quadraplex, Sale Tax Fund and Special Capital Improvement Fund.

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's other permanent fund is composed of the Cushing Industrial Authority.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the City has adopted only Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The City's major enterprise fund is the Cushing Municipal Authority, which accounts for the operations of providing public works (electric, water, sewer, and refuse) to the City. The other enterprise fund of the City that is considered a non-major fund is Fountaine Bleau Apartments, which accounts for low-income apartment rentals for the geographical area.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Internal Service Funds – accounts for operations that provide services to other departments or agencies of the City, or to other governments on a cost-reimbursement basis. The Health Insurance Fund, Workmen's Compensation (for claims incurred prior to 1997), and the Unemployment Fund are self-insurance funds and are accounted for as a part of the City's Internal Service Fund. Amounts needed to fund the estimated liabilities of these self-insurance funds are transferred from the insured fund to the internal service fund periodically during the year. The transfers are reported as expenses in the insured fund and as reimbursements in the Internal Service fund. Operating expenditures are recognized in the internal service fund when expenses and benefits are accrued. All monies and operations of this fund were transferred to the General Fund during the current year.

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's only fiduciary funds are agency funds that are composed of customer deposit funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in Bond Fund Reserve Accounts, Bond Fund Principal Accounts, Bond Fund Interest Accounts, Construction Accounts, and Sales Tax Revenue Accounts. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

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

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $4,000 for the governmental and proprietary funds with the exception of Fountaine Bleau Apartments, which is $500.

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Capital Assets (Continued)

The financial statements of the Cushing Hospital Authority include property and equipment owned by the City of Cushing and leased to the Cushing Hospital Authority. Depreciation was charged in prior years when the fund was accounted for as an enterprise fund. The fund was reclassified as a permanent fund when it was sub-leased in 1995 (See Note 4), thus no depreciation has been recognized since 1995.

The fixed assets of the Fountaine Bleau Apartments are stated at cost for any additions and at appraised value at the date of original acquisition of the property from HUD. Depreciation is provided based on that appraised value.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	40 - 100 years	40 - 100 years
Furniture, Fixtures and Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	20 - 100 years	20 - 100 years

8. Deferred Charges

Bond project costs and bond issue costs are amortized ratably over the repayment period of the applicable bond using the straight-line method. Deferred loss on early retirement of debt is being amortized over the life of the refunded issue and is presented net of related debt as required by Governmental Accounting Standards Board Statement No. 23.

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally, after six consecutive months of service, employees are entitled to all accrued vacation leave upon termination. Sick leave may be accumulated to a maximum of 72 days but employees are not compensated for unused sick leave upon termination. At the option of the employee, compensatory time off may be taken in lieu of cash payment for overtime worked. Amounts may be accumulated to a maximum of 240 hours (480 hours for certain emergency response activities or seasonal activities). The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their statement of net assets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their statement of net assets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

11. Net Assets/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form,* such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted, committed, assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Net Assets/Fund Balance (Continued)

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

12. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2011, the City held deposits of approximately $28,262,086 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
b. Certificates of deposits 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.

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2011 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	$ 12,182,128	$ 12,182,128
Certificate of deposit	12.00	N/A	16,079,958	16,079,958
Total investments			$ 28,262,086	$ 28,262,086

Reconciliation to Statement of Net Assets	
Governmental activities	$ 10,230,516
Business-type activities	17,343,964
Fidiciary activities	687,606
	$ 28,262,086

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 57% in Certificates of deposit ($16,079,958) and 43% in Money Market funds ($12,182,128).

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Uncollectible Accounts

The City's estimate of uncollectible accounts receivable by fund and activity is as follows:

	General Fund	Cushing Municipal Authority
Ambulance	$ 144,589	$ -
Other misc.	175,551	-
Fines	12,111	-
Water	-	21,779
Refuse	-	8,426
Sewer	-	19,102
Electric	-	86,139
Late fees	-	12,732
Sales tax	-	5,121
Refuse tax	-	9
Total	$ 332,251	$ 153,308

C. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

Governmental Activities:	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
Non-depreciable assets:				
Land	$ 2,892,096	$ 45,723	$ -	$ 2,937,819
Construction in process	-	440,179	-	440,179
Total non-depreciable assets	2,892,096	485,902	-	3,377,998
Depreciable assets:				
Buildings and improvements	32,929,161	-	-	32,929,161
Furniture, fixtures and equipment	11,271,630	73,678	-	11,345,308
Vehicles	3,394,839	695,270	-	4,090,109
Infrastructure	10,467,838	418,593	-	10,886,431
Total depreciable assets	58,063,468	1,187,541	-	59,251,009
Less accumulated depreciation:				
Buildings and improvements	(11,776,975)	(600,396)	-	(12,377,371)
Furniture, fixtures and equipment	(9,974,634)	(149,193)	-	(10,123,827)
Vehicles	(2,172,810)	(182,357)	-	(2,355,167)
Infrastructure	(5,513,210)	(251,858)	-	(5,765,068)
Total accumulated depreciation	(29,437,629)	(1,183,804)	-	(30,621,433)
Net depreciable assets	28,625,839	3,737	-	28,629,576
Net governmental activities capital assets	$ 31,517,935	$ 489,639	$ -	$ 32,007,574

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets (Continued)

Business-Type Activities:	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
Non-depreciable assets:				
Land	$ 793,946	$ -	$ -	$ 793,946
Total non-depreciable assets	793,946	-	-	793,946
Depreciable assets:				
Buildings and improvements	46,968,960	-	-	46,968,960
Furniture, fixtures and equipment	2,986,310	19,051	-	3,005,361
Vehicles	682,704	84,773	-	767,477
Total depreciable assets	50,637,974	103,824	-	50,741,798
				51,535,744
Less accumulated depreciation:				
Buildings and improvements	(19,618,158)	(527,712)	-	(20,145,870)
Furniture, fixtures and equipment	(1,251,726)	(172,449)	-	(1,424,175)
Vehicles	(537,893)	(23,683)	-	(561,576)
Total accumulated depreciation	(21,407,777)	(723,844)	-	(22,131,621)
Net depreciable assets	29,230,197	(620,020)	-	28,610,177
Net business-type activities capital assets	$ 30,024,143	$ (620,020)	$ -	$ 29,404,123

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs. Only depreciation on Fountaine Bleau Apartments was allocated as a direct expense of the apartment program expense.

D. Deferred Inventory Receivable

According to the lease agreement, Hospital inventories of supplies, drugs and other consumables are reflected as a deferred inventory receivable that the lessee has agreed to maintain for duration of the lease.

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Inter-fund Receivables and Payables

The following schedule reflects the City's inter-fund due from and due to other governmental funds, which have been eliminated in the statement of net assets presentation in accordance with GASB 34:

	Due From	Due To
General Fund:		
Cushing Hospital Authority	$ -	$ 142,576
Fountaine Bleau	-	5,407
Library/Quadraplex	-	42,560
Cushing Municipal Authority	-	243,722
Cushing Industrial Authority	-	3,203
Sales Tax Fund	-	170,241
Capital Improvement Funds:		
Library/Quadraplex:		
General Fund	42,560	-
Sales Tax Fund:		
General Fund	170,241	-
Enterprise Funds:		
Cushing Municipal Authority:		
General Fund	243,722	-
Fountaine Bleau:		
General Fund	5,407	-
Permanent Funds:		
Cushing Hospital Authority:		
General Fund	142,576	-
Cushing Industrial Authority:		
General Fund	3,203	-
Total all funds	$ 607,709	$ 607,709

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Leases

Pursuant to an election held on the 6th day of June, 1978, the City of Cushing leased its existing and thereafter acquired water, sanitary sewer, electric and solid waste disposal systems to the Cushing Municipal Authority for a term of fifty (50) years or to such date as all indebtedness incurred by the Authority has been paid pursuant to a lease agreement dated August 1, 1978. In accordance with the Lease Agreement and Operation and Maintenance Contract, the City will operate the systems on a cost reimbursement basis. Any funds remaining with the Authority after all operating expenses and debt service requirements have been satisfied can be transferred to the City General Fund and used for any lawful purpose, at the discretion of the Authority. Gross Revenues generated and lease payments made to the City from these systems are as follows:

	Solid Waste Disposal System	Water System	Sewer System	Electric System
Gross revenues	$ 938,588	$ 1,759,464	$ 1,276,921	$ 9,898,473
Operating expenses	849,520	772,942	647,234	7,446,210
Net	89,068	986,522	629,687	2,452,263
Debt service requirements	-	(299,693)	(438,540)	(555,075)
Transfer to general fund	-	-	-	(400,000)
Net fund retained	$ 89,068	$ 686,829	$ 191,147	$ 1,497,188

G. Long-term Debt

The City is not obligated in any manner for the debt of its component units or trusts. The following is a summary of long-term debt transactions of the component units and trusts of the City:

	Date of Last Maturity	Original Amount	Balance Outstanding 7/1/10	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/11
Cushing Municipal Authority:						
OWRB - SRF (interest @ 3.313%)	3/15/2021	$ 5,000,000	$ 2,632,821	$ -	$ (213,010)	$ 2,419,811
OWRB - SRF (interest @ 2.63%)	9/15/2023	6,500,000	4,715,845	-	(284,847)	4,430,998
Sewer System - CDBG (interest @ 0%)	8/1/2024	125,000	88,021	-	(6,250)	81,771
Utility system - 2003 (interest @ 3.5%)	7/1/2016	5,715,000	2,810,000	-	(445,000)	2,365,000
Less: Deferred Loss on Early Retirement of Debt			(462,168)	-	77,029	(385,139)
Cushing Hospital Authority:						
Sales tax - 2004 (interest @ 5.72%)	7/1/2015	9,950,000	5,790,000	-	(910,000)	4,880,000
Less: Deferred Loss on Early Retirement of Debt			(32,677)	-	6,535	(26,142)
Total		$ 27,290,000	$ 15,541,842	$ -	$ (1,775,543)	$ 13,766,299

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

G. Long-term Debt (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	CMA Debt	CHA Debt	Total
2012	$ 1,257,115	$ 1,235,551	$ 2,492,666
2013	1,236,715	1,239,209	2,475,924
2014	1,211,578	1,249,292	2,460,870
2015	1,201,703	1,255,371	2,457,074
2016	1,181,653	627,446	1,809,099
2017-2021	3,754,800	-	3,754,800
2022-2025	667,705	-	667,705
Total principal & interest	10,511,269	5,606,869	16,118,138
Less interest	1,213,688	726,869	1,940,557
Less Deferred Loss on Early Retire	385,139	26,142	411,281
Total Liability	$ 8,912,442	$ 4,853,858	$ 13,766,300

Principal, redemption premium, and interest on CMA debt are payable from the gross revenues of the water, sanitary sewer, electric, and solid waste disposal systems, and from other funds established by the bond indentures. CHA debt is payable from pledged sales tax revenues and other available sources. Library/Quadraplex debt is payable from pledged sales tax revenues and other available sources. Detail information on long-term debt is reflected in Note 4.

3. AUTHORITIES

A. Cushing Municipal Authority (A Blended Component Unit)

UTILITY OPERATIONS:

The operations of the utility departments of the City (electric, water, sewer and refuse) were transferred to the Cushing Municipal Authority effective July 1, 1994. The Municipal Authority provides utility services for its customers including the City of Cushing and its related departments. Utility charges for infrastructure (street lights, etc.) and general activities of the City of Cushing (City Hall, Senior Citizens, Youth Center, Library, maintenance departments, etc.) are metered but not billed or reflected as revenue. Likewise, the various departments of the City benefiting from these services are not charged for the services. This factor for gratis services has been incorporated in the current rate structure charged by the Authority. Since the Municipal Authority is structured like a private enterprise, the effect of this policy is to understate the gross revenues of the Municipal Authority and to understate the operating expenses of the various using departments of the City. The intent is for the Municipal Authority to provide cost free services to the City of Cushing.

RESTRICTED FUNDS:

Under the terms and provisions of the Bond Indenture, special accounts and reserve funds of the Authority are maintained with the trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any creditors of the Authority. These accounts and reserve funds are to be maintained so long as any bonds are outstanding.

Monies contained in the accounts and reserve funds held by the trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. AUTHORITIES (Continued)

A. Cushing Municipal Authority (A Blended Component Unit) (Continued)

REVENUE BONDS:

On May 21, 2004, the Authority issued its $5,715,000 Cushing Municipal Authority Utility Systems Revenue Bonds, Series 2004. Proceeds from this bond issue were used to defease the previous Utility System Revenue Bonds, Series 1993 and gain a more favorable interest rate. Interest on the bond is payable semi-annually on July 1 and January 1 of each fiscal year until the bond is paid. Bond redemption began July 1, 2004, with final maturity on July 1, 2016. The gross revenues of the CMA have been pledged to secure the bonds.

NOTES PAYABLE:

On April 29, 1997, the CMA issued a note payable in the amount of $7,155,000 to the Oklahoma Water Resources Board. This note was refinanced on August 28, 1998 with a $5,000,000 note and again on September 15, 2004 with a $3,857,065 note from the Clean Water State Revolving Fund, which is administered by the Oklahoma Water Resources Board and the Oklahoma Department of Environmental Quality. The proceeds of the note were used to complete the water system improvements. Principal and interest payments are due on March 15 and September 15 of each year for a period of 20 years at an interest rate of 2.813%. The gross utility revenues of the CMA have been pledged to secure the note.

On April 24, 2002, the CMA issued a note payable in the amount of $6,500,000 to the Oklahoma Water Resources Board. The proceeds of the note were used to complete the wastewater treatment plant. Interest only payments are due on the note at a rate of 2.63% on March 15 and September 15, until March 15, 2004 at which time principal and interest payments are due on March 15 and September 15 of each year for a period of 20 years. The gross utility revenues of the CMA have been pledged to secure the note.

On April 22, 2004, the CMA, through the Cushing Industrial Authority, issued a Community Development Block Grant note payable in the amount of $125,000 to the Oklahoma Department of Commerce, Office of Community Development. The proceeds of the note were used for sewer lines and manhole construction. The note is to be paid in 240 monthly installments of $521 beginning September 1, 2004 with final maturity on August 1, 2024. The note is non-interest bearing. The gross utility revenues of the CMA have been pledge to secure the note.

B. Cushing Hospital Authority (A Permanent Fund)

The City of Cushing owns the Hospital facility, including buildings and equipment. On August 1, 1978, it was leased to the Cushing Hospital Authority for a term of thirty years, or until such time that all indebtedness of the Authority was either paid or provision for payment was made.

3. AUTHORITIES (Continued)

B. Cushing Hospital Authority (A Permanent Fund) (Continued)

SUB-LEASE AGREEMENT:

Effective September 1, 2004, AHS Cushing Hospital, LLC ("CRH") a Delaware limited liability company and wholly owned subsidiary of Ardent Health Services, Inc. ("AHS") (a for profit corporation) subleased the campus, the hospital, the name, the additional premises, and the equipment of Cushing Hospital Authority, d.b.a. Cushing Regional Hospital from the Cushing Hospital Authority, Cushing Municipal Authority, and the City of Cushing. The sub-lease agreement provides that operating assets (cash, investments, receivables, inventories and prepaid expenses) and operating liabilities (accounts payable and operating loans, excluding bonded debt) were assumed by CRH. The initial term of the sublease is for ten years with an option of extending the lease for an additional ten years. CRH will pay rent in the amount of $637,519 per year during the term of the sub-lease. If the sub-lease is not extended for an additional 10 years, and if there has been no default caused by CHA, CMA or the City of Cushing, CRH will pay to CHA the amount of all remaining scheduled payments of principal and interest due with respect to the bonds secured by the indenture. It is the intent of this agreement that the remaining bonds in the amount of $8,915,000 will be paid from the rent proceeds. The purpose of the sublease agreement is to enable CRH to execute and perform necessary activities to maintain and operate the Hospital for the mutual benefit of CRH, AHS, CHA, CMA, the City of Cushing and the surrounding community. At the end of the lease, all inventories of supplies, drugs and other consumables are returned to the Hospital Authority.

SPECIAL TRUST FUNDS:

Under the terms and provisions of the Bond Indentures, special trust funds of the Authority have been created with the Trustee bank for the benefit of the holders of the Bonds and are not subject to lien or attachment by any creditors of the Authority. Such funds will be maintained so long as any bonds issued under any indenture are outstanding. Monies contained in the funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates the monies in said funds will be required for the purposes intended by the trust indenture. Sales tax collections transferred from the City of Cushing in excess of amounts required for debt service may be used for operations.

REVENUE BONDS:

On September 1, 2004, the Cushing Hospital Authority issued its $9,950,000 Sales Tax Revenue Bonds, Series 2004. Proceeds from this bond issue were used to defease the previous Cushing Hospital Authority Sales Tax Revenue Bonds, Refunding Series 2003 and to pay off the Medical Office Building note with the Bank of Cushing. The City of Cushing has pledged Sales Tax Revenue to the Cushing Hospital Authority pursuant to a loan agreement and all of the lease payments from CRH will be used to finance the bond.

C. Cushing Industrial Authority (A Permanent Fund)

The primary purpose of the Authority is to promote the development of industry within and without the territorial limits of the City of Cushing and to provide additional employment, which will benefit and strengthen the economy of the City of Cushing and the State of Oklahoma.

The Authority was created to provided local industry with resources for construction and renovation of plant facilities, equipment acquisitions and working capital. Funds were provided as either direct loans to the industry or through leases with favorable purchase options extended. There are no leases or notes that remain outstanding at year-end.

3. AUTHORITIES (Continued)

C. Cushing Industrial Authority (A Permanent Fund) (Continued)

The Authority entered into a contract (CEDC Contract) with the City effective July 1, 1996, which has been renewed annually, to provide a program to enhance the industrial and economic strength, development and growth of the City. The contract provides for the City to appropriate a sum annually, to be paid to the Authority in twelve (12) equal monthly installments. The contract provides that any such sum not expended during the fiscal year be retained by the Authority and budgeted for economic development for the following year. The Authority created an advisory committee known as the Cushing Economic Development Council (CEDC) composed of five members to assist the Authority in accomplishing its purpose. The powers, duties and responsibilities of the CEDC members are advisory in nature. The contract was not renewed for the current year but plan to renew it when a new economic director is hired.

The following is a summary of the current year transactions represented by the CEDC Contract:

Contract contributions from the City	$ -
Economic Development Expenditures	(15,397)
Excess revenues over (under) expenditures	(15,397)
Interest allocation	1,219
Carry-over funds from prior year	97,512
Designated fund balance for economic development	$ 83,334

D. Fountaine Bleau Apartments (An Enterprise Fund)

On September 17, 1991, the Secretary of Housing and Urban Development sold, assigned, and transferred unto the City of Cushing, all right, title, and interest in the Fountaine Bleau Apartments in exchange for $1.00 and other valuable consideration. The apartment complex consists of 50 units operated under Section 8 of the National Housing Act. HUD regulates such projects as to rent charges and operating methods. The terms of the contract require that a minimum of $5,000 of the income from the project be set aside each year as a reserve fund. The amount reserved for this purpose is $12,144.

The City of Cushing also entered into a housing assistance payments contract with the U.S. Department of Housing and Urban Development on September 17, 1991. The purpose of this contract is to provide housing assistance payments on behalf of eligible families leasing decent, safe and sanitary housing units from the City. The City is responsible for non-discriminatory marketing activities, management and maintenance functions, submission of relevant and reliable financial and operating statements, submission of accurate requests for Housing Assistance Payments, maintaining a replacement reserve, selection/re-examination of tenants with HUD approval, and determining the family's contribution toward rent.

4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City has provides for the General Fund and Cushing Municipal Authority to account for and finance its uninsured risks of loss. Under this program, the these funds provides coverage for combined employee health claims up to a maximum of $1,589,430, based on plan participants at the beginning of the contract period, July 1, 2010. The City purchases commercial insurance for health claims in excess of the coverage provided by the funds and for other risks of loss. Settled claims did not exceed the commercial coverage during the year. The City is liable for all sustained unemployment claims.

4. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The General Fund and the Cushing Municipal Authority participate in this program and make payments based on management's estimates of the amounts needed to pay premiums and for prior and current year claims. The City does not maintain a reserve for catastrophe losses. Those are budgeted within the each fund. The claims liability of $166,568 reported in the General Fund at June 30, 2011, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal year 2011 were as follows:

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance of Fiscal Year End
$ 232,851	$ 1,713,059	$ 1,779,342	$ 166,568

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

B. Concentrations of Risk

The City operates its own electrical power plant and provides electrical power to the City. The electric utility industry in general has become, and is expected to be, increasingly competitive due to regulatory changes and market developments. Competition among suppliers for sales of electric energy is expected to have a profound effect on the electric utility industry.

Historically, electric utilities have operated in a highly regulated environment, which has provided them some protection against competition in their service area. In a deregulated market, it is anticipated that customers in a particular service area will be permitted to choose among competing electric suppliers, which could result in some risk of loss of revenues for the City. In April 1997, the Governor of the State of Oklahoma signed the *Electric Restructuring Act of 1997,* which calls for the deregulation of the State's electric utility industry and permits electricity customers to choose their power supplier by the year 2002. Although the City and other "public power" utilities are specifically excluded from the mandates of this act, additional legislation has been introduced which could have an impact on the City. Additionally, bills have been introduced in the United States Congress providing for a Federal mandate of retail choice as well as legislation and tax regulations relating to public bond issues. Management is currently unable to predict whether any of these bills will become law or the effect passage would have on the City.

4. OTHER INFORMATION (Continued)

B. Concentrations of Risk (Continued)

Management is developing a plan to position the City to compete effectively in the changing competitive environment. While the City is taking this and other actions to prepare for a deregulated market, management cannot predict what effects increased competition will have on the operations and financial condition of the City.

C. Contingent Liabilities

The City is a defendant in legal actions arising from normal governmental activities. Most of these actions are covered by insurance. Although the outcome of these lawsuits is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Internal Revenue Code Section 148 requires calculation of an arbitrage rebate within 60 days following each five-year period from inception of each bond issue. Arbitrage is present whenever investment income is in excess of yield of the bond issue. The City has complied with this provision and has determined that no arbitrage rebate is due at this time.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

D. Deferred Compensation Plan

The Cushing Municipal Authority (CMA) and the City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all CMA and City employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination of employment, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the CMA's and City's management that CMA and City have no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

E. Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2011, approximately 12 retired employees are receiving benefits under this plan.

4. OTHER INFORMATION (Continued)

E. Other Post-Employment Benefits (Continued)

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the City contributed $1,416,588 to the plan. Plan members receiving benefits contributed $57,600, or approximately 100 percent of the total premiums; through their required contribution of $350.00 per month for retiree-only coverage and $450.00 for retiree and spouse medical coverage, these amounts include dental and vision coverage.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The following shows the components of the City's annual OPEB cost and the City's net OPEB obligation for the year ended June 30, 2010:

Current Service Cost ($224,805) + Amortization Amount ($254,302) = Total Contribution ($479,107).
OPEB obligation for retired employees as determined by Actuarial is $2,017,197.

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

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
6/30/2011	$ -	Actuarial	$ 470,995	$ 470,995	0.0%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2011, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate of 4.5% was used. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2011, was twenty-nine years.

4. OTHER INFORMATION (Continued)

F. Employee Retirement System and Plan

1. Defined benefit pension plan

Description of Plan

The City's defined benefit pension plan, Employee Retirement System of Cushing, Oklahoma (ERSCO), provides retirement and disability benefits and death benefits to plan members and beneficiaries. All employees are covered except police, firefighters, and other employees covered under a state system. Effective July 1, 1998, normal retirement for covered employees was reduced from age 65 to age 60. Elected members of the City Council shall not be considered employees solely by reason of their holding such office. Employees hired after their 60th birthday are excluded from plan membership. ERSCO is affiliated with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer pension plan. OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

Funding Policy

The required contribution rate for the 2010-2011 plan year was 20.36% of each participant's payroll. The members are not required nor permitted to contribute to the plan. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the City's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

Annual Pension Cost

The City's annual pension cost of $675,467 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation. As of January 1, 2011, the unfunded actuarial liabilities of $4,393,090 and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases per year are based rates by age. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls. The remaining amortization period at June 30, 2011 was 23 years.

The contribution from the City for this plan was $515,929, $638,764 and $675,467 for 2009, 2010 and 2011, respectively.

4. OTHER INFORMATION (Continued)

F. Employee Retirement System and Plan (Continued)

1. Defined benefit pension plan (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
1/1/2002	$ 8,701,459	Actuarial	$ 9,743,403	$ 1,041,944	89.3%
1/1/2003	8,196,303	Actuarial	9,919,422	1,723,119	82.6%
1/1/2004	8,574,393	Actuarial	10,605,055	2,030,662	80.9%
1/1/2005	9,078,616	Actuarial	11,380,662	2,302,046	79.8%
1/1/2006	9,671,123	Actuarial	11,914,114	2,242,991	81.2%
1/1/2007	10,474,041	Actuarial	12,683,230	2,209,189	82.6%
1/1/2008	11,198,841	Actuarial	13,787,997	2,589,156	81.2%
1/1/2009	10,512,108	Actuarial	14,410,870	3,898,762	72.9%
1/1/2010	10,786,049	Actuarial	15,179,139	4,393,090	71.1%
1/1/2011	11,393,943	Actuarial	15,826,966	4,433,023	72.0%

* Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

Police and Fire Department Plan

All City fire and police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS) and the Oklahoma Police Pension and Retirement System (OPPRS). Under these plans, fire and police department personnel contribute 8% of base salary and the City contributes an additional 13.0%. The OFPRS and the OPPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461; and the Oklahoma Police Pension and Retirement System, 101 NW 63rd Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contribution from the City for these plans was $175,911, $190,946 and $189,749 for 2009, 2010 and 2011, respectively. The required contribution was fully contributed. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2011, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

CITY OF CUSHING
Cushing, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2011

CITY OF CUSHING
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
(Unaudited)

GENERAL FUND

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Charges for services	$ 612,250	$ 774,060	$ 783,587	$ 9,527
Licenses & permits	40,100	50,042	54,089	4,047
Interest	73,050	68,812	57,112	(11,700)
Franchise fees	169,000	169,000	158,689	(10,311)
Fines & forfeits	90,000	60,000	58,055	(1,945)
Lease receipts	8,400	8,400	8,400	-
Taxes	5,050,000	5,700,000	5,748,963	48,963
Hotel/motel taxes	20,000	22,700	22,689	(11)
Intergovernment programs	70,000	35,053	30,614	(4,439)
Oil and gas royalties	185,780	185,780	187,062	1,282
Reimbursements	25,000	45,380	54,753	9,373
Donations and other	6,700	7,385	7,452	67
Workmen's compensation refund	50,608	50,608	50,608	-
Miscellaneous	231,500	248,825	1,021,605	772,780
Total revenues	6,632,388	7,426,045	8,243,678	817,633
Expenditures:				
Current:				
General government	989,914	1,577,443	1,431,550	145,893
Public safety	3,859,911	3,853,001	3,693,833	159,168
Highways, roads, & airport	481,812	482,062	456,451	25,611
Cultural & recreational	1,357,857	1,394,006	1,278,459	115,547
Administrative	-	1,512	1,512	-
Capital outlay	165,450	107,250	106,350	900
Total expenditures	6,854,944	7,415,274	6,968,155	447,119
Excess of revenue over (under) expenditures	(222,556)	10,771	1,275,523	1,264,752
Other financing sources (uses):				
Operating transfers in (out)	(1,265,800)	(1,375,000)	(1,492,849)	(117,849)
Total other financing sources	(1,265,800)	(1,375,000)	(1,492,849)	(117,849)
Net changes in fund balance	(1,488,356)	(1,364,229)	(217,326)	1,146,903
Fund balance at beginning of year	4,375,747	4,375,747	4,375,747	-
Fund balance at end of year	$ 2,887,391	$ 3,011,518	$ 4,158,421	$ 1,146,903

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF CUSHING
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
(Unaudited)

SPECIAL REVENUE FUNDS

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Charges for services	$ -	$ -	$ -	$ -
Interest	5,700	5,700	5,692	(8)
Taxes	17,500	17,500	76,281	58,781
Intergovernment programs	280,239	566,606	507,459	(59,147)
Donations and other	-	-	-	-
Miscellaneous	-	18,000	18,171	171
Total revenues	303,439	607,806	607,603	(203)
Expenditures:				
Current:				
Economic development	-	-	-	-
Public safety	-	16,072	13,647	2,425
Highways, roads, & airport	250,000	66,830	51,750	15,080
Cultural & recreational	-	7,258	7,227	31
Capital outlay	237,011	494,611	448,539	46,072
Total expenditures	487,011	584,771	521,163	63,608
Excess of revenue over (under) expenditures	(183,572)	23,035	86,440	63,405
Other financing sources (uses):				
Operating transfers in (out)	-	(3,100)	(3,100)	-
Net changes in fund balance	(183,572)	19,935	83,340	63,405
Fund balance at beginning of year	750,371	750,371	750,371	-
Fund balance at end of year	$ 566,799	$ 770,306	$ 833,711	$ 63,405

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF CUSHING
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
(Unaudited)

CAPITAL PROJECTS FUND

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	$ 3,750	$ 4,886	$ 4,921	$ 35
Intergovernment programs	-	-	-	-
Donations and other	-	10,000	10,000	-
Miscellaneous	-	13,500	13,500	-
Total revenues	3,750	28,386	28,421	35
Expenditures:				
General government	-	34,337	34,336	1
Public safety	-	1,675	1,675	-
Cultural & recreational	-	10,235	5,383	4,852
Interest expense	-	-	-	-
Capital outlay	8,810,887	1,135,897	1,118,554	17,343
Total expenditures	8,810,887	1,182,144	1,159,948	22,196
Excess of revenue over (under) expenditures	(8,807,137)	(1,153,758)	(1,131,527)	22,231
Other financing sources (uses):				
Operating transfers in (out)	7,931,214	1,000,962	1,002,956	1,994
Net changes in fund balance	(875,923)	(152,796)	(128,571)	24,225
Fund balance at beginning of year	1,611,724	1,611,724	1,611,724	-
Fund balance at end of year	$ 735,801	$ 1,458,928	$ 1,483,153	$ 24,225

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF CUSHING
Cushing, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2011
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department which includes general government; public safety; highways, roads & airport; cultural & recreational; and administrative; and included within each department it is divided by class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

CITY OF CUSHING
Cushing, Oklahoma

SUPPLEMENTAL INFORMATION
June 30, 2011

CITY OF CUSHING
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue			Debt Service	Capital Projects			Permanent Funds		
Assets:	Street & Alley Fund	Airport	Grant	Sinking Fund	Library Quadraplex	Sales Tax	Capital Improvement	Deferred Compen-sation	Cushing Industrial Authority	Total Non-Major Governmental Funds
Cash and equivalents	$ 87,822	$ 208,104	$ 41,351	$ 51,389	$ 222,604	$ 575,839	$ 3,537	$ -	$ 41,738	$ 1,232,384
Investments at cost	400,000	-	-	1,190,000	500,000	-	-	612,716	320,000	3,022,716
Accounts receivable, net	12,505	-	-	-	-	-	-	-	-	12,505
Land	-	-	-	-	-	-	-	-	100,020	100,020
Depreciable assets	-	-	-	-	-	-	-	-	909	909
Due from other funds	-	-	-	-	42,560	170,241	-	-	3,202	216,003
Notes receivable	-	-	-	-	-	-	-	-	-	-
Grants receivable	-	79,685	265,000	-	-	-	-	-	-	344,685
Interest receivable	112	-	-	352	140	-	-	-	127	731
Total assets	$ 500,439	$ 287,789	$ 306,351	$ 1,241,741	$ 765,304	$ 746,080	$ 3,537	$ 612,716	$ 465,996	$ 4,929,953
Liabilities:										
Accounts payable	$ 1,766	$ -	$ 259,102	$ -	$ 7,810	$ 23,958	$ -	$ -	$ -	$ 292,636
Accrued compensated absences payable	-	-	-	-	-	-	-	-	-	-
Plan participants	-	-	-	-	-	-	-	612,716	-	612,716
Notes payable (Note 3)	-	-	-	-	-		-	-	-	-
Total liabilities	1,766	-	259,102	-	7,810	23,958	-	612,716	-	905,352
Fund balances:										
Restricted	498,673	287,789	47,249	1,241,741	757,494	722,122	3,537	-	465,996	4,024,601
Total fund balances	498,673	287,789	47,249	1,241,741	757,494	722,122	3,537	-	465,996	4,024,601
Total liabilities and fund balances	$ 500,439	$ 287,789	$ 306,351	$ 1,241,741	$ 765,304	$ 746,080	$ 3,537	$ 612,716	$ 465,996	$ 4,929,953

CITY OF CUSHING
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue			Debt Service	Capital Projects			Permanent Funds		
	Street & Alley Fund	Airport	Grant	Sinking Fund	Library Quadraplex	Sales Tax	Capital Improvement	Deferred Compen-sation	Cushing Industrial Authority	Total Non-Major Governmental Funds
Revenues:										
Taxes	$ 76,281	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 76,281
Intergovernmental programs	-	170,278	337,181	-	-	-	-	-	-	507,459
Donations	-	-	-	-	10,000	-	-	-	-	10,000
Interest	5,422	270	-	15,535	4,921	-	-	-	5,663	31,811
Sale of property	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	18,171	-	-	13,500	-	-	-	-	31,671
Total revenues	$ 81,703	$ 188,719	$ 337,181	$ 15,535	$ 28,421	$ -	$ -	$ -	$ 5,663	$ 657,222
Expenditures:										
Economic development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,397	$ 15,397
General government	-	-	-	-	-	34,336	-	-	-	34,336
Public safety	-	-	13,647	-	-	1,675	-	-	-	15,322
Highways, roads & airport	51,750	-	-	-	-	-	-	-	-	51,750
Cultural & recreation	-	-	7,227	-	5,383	-	-	-	-	12,610
Interest expense	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	155,798	292,741	-	267,645	850,909	-	-	-	1,567,093
Total expenditures	51,750	155,798	313,615	-	273,028	886,920	-	-	15,397	1,696,508
Excess of revenues over (under) expenditures	29,953	32,921	23,566	15,535	(244,607)	(886,920)	-	-	(9,734)	(1,039,286)
Other financing uses:										
Operating transfers in (out)	-	-	(3,100)	(15,691)	1,698	998,796	2,462	-	22,689	1,006,854
Excess of revenues over (under) expenditures & transfers	29,953	32,921	20,466	(156)	(242,909)	111,876	2,462	-	12,955	(32,432)
Fund balance-beginning of year	468,720	254,868	26,783	1,241,897	1,000,403	610,246	1,075	-	453,041	4,057,033
Fund balance-end of year	$ 498,673	$ 287,789	$ 47,249	$ 1,241,741	$ 757,494	$ 722,122	$ 3,537	$ -	$ 465,996	$ 4,024,601

CITY OF CUSHING
Cushing, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Federal Expend-itures
U.S. Department of Housing and Urban Development:				
Section 8 Housing Assistance Payments Program:				
Sec. 8 Project #OK56-E999-015 Hud Project #117-44058	14.856	142,735	142,735	142,735
U.S. Department of Transportation:				
Federal Aviation Administration - Airport Improvement Program	20.106	170,278	170,278	170,278
Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:				
Passed through the Oklahoma Department of Libraries:				
State Library Program	45.310	6,258	6,258	6,258
U.S. Department of Homeland Security:				
Passed through the Oklahoma Department of Emergency Management:				
Emergency Management Assistance	97.042	15,000	15,000	15,000
Assistance to Firefighers Grant	97.044	314,973	298,861	298,861
Sub-total U.S. Department of Homeland Security		329,973	313,861	313,861
Total of Expenditures of Federal Awards		$ 649,244	$ 633,132	$ 633,132

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

CITY OF CUSHING
Cushing, Oklahoma

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2011

CBEW Professional Group, LLP
Certified Public Accountants

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WALTER H. WEBB, CPA
JANE FRAZIER, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 14, 2011

Honorable Board of City Commissioners
City of Cushing
Cushing, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Cushing, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 basic 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 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 would not necessarily identify all deficiencies in internal control that might be 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.*

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City of Cushing
October 14, 2011

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CBEW Professional Group, LLP
Certified Public Accountants

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

October 14, 2011

Honorable Board of City Commissioners
City of Cushing
Cushing, Oklahoma

Compliance

We have audited the compliance of the City of Cushing, Oklahoma, (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City of Cushing, Oklahoma's compliance based on our audit.

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

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

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Cushing, Oklahoma's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

CITY OF CUSHING
Cushing, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental, business-type activities, each major fund and the aggregate remaining fund information for the City of Cushing.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.

3. No instances of noncompliance material to the financial statements of City of Cushing were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133".

5. The auditor's report on compliance for the major federal award programs for City of Cushing expresses an unqualified opinion on all major federal programs.

6. There were no audit findings relative to the major federal award programs for City of Cushing required to be reported in this Schedule.

7. The programs tested as major programs included: Federal Aviation Administration – Airport Improvement Program – CFDA No. 20.106 and Assistance to Firefighters Grant – CFDA No. 97.044.

8. The threshold used for distinguishing between Types A and B programs was $300,000.

9. The City of Cushing did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None

CITY OF CUSHING
Cushing, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

There were no prior year audit findings.

CITY OF CUSHING
Cushing, Oklahoma

SUPPLEMENTAL INFORMATION FOR FOUNTAINE BLEAU APARTMENTS
June 30, 2011

CITY OF CUSHING
Cushing, Oklahoma

SUPPLEMENTAL INFORMATION FOR FOUNTAINE BLEAU APARTMENTS
REQUIRED BY HUD
CHANGES IN FIXED ASSET ACCOUNTS
Year Ending June 30, 2011

	Assets				Depreciation Reserve				
Capital Asset	**Balance 6/30/2010**	**Additions**	**Deletions**	**Balance 6/30/2011**	**Balance 6/30/2010**	**Additions**	**Deletions**	**Balance 6/30/2011**	**Net Carrying Amount 6/30/2011**
Buildings A-F	$ 774,552	$ -	$ -	$ 774,552	$ 380,098	$ -	$ 22,437	$ 402,535	$ 372,017
Storage building	1,750	-	-	1,750	1,750	-	-	1,750	-
Furnishings	48,225	-	-	48,225	44,919	-	965	45,884	2,341
Furniture	7,488	-	-	7,488	7,488	-	-	7,488	-
Misc. equipment	922	-	-	922	922	-	-	922	-
Maintenance equipment	5,693	-	-	5,693	5,693	-	-	5,693	-
Land	25,000	-	-	25,000	-	-	-	-	25,000
	$ 863,630	$ -	$ -	$ 863,630	$ 440,870	$ -	$ 23,402	$ 464,272	$ 399,358

CITY OF CUSHING
Cushing, Oklahoma

SUPPLEMENTAL INFORMATION FOR FOUNTAINE BLEAU APARTMENTS
REQUIRED BY HUD
Year Ending June 30, 2011

Accounts and Notes Receivable (other than from regular tenants):

Delinquent Tenant Accounts Receivable:

	Number of Tenants	Amount Past Due
Delinquent 30 days	16	$ 4,048
Total	16	$ 4,048

Tenant Security Deposit:

Tenant security deposits are held in a separate bank account in the name of Fountaine Bleau Apartments.

Reserve for Replacements:

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by the SpiritBank, N.A. in Cushing, Oklahoma, to be used for replacement of property with the approval of HUD as follows:

Balance at 6-30-10	$ 17,773
Deposits	5,119
Withdrawals	10,748
Balance at 6-30-11	$ 12,144

Accounts Payable (other than Trade Creditors):

Accrued Compensated Absences	$ 1,448

Accrued Taxes (Account 2150):

The City of Cushing is exempt from property taxes.

Compensation of Partners:

The City of Cushing, a municipal corporation, owns and operates Fountaine Bleau Apartments. Therefore, compensation paid to partners is not applicable.

Auditor Information:

Firm Name:	CBEW Professional Group, LLP
Address:	P.O. Box 790, Cushing, OK 74023
Tele. No.:	(918) 225-4216
FEI No:	73-0721487
Lead Auditor:	Chuck Crooks, CPA

Certificate of Corporation:

I hereby certify that I have examined the accompanying financial statements and supplemental information of Fountaine Bleau Apartments, and to the best of my knowledge and belief, the same is complete and accurate.

City Manager

Date

Corporation Employer Identification Number: 73-6005167

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 14, 2011

Honorable Board of City Commissioners
City of Cushing
Cushing, Oklahoma

We have performed the procedure described in the second paragraph of this report, which was agreed to by the City of Cushing and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. The City of Cushing is responsible for accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed on the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, of the financial statements of the City of Cushing as of and for the year ended June 30, 2011, and have issued our reports thereon dated October 14, 2011. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplemental financial data templates dated October 14, 2011 was expressed in the relation to the basic financial statements of the City of Cushing taken as a whole.

A copy of the financial statement package, which includes the auditor's reports, is available in its entirety from the City of Cushing. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the City of Cushing and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

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ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Year Ended June 30, 2011

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplemental Schedules with Financial Statement Data	Agrees
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Notes to the Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500 and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance and Internal Control	Agrees
Type of Opinion on Supplemental Data (account S3400-100)	Auditor's Report on Supplemental Data	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees