

**THE CITY OF EUFAULA,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

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Independent Auditor's Report

The Honorable Mayor and Members of the City Council of the
City of Eufaula, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Eufaula, Oklahoma, (the 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position – modified cash basis and, where applicable, cash flows – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information presented as supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining nonmajor governmental fund financial statements and the debt service coverage information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, on the basis of accounting described in Note 1.

Arledge & Associates, P.C.
Edmond, Oklahoma
November 30, 2011

The management of the City of Eufaula is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2011. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net assets decreased by \$5,958, and the assets of the City exceed its liabilities at June 30, 2011, by \$2,239,596 (net assets). Of this amount, \$684,959 (unrestricted net assets) may be used to meet any of the government's ongoing obligations to citizens and creditors.
- At June 30, 2011, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$289,489.
- At the end of fiscal year 2011, unassigned fund balance on a modified cash basis for the General Fund was \$221,125, or 9.2% of annual revenues.

ABOUT THE CITY

The City of Eufaula is an incorporated municipality with a population of approximately 2,639 located in McIntosh County in eastern Oklahoma. The City is a statutory aldermanic form of government and operates under State law and City ordinances that provide for three branches of government:

- Legislative – the City Council is an eight-member governing body elected by the citizens at large
- Executive – the Mayor is the Chief Executive Officer and is elected for a four year term
- Judicial – the Municipal Judge is an attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority, certain utility services including water, wastewater, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Eufaula City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Eufaula** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*

- **The Eufaula Public Works Authority (EPWA)** – public trust created August 4, 1976, pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *reported as part of the primary government*
- **The Eufaula Economic Development Authority (EEDA)** – public trust created July 11, 2005, pursuant to 60 O.S. § 176 that operates the economic development services of the City, governed by trustees comprised of the entire City Council – *reported as part of the primary government*
- **The Eufaula Industrial Authority (EIA)** – public trust created April 2, 1980, pursuant to 60 O.S. § 176 that operates the industrial development services of the City, governed by trustees comprised of the entire City Council – *normally reported as part of the primary government*. The authority is inactive.
- **The Eufaula Recreation Authority (ERA)** – public trust created April 10, 1970, pursuant to 60 O.S. § 176 that operates the recreational services of the City, governed by five trustees comprised of bona fide resident citizens of McIntosh county, appointed by the City Council – *reported as a discretely presented component unit for reporting purposes*
- **The Eufaula Airport Authority (EAA)** – public trust created March 2, 1982, pursuant to 60 O.S. § 176 that operates the municipal airport services of the City, governed by seven trustees comprised of citizens appointed by the City Council – *normally reported as a discretely presented component unit for reporting purposes*. The authority is inactive.

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Eufaula (the "City"), the Eufaula Public Works Authority (the "Public Works Authority"), the Eufaula Economic Development Authority (the "Economic Development Authority") and the Eufaula Recreation Authority. Included in this report are government-wide statements for each of the three categories of activities – governmental, business-type and discretely presented component unit.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - The City operates two proprietary funds, the Eufaula Public Works Authority (major fund), and the Eufaula Economic Development Authority (major fund). When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the

CITY OF EUFAULA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

liability. The City's proprietary funds are the Eufaula Public Works Authority that accounts for the operation of the electric, water, sewer, and sanitation activities, and the Eufaula Economic Development Authority that accounts for the operation of economic activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-46 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and a debt service coverage requirement schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2011, net assets on a modified cash basis for the governmental and business-type activities decreased \$5,958.

Following is a summary of net assets reported on a modified cash basis for the City of Eufaula.

Net Assets (Modified Cash Basis)
June 30, 2011

TABLE 1
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Current assets	\$ 296	\$ 168	76%	\$ 1,595	\$ 1,975	-19%	\$ 1,891	\$ 2,143	-12%
Capital assets, net	1,993	2,162	-8%	7,048	6,780	4%	9,041	8,942	1%
Other non-current assets	-	-	0%	412	433	-5%	412	433	-5%
Total assets	2,289	2,330	-2%	9,055	9,188	-1%	11,344	11,518	-2%
Current liabilities	133	41	224%	313	346	-10%	446	387	15%
Non-current liabilities	97	111	-13%	8,561	8,774	-2%	8,658	8,885	-3%
Total liabilities	230	152	51%	8,874	9,120	-3%	9,104	9,272	-2%
Net assets									
Invested in capital assets, net of related debt	1,769	2,016	-12%	(1,105)	(1,151)	4%	664	865	-23%
Restricted	63	-	0%	827	818	1%	890	818	9%
Unrestricted	227	162	40%	459	401	14%	686	563	22%
Total net assets	\$ 2,059	\$ 2,178	-5%	\$ 181	\$ 68	166%	\$ 2,240	\$ 2,246	0%

CITY OF EUFAULA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Revenues, Expenses and Changes in Net Assets (Modified Cash Basis)
Year Ended June 30, 2011

TABLE 2
CHANGES IN NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Revenues									
Charges for service	\$ 102	\$ 148	-31%	\$ 1,198	\$ 1,083	11%	\$ 1,300	\$ 1,231	6%
Operating grants and contributions	24	63	-62%	-	-	-	24	63	-62%
Capital grants and contributions	181	525	-66%	-	-	-	181	525	-66%
Taxes	2,125	2,054	3%	-	-	-	2,125	2,054	3%
Intergovernmental revenue	62	59	5%	-	-	-	62	59	5%
Investment income	1	-	0%	2	1	100%	3	1	200%
Miscellaneous	67	54	24%	7	15	-53%	74	69	7%
Total revenues	2,562	2,903	-12%	1,207	1,099	10%	3,769	4,002	-6%
Expenses									
General government	601	512	17%	-	-	-	601	512	17%
Public safety	829	880	-6%	-	-	-	829	880	-6%
Streets	178	186	-4%	-	-	-	178	186	-4%
Culture, parks and recreation	129	146	-12%	-	-	-	129	146	-12%
Cemetery	4	30	-87%	-	-	-	4	30	-87%
Airport	35	26	35%	-	-	-	35	26	35%
Tourism	2	11	-82%	-	-	-	2	11	-82%
Interest on long-term debt	8	9	-11%	-	-	-	8	9	-11%
Water	-	-	-	1,024	1,038	-1%	1,024	1,038	-1%
Sewer	-	-	-	473	466	2%	473	466	2%
Sanitation	-	-	-	332	326	2%	332	326	2%
Health	-	-	-	21	21	0%	21	21	0%
Economic development	-	-	-	139	97	43%	139	97	43%
Total expenses	1,786	1,800	-1%	1,989	1,948	2%	3,775	3,748	1%
Excess (deficiency) before transfers	776	1,103	-30%	(782)	(849)	8%	(6)	254	102%
Transfers	(895)	(926)	3%	895	926	-3%	-	-	
Change in net assets	(119)	177	167%	113	77	47%	(6)	254	102%
Beginning net assets	2,178	2,001	9%	68	(9)	856%	2,246	1,992	13%
Ending net assets	\$ 2,059	\$ 2,178	-5%	\$ 181	\$ 68	-166%	\$ 2,240	\$ 2,246	0%

Governmental Activities

The City's governmental activities had a decrease in net assets of \$119,107. The decrease is due in part to a decrease in operating and capital grants and contributions from the prior year.

CITY OF EUFAULA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
General government	\$ 601	\$ 512	17%	(\$435)	(\$231)	-88%
Public safety	829	880	-6%	(734)	(756)	3%
Highways and streets	178	186	-4%	(154)	(162)	5%
Culture and recreation	129	146	-12%	(125)	(123)	-2%
Cemetery	4	30	-87%	14	(14)	200%
Airport	35	26	35%	(35)	243	114%
Tourism	2	11	-82%	(2)	(11)	82%
Interest on long-term debt	8	9	-11%	(8)	(9)	11%
Total	1,786	\$1,800	-1%	(\$1,479)	(\$1,063)	-39%

Business-type Activities

The business-type activities had an increase in net assets of \$113,149. Net revenue for water increased by \$66,375 (12%) due in part mainly to decreased expenses.

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2011	2010		2011	2010	
Water	\$ 1,024	\$ 1,038	-1%	\$ (486)	\$ (556)	13%
Sewer	473	466	2%	(226)	(227)	0%
Sanitation	332	326	2%	(6)	6	-200%
Health	21	21	0%	(21)	(21)	0%
Economic Development	139	97	43%	(52)	(68)	24%
Total	\$ 1,989	\$ 1,948	2%	\$ (791)	\$ (866)	9%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$289,489. For the year ended June 30, 2011, the General Fund's total fund balance increased by \$136,872. The proprietary funds reported combined net assets of \$180,815. The EPWA's total net assets increased by \$145,357, while EEDA's total net assets decreased by \$32,208.

CITY OF EUFAULA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Budgetary Highlights

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues over final estimates by \$51,248 or a 3.2% positive variance. General Fund actual expenditures were under final appropriations by \$96,259 or a 5.9% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had approximately \$9.0 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, park facilities, infrastructure, and utility systems. Below are details regarding the City's capital assets for the year ended June 30, 2011.¹

The City of Eufaula's Capital Assets

TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 100	\$ 100	\$ 41	\$ 41	\$ 141	\$ 141
Buildings	257	279	1,972	2,042	2,229	2,321
Imp. other than buildings	667	710	-	-	667	710
Machinery, furniture and equipment	260	266	126	125	386	391
Infrastructure	709	807	-	-	709	807
Utility property	-	-	4,719	4,163	4,719	4,163
Water rights	-	-	106	-	106	-
Construction in progress	-	-	83	409	83	409
Totals	<u>\$ 1,993</u>	<u>\$ 2,162</u>	<u>\$ 7,047</u>	<u>\$ 6,780</u>	<u>\$ 9,040</u>	<u>\$ 8,942</u>

This year's more significant capital asset additions include the following:

- Waste Water Treatment Plant Improvements for \$390,166

¹ For more detailed information on capital asset activity please refer to pages 35-36, Note 3. Capital Assets and Depreciation

CITY OF EUFAULA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Debt Administration

At year-end, the City had \$9,042,716 in long-term debt outstanding, reported on a modified cash basis, which represents a \$136,167 decrease from the prior year.

Long-term Debt

TABLE 6
Long-Term Debt
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
	Revenue bonds	\$ -	\$ -	\$ 7,360	\$ 7,560	\$ 7,360	\$ 7,560
Notes payable	-	-	1,459	1,473	1,459	1,473	-1.0%
Capital leases	223	146	-	-	223	146	52.7%
Totals	\$ 223	\$ 146	\$ 8,819	\$ 9,033	\$ 9,042	\$ 9,179	-1.5%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2011-2012 budget is consistent with prior years.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at P.O. Box 684, Eufaula, Oklahoma 74432 or telephone at 918-689-2534.

**CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET ASSETS AND ACTIVITIES

**CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit Recreation Authority</u>
ASSETS				
Cash and cash equivalents	\$ 296,053	\$ 1,595,295	\$ 1,891,348	\$ 42,477
Capital assets:				
Land and construction in progress	100,000	229,683	329,683	6,000
Other capital assets, net of depreciation	1,892,772	6,817,780	8,710,552	38,441
Unamortized bond issuance costs	-	412,161	412,161	-
Total assets	<u>2,288,825</u>	<u>9,054,919</u>	<u>11,343,744</u>	<u>86,918</u>
LIABILITIES				
Payroll withholding payable	-	-	-	-
Deposits subject to refund	-	54,868	54,868	-
Due to bondholders	6,564	-	6,564	-
Long-term liabilities				
Due within one year	126,790	258,284	385,074	-
Due in more than one year	96,690	8,560,952	8,657,642	-
Total liabilities	<u>230,044</u>	<u>8,874,104</u>	<u>9,104,148</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,769,292	(1,104,514)	664,778	44,441
Restricted for:				
Enabling legislation	3,552	-	3,552	-
Statutory requirements	13,484	-	13,484	-
External contracts	46,053	-	46,053	-
Debt service	-	826,770	826,770	-
Unrestricted	226,400	458,559	684,959	42,477
Total net assets	<u>\$ 2,058,781</u>	<u>\$ 180,815</u>	<u>\$ 2,239,596</u>	<u>\$ 86,918</u>

See accompanying notes to these financial statements.

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2011

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes In Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Recreation Authority
Primary Government								
Governmental activities:								
General Government	\$ 600,994	\$ 6,662	\$ -	\$ 159,532	\$ (434,800)	\$ -	\$ (434,800)	\$ -
Public Safety	828,732	72,576	-	21,495	(734,661)	-	(734,661)	-
Highways and Streets	177,745	-	23,944	-	(153,801)	-	(153,801)	-
Culture and Recreation	129,294	4,601	-	-	(124,693)	-	(124,693)	-
Cemetery	4,269	18,510	-	-	14,241	-	14,241	-
Airport	34,963	-	-	-	(34,963)	-	(34,963)	-
Tourism	2,327	-	-	-	(2,327)	-	(2,327)	-
Interest on Long-term Debt	7,703	-	-	-	(7,703)	-	(7,703)	-
Total governmental activities	<u>1,786,027</u>	<u>102,349</u>	<u>23,944</u>	<u>181,027</u>	<u>(1,478,707)</u>	<u>-</u>	<u>(1,478,707)</u>	<u>-</u>
Business-type activities:								
Water	1,024,209	538,463	-	-	-	(485,746)	(485,746)	-
Sewer	473,016	245,789	-	-	-	(227,227)	(227,227)	-
Sanitation	331,782	326,239	-	-	-	(5,543)	(5,543)	-
Health	20,937	-	-	-	-	(20,937)	(20,937)	-
Economic Development	139,134	67,104	-	-	-	(52,030)	(52,030)	-
Total business-type activities	<u>1,989,078</u>	<u>1,197,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(791,483)</u>	<u>(791,483)</u>	<u>-</u>
Total primary government	<u>\$ 3,775,105</u>	<u>\$ 1,299,944</u>	<u>\$ 23,944</u>	<u>\$ 181,027</u>	<u>(1,478,707)</u>	<u>(791,483)</u>	<u>(2,270,190)</u>	<u>-</u>
Component Unit:								
Recreation and tourism	<u>\$ 58,449</u>	<u>\$ 9,162</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(49,287)</u>
General revenues:								
Taxes:								
Sales and use taxes					1,961,073	-	1,961,073	-
Franchise taxes and public service taxes					130,320	-	130,320	-
Hotel/motel taxes					-	-	-	45,666
E911 taxes					33,988	-	33,988	-
Intergovernmental revenue not restricted to specific programs					61,729	-	61,729	-
Unrestricted investment earnings					743	2,330	3,073	-
Miscellaneous					68,767	7,282	74,049	12,595
Transfers					(895,020)	895,020	-	-
Total general revenues and transfers					<u>1,359,600</u>	<u>904,632</u>	<u>2,264,232</u>	<u>9,174</u>
Change in net assets					(119,107)	113,149	(5,958)	9,174
Net assets - beginning					2,177,888	67,666	2,245,554	77,744
Net assets - ending					<u>\$ 2,058,781</u>	<u>\$ 180,815</u>	<u>\$ 2,239,596</u>	<u>\$ 86,918</u>

See accompanying notes to these financial statements.

**CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2011

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 228,075	\$ 44,857	\$ 23,121	\$ 296,053
Due from other funds	-	-	386	386
Total assets	<u>\$ 228,075</u>	<u>\$ 44,857</u>	<u>\$ 23,507</u>	<u>\$ 296,439</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 386	\$ -	\$ -	\$ 386
Due to bondholders	6,564	-	-	6,564
Total liabilities	<u>6,950</u>	<u>-</u>	<u>-</u>	<u>6,950</u>
Fund balances:				
Restricted	-	41,206	21,883	63,089
Assigned	-	3,651	1,624	5,275
Unassigned	221,125	-	-	221,125
Total fund balances	<u>221,125</u>	<u>44,857</u>	<u>23,507</u>	<u>289,489</u>
Total liabilities and fund balances	<u>\$ 228,075</u>	<u>\$ 44,857</u>	<u>\$ 23,507</u>	<u>\$ 296,439</u>

See accompanying notes to these financial statements.

CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2011

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,091,393	\$ -	\$ -	\$ 2,091,393
Intergovernmental	107,168	158,497	-	265,665
Charges for services	23,116	-	-	23,116
Fines and forfeitures	72,571	-	-	72,571
Licenses and permits	6,662	-	-	6,662
Investment income	667	51	25	743
Miscellaneous	96,917	-	3,838	100,755
Total revenues	<u>2,398,494</u>	<u>158,548</u>	<u>3,863</u>	<u>2,560,905</u>
EXPENDITURES				
Current:				
General government	500,165	-	87,133	587,298
Public Safety	769,617	-	-	769,617
Highway and streets	68,040	6,500	-	74,540
Culture and recreation	109,556	-	-	109,556
Cemetery	468	-	-	468
Tourism	2,327	-	-	2,327
Airport	-	-	1,027	1,027
Capital Oulay	39,750	147,599	5,687	193,036
Debt Service:				
Principal	43,475	-	-	43,475
Interest and other charges	7,703	-	-	7,703
Total expenditures	<u>1,541,101</u>	<u>154,099</u>	<u>93,847</u>	<u>1,789,047</u>
Excess (deficiency) of revenues over expenditures	<u>857,393</u>	<u>4,449</u>	<u>(89,984)</u>	<u>771,858</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	39,825	-	81,129	120,954
Transfers in	1,135,334	3,600	3,913	1,142,847
Transfers out	(1,895,680)	-	(12,588)	(1,908,268)
Total other financing sources and uses	<u>(720,521)</u>	<u>3,600</u>	<u>72,454</u>	<u>(644,467)</u>
Net change in fund balances	136,872	8,049	(17,530)	127,391
Fund balances - beginning	84,253	36,808	41,037	162,098
Fund balances - ending	<u>\$ 221,125</u>	<u>\$ 44,857</u>	<u>\$ 23,507</u>	<u>\$ 289,489</u>

See accompanying notes to these financial statements.

**CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Total fund balance, governmental funds	\$	289,489
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
		1,992,772
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		
		(223,480)
		(223,480)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	2,058,781

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds:	\$	127,391
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		66,932
Depreciation expense		(235,951)
		(169,019)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Proceeds from long-term debt		(120,954)
Principal payments on long-term debt		43,475
		(77,479)
Change in net assets of governmental activities	\$	(119,107)

See accompanying notes to these financial statements.

**CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	Enterprise Funds		Totals
	Eufaula Public Works Authority	Eufaula Economic Development Authority	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 41,226	\$ 5,172	\$ 46,398
Restricted:			
Cash and cash equivalents	1,548,897	-	1,548,897
Total current assets	<u>1,590,123</u>	<u>5,172</u>	<u>1,595,295</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	229,683	-	229,683
Other capital assets, net of accumulated depreciation	5,313,975	1,503,805	6,817,780
Unamortized note issue costs	412,161	-	412,161
Total non-current assets	<u>5,955,819</u>	<u>1,503,805</u>	<u>7,459,624</u>
Total assets	<u>7,545,942</u>	<u>1,508,977</u>	<u>9,054,919</u>
LIABILITIES			
Current Liabilities:			
Deposits subject to refund	54,868	-	54,868
Notes payable	7,328	35,956	43,284
Revenue bonds payable	215,000	-	215,000
Total current liabilities	<u>277,196</u>	<u>35,956</u>	<u>313,152</u>
Non-current liabilities:			
Notes payable	3,793	1,412,159	1,415,952
Revenue bonds payable	7,145,000	-	7,145,000
Total non-current liabilities	<u>7,148,793</u>	<u>1,412,159</u>	<u>8,560,952</u>
Total liabilities	<u>7,425,989</u>	<u>1,448,115</u>	<u>8,874,104</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	(1,160,204)	55,690	(1,104,514)
Restricted for debt service	826,770	-	826,770
Unrestricted	453,387	5,172	458,559
Total net assets	<u>\$ 119,953</u>	<u>\$ 60,862</u>	<u>\$ 180,815</u>

See accompanying notes to these financial statements.

CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2011

	Eufaula Public Works Authority	Eufaula Economic Development Authority	Totals
REVENUES			
Water	\$ 489,392	\$ -	\$ 489,392
Sewer	245,789	-	245,789
Sanitation	326,239	-	326,239
Water and sewer taps	19,854	-	19,854
Rent	-	87,104	87,104
Penalties	29,217	-	29,217
Miscellaneous	7,282	-	7,282
Total operating revenues	<u>1,117,773</u>	<u>87,104</u>	<u>1,204,877</u>
OPERATING EXPENSES			
Administration	201,161	-	201,161
Water	515,077	-	515,077
Sewer	152,544	-	152,544
Sanitation	331,782	-	331,782
Health	12	-	12
Economic development	-	19,428	19,428
Depreciation	264,145	40,552	304,697
Amortization expense	21,136	-	21,136
Total operating expenses	<u>1,485,857</u>	<u>59,980</u>	<u>1,545,837</u>
Operating income (loss)	<u>(368,084)</u>	<u>27,124</u>	<u>(340,960)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	2,330	-	2,330
Interest expense	(364,087)	(79,154)	(443,241)
Total non-operating revenue (expenses)	<u>(361,757)</u>	<u>(79,154)</u>	<u>(440,911)</u>
Income (loss) before transfers and capital contributions	(729,841)	(52,030)	(781,871)
Capital contributions	129,599	-	129,599
Transfers in	1,878,599	26,489	1,905,088
Transfers out	(1,133,000)	(6,667)	(1,139,667)
Change in net assets	145,357	(32,208)	113,149
Total net assets (deficit) - beginning	(25,404)	93,070	67,666
Total net assets - ending	<u>\$ 119,953</u>	<u>\$ 60,862</u>	<u>\$ 180,815</u>

See accompanying notes to these financial statements.

CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2011

	<u>Eufaula Public Works Authority</u>	<u>Eufaula Economic Development Authority</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,117,773	\$ 87,104	\$ 1,204,877
Payments to suppliers	(681,152)	(17,639)	(698,791)
Payments to employees	(519,424)	(1,911)	(521,335)
Receipts of customer meter deposits	12,497	-	12,497
Refunds of customer meter deposits	(8,466)	-	(8,466)
Net cash provided by (used in) operating activities	<u>(78,772)</u>	<u>67,554</u>	<u>(11,218)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	1,878,599	26,489	1,905,088
Transfers to other funds	(1,133,000)	(6,667)	(1,139,667)
Net cash provided by (used in) noncapital financing activities	<u>745,599</u>	<u>19,822</u>	<u>765,421</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(442,608)	-	(442,608)
Principal paid on debt	(206,979)	(6,667)	(213,646)
Interest and fiscal agent fees paid on debt	(364,087)	(79,154)	(443,241)
Net cash provided by (used in) capital and related financing activities	<u>(1,013,674)</u>	<u>(85,821)</u>	<u>(1,099,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	425,495	-	425,495
Interest and dividends	2,330	-	2,330
Net cash provided by investing activities	<u>427,825</u>	<u>-</u>	<u>427,825</u>
Net increase in cash and cash equivalents	80,978	1,555	82,533
Balances - beginning of year	15,116	3,617	18,733
Balances - end of year	<u>\$ 96,094</u>	<u>\$ 5,172</u>	<u>\$ 101,266</u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	\$ 41,226	\$ 5,172	\$ 46,398
Restricted cash and cash equivalents - current	1,548,897	-	1,548,897
Total cash and cash equivalents, end of year	<u>\$ 1,590,123</u>	<u>\$ 5,172</u>	<u>\$ 1,595,295</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (368,084)	\$ 27,124	\$ (340,960)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	264,145	40,552	304,697
Amortization expense	21,136	-	21,136
Change in assets and liabilities:			
Payroll liabilities payable	-	(122)	(122)
Deposits subject to refund	4,031	-	4,031
Net cash provided by (used in) operating activities	<u>\$ (78,772)</u>	<u>\$ 67,554</u>	<u>\$ (11,218)</u>
Noncash activities:			
Contributed capital assets from governmental activities	\$ 129,599	\$ -	\$ 129,599

See accompanying notes to these financial statements.

**CITY OF EUFAULA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Eufaula) and five component units.

- **The City of Eufaula** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The Eufaula Public Works Authority** – that operates the water, wastewater and sanitation services of the City (*blended*)
- **The Eufaula Economic Development Authority** – that operates the economic development services within the City (*blended*)
- **The Eufaula Industrial Authority** – that operates the industrial development services within the City (*Authority currently inactive*)
- **The Eufaula Recreation Authority** – that operates the recreational services within the City (*discretely presented*)
- **The Eufaula Airport Authority** – that operates the municipal airport services of the City (*Authority currently inactive*)

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including water, wastewater, and sanitation, recreational, and economic development activities.

All of the component units (Authorities) except the Eufaula Recreation Authority and the Eufaula Airport Authority have the City Council as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

In determining the financial reporting entity, the City fully complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" that requires all component units of which the City is financially accountable be included in the financial report.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authorities. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources.

In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits, operating and capital grants
- Public safety: Fine revenue, fire runs, operating and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Culture and recreation: Recreational fees and operating grants
- Cemetery: Cemetery fees

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Grant Fund (CDBG) – capital project fund, which accounts for funds of the Community Development Block Grant used for the Pur Ice building project

Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Funds:

- Street Fund – accounts for revenues received from excess of one-half percent sales tax above debt service requirements on the allocated bonds related to the 2002 defeased bonds to be used for street improvements
- Police Drug Fund – accounts for monies received from donations and drug seizures and to be used for law enforcement purposes only
- FEMA Fund – accounts for FEMA grant program activity. Used for expenditures and receipts associated with emergency situations
- Transportation Fund – accounts for revenues remaining from the transition of being city operated and contracted. Remaining proceeds are to be used by the contractor as deemed necessary

Capital Project Funds:

- Cemetery Perpetual Fund – accounts for 25 percent of cemetery revenues (12.5 percent required per State statute) restricted for cemetery capital improvements
- Airport Fund – accounts for revenue received and expenditures made for airport grant project

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

Proprietary Funds:

The City's proprietary funds are comprised of the following:

Major Funds:

- Eufaula Public Works Authority (EPWA) – accounts for the operation of the water, wastewater, and sanitation activities
- Eufaula Economic Development Authority (EEDA) – accounts for economic development activities

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1998. Prior to July 1, 2001, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2001 are recorded at cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 40 years
- Machinery, furniture and equipment 3-10 years
- Utility property and improvements 40 years
- Infrastructure 20-50 years

E. Long-Term Debt

Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds is the same in the fund statements as it is in the government-wide statements.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

G. Fund Balances and Net Assets

Fund Statements:

Governmental fund equity is classified as fund balance. Upon implementation of GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for the purposes for which both restricted and unrestricted fund balances are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund. In those funds, interest income is used first before other revenues.

Net Assets:

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

I. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2011, the City recognized \$3,073 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

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At June 30, 2011, the primary government held the following deposits and investments:

<u>Primary Government:</u>	Credit	Carrying
<u>Type</u>	<u>Rating</u>	<u>Value</u>
Petty cash		\$ 370
Deposits:		
Demand deposits		<u>396,949</u>
		<u>397,319</u>
Investments:		
Money Market Fund	AAA	<u>1,494,029</u>
		<u>1,494,029</u>
Total deposits and investments		<u><u>\$ 1,891,348</u></u>
 Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		<u>\$ 1,891,348</u>
		<u><u>\$ 1,891,348</u></u>
 <u>Component Unit:</u>		
Eufaula Recreational Authority:		
Demand deposits		<u><u>\$ 42,477</u></u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

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

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Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC. Title 60 public trusts are not limited by the same investment limitations of their municipal beneficiary. The investments held by the Public Works Authority are part of the 2005 revenue bond trustee accounts, which are covered and authorized under the said indenture.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2011, the investments were limited to shares of money market funds invested in U.S. Treasury securities which have an average maturity of less than one year.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

Restricted Cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net assets are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2011 are as follows:

	Current	
	Cash and cash equivalents	Investments
2005 Sinking Fund	\$ 202,270	\$ -
2005 Sinking Fund Reserve	624,500	-
2005 Construction Fund	667,259	-
Meter deposits	54,868	-
Total	\$ 1,548,897	\$ -

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3. Capital Assets and Depreciation

For the year ended June 30, 2011, capital assets balances changed as follows:

	Balance at July 01, 2010	Additions	Disposals	Balance at June 30, 2011
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Total capital assets not being depreciated	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Other capital assets:				
Buildings	2,334,896	-	-	2,334,896
Improvements	807,445	-	-	807,445
Infrastructure	1,474,967	-	-	1,474,967
Machinery, furniture and equipment	1,814,625	66,932	134,820	1,746,737
Total other capital assets at historical cost	<u>6,431,933</u>	<u>66,932</u>	<u>134,820</u>	<u>6,364,045</u>
Less accumulated depreciation for:				
Buildings	2,055,943	21,408	-	2,077,351
Improvements	97,478	43,428	-	140,906
Infrastructure	667,909	98,331	-	766,240
Machinery, furniture and equipment	1,548,812	72,784	134,820	1,486,776
Total accumulated depreciation	<u>4,370,142</u>	<u>235,951</u>	<u>134,820</u>	<u>4,471,273</u>
Other capital assets, net	<u>2,061,791</u>	<u>(169,019)</u>	<u>-</u>	<u>1,892,772</u>
Governmental activities capital assets, net	<u>\$ 2,161,791</u>	<u>\$ (169,019)</u>	<u>\$ -</u>	<u>\$ 1,992,772</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 40,703	\$ -	\$ -	\$ 40,703
Water rights	-	106,118	-	106,118
Construction in progress	408,955	437,503	763,596	82,862
Total capital assets not being depreciated	<u>449,658</u>	<u>543,621</u>	<u>763,596</u>	<u>229,683</u>
Other capital assets:				
Buildings	2,802,256	-	-	2,802,256
Machinery, furniture and equipment	269,642	28,587	-	298,229
Utility property	6,074,863	763,595	-	6,838,458
Total other capital assets at historical cost	<u>9,146,761</u>	<u>792,182</u>	<u>-</u>	<u>9,938,943</u>
Less accumulated depreciation for:				
Buildings	759,784	69,842	-	829,626
Machinery, furniture and equipment	144,450	27,798	-	172,248
Utility Property Improvements	1,912,232	207,057	-	2,119,289
Total accumulated depreciation	<u>2,816,466</u>	<u>304,697</u>	<u>-</u>	<u>3,121,163</u>
Other capital assets, net	<u>6,330,295</u>	<u>487,485</u>	<u>-</u>	<u>6,817,780</u>
Business-type activities capital assets, net	<u>\$ 6,779,953</u>	<u>\$ 1,031,106</u>	<u>\$ 763,596</u>	<u>\$ 7,047,463</u>

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	Balance at July 01, 2010	Additions	Disposals	Balance at June 30, 2011
<i>Discretely Presented Component Unit:</i>				
Capital assets not being depreciated:				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Total capital assets not being depreciated	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Other capital assets:				
Buildings	63,962	-	-	63,962
Improvements	381,632	-	-	381,632
Machinery, furniture and equipment	39,075	-	-	39,075
Total other capital assets at historical cost	<u>484,669</u>	<u>-</u>	<u>-</u>	<u>484,669</u>
Less accumulated depreciation for:				
Buildings	48,265	728	-	48,993
Improvements	362,833	2,283	-	365,116
Machinery, furniture and equipment	28,986	3,133	-	32,119
Total accumulated depreciation	<u>440,084</u>	<u>6,144</u>	<u>-</u>	<u>446,228</u>
Other capital assets, net	44,585	(6,144)	-	38,441
Component unit capital assets, net	<u>\$ 50,585</u>	<u>\$ (6,144)</u>	<u>\$ -</u>	<u>\$ 44,441</u>

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:

General government	\$ 13,696
Public safety	63,561
Highways and streets	101,218
Culture and recreation	19,739
Cemetery	3,801
Airport	33,936
	<u>\$ 235,951</u>

Business-Type Activities:

Administration	\$ 11,566
Water	114,349
Sewer	117,305
Health	20,925
Economic development	40,552
	<u>\$ 304,697</u>

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4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2011, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 01, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 146,001	\$ 120,954	\$ 43,475	\$ 223,480	\$ 126,790
Total Governmental Activities	<u>\$ 146,001</u>	<u>\$ 120,954</u>	<u>\$ 43,475</u>	<u>\$ 223,480</u>	<u>\$ 126,790</u>
Business-Type Activities:					
Notes Payable	\$ 1,472,882	\$ 1,058,115	\$ 1,071,761	\$ 1,459,236	43,284
Revenue bonds payable	7,560,000	-	200,000	7,360,000	215,000
Total Business-Type Activities	<u>9,032,882</u>	<u>1,058,115</u>	<u>1,271,761</u>	<u>8,819,236</u>	<u>258,284</u>
Total Long-Term Debt	<u>\$ 9,178,883</u>	<u>\$ 1,179,069</u>	<u>\$ 1,315,236</u>	<u>\$ 9,042,716</u>	<u>\$ 385,074</u>

Reconciliation to Statement of Net Assets:

Governmental Activities:

Due within one year	\$ 126,790
Due in more than one year	96,690
Total Governmental Activities Long-term liabilities	<u>\$ 223,480</u>

Business-Type Activities:

Due within one year	\$ 258,284
Due in more than one year	8,560,952
Total Business-Type Activities Long-term liabilities	<u>\$ 8,819,236</u>

Governmental Activities:

At June 30, 2011, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Lease Obligations Payable

\$190,000 lease obligation for purchase of fire truck, payable in monthly installments of \$2,062, final payment due September 2016	\$ 110,990
\$100,075 lease obligation for emergency management equipment, payable in lump sum payment, due March 2012	81,129
\$39,750 lease obligation for purchase of police cars, payable in monthly installments of \$2,319, final payment due August 2012	31,361

Total Capital Leases Payable	<u>\$ 223,480</u>
Current portion	126,790
Noncurrent portion	96,690
Total Capital Leases Payable	<u>\$ 223,480</u>

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Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to City's business-type activities at June 30, 2011, includes the following:

Eufaula Public Works Authority:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to EPWA, and their outstanding balances at June 30, 2011, includes the following:

Long-Term Note Commitments

Note payable to Arvest Equipment Leasing, original amount of \$34,131, payable in monthly installments of \$643 with a 4.9% interest rate, final payment due January 2013.

	\$	11,121
Total Notes Payable	\$	11,121
Current portion		7,328
Noncurrent portion		3,793
Total Notes Payable	\$	11,121

Revenue Bonds:

2005 Series Revenue Bonds, original issue amount of \$8,250,000, dated December 1, 2005, issued by Eufaula Public Works Authority, secured by utility revenues and pledged sales tax, interest rate of 3.5% to 5.0%, final payment due December 2030.

	\$	7,360,000
Net Revenue Bonds Payable	\$	7,360,000
Current portion		215,000
Noncurrent portion		7,145,000
Total Revenue Bonds Payable	\$	7,360,000

Eufaula Economic Development Authority:

Long-term debt commitments payable from net revenues generated by the economic development resources of the EEDA, and their outstanding balances at June 30, 2011, includes the following:

Long-Term Note Commitments

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Oklahoma Department of Commerce note dated February 22, 2007, authorized amount of \$400,000, payable in monthly installments of \$1,667, including principal with a 0% interest rate, with a final payment due February 2031. This note was extended by ODOC subsequent to year end.

\$ 390,000

Note payable to Bank of Eufaula dated December 31, 2010, original amount \$1,058,115, due in monthly installments of \$7,801, interest rate of 4.0%, final installment due March 2031.

	1,058,115
Total Note Payable	<u>\$ 1,448,115</u>
Current portion	35,956
Noncurrent portion	1,412,159
Total Loan Payable	<u>\$ 1,448,115</u>

Long-term debt service requirements to maturity are as follows:

Year Ended June 30,	Governmental		Business-Type			
	Capital Lease Obligations		Notes Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$126,790	\$11,777	\$43,284	\$45,045	\$215,000	\$345,716
2013	24,832	4,680	43,075	41,399	235,000	336,850
2014	21,237	3,510	40,068	40,551	170,000	328,644
2015	22,435	2,312	40,885	39,734	185,000	321,322
2016	23,700	1,047	41,629	38,990	200,000	313,306
2017-2021	4,486	415	222,583	180,512	1,285,000	1,394,905
2022-2026	-	-	249,682	153,413	1,855,000	1,021,822
2027-2031	-	-	778,030	115,160	3,215,000	480,781
Total	<u>\$223,480</u>	<u>\$23,741</u>	<u>\$1,459,236</u>	<u>\$654,804</u>	<u>\$7,360,000</u>	<u>\$4,543,346</u>

Defeased Bonds Outstanding

The City, through its various public trusts, has in substance defeased a number of outstanding bond issues by placing deposits in irrevocable trusts, escrow accounts, for the purchase of U.S. Government Securities to pay principal and interest on the refunded bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. At year end, the remaining outstanding defeased debt issue is as follows:

2002 Series Utility System Revenue Bonds - Defeased	335,000
Total Defeased Bonds Outstanding	<u>\$ 335,000</u>

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Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged all three and one-half cents (or 100%) of future sales tax revenues and net utility revenues to repay the \$8,250,000 Series 2005 Utility System Refunding Revenue Bonds. Proceeds from the bonds provided financing for capital assets and refunded Series 1999, Series 2000, and Series 2002 Utility Revenue Bonds. The bonds are payable from pledged sales tax revenues and net utility revenues and are payable through 2031. The total principal and interest payable for the remainder of the life of these bonds is \$11,903,346. Pledged sales taxes received in the current year were \$1,841,529 and net utility revenues were a negative \$80,473. Debt service payments of \$571,066 for the current fiscal year were 32.4% of both pledged sales taxes and net utility revenues of \$1,761,056.

5. Sales Tax Revenue

Sales tax revenue represents a 3 ½ cent tax on each dollar of taxable sales of which all 3 ½ cents are transferred to the Eufaula Public Works Authority to be used to secure debt payments. Any unused portion is transferred back to the General Fund.

6. Internal Balances and Transfers Between Funds and Legal Entities

Internal balances between funds are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Street Fund	\$ 386	Revenue reclass
Total		<u>\$ 386</u>	

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Internal transfers between funds and legal entities are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Eufaula Public Works Authority	\$ 1,841,529	Sales tax transfer
General Fund	Eufaula Public Works Authority	26,816	Operational subsidy
General Fund	Cemetery Perpetual Care Fund	3,913	Required Cemetery Transfer
General Fund	Grant Fund	3,600	Grant money match
General Fund	Eufaula Economic Development Authority	19,822	Operational subsidy
FEMA Fund	General Fund	2,334	Transfer of Hanger Rental
Transportation Fund	Eufaula Public Works Authority	10,254	Closing of fund
Eufaula Public Works Authority	General Fund	1,133,000	Sales tax transfer
EEDA - PUR ICF	Eufaula Economic Development Authority	6,667	Sales tax transfer
Total		<u>\$ 3,047,935</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 1,142,847	\$ (1,908,268)	\$ (765,421)
Proprietary Funds	1,905,088	(1,139,667)	765,421
	<u>\$ 3,047,935</u>	<u>\$ (3,047,935)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Transfers net balance	(765,421)
Transfer of capital asset from governmental to business-type	(129,599)
	<u>\$ (895,020)</u>

7. Fund Equity

Effective July 1, 2010, the City implemented *GASB Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions*. The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

	General Fund	Grant Fund	Other Governmental Funds	Total
Fund Balance:				
Restricted for:				
Grant purposes	\$ -	\$ 41,206	\$ 4,044	\$ 45,250
Street improvements	-	-	3,552	3,552
Law enforcement	-	-	803	803
Cemetery care	-	-	13,484	13,484
	<u>-</u>	<u>41,206</u>	<u>21,883</u>	<u>63,089</u>
Assigned for:				
Grant purposes	-	3,651	-	3,651
Cemetery care	-	-	1,624	1,624
	<u>-</u>	<u>3,651</u>	<u>1,624</u>	<u>5,275</u>
Unassigned	221,125	-	-	221,125
Total Fund Balance	<u>\$ 221,125</u>	<u>\$ 44,857</u>	<u>\$ 23,507</u>	<u>\$ 289,489</u>

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Restricted Net Assets – Governmental Activities:

The following table shows the net asset restricted for other purposes as shown in the Statement of Net Assets:

Fund	Restricted by	Amount
Street Fund	Enabling legislation	\$ 3,552
Cemetery Perpetual Care Fund	Statutory requirements	\$ 13,484
Airport Fund	Other contracts	\$ 3,211
Grant Fund	Other contracts	41,206
Police Drug Fund	Other contracts	803
FEMA Fund	Other contracts	833
		<u>\$ 46,053</u>

8. Risk Management

The primary government is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for worker's compensation and property liability coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

9. Retirement Plan Participation

The City of Eufaula participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF-DBP) – an agent multi-employer defined benefit pension plan

Oklahoma State Firefighters Pension System

Pursuant to the requirements of Title 11, section 22-102, the City of Eufaula participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan, while the City is required by state law to contribute 13% per year per firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The

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City's obligation to fund the plan extends only to making the statutorily required contributions. For 2011, the City's annual required contribution was \$1,140 for the OFPRS plan and was equal to the City's actual contribution.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

OPPRS

The City of Eufaula, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2011, the City's annual required contribution was \$34,967 for the OPPRS plan and was equal to the City's actual contribution.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS
1001 N.W. 63rd St., Suite 605
Oklahoma City, OK 73116-7335

OMRF Defined Benefit Plan

The City contributes to the City of Eufaula Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

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Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	5.74% of covered payroll
-Employee Rate	3.75% of earnings
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement with 10 years of service -Marital death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	1.875% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

Summary of Contributions:

Oklahoma Municipal Retirement Fund			Oklahoma Police Pension and Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2009	30,784	100%	2009	37,395	100%	2009	1,200	100%
2010	26,793	100%	2010	36,189	100%	2010	1,200	100%
2011	28,411	100%	2011	34,967	100%	2011	1,140	100%

10. Commitments and Contingencies

Other Post-Employment Benefits:

For the year ended June 30, 2011, the City provided post-employment benefits (other than pension) to retired employees. The City accounts for these costs on a pay-as-you-go basis. These benefits are in the form of health insurance for retired employees. The retirees pay 100% of the City's established blended premium for active and retired employees.

Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Eufaula participates in various federal or state grant/loan programs from year to year. In 2011, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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REQUIRED SUPPLEMENTAL INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2011

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 4,775	\$ 84,253	\$ 79,478
Resources (Inflows):				
Taxes	227,700	227,700	249,864	22,164
Intergovernmental	58,700	58,700	80,352	21,652
Charges for services	36,000	36,000	23,116	(12,884)
Fines and forfeitures	96,000	96,000	72,571	(23,429)
Licenses and permits	10,000	10,000	6,662	(3,338)
Investment Income	160	160	667	507
Miscellaneous	52,675	52,675	96,917	44,242
Transfers in	1,133,000	1,133,000	1,135,334	2,334
Total Resources (Inflows)	<u>1,614,235</u>	<u>1,614,235</u>	<u>1,665,483</u>	<u>51,248</u>
Amounts available for appropriation	<u>\$1,614,235</u>	<u>\$1,619,010</u>	<u>\$1,749,736</u>	<u>130,726</u>
Charges to Appropriations (Outflows):				
Administration	79,800	79,800	77,706	2,094
Tourism	5,100	3,100	2,327	773
Police	814,904	789,004	770,275	18,729
Fire	64,250	53,250	48,186	5,064
General government	411,071	479,071	422,459	56,612
Library	9,950	9,950	8,592	1,358
Cemetery	500	500	468	32
Summer recreation	46,000	27,475	27,472	3
Streets	44,000	44,000	38,040	5,960
Parks	84,660	78,860	73,492	5,368
Transportation	30,000	30,000	30,000	-
Transfers out	24,000	24,000	23,734	266
Total Charges to Appropriations	<u>1,614,235</u>	<u>1,619,010</u>	<u>1,522,751</u>	<u>96,259</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,985</u>	<u>\$ 226,985</u>

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a budgetary basis which differs from the modified cash basis within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require City Council approval.
3. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	<u>General Fund</u>
Resources budgetary basis	1,665,483
Add sales tax budgeted as transfers	1,841,529
Add cigarette tax budgeted as transfers	26,816
Deduct proceeds of land sale	(2,140)
Deduct transfers in	(1,135,334)
Revenue - modified cash basis	2,396,354
Charges to appropriation budgetary basis	1,522,751
Add capital outlay and debt service for new debt	42,084
Deduct transfers out	(23,734)
Expenditures - modified cash basis	\$1,541,101

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SUPPLEMENTAL INFORMATION

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**Combining Balance Sheet – Non-Major Governmental Funds (Modified Cash Basis) –
June 30, 2011**

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>		<u>Total Governmental Funds</u>
	<u>Street Fund</u>	<u>Police Drug Fund</u>	<u>FEMA Fund</u>	<u>Transportation Fund</u>	<u>Cemetery Perpetual Fund</u>	<u>Airport Fund</u>	
ASSETS							
Cash and cash equivalents	\$ 3,166	\$ 803	\$ 833	\$ -	\$ 15,108	\$ 3,211	\$ 23,121
Due from other funds	386	-	-	-	-	-	386
Total assets	<u>\$ 3,552</u>	<u>\$ 803</u>	<u>\$ 833</u>	<u>\$ -</u>	<u>\$ 15,108</u>	<u>\$ 3,211</u>	<u>\$ 23,507</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:							
Restricted	3,552	803	833	-	13,484	3,211	21,883
Assigned	-	-	-	-	1,624	-	1,624
Total fund balances	<u>3,552</u>	<u>803</u>	<u>833</u>	<u>-</u>	<u>15,108</u>	<u>3,211</u>	<u>23,507</u>
Total liabilities and fund balances	<u>\$ 3,552</u>	<u>\$ 803</u>	<u>\$ 833</u>	<u>\$ -</u>	<u>\$ 15,108</u>	<u>\$ 3,211</u>	<u>\$ 23,507</u>

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Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2011

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>		<u>Total-Other Governmental Funds</u>
	<u>Street Fund</u>	<u>Police Drug Fund</u>	<u>FEMA Fund</u>	<u>Transportation Fund</u>	<u>Cemetery Perpetual Fund</u>	<u>Airport Fund</u>	
REVENUES							
Investment Income	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ 25
Miscellaneous	488	50	-	-	-	3,300	3,838
Total revenues	<u>488</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>3,300</u>	<u>3,863</u>
EXPENDITURES							
Current:							
General government	-	-	87,133	-	-	-	87,133
Airport	-	-	-	-	-	1,027	1,027
Capital Outlay	1,987	-	3,700	-	-	-	5,687
Total Expenditures	<u>1,987</u>	<u>-</u>	<u>90,833</u>	<u>-</u>	<u>-</u>	<u>1,027</u>	<u>93,847</u>
Excess (deficiency) of revenues over expenditures	(1,499)	50	(90,833)	-	25	2,273	(89,984)
OTHER FINANCING SOURCES (USES)							
Proceeds from long-term debt, net	-	-	81,129	-	-	-	81,129
Transfers in	-	-	-	-	3,913	-	3,913
Transfers out	-	-	(2,334)	(10,254)	-	-	(12,588)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>78,795</u>	<u>(10,254)</u>	<u>3,913</u>	<u>-</u>	<u>72,454</u>
Net change in fund balances	(1,499)	50	(12,038)	(10,254)	3,938	2,273	(17,530)
Fund balances - beginning	5,051	753	12,871	10,254	11,170	938	41,037
Fund balances - ending	<u>\$ 3,552</u>	<u>\$ 803</u>	<u>\$ 833</u>	<u>\$ -</u>	<u>\$ 15,108</u>	<u>\$ 3,211</u>	<u>\$ 23,507</u>

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Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2011

Gross Revenue Available for Debt Service:	
Operating revenues of leased systems	\$1,117,773
Sales tax pledged and transferred	1,841,529
Interest income	<u>2,330</u>
Total Gross Revenues Available	2,961,632
System Operating Expenses	<u>1,200,576</u>
Net Revenues Available for Debt Service	<u><u>\$1,761,056</u></u>
Debt Service Requirements:	
Average annual debt service - 2005 Revenue Bonds	<u>\$591,952</u>
Total Debt Service Requirements	<u><u>\$591,952</u></u>
Coverage	<u><u>297%</u></u>
Coverage Requirement	<u><u>125%</u></u>

Schedule of Debt Reserve Requirement Compliance

	<u>RESERVE ACCOUNT</u>
Required Balance, June 30, 2011	<u>\$624,500</u>
Balance in Reserve Accounts, June 30, 2011	<u>624,500</u>
Excess (Deficiency) of Account Balance over (under) Required Balance	<u><u>-</u></u>

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INTERNAL CONTROL AND COMPLIANCE

**CITY OF EUFAULA, OKLAHOMA
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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*

The Honorable Mayor and Members of the City Council of the
City of Eufaula, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Eufaula, Oklahoma (the "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 November 30, 2011. Our report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

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

Orledge & Associates, P.C.

Edmond, Oklahoma
November 30, 2011