

**THE CITY OF HOLDENVILLE,
OKLAHOMA**

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

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

**CITY OF HOLDENVILLE, 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 Holdenville, 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 Holdenville, Oklahoma (the "City") as of and for the year ended June 30, 2010, 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 and the reports of the other auditors provide 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.

As also discussed in Note 1, the City has elected to exclude the financial activities of the Holdenville Hospital Authority, which should be included as a discretely presented component unit in the City's financial statements. The amount by which this omission would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units is not determinable.


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, each major fund, and the aggregate remaining fund information of the City of Holdenville, Oklahoma, as of June 30, 2010, 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 January 24, 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was 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.


Edmond, Oklahoma
January 24, 2011

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

The management of the City of Holdenville 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 increased by \$332,795, and the assets of the City exceed its liabilities at June 30, 2011, by \$8,150,859 (net assets). Of this amount, \$763,156 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2011, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,397,251.
- At the end of fiscal 2011, unassigned fund balance on a modified cash basis for the General Fund was a negative \$25,438 or negative 1% of General Fund revenues.
- The City implemented "GASB Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions" which resulted in the reclassification of some fund types and presentation of fund balance in the new categories of nonspendable, restricted, committed, assigned, and unassigned.

ABOUT THE CITY

The City of Holdenville is an aldermanic form of government with a population of approximately 4,700 located in Hughes County in southeastern Oklahoma. The City is governed by a nine-member Council and operates under state law and City ordinances through three branches of government:

- Legislative – the City Council is a nine-member governing body with eight council members elected by ward and the mayor elected by the citizens at large
- Executive – the City Mayor is the Chief Executive Officer and is elected by the citizenry
- Judicial – the Municipal Judge is a practicing attorney appointed by the Mayor and confirmed 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 Holdenville City Council is financially accountable except for the Holdenville Hospital Authority. The 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 Holdenville** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City
- **The Holdenville Public Works Authority (HPWA)** – public trust created 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
- **The Holdenville Industrial Authority (HIA)** - public trust created pursuant to 60 O.S. § 176 that promotes, develops and secures industrial development within the City, with the City Council members serving as the trustees

The Holdenville Hospital Authority is also a component unit of the City that issues a separate financial statement report, but is not included in this financial statement report. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting: Holdenville General Hospital, 100 Crestview Drive, Holdenville, Oklahoma 74848.

For each of the above public trusts, the City of Holdenville is the beneficiary of the trust and the City Council either serves as the governing body of the trust or appoints the trustees. 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. With the exception of the Holdenville Hospital Authority, 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 Holdenville (the "City"), the Holdenville Public Works Authority (the "Public Works Authority"), and the Holdenville Industrial Authority (the "Industrial Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus as applicable to the modified cash basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), resulting from modified cash basis transactions. 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 the governmental fund financial statements.

Proprietary funds - The City operates two proprietary funds, the Holdenville Public Works Authority (major fund), and the Holdenville Industrial 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 liability.

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 26-42 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, the Sales Tax Lake Project Fund, a schedule of expenditures of federal and state awards, 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 increased \$332,795.

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

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The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

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

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	\$ 70	\$ 58	21%	\$ 2,197	\$ 2,330	-6%	\$ 2,267	\$ 2,388	-5%
Operating grants and contributions	126	122	3%	-	-	-	126	122	3%
Capital grants and contributions	56	22	155%	114	21	443%	170	43	295%
Taxes	2,694	2,630	2%	-	-	-	2,694	2,630	2%
Intergovernmental revenue	85	84	1%	-	-	-	85	84	1%
Investment income	13	13	0%	8	9	-11%	21	22	-5%
Miscellaneous	76	49	55%	46	-	100%	122	49	149%
Total revenues	3,120	2,978	5%	2,365	2,360	1%	5,485	5,338	3%
Expenses									
General government	341	322	6%	-	-	-	341	322	6%
Court and judicial	10	10	0%	-	-	-	10	10	0%
Public safety	1,074	950	13%	-	-	-	1,074	950	13%
Streets	278	288	-3%	-	-	-	278	288	-3%
Airport	22	18	22%	-	-	-	22	18	22%
Culture, parks and recreation	198	188	5%	-	-	-	198	188	5%
Hospital (payments to component unit)	500	485	3%	-	-	-	500	485	3%
Interest on long-term debt	5	5	0%	-	-	-	5	5	0%
Water	-	-	-	1,296	1,278	1%	1,296	1,278	1%
Wastewater	-	-	-	701	774	-9%	701	774	-9%
Sanitation	-	-	-	409	373	10%	409	373	10%
Lake	-	-	-	133	119	12%	133	119	12%
Industrial development	-	-	-	68	72	-6%	68	72	-6%
Work center	-	-	-	117	119	-2%	117	119	-2%
Total expenses	2,428	2,266	7%	2,724	2,735	-1%	5,152	5,001	3%
Excess (deficiency) before transfers	692	712	-3%	(359)	(375)	4%	333	337	-1%
Transfers	(443)	(739)	40%	443	739	-40%	-	-	
Change in net assets	249	(27)	1022%	84	364	-77%	333	337	-1%
Beginning net assets	3,668	3,695	-1%	4,150	3,786	10%	7,818	7,481	5%
Ending net assets	\$ 3,917	\$ 3,668	7%	\$ 4,234	\$ 4,150	2%	\$ 8,151	\$ 7,818	4%

Governmental Activities

The City's governmental activities had an increase in net assets of \$249,197. The increase is due primarily from the transfers to the business-type decreasing from prior year of approximately \$296,000. Personal services in the public safety activity were the primary reason for the increase in expenses.

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

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
	General government	\$ 341		\$ 322	6%	
Court and judicial	10	10	0%	(10)	(10)	0%
Public safety	1,074	950	13%	(959)	(841)	-14%
Streets	278	288	-3%	(183)	(224)	18%
Airport	22	18	22%	(22)	(17)	-29%
Culture, parks and recreation	198	188	5%	(176)	(174)	-1%
Hospital	500	485	3%	(499)	(485)	-3%
Interest on long-term debt	5	5	0%	(5)	(5)	0%
Total	<u>\$ 2,428</u>	<u>\$ 2,266</u>	7%	<u>\$ (2,176)</u>	<u>\$ (2,063)</u>	-5%

Business-type Activities

The business-type activities had an increase in net assets of \$83,598. There was \$114,442 CDBG grant received in the current year that contributed to the increase. In addition, wastewater expenses decreased due to a decrease in contractual services.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
	Water	\$ 1,296		\$ 1,278	1%	
Wastewater	701	774	-9%	(117)	(280)	58%
Sanitation	409	373	10%	(22)	11	-300%
Lake	133	119	12%	(106)	(93)	14%
Industrial development	68	72	-6%	39	106	-63%
Work center	117	119	-2%	(68)	6	-1233%
Total	<u>\$ 2,724</u>	<u>\$ 2,735</u>	0%	<u>\$ (413)</u>	<u>\$ (384)</u>	8%

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 \$2,397,251. For the year ended June 30, 2011, the General Fund's total fund balance decreased by \$74,317. The proprietary funds reported combined net assets of \$4,233,592. The HPWA's total net assets increased by \$335,692 while the HIA's total net assets decreased by \$252,094.

Budgetary Highlights

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues under final estimates by \$101,801 or a 2.4% negative variance. General Fund actual expenditures were under final appropriations by \$50,274 or a 1.2% positive variance.

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

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the City had approximately \$11.6 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets for the year ended June 30, 2011.¹

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	\$ 54	\$ 54	\$ 263	\$ 260	\$ 317	\$ 314
Buildings	169	177	705	736	874	913
Machinery, furniture and equipment	498	515	391	384	889	899
Imp. other than buildings	387	411	259	248	646	659
Infrastructure	466	439	-	-	466	439
Utility property	-	-	6,755	7,201	6,755	7,201
Construction in progress	-	-	1,655	1,426	1,655	1,426
Totals	\$ 1,574	\$ 1,596	\$ 10,028	\$ 10,255	\$ 11,602	\$ 11,851

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

- Sewer system improvements totaling \$141,575
- Lake project construction totaling \$87,719

Debt Administration

At year-end, the City had \$8,456,245 in long-term debt outstanding, reported on a modified cash basis, which represents a \$541,556 decrease from the prior year.

Long-Term Debt
(In Thousands)

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Revenue bonds	\$ -	\$ -	\$ 5,575	\$ 5,910	\$ 5,575	\$ 5,910	-5.7%
Notes payable	-	-	2,827	3,032	2,827	3,032	-6.8%
Capital leases	54	56	-	-	54	56	-3.6%
Totals	\$ 54	\$ 56	\$ 8,402	\$ 8,942	\$ 8,456	\$ 8,998	-6.0%

¹ For more detailed information on capital asset activity please refer to pages 32-34, Note 3. Capital Assets and Depreciation

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2012 budget is consistent to 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/Treasurer's office at 101 North Creek Street, Holdenville, Oklahoma 74848 or telephone at 405-379-3397.

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

BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITIES

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

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,403,105	\$ 1,533,720	\$ 3,936,825
Investments	44,317	52,019	96,336
Internal balances	(49,774)	49,774	-
Unamortized bond issuance costs	-	313,041	313,041
Capital assets:			
Land and construction in progress	53,700	1,918,137	1,971,837
Other capital assets, net of depreciation	1,520,400	8,110,320	9,630,720
Total assets	<u>\$ 3,971,748</u>	<u>\$ 11,977,011</u>	<u>\$ 15,948,759</u>
LIABILITIES			
Due to other governments	\$ 397	\$ -	\$ 397
Due to depositors	-	98,018	98,018
Long-term liabilities:			
Due within one year	26,334	568,031	594,365
Due in more than one year	27,750	7,077,370	7,105,120
Total liabilities	<u>54,481</u>	<u>7,743,419</u>	<u>7,797,900</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,520,016	2,748,465	4,268,481
Restricted for:			
Debt service	-	691,831	691,831
Culture and recreation	2,217,191	-	2,217,191
Other purposes	205,498	4,702	210,200
Unrestricted	(25,438)	788,594	763,156
Total net assets	<u>\$ 3,917,267</u>	<u>\$ 4,233,592</u>	<u>\$ 8,150,859</u>

See accompanying notes to these financial statements.

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

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General Government	\$ 341,222	\$ 19,056	\$ -	\$ -	\$ (322,166)	\$ -	\$ (322,166)
Court and Judicial	9,908	-	-	-	(9,908)	-	(9,908)
Public Safety	1,073,905	50,592	64,723	-	(958,590)	-	(958,590)
Highways and Streets	278,189	-	47,538	48,022	(182,629)	-	(182,629)
Airport	22,017	-	-	-	(22,017)	-	(22,017)
Culture and Recreation	197,875	702	13,717	7,700	(175,756)	-	(175,756)
Hospital (payments to component unit)	499,541	-	-	-	(499,541)	-	(499,541)
Interest on Long-term Debt	4,922	-	-	-	(4,922)	-	(4,922)
Total governmental activities	<u>2,427,579</u>	<u>70,350</u>	<u>125,978</u>	<u>55,722</u>	<u>(2,175,529)</u>	<u>-</u>	<u>(2,175,529)</u>
Business-Type Activities:							
Water	1,295,786	1,157,169	-	-	-	(138,617)	(138,617)
Sewer	700,967	469,333	-	114,442	-	(117,192)	(117,192)
Sanitation	408,780	386,399	-	-	-	(22,381)	(22,381)
Lake	133,572	27,797	-	-	-	(105,775)	(105,775)
Industrial Development	67,809	107,309	-	-	-	39,500	39,500
Work Center	117,126	48,758	-	-	-	(68,368)	(68,368)
Total business-type activities	<u>2,724,040</u>	<u>2,196,765</u>	<u>-</u>	<u>114,442</u>	<u>-</u>	<u>(412,833)</u>	<u>(412,833)</u>
Total primary government	<u>\$ 5,151,619</u>	<u>\$ 2,267,115</u>	<u>\$ 125,978</u>	<u>\$ 170,164</u>	<u>(2,175,529)</u>	<u>(412,833)</u>	<u>(2,588,362)</u>
General revenues:							
Taxes:							
Sales and use taxes					2,497,703	-	2,497,703
Franchise taxes and public service taxes					176,324	-	176,324
Payments in lieu of taxes					3,043	-	3,043
E-911 taxes					16,992	-	16,992
Intergovernmental revenue not restricted to specific programs					84,648	-	84,648
Unrestricted investment earnings					12,958	7,604	20,562
Miscellaneous					75,631	45,442	121,073
Special Item - gain on sale of assets					812	-	812
Transfers					<u>(443,385)</u>	<u>443,385</u>	<u>-</u>
Total general revenues and transfers					<u>2,424,726</u>	<u>496,431</u>	<u>2,921,157</u>
Change in net assets					<u>249,197</u>	<u>83,598</u>	<u>332,795</u>
Net assets - beginning					<u>3,668,070</u>	<u>4,149,994</u>	<u>7,818,064</u>
Net assets - ending					<u>\$ 3,917,267</u>	<u>\$ 4,233,592</u>	<u>\$ 8,150,859</u>

See accompanying notes to these financial statements.

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

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF HOLDENVILLE, 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>Sales Tax Lake Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,376	\$ 2,208,471	\$ 193,258	\$ 2,403,105
Investments	27,327	-	16,990	44,317
Due from other funds	11,624	-	4,422	16,046
Total assets	<u>\$ 40,327</u>	<u>\$ 2,208,471</u>	<u>\$ 214,670</u>	<u>\$ 2,463,468</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	\$ 397	\$ -	\$ -	\$ 397
Due to other funds	65,368	-	452	65,820
Total liabilities	<u>65,765</u>	<u>-</u>	<u>452</u>	<u>66,217</u>
 Fund balances:				
Restricted:				
Lake project	-	2,198,118	-	2,198,118
Library	-	-	7,786	7,786
Cemetery	-	-	205,498	205,498
Assigned to:				
Lake project	-	10,353	-	10,353
Library	-	-	934	934
Unassigned	(25,438)	-	-	(25,438)
Total fund balances	<u>(25,438)</u>	<u>2,208,471</u>	<u>214,218</u>	<u>2,397,251</u>
Total liabilities and fund balances	<u>\$ 40,327</u>	<u>\$ 2,208,471</u>	<u>\$ 214,670</u>	<u>\$ 2,463,468</u>

See accompanying notes to these financial statements.

CITY OF HOLDENVILLE, 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>Sales Tax Lake Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,674,027	\$ -	\$ -	\$ 2,674,027
Intergovernmental	255,674	-	11,006	266,680
Charges for services	10,703	-	5,124	15,827
Fines and foreitures	50,192	-	-	50,192
Licenses and permits	4,331	-	-	4,331
Investment income	457	10,353	2,148	12,958
Miscellaneous	96,352	-	232	96,584
Total Revenues	<u>3,091,736</u>	<u>10,353</u>	<u>18,510</u>	<u>3,120,599</u>
EXPENDITURES				
Current:				
General government	320,717	-	1,518	322,235
Court and judicial	9,908	-	-	9,908
Highway and streets	237,250	-	-	237,250
Airport	17,403	-	-	17,403
Public Safety	931,708	-	-	931,708
Culture and recreation	136,199	-	2,956	139,155
Capital Outlay	208,104	3,378	32,327	243,809
Debt Service:				
Principal	45,007	-	-	45,007
Interest and other charges	4,922	-	-	4,922
Total Expenditures	<u>1,911,218</u>	<u>3,378</u>	<u>36,801</u>	<u>1,951,397</u>
Excess (deficiency) of revenues over expenditures	<u>1,180,518</u>	<u>6,975</u>	<u>(18,291)</u>	<u>1,169,202</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	43,425	-	-	43,425
Sales tax payment to hospital	(499,541)	-	-	(499,541)
Transfers in	1,199,438	499,541	-	1,698,979
Transfers out	(1,998,157)	(144,207)	-	(2,142,364)
Total other financing sources and uses	<u>(1,254,835)</u>	<u>355,334</u>	<u>-</u>	<u>(899,501)</u>
Net change in fund balances	(74,317)	362,309	(18,291)	269,701
Fund balances - beginning	48,879	1,846,162	232,509	2,127,550
Fund balances - ending	<u>\$ (25,438)</u>	<u>\$ 2,208,471</u>	<u>\$ 214,218</u>	<u>\$ 2,397,251</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, 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	\$	2,397,251
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.		1,574,100
Some liabilities, (such as Capital Lease Contract 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.		(54,084)
 Net Assets of Governmental Activities in the Statement of Net Assets	 <u>\$</u>	 <u>3,917,267</u>

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds:	\$	269,701
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		133,727
Depreciation expense		(155,376)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		
Loss on disposed capital assets		(437)
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 of long-term debt		(43,425)
Principal payments on long-term debt		45,007
 Change in net assets of governmental activities	 <u>\$</u>	 <u>249,197</u>

See accompanying notes to these financial statements.

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

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

**CITY OF HOLDENVILLE, 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

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 750,102	\$ 16,075	\$ 766,177
Restricted cash and cash equivalents	573,901	193,642	767,543
Restricted investments	52,019	-	52,019
Due from other funds	119,778	-	119,778
Total current assets	<u>1,495,800</u>	<u>209,717</u>	<u>1,705,517</u>
Non-current assets:			
Unamortized note issue costs	234,231	78,810	313,041
Capital Assets:			
Land and construction in progress	1,842,046	76,091	1,918,137
Other capital assets, net of accumulated depreciation	7,264,512	845,808	8,110,320
Total non-current assets	<u>9,340,789</u>	<u>1,000,709</u>	<u>10,341,498</u>
Total assets	<u>\$ 10,836,589</u>	<u>\$ 1,210,426</u>	<u>\$ 12,047,015</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ 70,004	\$ -	\$ 70,004
Deposits subject to refund	98,018	-	98,018
Notes payable	208,031	-	208,031
Bonds payable	330,000	30,000	360,000
Total current liabilities	<u>706,053</u>	<u>30,000</u>	<u>736,053</u>
Non-current liabilities:			
Notes payable	2,619,130	-	2,619,130
Bonds payable	4,039,131	419,109	4,458,240
Total non-current liabilities	<u>6,658,261</u>	<u>419,109</u>	<u>7,077,370</u>
Total liabilities	<u>7,364,314</u>	<u>449,109</u>	<u>7,813,423</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,250,666	497,799	2,748,465
Restricted for inmate services	-	4,702	4,702
Restricted for debt service	527,902	163,929	691,831
Unrestricted	693,707	94,887	788,594
Total net assets	<u>\$ 3,472,275</u>	<u>\$ 761,317</u>	<u>\$ 4,233,592</u>

See accompanying notes to these financial statements.

CITY OF HOLDENVILLE, 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

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Water charges	\$ 1,136,239	\$ -	\$ 1,136,239
Sewer charges	460,981	-	460,981
Sanitation charges	366,142	-	366,142
Water and sewer taps	700	-	700
Landfill charges	13,726	-	13,726
Penalty charges	7,321	-	7,321
Boat and camping permits	27,797	-	27,797
Reconnect fee	6,603	-	6,603
Rentals	-	56,339	56,339
Telephone and vending commission	-	99,728	99,728
Miscellaneous	21,189	-	21,189
Total operating revenues	<u>2,040,698</u>	<u>156,067</u>	<u>2,196,765</u>
OPERATING EXPENSES			
Administration	236,825	-	236,825
Sewer	186,699	-	186,699
Water	575,860	-	575,860
Sanitation	284,452	-	284,452
Landfill	69,633	-	69,633
Lake	111,231	-	111,231
Industrial development	-	13,320	13,320
Work center	-	40,425	40,425
Depreciation	658,373	76,659	735,032
Amortization expense	23,906	6,614	30,520
Total operating expenses	<u>2,146,979</u>	<u>137,018</u>	<u>2,283,997</u>
Operating income (loss)	<u>(106,281)</u>	<u>19,049</u>	<u>(87,232)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	6,130	1,474	7,604
Interest expense	(392,126)	(47,917)	(440,043)
Capital grants and contributions	114,442	-	114,442
Miscellaneous revenue	-	45,442	45,442
Total non-operating revenue (expenses)	<u>(271,554)</u>	<u>(1,001)</u>	<u>(272,555)</u>
Income (loss) before contributions and transfers	<u>(377,835)</u>	<u>18,048</u>	<u>(359,787)</u>
Transfers in	1,746,746	22,900	1,769,646
Transfers out	<u>(1,033,219)</u>	<u>(293,042)</u>	<u>(1,326,261)</u>
Change in net assets	335,692	(252,094)	83,598
Total net assets - beginning	<u>3,136,583</u>	<u>1,013,411</u>	<u>4,149,994</u>
Total net assets - ending	<u>\$ 3,472,275</u>	<u>\$ 761,317</u>	<u>\$ 4,233,592</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, 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>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,105,366	\$ 201,509	\$ 2,306,875
Payments to suppliers	(829,502)	(53,745)	(883,247)
Payments to employees	(635,198)	-	(635,198)
Receipts of customer meter deposits	17,117	-	17,117
Refunds of customer meter deposits	(17,650)	-	(17,650)
Net cash provided by (used in) operating activities	<u>640,133</u>	<u>147,764</u>	<u>787,897</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	1,746,746	22,900	1,769,646
Transfers to other funds	(1,033,219)	(293,042)	(1,326,261)
Net cash provided by (used in) noncapital financing activities	<u>713,527</u>	<u>(270,142)</u>	<u>443,385</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(448,357)	(59,961)	(508,318)
Principal paid on debt	(509,974)	(30,000)	(539,974)
Interest and fiscal agent fees paid on debt	(329,064)	(37,772)	(366,836)
Net cash provided by (used in) capital and related financing activities	<u>(1,287,395)</u>	<u>(127,733)</u>	<u>(1,415,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(820)	-	(820)
Interest and dividends	6,130	1,474	7,604
Net cash provided by (used in) investing activities	<u>5,310</u>	<u>1,474</u>	<u>6,784</u>
Net increase (decrease) in cash and cash equivalents	71,575	(248,637)	(177,062)
Balances - beginning of year	<u>1,252,428</u>	<u>458,354</u>	<u>1,710,782</u>
Balances - end of year	<u>\$ 1,324,003</u>	<u>\$ 209,717</u>	<u>\$ 1,533,720</u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	\$ 750,102	\$ 16,075	\$ 766,177
Restricted cash and cash equivalents - current	573,901	193,642	767,543
Total cash and cash equivalents, end of year	<u>\$ 1,324,003</u>	<u>\$ 209,717</u>	<u>\$ 1,533,720</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (106,281)	\$ 19,049	\$ (87,232)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	658,373	76,659	735,032
Amortization expense	23,906	6,614	30,520
Capital grants and contributions	114,442	-	114,442
Miscellaneous revenue	-	45,442	45,442
Change in assets and liabilities:			
Due from other funds	(119,778)	-	(119,778)
Due to other funds	70,004	-	70,004
Deposits subject to refund	(533)	-	(533)
Net cash provided by (used in) operating activities	<u>\$ 640,133</u>	<u>\$ 147,764</u>	<u>\$ 787,897</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, 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 Holdenville) and two component units.

- **The City of Holdenville**– that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Holdenville Public Works Authority** – that operates the water, wastewater and sanitation services of the City
- **The City of Holdenville Industrial Authority** – that promotes, develops and secures industrial development within the City

The Holdenville Hospital Authority is also a component unit of the City that issues a separate financial statement report, but is not included in this financial statement report. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting: Holdenville General Hospital, 100 Crestview Drive, Holdenville, Oklahoma 74848.

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, and economic development activities.

The component units (Authorities) 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 exception of the omission of the Holdenville Hospital Authority, 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 and payables
- other cash-based 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, mowing fees
- Public safety: Fine revenue, impound fees, fire runs and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes and capital grants
- Culture and recreation: Operating and capital grants

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

Combined as account of the General Fund:

- CDBG Grant Fund – accounts for revenues and expenditures of certain CDBG grant projects

Special Revenue Fund:

- Sales Tax Lake Project Fund – accounts for sales tax designated for the construction of a new lake

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

Special Revenue Fund:

- Library Fund – accounts for all library revenues retained for library use only

Capital Project Fund:

- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

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:

- Holdenville Public Works Authority (HPWA) – accounts for the operation of the water, wastewater, and sanitation activities
- Holdenville Industrial Authority (HIA) – accounts for industrial 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 fund 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 10.

G. Fund Balances and Net Assets

Fund Balances:

Governmental fund equity is classified as fund balance. Since the City implemented 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 while the TPWA highest level of decision making authority is made by resolution.
- 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 the 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 purposes for which both restricted and unrestricted fund balance 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.

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.”

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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 \$20,562 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.

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

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:		
Demand deposits		\$ 3,670,942
Time deposits-certificates of deposits		96,336
Cash on hand		300
		<u>3,767,578</u>
Investments:		
First United Money Market Funds	not rated	185,916
Goldman Federated Money Market Funds	AAA	79,667
		<u>265,583</u>
Total deposits and investments		<u>\$ 4,033,161</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		\$ 3,936,825
Investments		96,336
		<u>\$ 4,033,161</u>

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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 fully collateralized and therefore not exposed to custodial credit risk as defined above.

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 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. These investment limitations do not apply to the City's public trusts. As of June 30, 2011, the City's mutual fund in Goldman Federated were rated AAA by Standard and Poor's.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments – The amounts reported as restricted assets on the 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:

Type of Restricted Assets	Cash and cash equivalents	Investments	Total
HPWA - Utilities			
Utility Deposits	\$ 45,999	\$ 52,019	\$ 98,018
Bond Indenture Accounts:			
Bond Account	346,273	-	346,273
Sinking Fund Account 2005	4,660	-	4,660
Sinking Fund Reserve	75,003	-	75,003
Project Fund Account	4	-	4
OWRB Construction	101,962	-	101,962
	<u>573,901</u>	<u>52,019</u>	<u>625,920</u>
Total HPWA - Utilities			
HIA Work Center:			
Bond Indenture Accounts:			
Bond Fund Interest Account	7,726	-	7,726
Bond Fund Reserve Account	69,231	-	69,231
Bond Fund Principal Account	56,963	-	56,963
Capital Expenditures Fund Account	25,009	-	25,009
Operating Reserve Account	30,011	-	30,011
Welfare Account	4,702	-	4,702
	<u>193,642</u>	<u>-</u>	<u>193,642</u>
Total Work Center			
	<u>\$ 767,543</u>	<u>\$ 52,019</u>	<u>\$ 819,562</u>
Total Enterprise Funds			

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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 1, 2010	Additions	Disposals	Balance at June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,700	\$ -	\$ -	\$ 53,700
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>53,700</u>	<u>-</u>	<u>-</u>	<u>53,700</u>
Other capital assets:				
Buildings	471,734	-	-	471,734
Machinery and equipment	1,857,895	76,123	67,663	1,866,355
Improvements	1,097,255	5,083	-	1,102,338
Infrastructure	603,075	52,521	-	655,596
Total other capital assets at historical cost	<u>4,029,959</u>	<u>133,727</u>	<u>67,663</u>	<u>4,096,023</u>
Less accumulated depreciation for:				
Buildings	294,916	8,035	-	302,951
Machinery and equipment	1,342,627	93,179	67,226	1,368,580
Improvements	686,268	28,175	-	714,443
Infrastructure	163,662	25,987	-	189,649
Total accumulated depreciation	<u>2,487,473</u>	<u>155,376</u>	<u>67,226</u>	<u>2,575,623</u>
Other capital assets, net	<u>1,542,486</u>	<u>(21,649)</u>	<u>437</u>	<u>1,520,400</u>
Governmental activities capital assets, net	<u>\$ 1,596,186</u>	<u>\$ (21,649)</u>	<u>\$ 437</u>	<u>\$ 1,574,100</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 260,187	\$ 3,000	\$ -	\$ 263,187
Construction in progress	1,425,656	229,294	-	1,654,950
Total capital assets not being depreciated	<u>1,685,843</u>	<u>232,294</u>	<u>-</u>	<u>1,918,137</u>
Other capital assets:				
Buildings	1,803,072	-	-	1,803,072
Other improvements	1,581,323	72,796	-	1,654,119
Machinery, furniture and equipment	1,531,267	85,266	12,433	1,604,100
Utility property improvements	17,705,124	117,962	-	17,823,086
Total other capital assets at historical cost	<u>22,620,786</u>	<u>276,024</u>	<u>12,433</u>	<u>22,884,377</u>
Less accumulated depreciation for:				
Buildings	1,066,759	30,936	-	1,097,695
Other improvements	1,197,780	65,834	-	1,263,614
Machinery, furniture and equipment	1,283,139	74,267	12,433	1,344,973
Utility property improvements	10,503,780	563,995	-	11,067,775
Total accumulated depreciation	<u>14,051,458</u>	<u>735,032</u>	<u>12,433</u>	<u>14,774,057</u>
Other capital assets, net	<u>8,569,328</u>	<u>(459,008)</u>	<u>-</u>	<u>8,110,320</u>
Business-type activities capital assets, net	<u>\$ 10,255,171</u>	<u>\$ (226,714)</u>	<u>\$ -</u>	<u>\$ 10,028,457</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	\$ 15,742
Public safety	53,620
Highways and streets	40,906
Culture and recreation	40,494
Airport	4,614
	<u>\$ 155,376</u>

Business-Type Activities:

Water	\$ 352,083
Sewer	291,639
Sanitation	10,646
Lake	4,005
Industrial Development	54,489
Work Center	22,170
	<u>\$ 735,032</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:

Type of Debt	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 55,666	\$ 43,425	\$ 45,007	\$ 54,084	\$ 26,334
Total Governmental Activities	<u>\$ 55,666</u>	<u>\$ 43,425</u>	<u>\$ 45,007</u>	<u>\$ 54,084</u>	<u>\$ 26,334</u>
Business-Type Activities:					
Notes payable	\$ 3,032,135	-	\$ 204,974	\$ 2,827,161	\$ 208,031
Revenue bonds payable	5,910,000	-	335,000	5,575,000	360,000
Total Business-Type Activities	<u>8,942,135</u>	<u>-</u>	<u>539,974</u>	<u>8,402,161</u>	<u>568,031</u>
Total Long-Term Debt	<u>\$ 8,997,801</u>	<u>\$ 43,425</u>	<u>\$ 584,981</u>	<u>\$ 8,456,245</u>	<u>\$ 594,365</u>

Reconciliation to Statement of Net Assets:

Governmental Activities:

Due within one year	\$ 26,334
Due in more than one year	27,750
Total Governmental Activities Long-Term Liabilities	<u>\$ 54,084</u>

Business-Type Activities:

Due within one year	\$ 568,031
Due in more than one year	7,077,370
Add back unamortized charge on refunding	702,987
Add back unamortized discount	53,773
Total Business-Type Activities Long-Term Liabilities	<u>\$ 8,402,161</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

\$135,529 lease obligation for the purchase of a fire truck, payable in 10 annual installments of \$17,382 with an annual interest rate of 4.80%, final payment due May 2013.	\$ 32,411
\$43,425 lease obligation for the purchase of two Ford trucks, payable in 4 annual installments of \$11,862 with an annual interest rate of 6.25%, final payment anticipated June 2013.	21,673

Total Capital Leases Payable	<u>\$ 54,084</u>
Current portion	\$ 26,334
Noncurrent portion	27,750
Total Capital Leases Payable	<u>\$ 54,084</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 the City's business-type activities at June 30, 2011, includes the following:

Notes Payable:

1997 Note Payable to Oklahoma Department of Commerce for sewer line improvements of \$175,000, payable in monthly installments of \$730, zero percent interest, final payment due August 2020.	\$	80,830
1998 Note Payable to Oklahoma Water Resources Board for water plant construction , payable in varying semi-annual installments, variable interest rates payable plus an administrative fee of 0.5% per annum, final payment due September 2020. Total note authorized at \$4,177,000.		2,061,431
2005 Note Payable to Oklahoma Water Resources Board for lake construction of \$750,000, payable in varying semi-annual installments, interest payable at 4.30% plus an administrative fee of 0.5% per annum, final payment due September 2035.		684,900
Total Notes Payable	\$	<u>2,827,161</u>
Current portion	\$	208,031
Noncurrent portion		<u>2,619,130</u>
Total Notes Payable	\$	<u>2,827,161</u>

Revenue Bonds Payable:

2002 Taxable Refunding Revenue Bonds, original issue amount of \$6,755,000 dated August 1, 2002, issued by Holdenville Public Works Authority, secured by certain utility revenue and pledged sales tax, and interest rates varying from 2.25% to 5.15%, final payment due October 2021.	\$	5,005,000
2001 Series Work Center Revenue Bonds, original issue amount of \$805,000 dated May 15, 2001, issued by Holdenville Industrial Authority, secured by a second mortgage on and a security interest to the Facility, and gross revenues, interest rate at 6.375%, due in semi-annual principal & interest payments beginning October 1, 2001 with final maturity on April 1, 2023.		<u>570,000</u>
Total Revenue Bonds Payable		5,575,000
Less: Unamortized Loss on Refunding		(702,987)
Unamortized Bond Discount		(53,773)
Net Revenue Bonds Payable	\$	<u>4,818,240</u>
Current portion	\$	360,000
Noncurrent portion		<u>4,458,240</u>
Total Revenue Bonds Payable	\$	<u>4,818,240</u>

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

<u>Year Ending June 30.</u>	Governmental Activities			
	Capital Lease obligations			
	Principal		Interest	
2012	\$ 26,334	\$ 2,910		
2013	27,750	1,495		
Totals	\$ 54,084	\$ 4,405		

<u>Year Ending June 30.</u>	Business Type Activities			
	Revenue		Notes Payable	
	Bonds Payable		Principal	
	Principal	Interest	Principal	Interest
2012	\$ 360,000	\$ 270,348	\$ 208,031	\$ 71,469
2013	390,000	254,739	218,329	65,990
2014	420,000	237,261	225,423	60,301
2015	445,000	218,181	232,722	54,424
2016	490,000	197,406	240,430	48,346
2017-2021	2,750,000	615,920	1,192,326	143,085
2022-2026	720,000	41,223	132,900	55,810
2027-2031	-	-	174,200	36,723
2032-2036	-	-	202,800	11,861
Totals	\$ 5,575,000	\$1,835,078	\$ 2,827,161	\$ 548,009

Capital Lease Property

The following is an analysis of the governmental fund leased property under capital leases by major classes:

Machinery & Equipment	\$178,954
Less Accumulated Depreciation	<u>(64,026)</u>
Net Machinery and Equipment under Capital Leases	<u>\$114,928</u>

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged and transferred three cents (or 60.0%) of future sales tax revenues and net utility revenues to repay the \$6,755,000 Series 2002 Refunding Utilities Bonds and the \$4,177,000 Series 1998 OWRB Promissory Notes. Proceeds from the bonds provided refunding of bonds issued for capital assets while proceeds from the notes provided for the purchase or construction of capital assets. The bonds and notes are payable from pledged sales tax revenues and net utility revenues. The bonds are payable through 2022 while the notes are payable through 2021. The total principal and interest payable for the remainder of the life of these bonds and notes are \$8,937,573. Pledged sales taxes received in the current year were \$1,498,616 and net utility revenues were \$598,536. Debt service payments of \$798,691 for the current fiscal year were 38% of pledged sales taxes and net utility revenues.

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Work Release Center Net Revenues Pledge - The City has also pledged future net rental and commission revenue and investment income of the HIA Work Release Center to repay the \$805,000 Series 2001 Work Center Refunding Bonds. Proceeds from the bonds provided refunding of bonds issued for the construction of capital assets. The bonds are payable from net work center revenues and pledged investment income and are payable through 2023. The total principal and interest payable for the remainder of the life of these contracts is \$825,798. Net work center revenues and pledged investment income were \$32,535. Debt service payments of \$67,772 for the current fiscal year were 208% of net revenues.

5. Net Assets and Fund Balances

Net Assets:

Net assets as reported in the government-wide and proprietary fund financial statements 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.

	State Statutes	External Groups	Total
Governmental Activities:			
Capital Projects:			
Sales Tax Lake Project Fund	\$ -	\$ 2,208,471	\$ 2,208,471
Sub-total Capital Projects	<u>-</u>	<u>2,208,471</u>	<u>2,208,471</u>
Other			
Library Fund	-	8,720	8,720
Cemetery Care Fund	205,498	-	205,498
Sub-total Other	<u>205,498</u>	<u>8,720</u>	<u>214,218</u>
Total Governmental Activities	<u>205,498</u>	<u>2,217,191</u>	<u>2,422,689</u>
Business-Type Activities:			
Debt Service	-	691,831	691,831
Inmate Welfare	<u>-</u>	<u>4,702</u>	<u>4,702</u>
TOTAL RESTRICTED NET ASSETS	<u>\$ 205,498</u>	<u>\$ 2,913,724</u>	<u>\$ 3,119,222</u>

- 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.”

6. Sales Tax Revenue

Sales tax revenue represents a 5 cent tax on each dollar of taxable sales of which 3 cents are transferred to the Holdenville Public Works Authority and used to secure debt payments. The unused portion is then transferred back to the General Fund. One cent is voter-restricted for the Hospital Authority and one cent is voter-restricted for lake improvements.

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7. Internal Balances and Transfers Between Funds and Legal Entities

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Library Fund	General Fund	\$ 452	Expenses paid by GF for LMF
HPWA	General Fund	3,996	Reimbursement
Municipal Court	General Fund	7,176	Court fines transferred
General Fund	Cemetery Care Fund	4,422	12.5% not yet transferred
General Fund	Water Designation	53,770	To cover negative cash in the GF
HPWA	Water Designation	66,008	To cover negative cash in the HPWA
Total		<u>\$ 135,824</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 16,046	\$ (65,820)	\$ (49,774)
Proprietary Funds	119,778	(70,004)	49,774
Total	<u>\$ 135,824</u>	<u>\$ (135,824)</u>	<u>\$ -</u>

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
HPWA	General Fund	\$ 999,075	Sales tax transfer
HIA	General Fund	200,362	Operating
General Fund	HPWA	1,498,616	Sales tax transfer
General Fund	Sales Tax Lake Project Fund	499,541	Sales tax transfer
HIA	HPWA	39,200	Operating
HIA	HPWA	30,580	Capital asset transfer
Sales Tax Lake Project Fund	HPWA Bond Fund	28,062	Debt payments
Sales Tax Lake Project Fund	HPWA	116,145	Capital asset transfer
OWRB Drinking Water	HPWA	34,144	To close fund
HIA	HIA Work Center	22,900	Insurance for roof
Total		<u>\$ 3,468,625</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,698,979	\$ (2,142,364)	\$ (443,385)
Proprietary Funds	1,769,646	(1,326,261)	443,385
	<u>\$ 3,468,625</u>	<u>\$ (3,468,625)</u>	<u>\$ -</u>

8. Risk Management

The City 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. The City manages these various risks of loss as follows:

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Building and Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.

- Workers' Compensation – Workers' compensation is covered through purchase of commercial insurance – CompSource Oklahoma.
- Employee's Group Health and Life – Covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

9. Retirement Plan Participation

The City of Holdenville participates in two pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide multiple-employer cost-sharing plan
- Oklahoma Public Employees Retirement System (OPERS) – a statewide multiple-employer, cost sharing plan

OFPRS:

The City of Holdenville, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of full-time and volunteer firefighters. The OFPRS 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 fulltime or volunteer firefighters. OFPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll per paid firefighter. 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 \$28,100 for the OFPRS plan and was equal to the City's actual contribution.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

OPERS:

The City participates in a statewide cost-sharing multiple employer defined benefit pension benefit for all of its full-time employees with the exception of the fire department, through the Oklahoma Public Employees Retirement System (OPERS). The employee's contribution rate is 3.5%. City's contribution rate is 15.5%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

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Schedule of Retirement Plan Contributions – OFPRS and OPERS Cost-Sharing Plans:

Oklahoma Public Employees Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2009	\$125,576	100%	2009	\$27,489	100%
2010	\$136,479	100%	2010	\$27,791	100%
2011	\$142,626	100%	2011	\$28,100	100%

10. Commitments and Contingencies

Commitments:

In June 2011, the Oklahoma Department of Corrections (DOC) renewed its lease with the Holdenville Industrial Authority to lease the Davis Correctional Work Center for a period from July 1, 2011 through June 30, 2012, automatically renewable for one year periods beginning each July 1, subject to legislative appropriation sufficient to pay the rentals hereunder, so long as the bond financing for the facility remained outstanding or until the provision of payment is made in accordance with a bond indenture and a subordinate bond indenture.

Under the terms of the lease, rent is to be paid quarterly in the amount of \$30,669. In addition, the Authority agrees to subsidize the Work Center Welfare Fund activities and programs at the rate not to exceed \$56 per inmate up to a maximum 84 inmates per year by directly funding all or a portion of those items properly categorized as welfare fund activities by the DOC and reporting the total amount of such subsidy to the DOC at the end of each fiscal year. The DOC shall validate to Holdenville that \$56 per inmate per annum is the standard DOC rate for allocation to the Department Welfare Fund for inmate activities.

Upon the payment of all indebtedness incurred by Holdenville in connection with the Facility, including indebtedness secured by the Bond Indentures and upon substantial use and occupancy of the Facility by the DOC, Holdenville will convey title to the Facility to the DOC by gift deed, retaining any required utility easements.

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2011, is summarized as follows:

HPWA – accrued compensated absences \$34,093
General Fund – accrued compensated absences \$39,607

Contingencies:

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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 Holdenville 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 not 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 Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
Beginning Budgetary Fund Balance	\$ 51,905	\$ 51,905	\$ 51,905	\$ -
Resources (Inflows):				
TAXES:				
Sales tax	2,592,000	2,509,210	2,497,703	(11,507)
Franchise tax	180,000	180,000	176,324	(3,676)
Total taxes	<u>2,772,000</u>	<u>2,689,210</u>	<u>2,674,027</u>	<u>(15,183)</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	49,000	49,000	48,749	(251)
Gas excise tax	10,000	10,000	10,224	224
Vehicle tax	33,000	33,000	37,314	4,314
Tobacco tax	30,000	30,000	35,899	5,899
Payments in lieu of taxes	-	-	3,043	3,043
Grants	-	112,750	120,445	7,695
Total Intergovernmental	<u>122,000</u>	<u>234,750</u>	<u>255,674</u>	<u>20,924</u>
CHARGES FOR SERVICES:				
Cemetery openings/closing	<u>8,500</u>	<u>8,500</u>	<u>10,703</u>	<u>2,203</u>
FINES AND FORFEITURES	<u>38,500</u>	<u>38,500</u>	<u>50,192</u>	<u>11,692</u>
LICENSES AND PERMITS:				
Inspection and building permits	2,500	2,500	2,347	(153)
Other licenses and permits	<u>1,500</u>	<u>1,500</u>	<u>1,984</u>	<u>484</u>
Total licenses and permits	<u>4,000</u>	<u>4,000</u>	<u>4,331</u>	<u>331</u>
INVESTMENT INCOME	<u>300</u>	<u>300</u>	<u>457</u>	<u>157</u>
MISCELLANEOUS:				
Rentals/leases	150,206	150,206	550	(149,656)
911 revenue	16,000	16,000	16,992	992
Miscellaneous	10,000	10,000	18,962	8,962
Reimbursements	3,500	3,500	27,967	24,467
Cemetery - sale of lots	13,000	13,000	20,650	7,650
Donations	-	17,500	1,201	(16,299)
Oil and gas royalty	7,000	7,000	10,030	3,030
Total Miscellaneous	<u>199,706</u>	<u>217,206</u>	<u>96,352</u>	<u>(120,854)</u>
OTHER FINANCING SOURCES:				
Loan Proceeds	-	43,425	-	(43,425)
Transfers from other funds	<u>1,156,800</u>	<u>1,157,084</u>	<u>1,199,438</u>	<u>42,354</u>
Total Other Financing Sources	<u>1,156,800</u>	<u>1,200,509</u>	<u>1,199,438</u>	<u>(1,071)</u>
Total Resources (Inflows)	<u>4,301,806</u>	<u>4,392,975</u>	<u>4,291,174</u>	<u>(101,801)</u>
Amount available for appropriation	<u>4,353,711</u>	<u>4,444,880</u>	<u>4,343,079</u>	<u>(101,801)</u>
Charges to Appropriations (Outflows):				
Departmental:				
General Government:				
General government	188,692	202,492	202,560	(68)
Governing Board	33,591	39,011	38,320	691
Cemetery	78,705	83,205	83,159	46
Court and Judicial:				
City Attorney	3,875	3,875	3,875	-
Municipal court	6,028	6,033	6,033	-
Highways and Streets:				
Street	147,930	194,810	194,731	79
Street and Alley	101,908	95,213	95,074	139
Airport:				
Airport	12,250	17,410	17,403	7
Public Safety:				
Police	534,652	581,877	535,759	46,118
Fire	372,767	458,467	461,082	(2,615)
Civil Defense	76,133	77,853	77,836	17
Culture and Recreation:				
Parks	44,325	67,925	67,883	42
Library	73,384	69,684	69,647	37
Civic Center	12,050	14,550	14,431	119
Payment to Hospital (component unit)	518,400	501,842	499,541	2,301
Transfers to Other Funds	<u>2,073,600</u>	<u>2,001,518</u>	<u>1,998,157</u>	<u>3,361</u>
Total other financing sources and uses	<u>4,278,290</u>	<u>4,415,765</u>	<u>4,365,491</u>	<u>50,274</u>
Fund balances - ending	<u>\$ 75,421</u>	<u>\$ 29,115</u>	<u>\$ (22,412)</u>	<u>\$ (51,527)</u>

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Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2011, (Cont.)

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance	
Fund Balance - ending - Budget to Actual Schedule	\$ (22,412)
CDBG Grant Fund	<u>(3,026)</u>
Fund Balance - ending - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u><u>\$ (25,438)</u></u>

Budgetary Comparison Schedules (Modified Cash Basis) – Sales Tax Lake Project Fund - Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Beginning Budgetary Fund Balance	\$ 1,846,162	\$ 1,846,162	\$ 1,846,162	\$ -
Resources (Inflows)				
Investment Income	8,500	8,500	10,353	1,853
Transfers from Other Funds	<u>518,400</u>	<u>501,842</u>	<u>499,541</u>	<u>(2,301)</u>
Amounts Available for Appropriation	<u>2,373,062</u>	<u>2,356,504</u>	<u>2,356,056</u>	<u>(448)</u>
Charges to Appropriations (Outflows)				
Culture and Recreation	<u>526,900</u>	<u>510,342</u>	<u>147,585</u>	<u>362,757</u>
Total Charges to Appropriations	<u>526,900</u>	<u>510,342</u>	<u>147,585</u>	<u>362,757</u>
Fund balances - ending	<u><u>\$ 1,846,162</u></u>	<u><u>\$ 1,846,162</u></u>	<u><u>\$ 2,208,471</u></u>	<u><u>\$ 362,309</u></u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds 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. In the General Fund, the City had negative variances in the following departments and for the following amount:

General Fund – General Government	(68)
General Fund – Fire	(2,615)

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OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2011

	<u>General Fund</u>	<u>CDBG Grant Fund</u>	<u>Total General Fund</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,376	\$ 1,376
Investments	27,327	-	27,327
Due to/from other funds	16,026	(4,402)	11,624
Total assets	<u>\$ 43,353</u>	<u>\$ (3,026)</u>	<u>\$ 40,327</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 65,368	\$ -	\$ 65,368
Payable to other governments	397	-	397
Total liabilities	<u>65,765</u>	<u>-</u>	<u>65,765</u>
 Fund balances:			
Unassigned	(22,412)	(3,026)	(25,438)
Total fund balances (deficits)	<u>(22,412)</u>	<u>(3,026)</u>	<u>(25,438)</u>
Total liabilities and fund balances	<u>\$ 43,353</u>	<u>\$ (3,026)</u>	<u>\$ 40,327</u>

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Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2011

	<u>General Fund</u>	<u>CDBG Grant Fund</u>	<u>Total General Fund</u>
REVENUES			
Taxes	\$ 2,674,027	\$ -	\$ 2,674,027
Intergovernmental	255,674	-	255,674
Charges for services	10,703	-	10,703
Fines and forfeitures	50,192	-	50,192
Licenses and permits	4,331	-	4,331
Investment income	457	-	457
Miscellaneous	96,352	-	96,352
Total revenues	<u>3,091,736</u>	<u>-</u>	<u>3,091,736</u>
EXPENDITURES			
Current:			
General government	320,717	-	320,717
Public Safety	931,708	-	931,708
Highways and roads	237,250	-	237,250
Health and sanitation	9,908	-	9,908
Culture and recreation	136,199	-	136,199
Airport	17,403	-	17,403
Debt Service:			
Principal	45,007	-	45,007
Interest and other charges	4,922	-	4,922
Capital Outlay	208,104	-	208,104
Total Expenditures	<u>1,911,218</u>	<u>-</u>	<u>1,911,218</u>
Excess (deficiency) of revenues over expenditures	<u>1,180,518</u>	<u>-</u>	<u>1,180,518</u>
OTHER FINANCING SOURCES (USES)			
Sales tax payment to hospital	(499,541)	-	(499,541)
Capital lease proceeds	43,425	-	43,425
Transfers in	1,199,438	-	1,199,438
Transfers out	<u>(1,998,157)</u>	<u>-</u>	<u>(1,998,157)</u>
Total other financing sources and uses	<u>(1,254,835)</u>	<u>-</u>	<u>(1,254,835)</u>
Net change in fund balances	(74,317)	-	(74,317)
Fund balances (deficits) - beginning	51,905	(3,026)	48,879
Fund balances (deficits) - ending	<u>\$ (22,412)</u>	<u>\$ (3,026)</u>	<u>\$ (25,438)</u>

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

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
	<u>Library</u>	<u>Cemetery Care Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 9,172	\$ 184,086	\$ 193,258
Investments	-	16,990	16,990
Due from other funds	-	4,422	4,422
Total assets	<u>\$ 9,172</u>	<u>\$ 205,498</u>	<u>\$ 214,670</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 452	-	\$ 452
Total liabilities	<u>452</u>	<u>-</u>	<u>452</u>
Fund balances:			
Restricted for:			
Library	7,786	-	7,786
Cemetery	-	205,498	205,498
Assigned to:			
Library	934	-	934
Total fund balances (deficits)	<u>8,720</u>	<u>205,498</u>	<u>214,218</u>
Total liabilities and fund balances	<u>\$ 9,172</u>	<u>\$ 205,498</u>	<u>\$ 214,670</u>

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

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total-Other Governmental Funds</u>
	<u>Library</u>	<u>Cemetery Care Fund</u>	
REVENUES			
Intergovernmental	\$ 11,006	-	\$ 11,006
Charges for services	702	4,422	5,124
Investment earnings	-	2,148	2,148
Miscellaneous	232	-	232
Total revenues	<u>11,940</u>	<u>6,570</u>	<u>18,510</u>
EXPENDITURES			
Current:			
General government	-	1,518	1,518
Culture and recreation	2,956	-	2,956
Capital outlay	14,080	18,247	32,327
Total Expenditures	<u>17,036</u>	<u>19,765</u>	<u>36,801</u>
Excess (deficiency) of revenues over expenditures	<u>(5,096)</u>	<u>(13,195)</u>	<u>(18,291)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(5,096)	(13,195)	(18,291)
Fund balances (deficits) - beginning	13,816	218,693	232,509
Fund balances (deficits) - ending	<u>\$ 8,720</u>	<u>\$ 205,498</u>	<u>\$ 214,218</u>

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**Proprietary Fund Accounts Combining Schedule of Net Assets (Modified Cash Basis) – Holdenville
Public Works Authority – June 30, 2011**

	<u>HPWA Operating Account</u>	<u>Water Designation Account</u>	<u>OWRB Drinking Water SRF Account</u>	<u>HPWA Bond Account</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 13,587	\$ 736,515	\$ -	\$ -	\$ 750,102
Restricted cash and cash equivalents	45,999	-	101,962	425,940	573,901
Restricted investments	52,019	-	-	-	52,019
Due from other funds	-	119,778	-	-	119,778
Total current assets	<u>111,605</u>	<u>856,293</u>	<u>101,962</u>	<u>425,940</u>	<u>1,495,800</u>
Non-current assets:					
Unamortized note issue costs	19,827	-	-	214,404	234,231
Capital Assets:					
Land and construction in progress	1,842,046	-	-	-	1,842,046
Other capital assets, net of accumulated depreciation	7,264,512	-	-	-	7,264,512
Total non-current assets	<u>9,126,385</u>	<u>-</u>	<u>-</u>	<u>214,404</u>	<u>9,340,789</u>
Total assets	<u>\$ 9,237,990</u>	<u>\$ 856,293</u>	<u>\$ 101,962</u>	<u>\$ 640,344</u>	<u>\$ 10,836,589</u>
LIABILITIES					
Current Liabilities:					
Due to other funds	\$ 70,004	\$ -	\$ -	\$ -	\$ 70,004
Deposits subject to refund	98,018	-	-	-	98,018
Notes payable	8,760	188,871	-	10,400	208,031
Bonds payable	-	-	-	330,000	330,000
Total current liabilities	<u>176,782</u>	<u>188,871</u>	<u>-</u>	<u>340,400</u>	<u>706,053</u>
Non-current liabilities:					
Notes payable	72,070	1,872,560	-	674,500	2,619,130
Bonds payable, net	-	-	-	4,039,131	4,039,131
Total non-current liabilities	<u>72,070</u>	<u>1,872,560</u>	<u>-</u>	<u>4,713,631</u>	<u>6,658,261</u>
Total liabilities	<u>248,852</u>	<u>2,061,431</u>	<u>-</u>	<u>5,054,031</u>	<u>7,364,314</u>
NET ASSETS					
Invested in capital assets, net of related debt	9,025,728	(2,061,431)	-	(4,713,631)	2,250,666
Restricted for debt service	-	-	101,962	425,940	527,902
Unrestricted (deficits)	(36,590)	856,293	-	(125,996)	693,707
Total net assets (deficits)	<u>\$ 8,989,138</u>	<u>\$ (1,205,138)</u>	<u>\$ 101,962</u>	<u>\$ (4,413,687)</u>	<u>\$ 3,472,275</u>

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Proprietary Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Assets
(Modified Cash Basis) – Holdenville Public Works Authority - Year Ended June 30, 2011

	<u>HPWA</u> <u>Operating</u> <u>Account</u>	<u>Water</u> <u>Designation</u> <u>Account</u>	<u>OWRB Drinking</u> <u>Water SRF</u> <u>Account</u>	<u>HPWA Bond</u> <u>Account</u>	<u>Total</u>
OPERATING REVENUES					
Water charges	\$ 1,136,239	\$ -	\$ -	\$ -	\$ 1,136,239
Sewer charges	460,981	-	-	-	460,981
Sanitation charges	366,142	-	-	-	366,142
Water and sewer taps	700	-	-	-	700
Landfill charges	13,726	-	-	-	13,726
Penalty charges	7,321	-	-	-	7,321
Boat and camping permits	27,797	-	-	-	27,797
Reconnect fee	6,603	-	-	-	6,603
Miscellaneous	21,189	-	-	-	21,189
Total operating revenues	<u>2,040,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,040,698</u>
OPERATING EXPENSES					
Administration	236,825	-	-	-	236,825
Sewer	186,699	-	-	-	186,699
Water	575,860	-	-	-	575,860
Sanitation	284,452	-	-	-	284,452
Landfill	69,633	-	-	-	69,633
Lake	111,231	-	-	-	111,231
Depreciation	658,373	-	-	-	658,373
Amortization expense	2,643	-	-	21,263	23,906
Total Operating Expenses	<u>2,125,716</u>	<u>-</u>	<u>-</u>	<u>21,263</u>	<u>2,146,979</u>
Operating income (loss)	<u>(85,018)</u>	<u>-</u>	<u>-</u>	<u>(21,263)</u>	<u>(106,281)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	963	3,859	-	1,308	6,130
Interest expense	-	(66,389)	-	(325,737)	(392,126)
Capital grants and contributions	114,442	-	-	-	114,442
Total non-operating revenue (expenses)	<u>115,405</u>	<u>(62,530)</u>	<u>-</u>	<u>(324,429)</u>	<u>(271,554)</u>
Income (loss) before transfers	<u>30,387</u>	<u>(62,530)</u>	<u>-</u>	<u>(345,692)</u>	<u>(377,835)</u>
Interaccount transfers in	-	467,995	-	580,141	1,048,136
Interaccount transfers out	(1,048,136)	-	-	-	(1,048,136)
Transfers in	1,718,684	-	-	28,062	1,746,746
Transfers out	(999,076)	-	(34,143)	-	(1,033,219)
Change in net assets	<u>(298,141)</u>	<u>405,465</u>	<u>(34,143)</u>	<u>262,511</u>	<u>335,692</u>
Total net assets (deficits) - beginning	<u>9,287,279</u>	<u>(1,610,603)</u>	<u>136,105</u>	<u>(4,676,198)</u>	<u>3,136,583</u>
Total net assets (deficits) - ending	<u>\$ 8,989,138</u>	<u>\$ (1,205,138)</u>	<u>\$ 101,962</u>	<u>\$ (4,413,687)</u>	<u>\$ 3,472,275</u>

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Proprietary Fund Accounts Combining Schedule of Net Assets (Modified Cash Basis) – Holdenville Industrial Authority – June 30, 2011

	<u>HIA Operating Account</u>	<u>HIA Work Release Center Account</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,072	\$ (997)	\$ 16,075
Restricted cash and cash equivalents	-	193,642	193,642
Total current assets	<u>17,072</u>	<u>192,645</u>	<u>209,717</u>
Non-current assets:			
Restricted:			
Unamortized note issue costs	-	78,810	78,810
Capital Assets:			
Land and construction in progress	56,441	19,650	76,091
Other capital assets, net of accumulated depreciation	464,940	380,868	845,808
Total non-current assets	<u>521,381</u>	<u>479,328</u>	<u>1,000,709</u>
Total assets	<u>\$ 538,453</u>	<u>\$ 671,973</u>	<u>\$ 1,210,426</u>
LIABILITIES			
Current Liabilities:			
Bonds payable	\$ -	\$ 30,000	\$ 30,000
Total current liabilities	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Non-current liabilities:			
Bonds payable	-	419,109	419,109
Total non-current liabilities	<u>-</u>	<u>419,109</u>	<u>419,109</u>
Total liabilities	<u>-</u>	<u>449,109</u>	<u>449,109</u>
NET ASSETS			
Invested in capital assets, net of related debt	521,381	(23,582)	497,799
Restricted for inmate services	-	4,702	4,702
Restricted for debt service	-	163,929	163,929
Unrestricted	17,072	77,815	94,887
Total net assets	<u>\$ 538,453</u>	<u>\$ 222,864</u>	<u>\$ 761,317</u>

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**Proprietary Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Assets
(Modified Cash Basis) – Holdenville Industrial Authority - Year Ended June 30, 2011**

	<u>HIA Operating Account</u>	<u>HIA Work Release Center Account</u>	<u>Total</u>
OPERATING REVENUES			
Rentals	\$ 10,000	\$ 46,339	\$ 56,339
Telephone and vending commission	97,309	2,419	99,728
Total operating revenues	<u>107,309</u>	<u>48,758</u>	<u>156,067</u>
OPERATING EXPENSES			
Industrial development	13,320	-	13,320
Work center	-	40,425	40,425
Depreciation	54,489	22,170	76,659
Amortization expense	-	6,614	6,614
Total Operating Expenses	<u>67,809</u>	<u>69,209</u>	<u>137,018</u>
Operating income (loss)	<u>39,500</u>	<u>(20,451)</u>	<u>19,049</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	172	1,302	1,474
Miscellaneous revenue	45,442	-	45,442
Interest expense	-	(47,917)	(47,917)
Total non-operating revenue (expenses)	<u>45,614</u>	<u>(46,615)</u>	<u>(1,001)</u>
Income (loss) before transfers	<u>85,114</u>	<u>(67,066)</u>	<u>18,048</u>
Transfers in	-	22,900	22,900
Transfers out	(293,042)	-	(293,042)
Change in net assets	(207,928)	(44,166)	(252,094)
Total net assets - beginning	746,381	267,030	1,013,411
Total net assets - ending	<u>\$ 538,453</u>	<u>\$ 222,864</u>	<u>\$ 761,317</u>

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Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – For year ended June 30, 2011

<u>Federal/State Grantor/Pass through agency Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Award Expenditures</u>
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through the District Attorney's Council: Bullet Proof Vest Grant	16.803	2009-SU-B9-003 / JR09-127	\$7,700	\$7,700
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Department of Commerce: CDBG-Nonentitlement Grant	14.228	14310 CDBG-CIP 10	114,442	114,442
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>				
Assistance to Firefighters Grant	97.044	EMW-2009-FO-05385	60,325	60,325
TOTAL FEDERAL ASSISTANCE			<u>\$ 182,467</u>	<u>\$ 182,467</u>
 STATE ASSISTANCE:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Defense Operational Grant	N/A	OP GT Holdenville FD COEDD	\$4,398	\$4,398
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
State Aid Grant	N/A	N/A	11,006	9,912
<u>COEDD:</u>				
REAP Grant	N/A	2010-2011 REAP 03	48,022	48,022
TOTAL FEDERAL ASSISTANCE			<u>\$63,426</u>	<u>\$62,332</u>

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

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

	HPWA 2002 REFUNDING BONDS	HIA SERIES 2001 WORK RELEASE BONDS
Gross Revenue Available for Debt Service:		
Operating revenues (water and sanitary sewer systems)	\$1,597,920	-
Operating revenues (rentals and commissions)	-	\$48,758
Investment income	-	1,302
Transfer in - sales tax (A)	1,498,616	-
Transfer in	-	22,900
	3,096,536	72,960
Public Works Authority operating expenses (administration, water, and sanitary sewer systems)	999,384	-
Davis Work Center operating expenses	-	40,425
	\$2,097,152	\$32,535
Net Revenues Available for Debt Service		
Debt Service Requirements:		
Average annual debt service - Refunding Revenue Bonds Series 2002	\$557,148	-
Average annual debt service - OWRB 1998 Small Community Drinking Water SRF	245,505	-
Aggregate bond service requirements - Series 2001 Work Release Center	-	\$67,772
	\$802,653	\$67,772
Total Debt Service Requirements		
Coverage	2.61	0.48
Coverage Requirement	1.25	1.10

(A) Although the bond indenture required that the total four (4) cent sales tax be appropriated and paid to the Authority, the City only appropriated and paid three (3) cents to the Authority. This was sufficient to achieve the coverage requirement.

Schedule of Reserve Requirement

	SERIES 2001 WORK RELEASE BONDS		
	Bond Fund Reserve	Capital Expenditure Account	Operating Reserve Account
Required Balance:			
Reserve Accounts	\$ 80,500	\$ 25,000	\$ 30,000
Investments in Trustee Accounts, June 30, 2011	69,230	25,009	30,011
Excess (Deficiency) of Account			
Balances over Required Balances	\$ (11,270)	\$ 9	\$ 11

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

INTERNAL CONTROL AND COMPLIANCE



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

To the City Council
City of Holdenville, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holdenville, Oklahoma (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 24, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 10-1.

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

This report is intended solely for the information and use of the Mayor, 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.

Anders & Associates, P.C.
Edmond, Oklahoma
January 24, 2011

CITY OF HOLDENVILLE, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2010

Finding 2010-01: Controls over Laws and Regulations – Cash Collateralization

Criteria: Oklahoma state statutes require that all uninsured deposits of municipal funds in financial institutions must be secured by the financial institution with acceptable collateral.

Condition: As of June 30, 2010, deposits totaling \$19,908 were not insured or collateralized as required by state law.

Cause: Controls were not in place to ensure that deposits at the City's financial institutions were fully insured or collateralized, or to monitor or update agreements, as applicable, with the financial institutions on an on-going basis.

Effect: Because of the failure to adequately collateralize its deposits, the City was exposed to potential losses resulting from custodial credit risk up to \$19,908 as of June 30, 2010.

Recommendation: We recommend that the City have procedures in place to ensure that all applicable deposits are adequately insured or collateralized throughout the year.

City's Response: We contacted the financial institution regarding the under collateralized amount and have since received the proper collateral for funds held.