

**THE CITY OF IDABEL, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2011**

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**Independent Auditors' Report**  
**On Financial Statements**

Honorable Mayor and City Council  
City of Idabel  
Idabel, Oklahoma

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the City's basic financial statements. The other information, listed in the Table of Contents under the Introductory Section, has not been audited by us and, accordingly, we express no opinion on such data.

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Honorable Mayor and City Council  
City of Idabel  
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Idabel's basic financial statements. The accompanying schedule of expenditures of federal and state awards, and the combining and individual nonmajor fund financial statements as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards and the combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hill & Company

Tulsa, Oklahoma  
January 9, 2012





The management of the City of Idabel 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 fiscal 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***

- For the fiscal year ended June 30, 2011, the City's total net assets increased by \$282,170 or 1.7% from the prior year.
- During the year, the City's expenses and transfers for governmental activities were \$4,752,463 and were funded by program revenues of \$780,444 and further funded with taxes and other general revenues that totaled \$4,001,560.
- In the City's business-type activities, such as utilities, total expenses exceeded program revenues by \$451,230.
- At June 30, 2011, the General Fund reported an unassigned fund balance of \$1,738,998, which is a decrease of 6.2% from the prior year.
- For budgetary reporting purposes, the General Fund reported revenues and transfers in less than estimates by \$192,642 or 5%, while expenditures and transfers out were under the final appropriations by \$897,470 or 24%.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

Except for the exclusion of the Idabel Public Golf Authority, the financial statements presented herein include all of the activities of the City of Idabel (the "City"). Included in this report are government-wide statements for the governmental activities.

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

### **Reporting the City as a Whole**

#### **The Statement of Net Assets and the Statement of Activities**

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. 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.

These two government-wide statements report the City's net assets and changes in them from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

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

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, sanitation, airport, streets, cemetery and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer and sanitation activities are reported here.
- **Discretely-presented component units** – These account for activities of the City's reporting entity that do not meet the criteria for blending. The City's discretely-presented component unit reports industrial development activities.

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

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

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

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



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

*Fiduciary funds* - When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or others parties. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities, if any, are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations. Currently, the City does not report any fiduciary funds.

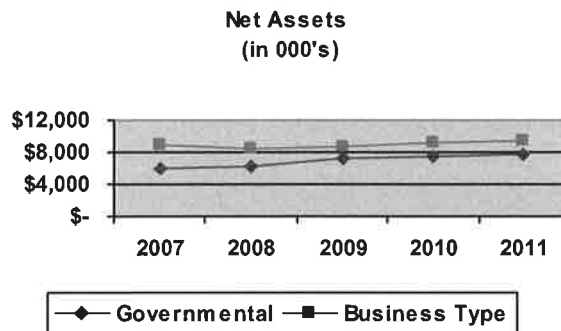
**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Assets**

The City's combined net assets increased from \$16,889,419 to \$17,171,589 between fiscal years 2010 and 2011. Looking at the net assets of governmental and business-type activities separately, governmental activities increased \$29,541 while business-type activities increased \$252,629.

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Current and other assets	\$ 2,955,687	\$ 3,046,144	-3%	\$ 4,190,619	\$ 3,792,543	10%	\$ 7,146,306	\$ 6,838,687	4%
Capital assets, net	7,294,286	7,096,324	3%	7,448,425	7,893,768	-6%	14,742,711	14,990,092	-2%
Total assets	10,249,973	10,142,468	1%	11,639,044	11,686,311	0%	21,889,017	21,828,779	0%
Long-term debt	2,574,273	2,500,000	3%	1,900,970	2,205,484	-14%	4,475,243	4,705,484	-5%
Other liabilities	28,687	24,995	15%	213,499	208,881	2%	242,186	233,876	4%
Total liabilities	2,602,960	2,524,995	3%	2,114,469	2,414,365	-12%	4,717,429	4,939,360	-4%
Net assets:									
Invested in capital assets,									
net of debt	4,720,013	4,596,324	3%	5,547,455	5,688,284	-2%	10,267,468	10,284,608	0%
Restricted	816,817	1,168,070	-30%	934,756	911,009	3%	1,751,573	2,079,079	-16%
Unrestricted	2,110,183	1,853,079	14%	3,042,364	2,672,653	14%	5,152,547	4,525,732	14%
Total net assets	\$ 7,647,013	\$ 7,617,473	0%	\$ 9,524,575	\$ 9,271,946	3%	\$ 17,171,588	\$ 16,889,419	2%

Restricted net assets of the City's governmental activities decreased 30% to \$816,817 due mainly to reclassification of the Cemetery Maintenance Fund and MRCA Fuel Farm Funds from implementation of GASB Statement No. 54. In addition to the decline in fund balance of the Special Grant Fund, this explains the 14% increase in unrestricted net assets.



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

**Changes in Net Assets**

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Revenues:									
Program revenues:									
Charges for services	\$ 416,302	\$ 344,819	21%	\$ 2,397,798	\$ 2,388,454	0%	\$ 2,814,100	\$ 2,733,273	3%
Operating grants/contributions	177,109	255,033	-31%	-	-	-	177,109	255,033	-31%
Capital grants/contributions	187,032	369,748	-49%	-	-	-	187,032	369,748	-49%
General revenues:									
Sales and use taxes	3,289,828	3,218,986	2%	-	-	-	3,289,828	3,218,986	2%
Other taxes	371,697	353,511	5%	-	-	-	371,697	353,511	5%
Other general revenue	340,035	434,540	-22%	198,964	93,077	114%	538,999	527,617	2%
Total revenues	<u>4,782,003</u>	<u>4,976,637</u>	-4%	<u>2,596,762</u>	<u>2,481,531</u>	5%	<u>7,378,765</u>	<u>7,458,168</u>	-1%
Program expenses:									
General government	442,930	419,093	6%	-	-	-	442,930	419,093	6%
Streets	754,968	683,293	10%	-	-	-	754,968	683,293	10%
Public safety	1,908,856	1,869,301	2%	-	-	-	1,908,856	1,869,301	2%
Cemetery	161,960	148,410	9%	-	-	-	161,960	148,410	9%
Legal and judicial	50,406	57,314	-12%	-	-	-	50,406	57,314	-12%
Culture and recreation	46,570	39,342	18%	-	-	-	46,570	39,342	18%
Community development	319,503	274,833	16%	-	-	-	319,503	274,833	16%
Airport	278,676	242,740	15%	-	-	-	278,676	242,740	15%
Sanitation	-	-	-	-	-	-	-	-	-
Maintenance	62,871	58,241	8%	-	-	-	62,871	58,241	8%
Industrial development	103,350	105,842	-2%	-	-	-	103,350	105,842	-2%
Interest and fiscal agent fees	117,478	55,835	110%	-	-	-	117,478	55,835	110%
Water operations	-	-	-	1,242,887	1,159,847	7%	1,242,887	1,159,847	7%
Sewer operations	-	-	-	837,486	705,777	19%	837,486	705,777	19%
Sanitation operations	-	-	-	756,140	698,731	8%	756,140	698,731	8%
Governmental interest/Administrat	-	-	-	12,515	119,875	-90%	12,515	119,875	-90%
General expenses:									
Total expenses	<u>4,247,568</u>	<u>3,954,244</u>	7%	<u>2,849,028</u>	<u>2,684,230</u>	6%	<u>7,096,596</u>	<u>6,638,474</u>	7%
Excess (deficiency) before transfers	534,435	1,022,393	-48%	(252,266)	(202,699)	24%	282,169	819,694	-66%
Transfers	(504,895)	(727,115)	31%	504,895	727,115	-31%	-	-	-
Increase (decrease) in net assets	<u>\$ 29,540</u>	<u>\$ 295,278</u>	-90%	<u>\$ 252,629</u>	<u>\$ 524,416</u>	-52%	<u>\$ 282,169</u>	<u>\$ 819,694</u>	-66%

The City's governmental activities' increase in net assets of \$29,541 represents a 90% decrease in the change in net assets from the prior year. Other than transfers to the business-type activities, this decrease is attributable to a decline in 1) operating grants from FEMA, Oklahoma Department of Commerce, KEDDO, and Federal Department of Justice; 2) capital grants for the airport; 3) library donations. Along with a decline in revenues, there were also increases in expenses related to 1) street fuel, depreciation and utility costs; 2) community development salaries; and 3) airport fuel and depreciation. The business-type activities' increase in net assets of \$252,629 represents a 52% decrease in the change in net assets from the prior year. This is mainly due to a decrease in funding from the General Fund. While the city's financial position improved, the rate of net asset growth has slowed from the prior year.

**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 \$2,927,001 or a 3.1% decrease from the prior year. The enterprise fund reported net assets of \$9,524,575 or a 2.7% increase from 2010.

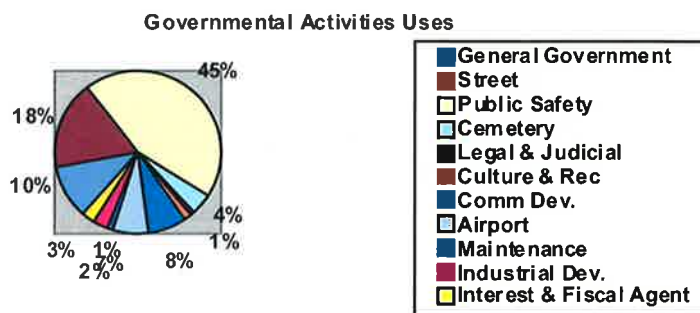
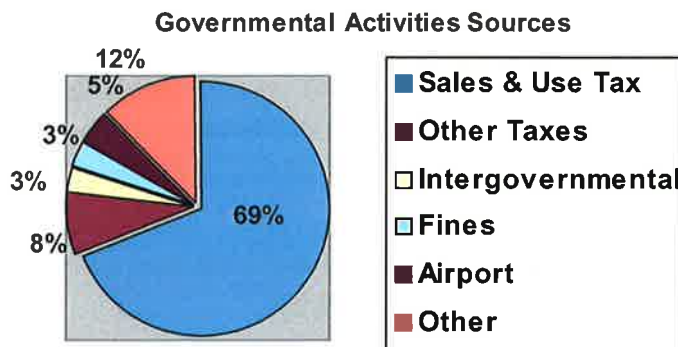
Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance decreased by \$114,081 or 6.2% due mainly to an increased transfer out to the IPWA.
- The Special Grant Fund decreased by \$58,851 due to the use of grant funds for grant purposes.

**Governmental Activities**

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

For the year ended June 30, 2011, the City's governmental activities were funded as follows:



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

**Net Cost of Idabel's Governmental Activities**

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
General government	\$ 442,930	\$ 419,091	5.7%	\$ (426,363)	\$ (334,243)	27.6%
Streets	754,968	683,293	10.5%	(682,429)	(630,042)	8.3%
Public safety	1,908,856	1,869,301	2.1%	(1,718,977)	(1,681,842)	2.2%
Cemetery	161,960	148,410	9.1%	(139,905)	(126,018)	11.0%
Legal and judicial	50,406	57,314	-12.1%	(50,406)	(57,314)	-12.1%
Culture and recreation	46,570	39,343	18.4%	19,903	53,807	-63.0%
Community development	319,503	274,833	16.3%	(253,653)	(191,683)	32.3%
Airport	278,676	242,740	14.8%	68,404	202,610	-66.2%
Maintenance	62,871	58,241	7.9%	(62,871)	(58,241)	7.9%
Industrial development	103,350	105,842	-2.4%	(103,350)	(105,842)	-2.4%
Interest and amortization	117,478	55,835	110.4%	(117,478)	(55,835)	110.4%
<b>Total</b>	<b>\$4,247,568</b>	<b>\$ 3,954,243</b>	<b>7.4%</b>	<b>\$ (3,467,125)</b>	<b>\$ (2,984,643)</b>	<b>16.2%</b>

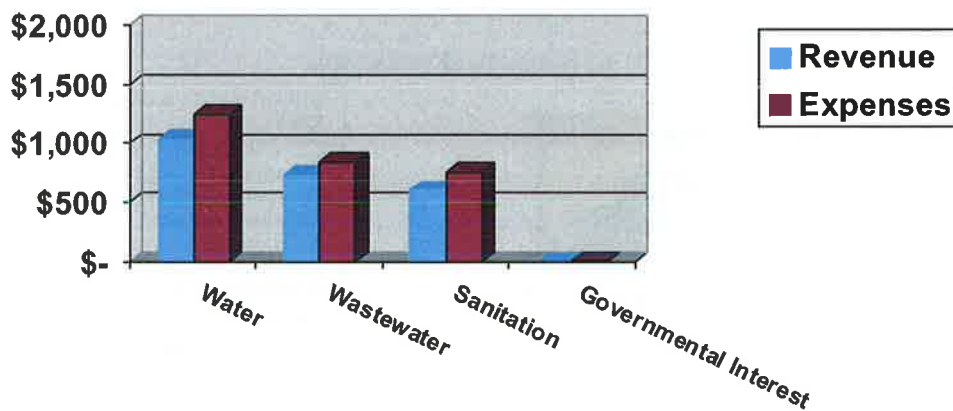
Major changes as listed above are explained in previous paragraphs.

**Business-type Activities**

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net expenses of \$451,230 for the year ended June 30, 2011.
- All individual activities reported net expenses for fiscal year 2011 as the following chart shows.

**Business-Type Activities Revenue and Expense**  
**(in 000's)**



**CITY OF IDABEL, OKLAHOMA**  
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**Net Cost of Idabel's Business-Type Activities**

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Water operations	1,242,887	1,159,847	7.2%	(197,068)	(136,820)	44.0%
Wastewater operations	837,486	705,777	18.7%	(100,760)	25,923	-488.7%
Sanitation operations	756,140	698,731	8.2%	(140,887)	(65,004)	116.7%
Governmental Interest/ Administration	12,515	119,875	-89.6%	(12,515)	(119,875)	-89.6%
<b>Total</b>	<b>\$2,849,028</b>	<b>\$2,684,230</b>	<b>6.1%</b>	<b>(\$451,230)</b>	<b>(\$295,776)</b>	<b>52.6%</b>

For the year ended June 30, 2011, administration costs were allocated to the other activities. The amount of \$12,515 reported in 2011 represents governmental interest. The increased cost of services for water, wastewater, and sanitation relate mainly to increased operating expenses not offset by increased revenues and allocation of administration expenses.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council did revise the General Fund budget for a \$15,000 grant. Total revenues were less than the amount budgeted by \$192,642, while the total expenditures were under the amount budgeted by \$897,470. A planned streetscape project of \$500,000 was not done during the fiscal year which explains most of the under-budget amount.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2011, the City had \$14,742,711 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines (See table below). This represents an decrease of \$247,382 or 1.7% compared to last year.

**Primary Government Capital Assets**  
**(Net of accumulated depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 382,929	\$332,929	\$78,502	\$78,502	\$461,431	\$411,431
Buildings and improvements	4,941,153	4,956,226	153,089	166,263	5,094,242	5,122,489
Machinery, furniture & equipment	631,418	516,205	1,940,432	2,082,454	2,571,850	2,598,659
Infrastructure	973,339	725,349	-	-	973,339	725,349
Utility property improvements	-	-	5,229,616	5,519,763	5,229,616	5,519,763
Construction in progress	365,447	565,616	46,786	46,786	412,233	612,402
<b>Totals</b>	<b>\$7,294,286</b>	<b>\$7,096,325</b>	<b>\$7,448,425</b>	<b>\$7,893,768</b>	<b>\$14,742,711</b>	<b>\$14,990,093</b>

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**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2011**

This year's more significant capital asset additions included:

- Backhoe loader
- Walking Trail Project
- Streetscape Project
- 3 police cars
- Dump truck

See Note 4 to the financial statements for more detail information on the City's capital assets and changes therein.

**Long- Term Debt**

At year-end, the City had \$4,475,243 in long-term debt outstanding which represents an \$230,242 or 4.9% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

	<b>Primary Government Long-Term Debt</b>						<b>Total Percentage Change</b>
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Notes payable	\$ 2,458,733	\$ 2,500,000	\$ 919,518	\$ 1,010,907	\$ 3,378,251	\$ 3,510,907	-3.8%
Revenue bonds payable	-	-	940,000	1,105,000	940,000	1,105,000	-14.9%
Capital lease payable	115,540	-	41,452	89,578	156,992	89,578	75.3%
<b>Totals</b>	<u>\$2,574,273</u>	<u>\$2,500,000</u>	<u>\$ 1,900,970</u>	<u>\$2,205,485</u>	<u>\$4,475,243</u>	<u>\$4,705,485</u>	-4.9%

See Note 5 to the financial statements for more detail information on the City's long-term debt and changes therein.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The City's General Fund revenues and expenses for the 2012 fiscal year are budgeted to remain constant.
- The IPWA revenues for the 2012 fiscal year are budgeted to increased approximately \$105,000 while the expenses are budgeted to decrease by approximately \$78,000.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Idabel City Clerk-Treasurer at City of Idabel, 201 E. Main, Idabel, Oklahoma 74745-4875 or phone at (580) 286-7608. The Idabel Industrial Authority can be contacted at 7 Southwest Texas, Idabel, Oklahoma 74745.

**CITY OF IDABEL, OKLAHOMA**  
**Statement of Net Assets**  
**(Modified Cash Basis)**  
**June 30, 2011**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Idabel Industrial Development Authority</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,503,036	\$ 1,442,427	\$ 3,945,463	\$ 964,455
Investments	453,564	1,558,243	2,011,807	-
Internal balances	(913)	913	-	-
Notes receivable:				
Due within one year	-	48,203	48,203	7,403
Due in more than one year	-	1,140,833	1,140,833	48,695
Capital assets:				
Land and construction in progress	748,376	125,288	873,664	747,135
Other capital assets, net of depreciation	6,545,910	7,323,137	13,869,047	534,389
Total assets	<u>10,249,973</u>	<u>11,639,044</u>	<u>21,889,017</u>	<u>2,302,077</u>
<b>LIABILITIES</b>				
Payroll withholdings payable	13,245	4,700	17,945	-
Due to other governments	1,714	-	1,714	-
Due to bondholders	13,728	-	13,728	-
Due to depositors	-	208,799	208,799	-
Long-term liabilities:				
Due within one year	264,671	557,569	822,240	8,634
Due in more than one year	2,309,602	1,343,401	3,653,003	181,028
Total liabilities	<u>2,602,960</u>	<u>2,114,469</u>	<u>4,717,429</u>	<u>189,662</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,720,013	5,547,455	10,267,468	1,281,524
Restricted for:				
Statutory requirements	219,386	-	219,386	-
External contracts	597,431	934,756	1,532,187	-
Unrestricted	2,110,183	3,042,364	5,152,547	830,891
Total net assets	<u>\$ 7,647,013</u>	<u>\$ 9,524,575</u>	<u>\$ 17,171,588</u>	<u>\$ 2,112,415</u>

**CITY OF IDABEL, OKLAHOMA**  
**Statement of Activities**  
**(Modified Cash Basis)**  
**For the Year Ended June 30, 2011**

Function/Program	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Idabel Industrial Development Authority
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 442,930	\$ 16,567	\$ -	\$ -	\$ (426,363)	\$ -	\$ (426,363)	\$ -
Streets	754,968	-	71,789	750	(682,429)	-	(682,429)	-
Public Safety	1,908,856	150,209	39,470	200	(1,718,977)	-	(1,718,977)	-
Cemetery	161,960	22,055	-	-	(139,905)	-	(139,905)	-
Legal and judicial	50,406	-	-	-	(50,406)	-	(50,406)	-
Culture and Recreation	46,570	-	-	66,473	19,903	-	19,903	-
Community development	319,503	-	65,850	-	(253,653)	-	(253,653)	-
Airport	278,676	227,471	-	119,609	68,404	-	68,404	-
Maintenance	62,871	-	-	-	(62,871)	-	(62,871)	-
Industrial Development	103,350	-	-	-	(103,350)	-	(103,350)	-
Interest on Long-term debt	117,478	-	-	-	(117,478)	-	(117,478)	-
Total governmental activities	<u>4,247,568</u>	<u>416,302</u>	<u>177,109</u>	<u>187,032</u>	<u>(3,467,125)</u>	<u>-</u>	<u>(3,467,125)</u>	<u>-</u>
Business-type activities:								
Water	1,242,887	1,045,819	-	-	-	(197,068)	(197,068)	-
Wastewater	837,486	736,726	-	-	-	(100,760)	(100,760)	-
Sanitation	756,140	615,253	-	-	-	(140,887)	(140,887)	-
Governmental Interest Expense	12,515	-	-	-	-	(12,515)	(12,515)	-
Total business-type activities	<u>2,849,028</u>	<u>2,397,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(451,230)</u>	<u>(451,230)</u>	<u>-</u>
<b>Total primary government</b>	<u>7,096,596</u>	<u>2,814,100</u>	<u>177,109</u>	<u>187,032</u>	<u>(3,467,125)</u>	<u>(451,230)</u>	<u>(3,918,355)</u>	<u>-</u>
<b>Component Units</b>								
Industrial Development Authority	64,295	3,207	-	-	-	-	-	(61,080)
<b>Total Component Units</b>	<u>\$ 64,295</u>	<u>\$ 3,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,080)</u>
<b>General revenues:</b>								
Taxes:								
Sales and use taxes					\$ 3,289,828	\$ -	\$ 3,289,828	\$ 103,350
Occupation taxes					35,362	-	35,362	-
Hotel/motel taxes					113,336	-	113,336	-
Franchise taxes and public service taxes					205,459	-	205,459	-
E-911 taxes					17,540	-	17,540	-
Intergovernmental revenue not restricted to specific programs					158,119	-	158,119	101,000
Unrestricted investment earnings					20,585	130,761	151,346	5,760
Miscellaneous					161,331	68,203	229,534	32,125
Transfers					(504,895)	504,895	-	-
Total general revenues and transfers					<u>3,496,665</u>	<u>703,859</u>	<u>4,200,524</u>	<u>242,240</u>
Change in net assets					29,540	252,629	282,169	181,115
Net assets - beginning					7,617,473	9,271,946	16,889,419	1,931,200
Net assets - ending					<u>\$ 7,647,013</u>	<u>\$ 9,524,575</u>	<u>\$ 17,171,588</u>	<u>\$ 2,112,415</u>



**CITY OF IDABEL, OKLAHOMA**  
**Governmental Funds Balance Sheet**  
 (Modified Cash Basis)  
 June 30, 2011

	<u>General Fund</u>	<u>Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,731,531	\$ 302,061	\$ 469,444	\$ 2,503,036
Investments	453,564	-	-	453,564
Due from other funds	10,884	19,507	-	30,391
Total assets	<u>2,195,979</u>	<u>321,568</u>	<u>469,444</u>	<u>2,986,991</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Due to other governments	1,714	-	-	1,714
Miscellaneous payroll liabilities	13,172	-	-	13,172
Due to other funds	26,500	-	4,804	31,304
Due to bondholders	13,728	-	-	13,728
Other liabilities	-	-	73	73
Total liabilities	<u>55,114</u>	<u>-</u>	<u>4,877</u>	<u>59,991</u>
<b>Fund balances:</b>				
Restricted	29,281	318,847	468,688	816,816
Assigned	372,586	2,721	756	376,063
Unassigned	1,738,998	-	(4,877)	1,734,121
Total fund balances	<u>2,140,865</u>	<u>321,568</u>	<u>464,567</u>	<u>2,927,000</u>
Total liabilities and fund balances	<u>\$ 2,195,979</u>	<u>\$ 321,568</u>	<u>\$ 469,444</u>	<u>\$ 2,986,991</u>

**CITY OF IDABEL, OKLAHOMA**  
**Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balances (Modified Cash Basis)**  
**For the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 3,530,649	\$ 113,336	\$ 80,010	\$ 3,723,995
Intergovernmental	301,672	-	146,233	447,905
Charges for services	262,813	-	-	262,813
Fees and fines	149,400	-	383	149,783
Licenses and permits	16,567	-	-	16,567
Investment earnings	17,108	2,721	756	20,585
Miscellaneous:	-	-	-	-
Donations	-	65,000	-	65,000
Other	94,605	-	750	95,355
<b>Total revenues</b>	<u>4,372,814</u>	<u>181,057</u>	<u>228,132</u>	<u>4,782,003</u>
<b>EXPENDITURES</b>				
Current:				
General government	395,700	-	-	395,700
Streets and highways	668,399	-	-	668,399
Public Safety	1,817,158	-	15,300	1,832,458
Cemetery	159,260	-	-	159,260
Legal and judicial	50,406	-	-	50,406
Culture and recreation	44,972	-	1,473	46,445
Community support	150,331	-	78,587	228,918
Airport	225,175	-	-	225,175
Maintenance	62,871	-	-	62,871
Industrial development	103,350	-	-	103,350
Capital Outlay	369,117	125	231,760	601,002
Debt Service:	-	-	-	-
Interest and other charges	-	155,022	-	155,022
<b>Total Expenditures</b>	<u>4,046,739</u>	<u>155,147</u>	<u>327,120</u>	<u>4,529,006</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>326,075</u>	<u>25,910</u>	<u>(98,988)</u>	<u>252,997</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	159,412	-	-	159,412
Transfers in	561,839	-	33,316	595,155
Transfers out	(1,098,997)	-	(2,716)	(1,101,713)
<b>Total other financing sources and uses</b>	<u>(377,746)</u>	<u>-</u>	<u>30,600</u>	<u>(347,146)</u>
<b>Net change in fund balances</b>	(51,671)	25,910	(68,388)	(94,149)
<b>Fund balances - beginning</b>	<u>2,192,536</u>	<u>295,658</u>	<u>532,955</u>	<u>3,021,149</u>
<b>Fund balances - ending</b>	<u>\$ 2,140,865</u>	<u>\$ 321,568</u>	<u>\$ 464,567</u>	<u>\$ 2,927,000</u>

**CITY OF IDABEL, OKLAHOMA**  
**Reconciliation of Governmental Funds and**  
**Government-Wide Financial Statements**  
**(Modified Cash Basis)**  
**As of and for the Year Ended June 30, 2011**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:**

Total fund balance, governmental funds	\$	2,927,000
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.		7,294,286
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		(2,574,273)
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$</u>	<u>7,647,013</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:**

Net change in fund balances - total governmental funds:	\$	(94,149)
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 capitalized		573,685
Depreciation expense		(375,723)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of netassets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Principal payments on long-term debt		85,139
Proceeds of long-term debt		(159,412)
Change in net assets of governmental activities	<u>\$</u>	<u>29,540</u>

**CITY OF IDABEL, OKLAHOMA**  
Proprietary Funds Statement of Cash Flows  
(Modified Cash Basis)  
For the Year Ended June 30, 2011

	<u><b>Idabel Public Works Authority</b></u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 706,900
Investments	1,150,215
Restricted:	
Cash and cash equivalents	503,963
Investments	82,000
Due from other funds	913
Notes receivable	48,203
Total current assets	<u>2,492,194</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	231,564
Investments	326,028
Notes receivable	1,140,833
Capital Assets:	
Land and construction in progress	125,288
Other capital assets, net of accumulated depreciation	<u>7,323,137</u>
Total non-current assets	<u>9,146,850</u>
Total assets	<u><u>11,639,044</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Payroll withholdings payable	4,700
Capital lease obligation	35,359
Notes payable	347,210
Bonds payable	175,000
Total current liabilities	<u>562,269</u>
Non-current liabilities:	
Due to depositors	208,799
Capital lease obligation	6,093
Notes payable	572,308
Bonds payable	765,000
Total non-current liabilities	<u>1,552,200</u>
Total liabilities	<u><u>2,114,469</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,547,455
Restricted for debt service	934,756
Unrestricted	3,042,364
Total net assets	<u><u>\$ 9,524,575</u></u>

**CITY OF IDABEL, OKLAHOMA**  
Proprietary Funds Statement of Cash Flows  
(Modified Cash Basis)  
For the Year Ended June 30, 2011

	<b>Idabel Public Works Authority</b>
<b>REVENUES</b>	
Water	\$ 988,401
Sewer	691,495
Sanitation	583,850
Water taps	4,038
Sewer taps	2,463
Sewer disposal fee	5,165
Penalties	46,078
Reconnect fees	46,905
Transfer fees	1,850
Rent income	2,400
Insufficient check charges	1,000
Miscellaneous	24,153
Total operating revenues	2,397,798
<b>OPERATING EXPENSES</b>	
Managerial	81,498
Water	565,410
Lift station	130,575
Filter plant	393,884
Sewer plant	293,710
Sanitation	653,261
Sewer-other	159,277
Depreciation	476,183
Total Operating Expenses	2,753,798
Operating income (loss)	(356,000)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	130,761
Interest expense	(93,230)
Miscellaneous revenue	66,613
Gain on disposal of capital assets	1,590
Miscellaneous expenses	(2,000)
Total non-operating revenue (expenses)	103,734
Income (loss) before transfers	(252,266)
Transfers in	1,068,397
Transfers out	(563,502)
Change in net assets	252,629
Total net assets - beginning	9,271,946
Total net assets - ending	\$ 9,524,575

**CITY OF IDABEL, OKLAHOMA**  
Proprietary Funds Statement of Cash Flows  
(Modified Cash Basis)  
For the Year Ended June 30, 2011

	<u><b>Idabel Public</b></u> <u><b>Works Authority</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 2,464,429
Payments to suppliers	(1,034,362)
Payments to employees	(1,242,947)
Receipts of customer meter deposits	39,975
Refunds of customer meter deposits	(37,663)
<b>Net cash provided by operating activities</b>	<u>189,432</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	1,068,397
Transfers to other funds	(563,502)
Disbursements made on notes receivable	49,166
<b>Net cash provided by noncapital financing activities</b>	<u>554,061</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(30,841)
Principal paid on debt	(304,513)
Proceeds from sale of capital assets	1,590
Interest and fiscal agent fees paid on debt	(93,230)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(426,994)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of investments	(4,742)
Interest and dividends	130,761
<b>Net cash provided by investing activities</b>	<u>126,019</u>
<b>Net increase in cash and cash equivalents</b>	442,518
<b>Balances - beginning of year</b>	<u>999,909</u>
<b>Balances - end of year</b>	<u>\$ 1,442,427</u>
<b>Reconciliation to Statement of Net Assets:</b>	
Cash and cash equivalents	706,900
Restricted cash and cash equivalents - current	503,963
Restricted cash and cash equivalents - noncurrent	231,564
<b>Total cash and cash equivalents, end of year</b>	<u>1,442,427</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ (356,000)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	476,183
Miscellaneous revenue	66,613
Miscellaneous expense	(2,000)
Change in assets and liabilities:	
Other receivables	18
Accrued payroll payable	2,306
Deposits subject to refund	2,312
<b>Net cash provided by operating activities</b>	<u>\$ 189,432</u>

**Note 1—The Financial Reporting Entity**

The City's financial reporting entity includes the primary government (the City of Idabel), a blended component unit, and discretely presented component units as noted below.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and includes all component units for which the City is financially accountable except for the Idabel Public Golf Authority.

***The City of Idabel, Oklahoma (the City)***

The City of Idabel, Oklahoma (the City), is an aldermanic form of city government under Title 11, Article 9 of the Oklahoma Constitution. The City operates and provides the following services directly or through its component units: Public Safety - Police and Fire; Highways and Streets; Water, Sewer and Sanitation Services; Cultural and Recreational; Public Improvements; Planning and Zoning; and General Administrative Services.

**Component Units:**

The component units that are blended into the City's primary government presentation are as follows.

***The Idabel Utility Authority (Authority)***

The Authority is a beneficial public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1971, Section 176 to 180.3 of the Oklahoma Trust Act. The Trust has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, gas, electric, or other forms or types of public and municipal services within or without the corporate boundaries of the City of Idabel, Oklahoma. The Authority is empowered to lease, acquire or construct the properties necessary to provide and maintain these services. It is also empowered to obtain funds for these purposes and in so doing, to incur indebtedness whether unsecured or secured by all or any part of the Trust Estate and its revenues. The Authority is also permitted to transfer monies to the City of Idabel for the use of the City. The City of Idabel is the beneficiary of the Trust, and the City Council members are the trustees of the Authority.

In order to fulfill these functions, the Authority has leased from the City of Idabel its water and sewer systems, its rights to all improvements thereto, its rights to any and all municipal services and utilities systems of the City and its rights to operations and revenues therefrom. Bonds have also been issued for the purpose of obtaining funds for the construction of additional facilities.

***The McCurtain County Regional Airport Authority***

The McCurtain County Regional Airport Authority is a public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1971 and the Oklahoma Trust Act, Sections 176 to 180. The trust has as its purpose to provide airports, aerodromes, landing fields for aircraft and related services and facilities. Also, other purposes of the trust are to promote the development of industry and culture and industrial, manufacturing, cultural and educational activities by providing additional employment and activities; to provide and/or aid in providing facilities and/or services of all kinds necessary to functioning; and to hold, maintain, and administer any leasehold rights. The Trust is empowered to acquire by lease, purchase or otherwise and hold, construct, install, equip, repair, enlarge, furnish, maintain and operate or otherwise deal with any and all physical properties and facilities and to provide funds for said activities. It is also empowered to expend all funds coming into the hands of the trust as revenue and otherwise in payment of aforementioned costs and expenses.

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts have no taxing power. The Trusts 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 those Trusts. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council.

**The component unit that is discretely presented in the City's report in a separate column is presented below:**

*The Idabel Industrial Development Authority*

The Idabel Industrial Development Authority (IIDA) meets the criteria for a component unit as approval is required of the City Council for any issuance of debt. The financial data of the Authority as of and for the year ended June 30, 2009 is included in these financial statements. Separate financial statements may be obtained at the Authority's office.

The Authority is a public trust created under Section 176, Title 60 of the Oklahoma Statutes and the Oklahoma Trust Act. The primary purpose of the Authority is to attract and develop industries in Idabel, Oklahoma.

**The component unit that is an excluded discretely presented component unit is described below:**

*The Idabel Public Golf Authority*

The Idabel Public Golf Authority (IPGA) meets the criteria for a component unit as approval is required of the City Council for any issuance of debt. The financial data of the Authority as of and for the year ended June 30, 2011, is excluded from these financial statements. Separate financial statements may be obtained at the IPGA's office.

The Authority is a public trust created April 8, 1997 under Section 176, Title 60 of the Oklahoma Statutes and the Oklahoma Trust Act. The primary purpose of the Authority is to promote and develop golfing facilities in Idabel, Oklahoma.

**Note 2—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 that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- Public Safety—fines and forfeitures, operating and capital grants and contributions.
- Streets and Highways—commercial vehicle and gasoline excise tax shared by the State, operating and capital grants and contributions.



- Culture and Recreation—capital grants and contributions.
- Cemetery—cemetery revenues.
- General Government—licenses and permits
- Airport—fuel sales, hangar rentals and capital grants and contributions
- Sanitation—sanitation charges
- Community development—operating grants and contributions

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

### Governmental Funds

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

#### **Major Funds:**

- General Fund—accounts for general operations of the City, including public safety, parks, public facilities, airport, sanitation, and street maintenance. This fund also includes the LETN, MCRA Fuel Farm, and Cemetery Maintenance Funds which were reported as special revenue funds in the prior year.
- Idabel Library Fund—a special revenue fund that accounts for revenues associated with improvements of the Idabel Library.

#### **Aggregated Non-Major Funds (reported as Other Governmental Funds):**

##### *Special Revenue:*

- Federal Nutrition Fund—accounts for annual Kiamichi Area Nutrition Program grants
- Emergency Shelter Grant Fund—accounts for grants received from the Emergency Shelter Program
- Emergency Food & Shelter—fund was closed during the fiscal year. This fund previously accounted for the Emergency Food and Shelter grant program
- E-911 Fund—accounts for collections for the operation of 911 services.

##### *Capital Project:*

- Special Grant Project Fund—accounts for miscellaneous grants.
- Transportation Enhancement Fund—accounts for funds associated for a City streetscape project
- McCurtain County Regional Airport (MCRA) Fund—accounts for money received related to grants received in prior periods for the airport capital projects.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions 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.

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities. The compensated absence obligation at June 30, 2011 is estimated at \$55,913 for the General Fund and \$22,128 for the Idabel Public Works Authority.

Proprietary Funds

The City's proprietary funds include:

- Idabel Public Works Authority—This fund accounts for the activities of the City of Idabel's Public Works Authority public trust and related meter activities in providing water, sewer, and sanitation services to the public.

The proprietary funds are reported on the modified cash basis of accounting and economic resources measurement focus. For business-type activities, Financial Account Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 relating to financing, capital, and investing activities are reported as non-operating or transfers and contributions.

**Note 3—Cash, Cash Equivalents and Investments**

For the purposes of the statements of net assets, balance sheets, and statement of cash flows, cash and cash equivalents include 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 time deposits and U.S. Government securities. Certificates of deposit and investments in U.S. Government securities are reported at cost.

For the year ended June 30, 2011, the City recognized \$151,346 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.

Primary Government

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

<u>Type</u>	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>	<u>Market Value</u>
<i>Deposits:</i>				
Demand deposits	\$ 3,765,214	N/A	N/A	N/A
Time deposits	1,753,779	N/A	Due within 1 year	N/A
<b>Total Deposits</b>	<u>\$ 5,518,993</u>			
<i>Other:</i>				
U.S. Treasury Bond	\$ 82,000	N/A	5/15/2016	\$ 103,525
U.S. Treasury Bond	176,028	N/A	5/15/2016	218,413
Goldman Sachs Federal Portfolio	180,250	AAAm	N/A	180,250
<b>Total Other</b>	<u>438,278</u>			
<b>Total Deposits and Other</b>	<u>\$ 5,957,271</u>			
<b>Reconciliation to Statement of Net Assets:</b>				
Cash and cash equivalents	\$ 3,945,463			
Investments	2,011,807			
	<u>\$ 5,957,270</u>			

*Custodial Credit Risk* -- Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name. As of June 30, 2011, the City was not exposed to custodial credit risk.

*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 deposits, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; 4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. Title 60 public trusts are not limited by the same investment limitations of their municipal beneficiary. The investments held by the Idabel Public Works Authority are part of the 1996/2006 Revenue Bond trustee accounts, which are covered and authorized under the said indenture.

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of year end. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

*Investment Interest Rate Risk* — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy limiting Investment Interest Rate Risk. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

As noted in the schedule of deposits and investments above, at June 30, 2011, the investments held by the City mature on May 15, 2016 and are subject to early call or redemption.

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

As of June 30, 2011, the City had no concentration of credit risk as defined above.

*Restricted Cash and Investments* — The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for utility deposits (refunded upon termination of service or applied to final bill) and debt service held by the Public Works Authority. The restricted assets as of June 30, 2011 are as follows:

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Type of Restricted Assets	Current		Noncurrent	
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments
Utility Deposits	\$ -	\$ -	60,724	150,000
RUD Reserve Account	-	-	161,442	-
2006 Trustee Accounts:				
Bond Account	318,754	-	9,245	-
Sinking Fund	185,209	82,000	-	-
Sinking Fund Reserve	-	-	153	176,028
<b>Total</b>	<b>\$ 503,963</b>	<b>\$ 82,000</b>	<b>\$ 231,564</b>	<b>\$ 326,028</b>

*Component Unit—Idabel Industrial Development Authority (IIDA)*

At June 30, 2011, of the bank balances for the IIDA, one had a balance of \$85,776 which is below the FDIC insured limit and one had a balance of \$683,245 which is above the FDIC insured limit. There was no additional collateral pledged to cover the uninsured balance. The IIDA has no formal policies designed to address custodial credit risk.

The IIDA had no investments as of June 30, 2011, and was thus not exposed to interest rate risk, credit risk, custodial credit risk, or concentration of credit risk inherent to investment portfolios.

**Note 4—Capital Assets and Depreciation**

*Capital Assets*

Capital assets consist of land, land improvements, construction-in-progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$2,500 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Donated assets are recorded at their fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993.

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

	<b>Balance at June 30, 2010</b>	<b>Additions and Transfers</b>	<b>Disposals and Transfers</b>	<b>Balance at June 30, 2011</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 332,929	\$ 50,000	\$ -	\$ 382,929
Construction in progress	565,616	133,800	333,969	365,447
Total capital assets not being depreciated	<u>898,545</u>	<u>183,800</u>	<u>333,969</u>	<u>748,376</u>
Other capital assets:				
Buildings	6,692,981	135,825	-	6,828,806
Infrastructure	5,314,251	343,125	-	5,657,376
Machinery, furniture and equipment	4,213,066	244,904	-	4,457,970
Total other capital assets at historical cost	<u>16,220,298</u>	<u>723,854</u>	<u>-</u>	<u>16,944,152</u>
Less accumulated depreciation for:				
Buildings	1,736,755	150,898	-	1,887,653
Infrastructure	4,588,902	95,135	-	4,684,037
Machinery, furniture and equipment	3,696,861	129,690	(1)	3,826,552
Total accumulated depreciation	<u>10,022,518</u>	<u>375,723</u>	<u>(1)</u>	<u>10,398,242</u>
Other capital assets, net	6,197,780	348,131	1	6,545,910
Governmental activities capital assets, net	<u>\$ 7,096,325</u>	<u>\$ 531,931</u>	<u>\$ 333,970</u>	<u>\$ 7,294,286</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 78,502	\$ -	\$ -	\$ 78,502
Construction in progress	46,786	-	-	46,786
Total capital assets not being depreciated	<u>125,288</u>	<u>-</u>	<u>-</u>	<u>125,288</u>
Other capital assets:				
Buildings	310,941	-	-	310,941
Machinery, furniture and equipment	13,857,219	30,840	-	13,888,059
Utility property	19,692,988	-	-	19,692,988
Total other capital assets at historical cost	<u>33,861,148</u>	<u>30,840</u>	<u>-</u>	<u>33,891,988</u>
Less accumulated depreciation for:				
Buildings	144,678	13,174	-	157,852
Machinery, furniture and equipment	11,774,765	172,862	-	11,947,627
Utility Property Improvements	14,173,225	290,147	-	14,463,372
Total accumulated depreciation	<u>26,092,668</u>	<u>476,183</u>	<u>-</u>	<u>26,568,851</u>
Other capital assets, net	7,768,480	(445,343)	-	7,323,137
Business-type activities capital assets, net	<u>\$ 7,893,768</u>	<u>\$ (445,343)</u>	<u>\$ -</u>	<u>\$ 7,448,425</u>
<b>Component Unit:</b>				
<b>Idabel Industrial Development Authority</b>				
Capital assets not being depreciated:				
Land	\$ 747,135	\$ -	\$ -	\$ 747,135
Total capital assets not being depreciated	<u>747,135</u>	<u>-</u>	<u>-</u>	<u>747,135</u>
Other capital assets:				
Buildings and improvements	\$ 630,170	\$ -	\$ -	\$ 630,170
Machinery, furniture, and equipment	22,542	-	-	22,542
Total other capital assets at historical cost	652,712	-	-	652,712
Less accumulated depreciation:	101,886	16,437	-	118,323
Other capital assets, net	550,826	(16,437)	-	534,389
Component unit capital assets, net	<u>\$ 1,297,961</u>	<u>\$ (16,437)</u>	<u>\$ -</u>	<u>\$ 1,281,524</u>

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*Notes Payable:*

On April 29, 1998, the Idabel Public Works Authority issued a promissory note to the Farmers Home Administration for Rural Development. The total face amount of the note is \$800,300 at an interest rate of 4.5%, payable in monthly installments of \$5,066 for a twenty-year period. \$ 333,897

On April 29, 1998, the Idabel Public Works Authority issued a promissory note to the Farmers Home Administration for Rural Development. The total face amount of the note is \$709,700 at an interest rate of 4.5%, payable in monthly installments of \$4,493 for a twenty-year period. 280,940

On April 1, 1998, the Idabel Public Works Authority issued a promissory note to the Oklahoma Department of Commerce pursuant to a CDBG-CD loan agreement. The contract was extended on November 1, 1998 with payments of \$683 per month for 240 months with an interest rate of 0.0%. \$ 54,655

On December 29, 2006, the Idabel Public Works Authority signed a promissory note to First National Bank of Idabel for \$341,440, with an interest rate of 5.04%. The security for the note is fueling equipment, storage tanks, lines and pumps and proceeds of sales thereof, along with airport hangars, located at the McCurtain County Regional Airport Authority, a portion of the city of Idabel. The purpose of the loan is to refinance the loan related to construction of a fuel farm at the airport and to purchase airport hangars from the IIDA. Per the promissory note, the City will make three annual installments of \$43,391, beginning July 15, 2007. A single balloon payment of the entire unpaid balance of principal and interest will be due July 15, 2013. 250,026

Total Notes Payable	\$ 919,518
Current portion	347,210
Noncurrent portion	572,308
Total Notes Payable	\$ 919,518

*Due to Depositors:*

Refundable customer deposits reported as a liability within the Statement of Net Assets are comprised of utility customer deposits payable 208,799

Noncurrent Portion of Due to Depositors \$ 208,799

*Revenue Bonds Payable:*

**2006 Revenue Bond Series**—On March 1, 2006, the Idabel Public Works Authority issued Utility System Revenue Bonds, Series 2006, in the amount of \$1,725,000 in part for the purpose of retiring the Utility System Revenue Bonds, Series 1996, originally issued in the amount of \$2,700,000 for the purpose of enlarging and extending its water, sewer, and street systems. The advance refunding resulted in an in-substance defeasance of the revenue bonds described above by placing deposits in an irrevocable trust and escrow account for the purchase of U.S. Government securities to pay the principal and interest on the defeased bonds as they are due and payable. At year end, the remaining outstanding defeased bonds were zero. \$ 940,000

Current portion	175,000
Noncurrent portion	765,000
Total Revenue Bonds Payable	\$ 940,000

The bonds are secured by a first mortgage on the entire water and sewer system owned by the City of Idabel and leased to the Authority, a first lien on the net revenues of the Authority and pledge sales tax.

**Debt Covenants**

The Idabel Public Works Authority is required to conform to numerous covenants related to the 2006 Series Bond Indenture, including (but not limited to) the following:

- Maintenance of a “sinking fund reserve fund requirement” of the lesser of:
  - 10% of Bond proceeds and proceeds of any additional indebtedness;
  - Maximum annual debt service on the Bonds and any additional indebtedness; or
  - 125% of the average annual debt service on the Bonds and any additional indebtedness
- “Maintenance of revenues” of 1.25 times the average annual amount required to be paid into the Sinking Fund, provided in the indenture, after payment of any amount required to replenish the “sinking fund reserve fund” and all costs and expenses of operation and maintenance of the aforesaid properties.

The Idabel Public Works Authority was in compliance with the above two covenants as of June 30, 2011.

**Conduit Debt—2004 Series Revenue Bonds**—On September 1, 2004, the Idabel Public Works Authority issued School Support Revenue Bonds, Series 2004, in the amount of \$4,675,000 for the purpose of acquiring, constructing, renovating, furnishing, and equipping education facilities in Idabel, Oklahoma. Payments due with respect to the Series 2004 bonds are limited obligations of the Authority, payable solely from certain lease rental obligations payable by the School District (the District) under the terms of a lease and from other funds and accounts established under the indenture relating to the Series 2004 bonds. The 2004 Series bonds are not a debt of the City of Idabel, nor are they general obligations of the Authority, but are special limited obligations of the Authority and were issued without recourse to the Authority. The District, through a lease with the Authority, is required to pay to the Authority rent and lease purchase payments in amounts sufficient to pay the interest on the Series 2004 Bonds as it becomes due, during the lease term, and to pay to the Authority the principal of the Series 2004 Bonds when due or required to be redeemed prior to maturity during the lease term. Upon the District’s payment of a lease purchase payment, legal title to the portion of the improvements corresponding to that lease purchase payment, as described in the lease, shall vest with the District. Outstanding balance of conduit debt at June 30, 2011 was \$2,235,000.

Long term debt service requirements to maturity are as follows:

<u>Year Ending June 30, 2011</u>	Governmental Activities			
	Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2012	250,000	98,438	14,671	2,074
2013	250,000	87,188	47,317	4,464
2014	250,000	75,938	49,397	1,697
2015	250,000	64,688	4,155	32
2016	250,000	53,437	-	-
2017-2020	1,208,733	101,248	-	-
<b>Totals</b>	<b>\$ 2,458,733</b>	<b>\$ 480,937</b>	<b>\$ 115,540</b>	<b>\$8,267</b>

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Year Ending June 30, 2010	Business Type Activities					
	Capital		Revenue		Notes Payable	
	Lease Obligations		Bonds Payable			
	Principal	Interest	Principal	Interest	Principal	Interest
2012	35,359	1,459	175,000	38,962	347,210	38,125
2013	6,093	44	180,000	31,963	101,274	34,036
2014	-	-	185,000	24,583	105,550	29,761
2015	-	-	190,000	16,905	110,021	12,888
2016	-	-	210,000	8,925	114,699	8,210
2017-2019	-	-	-	-	140,764	3,448
Totals	<u>\$ 41,452</u>	<u>\$ 1,503</u>	<u>\$ 940,000</u>	<u>\$ 121,339</u>	<u>\$ 919,518</u>	<u>\$ 126,468</u>

**Component Unit Long Term Debt**

*United States Department of Agriculture*—The Authority entered into a note with USDA for a sum of \$250,000 at a 1% annual interest rate. The note matures 5/1/2031. This loan is related to non-capital financing related activities and is uncollateralized. The balance of the loan as of June 30, 2011 is \$189,662.

The annual amortization on the above outstanding debt is as follows:

Fiscal Year	Principal	Interest	Total
2012	8,634	1,854	10,488
2013	8,721	1,767	10,488
2014	8,808	1,680	10,488
2015	8,897	1,591	10,488
2016	8,986	1,502	10,488
2017-2021	46,305	6,135	52,440
2022-2026	48,677	3,763	52,440
2027-2031	<u>50,634</u>	<u>1,268</u>	<u>51,902</u>
Totals	<u>\$ 189,662</u>	<u>\$ 19,560</u>	<u>\$ 209,222</u>

**Note 6— Fund Balances and Net Assets**

**Fund Balance**

The City implemented GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” during fiscal year 2011. In accordance with that statement, governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spend because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City does not currently have any nonspendable fund balance.
- b. Restricted – consists of fund balance with constraints place on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law 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. The City does not currently have any committed fund balance.
- 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.



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- 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, or any non-general funds that have a deficit fund balance in total.

The City does not have a formal policy for the order of use of fund balance. The default policy as outlined in GASB Statement No. 54 is therefore applied. That default policy is to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The default policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following schedule shows fund balance classifications by purpose:

	General Fund	Major Special Revenue Fund	Other Governmental Funds	TOTAL
		Library Fund		
Fund Balances:				
Restricted for:				
Cemetery capital	\$ 29,281	\$ -	\$ -	\$ 29,281
Library	-	318,847	-	318,847
E-911	-	-	190,105	190,105
Grant purposes	-	-	276,744	276,744
Transportation	-	-	302	302
Airport	-	-	1,079	1,079
Emergency food and shelter program	-	-	459	459
Sub-total Restricted	29,281	318,847	468,689	816,817
Assigned to:				
Cemetery	205,040	-	-	205,040
Airport	159,162	-	-	159,162
Police	8,384	-	-	8,384
E-911	-	-	756	756
Library	-	2,721	-	2,721
Sub-total Assigned	372,586	2,721	756	376,063
Unassigned:	1,738,998	-	(4,877)	1,734,121
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,140,865</b>	<b>\$ 321,568</b>	<b>\$ 464,568</b>	<b>\$ 2,927,001</b>

Net Assets

Net assets reported in the government-wide and proprietary fund financial statements are displayed in three components:

- 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.
- Restricted net assets—Consists of net assets with constraints placed on the use by either 1) external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) through constitutional provisions or enabling legislation.

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	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Cemetery improvements	\$ 29,281	\$ -
Library improvements	318,847	-
Airport	1,079	-
Streets	302	-
E911 operations	190,105	-
Grant purposes	277,203	-
Debt service	-	934,756
	<b>\$ 816,817</b>	<b>\$ 934,756</b>
Reconciliation to Statement of Net Assets:		
Statutory requirements	219,386	
External contracts	597,431	
	<b>\$ 816,817</b>	

- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

**Note 7—Pledge of Future Revenues**

Sales Tax Pledge - The City Council adopted a resolution whereby the proceeds of the City sales tax were appropriated to the trustees of the Idabel Public Works Authority for use in operating and maintaining the facilities and paying the debt secured by such facilities. This appropriation is to comply with the 2006 Bond Indenture. Any portion of the tax not needed may be transferred to the General Fund of the City of Idabel. During the year ending June 30, 2011, \$1,055,881 was appropriated to the Idabel Public Works Authority.

Utility Net Revenues Pledge - The City has pledged net utility revenues to repay the \$1,725,000 of the 2006 Revenue Bond. Proceeds from the revenue bond provided funding for enlarging and extending water, sewer and street systems. The revenue bond is payable through 2016. The total principal and interest payable for the remainder of the life of bond is \$1,061,338. Pledged net utility revenues were \$189,594. Debt service payments of \$210,398 for the current fiscal year were 16.9% of pledged sales taxes and net utility revenues.

**Note 8—Property Tax Levy**

Under the Constitution of the State of Oklahoma, municipalities are limited in their ability to levy a property tax. Such tax may be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. As of June 30, 2011, there were no general obligation bonds or judgments outstanding, and consequently, no levies were assessed.

**Note 9—Notes Receivable**

**Business-type activities**

The Idabel Public Works Authority had one note outstanding as of June 30, 2011. This note is summarized as follows:

McCurtain County Public Health Management Authority

On December 10, 2009 the Authority made a loan for \$1,254,313 to McCurtain County Public Health Management Authority and is payable over 204 months at 5.8% interest in monthly installments of \$9,658, with a final payment of \$23,848.

	6/30/2010	Additions	Deductions	6/30/2011	One Year
McCurtain County Public Health Management Authority	\$ 1,238,202	\$ -	\$ (49,166)	\$ 1,189,036	\$ 48,203

Component Unit

The Idabel Industrial Development Authority had three notes outstanding as of June 30, 2011. These notes are summarized as follows:

Oklahoma Wood Fibers, Inc.

On June 23, 1998 the Authority made a loan for \$100,000 to Oklahoma Wood Fibers, Inc and is payable over 120 months at 8% interest in monthly installments of \$1,250, including interest. Payments on this note have been irregular—consequently, the Authority has provided a valuation allowance on the statement of net assets for the entire balance of the note receivable related to Oklahoma Wood Fibers, Inc. and no portion of this loan is considered as being a current asset.

Wood Lumber Company Specialties, Inc.

*Loan 1*—The Authority made a loan to Wood Lumber Company Specialties, Inc. on October 17, 1998 for \$100,000 and is payable over 144 months at 2.5% interest. Monthly payments are scheduled at \$805.

Southeast Machine

The Authority made a loan to Southeast Machine Company on July 18, 2007 for \$80,000 that is payable over 120 months at 8.25% interest. Current monthly payments are scheduled at \$979.

Note activity occurring during the year on notes held by the Idabel Industrial Development Authority is summarized as follows:

	Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011	Due Within One Year
Oklahoma Wood Fibers, Inc.	\$ 85,957	\$ -	\$ (1,250)	\$ 84,707	\$ -
Allowance for uncollectible	(85,957)	-	1,250	(84,707)	-
Wood Lumber Company Specialties, Inc.					
Loan 1	216,557	-	-	216,557	-
Allowance for uncollectible	(216,557)	-	-	(216,557)	-
Southeast Machine	62,916	-	(6,818)	56,098	7,403
Total	\$ 62,916	\$ -	\$ (6,818)	\$ 56,098	\$ 7,403

**Note 10—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.

Transfers

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
MCRA Fuel Fann	IPWA	\$ 12,516	Debt service payment
IPWA	General Fund	563,502	Transfer of Sales Tax
Emergency Food & Shelter Grant	Federal Nutrition	2,715	Grant Revenue
General Fund	Federal Nutrition	5,600	Operating Subsidy
General Fund	Special Grant Fund	25,000	Transfer of Capital Outlay
General Fund	IPWA	1,055,881	Transfer of Sales Tax
		<u>\$ 1,665,214</u>	

**Reconciliation to Fund & Government Wide Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers per SRECNA</u>	<u>Transfers of Capital Asset</u>	<u>Net Transfers per SOA</u>
Governmental Funds	\$ 595,155	\$ (1,101,713)	\$ (506,558)	\$ 1,663	\$ (504,895)
Proprietary Funds	1,068,397	(563,502)	\$ 504,895	-	504,895
Total	<u>\$ 1,663,552</u>	<u>\$ (1,665,215)</u>	<u>\$ (1,663)</u>	<u>\$ 1,663</u>	<u>\$ -</u>

Balances

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Cemetery Fund	\$ 4,688	CD Interest deposited to Gen Fund in error
General Fund	IPWA	913	Miscellaneous reimbursement
General Fund	Library Fund	19,507	Hotel/Motel Tax Revenue
General Fund	LETN Fund	1,392	Youth ACT revenue
		<u>\$ 26,500</u>	

**Reconciliation to Fund Financial Statements and Statement of Net Assets:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Balances</u>
Governmental Funds	\$ 30,391	\$ (31,304)	\$ (913)
Proprietary Funds	913	-	913
Total	<u>\$ 31,304</u>	<u>\$ (31,304)</u>	<u>\$ -</u>

**Note 11—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 by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**Note 12—Contingencies**

Litigation

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City sinking fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute related to judgments, the City feels that any settlement or judgment not covered by insurance would not have a materially adverse effect on the financial condition of the City.

Federal and State Award Programs

The City of Idabel participates in various federal and state grant/loan programs from year-to-year. In 2010, the City's involvement in federal and state award programs was significant. 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 was aware of no such pending audits as of the date of the balance sheet.

**Note 13—Pension Plan Participation**

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

- Oklahoma Firefighter's Pension and Retirement System (OFPRS)—a statewide cost sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS)—a statewide cost sharing plan
- City of Idabel Retirement Plan—a City sponsored defined contribution plan

Firefighter Pension System

Plan Summary Information—the City of Idabel, 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). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and debt benefits to the plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters.

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, Oklahoma 73105-3707.

Funding Policy—OFPRS plan members are required to contribute 8% of their annual salary. The City is required by state law to contribute 13% of the members' annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Police Pension System

Plan Summary Information—Pursuant to the requirements of Title 11, Section 22-102, the City of Idabel participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63<sup>rd</sup> Street, Oklahoma City, Oklahoma, 73116-7335.

Funding Policy—The paid police person contributes 8% to the plan. The City is required by State law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

*City of Idabel Retirement Plan*

Plan Summary Information—The City's retirement plan is administered by Ameritas Retirement Plans. It is a defined contribution retirement plan, which provides retirement benefits for all full-time employees.

Funding Policy—Employees must complete six months of service and attain age 20 before becoming eligible to participate. An employee must contribute 2%, but may contribute up to 4%, of their compensation. Employees' contributions are 100% vested. For non-elected City employees, the City contributes 12% of the eligible employee's annual compensation. Non-elected City employees become 20% vested in the City's contributions after the first year, and then 20% per year thereafter becoming fully vested after 5 years of participation. For elected officials, the City contributes 12% of their eligible annual compensation. Elected officials are immediately vested in the City's contributions.

Covered wages for those eligible to participate in the plan totaled \$1,600,731 in 2011.

*Summary of Contributions*

<b>City of Idabel Retirement Fund</b>			<b>Oklahoma Firefighter's Pension and Retirement System</b>			<b>Oklahoma Police Pension and Retirement System</b>		
<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2009	43,167	169,160	2009	35,090	100%	2009	61,924	100%
2010	43,809	172,769	2010	36,082	100%	2010	65,281	100%
2011	47,809	192,211	2011	37,058	100%	2011	68,153	100%

**Note 14—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.

**CITY OF IDABEL**  
 Budgetary Comparison Schedule  
 (Budgetary Basis)  
 For the Year Ended June 30, 2011

<b>General Fund</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts,</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget - Positive (Negative)</b>
Beginning Budgetary Fund Balance:	834,909	834,909	1,853,079	\$ 1,018,170
<b>RESOURCES (INFLOWS):</b>				
Taxes	2,377,820	2,377,820	2,474,768	\$ 96,948
Intergovernmental	145,851	160,851	301,672	140,821
Charges for services	1,500	1,500	2,180	680
Fees and fines	133,081	133,081	149,400	16,319
Licenses and permits	95,296	95,296	16,567	(78,729)
Investment earnings	23,867	23,867	16,731	(7,136)
Miscellaneous	458,750	459,750	94,605	(365,145)
Other Financing Sources - Transfers In	558,239	558,239	561,839	3,600
<b>Total Resources</b>	<b>3,794,404</b>	<b>3,810,404</b>	<b>3,617,762</b>	<b>(192,642)</b>
Amounts available for appropriation	4,629,313	4,645,313	5,470,841	825,528
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
<i>Departmental:</i>				
<i>General Government:</i>				
City manager	62,685	62,685	59,756	2,929
City clerk	213,265	213,265	189,368	23,897
General government	647,662	647,662	95,958	551,704
Ordinance inspector	102,070	102,070	52,016	50,054
<i>Street:</i>				
Street	788,547	788,547	775,668	12,879
<i>Public Safety:</i>				
Police	1,376,343	1,376,343	1,312,609	63,734
Fire	613,683	613,683	566,714	46,969
<i>Cemetery</i>	185,083	185,083	175,256	9,827
<i>Legal and Judicial:</i>				
City Judge	33,397	33,397	32,970	427
City Attorney	45,002	45,002	17,436	27,566
<i>Culture and Recreation:</i>				
Library	45,674	45,674	39,628	6,046
Parks	41,119	41,119	30,344	10,775
<i>Community Support:</i>				
Nutrition	160,673	160,673	127,584	33,089
Senior Citizen	39,849	39,849	31,818	8,031
<i>Airport</i>	95,628	95,628	58,497	37,131
<i>Maintenance</i>	75,282	75,282	62,871	12,411
<i>Industrial Development</i>	103,351	103,351	103,350	1
<b>Total Charges to Appropriations</b>	<b>4,629,313</b>	<b>4,629,313</b>	<b>3,731,843</b>	<b>897,470</b>
Excess (deficiency) of revenues over expenditures	(834,909)	(818,909)	(114,081)	704,828
Ending Budgetary Fund Balance	\$ -	\$ 16,000	\$ 1,738,998	\$ 1,722,998

(UNAUDITED)

**CITY OF IDABEL**  
**Budgetary Comparison Schedule**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2011**

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the budgetary basis which differs from the modified cash basis as shown in paragraph 3.
2. The legal level of appropriation control is the category level within a department of a fund. Transfers of appropriation within a department require the approval of the Mayor. All other transfers require the approval of the City Council. All supplemental appropriations require the approval of the City Council and are to be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	Per Statement of Changes in Fund Balance	Reclass transfers out	Capital Lease	LETN Fund	MCRA Fuel Farm Fund	Cemetery Maintenance Fund	Per Budgetary Comparison Schedule
<b>Resources (Inflows):</b>							
Total Revenues	\$ 4,372,814	\$ (1,055,881)	\$ -	\$ (13,152)	\$ (225,471)	\$ (22,387)	\$ 3,055,923
Capital lease proceeds	159,412	-	(159,412)	-	-	-	-
Transfers in	561,839	-	-	-	-	-	561,839
Fund balance, beginning	2,192,536	-	-	(6,474)	(120,789)	(212,194)	1,853,079
Total Revenues and Other Financing Sources	<u>7,286,601</u>	<u>(1,055,881)</u>	<u>(159,412)</u>	<u>(19,626)</u>	<u>(346,260)</u>	<u>(234,581)</u>	<u>5,470,841</u>
<b>Charges to Appropriations (Outflows):</b>							
Total Expenditures	4,046,739	30,600	(159,412)	(11,242)	(174,582)	(260)	3,731,843
Transfers Out	1,098,997	(1,086,481)	-	-	(12,516)	-	-
Total Expenditures and Other Financing Uses	<u>5,145,736</u>	<u>(1,055,881)</u>	<u>(159,412)</u>	<u>(11,242)</u>	<u>(187,098)</u>	<u>(260)</u>	<u>3,731,843</u>
<b>Ending Fund Balance</b>	<u>\$ 2,140,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,384)</u>	<u>\$ (159,162)</u>	<u>\$ (234,321)</u>	<u>\$ 1,738,998</u>

4. The other funds of the City did not have budgets prepared as required by state law. The expenditures and transfers out in these funds were as follows:

Library Fund	\$155,147
Federal Nutrition Fund	75,663
Emergency Shelter Fund	2,924
Emergency Food and Shelter Fund	2,715
Special Grant Fund	227,837
E-911 Fund	20,696
LETN Fund	11,242
MCRA Fuel Farm Fund	187,098
Cemetery Maintenance Fund	260

(UNAUDITED)



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

	<u>General Fund</u>	<u>LETN</u>	<u>MCRA Fuel Farm</u>	<u>Cemetery Maintenance</u>	<u>Total General Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,385,931	\$ 6,992	\$ 159,162	\$ 179,446	\$ 1,731,531
Investments	403,377	-	-	50,187	453,564
Due from other funds	4,804	1,392	-	4,688	10,884
Total assets	<u>1,794,112</u>	<u>8,384</u>	<u>159,162</u>	<u>234,321</u>	<u>2,195,979</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other governments	1,714	-	-	-	1,714
Miscellaneous payroll liabilities	13,172	-	-	-	13,172
Due to other funds	26,500	-	-	-	26,500
Due to bondholders	13,728	-	-	-	13,728
Total liabilities	<u>55,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,114</u>
<b>FUND BALANCES</b>					
Restricted	-	-	-	29,281	29,281
Assigned	-	8,384	159,162	205,040	372,586
Unassigned	1,738,998	-	-	-	1,738,998
Total fund balances	<u>1,738,998</u>	<u>8,384</u>	<u>159,162</u>	<u>234,321</u>	<u>2,140,865</u>
Total liabilities and fund balances	<u>\$ 1,794,112</u>	<u>\$ 8,384</u>	<u>\$ 159,162</u>	<u>\$ 234,321</u>	<u>\$ 2,195,979</u>

**CITY OF IDABEL**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance--General Fund Accounts**  
**(Modified Cash Basis)**  
**For the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>LETN</u>	<u>MCRA Fuel Farm</u>	<u>Cemetery Maintenance</u>	<u>Total General Funds</u>
<b>REVENUES</b>					
Taxes	\$ 3,530,649	\$ -	\$ -	\$ -	\$ 3,530,649
Intergovernmental	301,672	-	-	-	301,672
Charges for services	2,180	13,107	225,471	22,055	262,813
Fees and fines	149,400	-	-	-	149,400
Licenses and permits	16,567	-	-	-	16,567
Investment income	16,731	45	-	332	17,108
Miscellaneous	94,605	-	-	-	94,605
Total revenues	<u>4,111,804</u>	<u>13,152</u>	<u>225,471</u>	<u>22,387</u>	<u>4,372,814</u>
<b>EXPENDITURES</b>					
General government	395,700	-	-	-	395,700
Streets and highways	668,399	-	-	-	668,399
Public Safety	1,805,916	11,242	-	-	1,817,158
Cemetery	159,000	-	-	260	159,260
Legal and judicial	50,406	-	-	-	50,406
Culture and recreation	44,972	-	-	-	44,972
Community support	150,331	-	-	-	150,331
Airport	50,593	-	174,582	-	225,175
Maintenance	62,871	-	-	-	62,871
Industrial development	103,350	-	-	-	103,350
Capital Outlay	369,117	-	-	-	369,117
Total Expenditures	<u>3,860,655</u>	<u>11,242</u>	<u>174,582</u>	<u>260</u>	<u>4,046,739</u>
Excess (deficiency) of revenues over expenditures	<u>251,149</u>	<u>1,910</u>	<u>50,889</u>	<u>22,127</u>	<u>326,075</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from capital leases	159,412	-	-	-	159,412
Transfers in	561,839	-	-	-	561,839
Transfers out	(1,086,481)	-	(12,516)	-	(1,098,997)
Total other financing sources and uses	<u>(365,230)</u>	<u>-</u>	<u>(12,516)</u>	<u>-</u>	<u>(377,746)</u>
Net change in fund balances	(114,081)	1,910	38,373	22,127	(51,671)
Fund balances - beginning	<u>1,853,079</u>	<u>6,474</u>	<u>120,789</u>	<u>212,194</u>	<u>2,192,536</u>
Fund balances - ending	<u>\$ 1,738,998</u>	<u>\$ 8,384</u>	<u>\$ 159,162</u>	<u>\$ 234,321</u>	<u>\$ 2,140,865</u>



**CITY OF IDABEL**  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balance—Nonmajor Governmental Funds  
 (Modified Cash Basis)  
 For the Year Ended June 30, 2011

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS				Total-Other Governmental Funds
	Federal Nutrition	Emergency Shelter	Emergency Food & Shelter	E-911	Special Grant Fund	Transportation Enhancement	McCurtain County Airport			
<b>REVENUES</b>										
Taxes	\$ 62,470	\$ -	\$ -	\$ 17,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,010
Intergovernmental	-	3,380	-	-	142,853	-	-	-	-	146,233
Fees and fines	-	-	-	-	383	-	-	-	-	383
Investment income	-	-	-	756	-	-	-	-	-	756
Miscellaneous	-	-	-	-	750	-	-	-	-	750
Total revenues	62,470	3,380	-	18,296	143,986	-	-	-	-	228,132
<b>EXPENDITURES</b>										
Current:										
Public Safety	-	-	-	14,400	900	-	-	-	-	15,300
Culture and recreation	-	-	-	-	1,473	-	-	-	-	1,473
Community support	75,663	2,924	-	-	-	-	-	-	-	78,587
Capital Outlay	-	-	-	6,296	225,464	-	-	-	-	231,760
Total Expenditures	75,663	2,924	-	20,696	227,837	-	-	-	-	327,120
Excess (deficiency) of revenues over expenditures	(13,193)	456	-	(2,400)	(83,851)	-	-	-	-	(98,988)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	8,316	-	-	-	25,000	-	-	-	-	33,316
Transfers out	-	-	(2,716)	-	-	-	-	-	-	(2,716)
Total other financing sources and uses	8,316	-	(2,716)	-	25,000	-	-	-	-	30,600
Net change in fund balances	(4,877)	456	(2,716)	(2,400)	(58,851)	-	-	-	-	(68,388)
Fund balances - beginning	-	2	2,716	193,261	335,595	302	1,079	-	-	532,955
Fund balances - ending	(4,877)	458	-	190,861	276,744	302	1,079	-	-	464,567

See accompanying notes to the basic financial statements.

**CITY OF IDABEL**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

Federal/State Grantor/Pass through agency Grantor/Program Title	CFDA#	Grant #	Award Amount	Federal Expenditures
<b>Federal</b>				
<i>Department of Agriculture</i>				
<i>Passed through the Oklahoma Department of Human Services and Kiamichi Area Nutrition Project:</i>				
Food Distribution	10.550	N/A	\$ 62,471	\$ 62,471
<i>Federal Aviation Administration</i>				
Airport Grant	20.106	3-40-0137-008-2009	249,521	45,159
<i>Department of Transportation</i>				
<i>Passed through the Oklahoma Department of Transportation:</i>				
Transportation Enhancement Project	20.205	STP-145E (043) EH	251,788	18,749
Transportation Enhancement Project	20.205	STP-145E (189) EH	25,200	18,828
<i>Passed through the Oklahoma Department of Public Safety:</i>				
Idabel Traffic Enforcement	20.600	Se-11-03-04-03	13,000	7,858
Idabel Traffic Enforcement	20.600	PT-10-03-19-02	15,000	3,854
<i>Department of Housing and Urban Development</i>				
<i>Passed through the Oklahoma Department of Commerce:</i>				
Community Development Block Grant	14.228	13331 CDBG 08	75,000	4,500
Emergency Shelter Grant	14.231	13904 ESG 09	20,000	3,380
<i>Department of Justice</i>				
Recovery Act - Justice Assistance Grants	16.804	2009-SB-B9-0517	25,557	2,046
Total Federal			<u>\$ 737,537</u>	<u>\$ 166,845</u>

**City of Idabel**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

**Note 1: Basis of Presentation**

The accompanying schedule of federal and state awards includes the federal and state grant activity of the City of Idabel and are presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2: Contingent Liabilities**

The City participates in a number of federally and state-assisted programs. These programs are audited in accordance with *Government Auditing Standards* and the *Single Audit Act Amendments of 1996*. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs.



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**Independent Auditors' Report on Compliance and Other Matters  
and on Internal Control over Financial Reporting Based on an  
Audit of the Financial Statements Performed in Accordance  
with Government Auditing Standards**

Honorable Mayor and City Council  
City of Idabel  
Idabel, Oklahoma

We have audited the financial statements of City of Idabel, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated January 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose 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.

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Honorable Mayor and City Council  
City of Idabel  
Page 2

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the governing body, management, the Honorable Mayor and the City Council, 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.

*Hill & Company, PC*

Tulsa, Oklahoma  
January 9, 2012





**City of Idabel**  
**Schedule of Findings and Questioned Costs**  
**Schedule of Prior Audit Findings**  
**Year Ended June 30, 2011**

**Findings and Questioned Costs**

**Findings Required to be Reported by Government Auditing Standards**

No matters are reportable.

**Schedule of Prior Audit Findings**

None

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