

CITY OF MUSKOGEE
Muskogee, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2012

CITY OF MUSKOGEE
Muskogee, Oklahoma

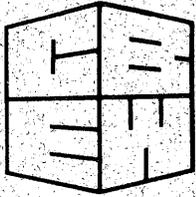
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CITY OF MUSKOGEE
Muskogee, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

December 10, 2012

Honorable City Council
City of Muskogee
Muskogee, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muskogee, Oklahoma, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muskogee, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8, budgetary comparison information on pages 44 through 46 and the notes on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

City of Muskogee
December 10, 2012

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskogee's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants



**CITY OF MUSKOGEE
FINANCE DEPARTMENT**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the Fiscal Year Ended June 30, 2012
Unaudited*

The City of Muskogee (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the city's financial position, (d) identify any material deviations from the financial plans, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

HIGHLIGHTS

Financial Highlights

- The City's Net Assets increased by \$2,065,562
- The total cost of all the City's programs was \$47,514,646
- During the year, the City had expenses of \$40,555,861 for governmental activities which was \$7,174,759 more than the \$33,381,102 generated in taxes, program revenues and other financing sources.
- The City's business-type activities increased net assets by \$324,384 from operations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 9-11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 12. 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 by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

- These two statements report the City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Overtime, *increases or decreases* in the City's net assets, is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, public works and parks departments, and general administration. Sales taxes, franchise taxes, water revenue finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Airport, Sports Complex, Civic Center, Municipal Authority, War Memorial Park, Swim & Fitness Center, State Fair Authority, Hatbox, Roxy Theatre and Parking Authority are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 12. 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, the City Council establishes many other funds to help it control and manage money for particular purposes (like the water and sewer program) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like the gasoline tax). The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds in reconciliations at the bottom of the fund financial statements.
- 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 Activities. In fact, the City's enterprise funds (a component of proprietary funds) are 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, for proprietary funds.

The City as Trustee

The City is the trustee, or fiduciary, for the Employee Retirement Fund, Health and Insurance Fund, C.C. Hultquist Library Fund and the Escrow Fund. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 19-20. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City holds deposits for various individuals and businesses for contract performance which are then returned when the contract has been completed. These deposits are accounted for in an Agency fund, where assets equal liabilities.

THE CITY AS A WHOLE

GOVERNMENT-WIDE STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets as of June 30, 2012:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 6/30/12 | 6/30/11 | 6/30/12 | 6/30/11 | 6/30/12 | 6/30/11 |
| Current and other assets | \$ 23,786,204 | \$ 24,713,533 | \$ 7,864,554 | \$ 9,522,701 | \$ 31,650,758 | \$ 34,236,234 |
| Deferred charges | - | - | 203,159 | 222,958 | 203,159 | 222,958 |
| Capital assets | 180,636,549 | 178,335,303 | 87,697,548 | 85,109,411 | 268,334,097 | 263,444,714 |
| Total assets | <u>204,422,753</u> | <u>203,048,836</u> | <u>95,765,261</u> | <u>94,855,070</u> | <u>300,188,014</u> | <u>297,903,906</u> |
| Long-term liabilities | 1,785,560 | 650,727 | 43,700,480 | 43,155,385 | 45,486,040 | 43,806,112 |
| Other liabilities | 12,465,839 | 13,967,933 | 1,161,135 | 1,120,424 | 13,626,974 | 15,088,357 |
| Total liabilities | <u>14,251,399</u> | <u>14,618,660</u> | <u>44,861,615</u> | <u>44,275,809</u> | <u>59,113,014</u> | <u>58,894,469</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 178,850,989 | 177,684,576 | 43,997,068 | 41,954,026 | 222,848,057 | 219,638,602 |
| Restricted | 9,879,600 | 10,712,526 | 3,999,945 | 5,253,929 | 13,879,545 | 15,966,455 |
| Unrestricted | 1,440,765 | 33,074 | 2,906,633 | 3,371,306 | 4,347,398 | 3,404,380 |
| Total net assets | <u>\$ 190,171,354</u> | <u>\$ 188,430,176</u> | <u>\$ 50,903,646</u> | <u>\$ 50,579,261</u> | <u>\$ 241,075,000</u> | <u>\$ 239,009,437</u> |

For more detail information see the Statement of Net Assets on page 9.

The City's combined net assets increased from \$239,009,437 to \$241,075,000 or 1.86% increase due to the operation of the Governmental and Business-type Activities.

Changes in Net Assets

The following table shows the revenue and expenses of the total primary government.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 6/30/2012 | 6/30/2011 | 6/30/2012 | 6/30/2011 | 6/30/2012 | 6/30/2011 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,835,011 | \$ 2,290,499 | \$ 15,193,407 | \$ 14,388,709 | \$ 17,028,418 | \$ 16,679,208 |
| Operating grants & contributions | 2,851,273 | 1,987,337 | 27,296 | 3,369 | 2,878,569 | 1,990,706 |
| Capital grants & contributions | 24,000 | 112,195 | 125,869 | 240,384 | 149,869 | 352,579 |
| General revenues: | | | | | | |
| Taxes | 28,335,562 | 27,632,281 | - | - | 28,335,562 | 27,632,281 |
| Intergovernmental | 17,717 | 465 | - | - | 17,717 | 465 |
| Other | 317,539 | 233,870 | 852,534 | 259,446 | 1,170,073 | 493,316 |
| Total revenues | <u>33,381,102</u> | <u>32,256,647</u> | <u>16,199,106</u> | <u>14,891,908</u> | <u>49,580,208</u> | <u>47,148,555</u> |
| Expenses: | | | | | | |
| General government | 5,787,969 | 6,364,359 | - | - | 5,787,969 | 6,364,359 |
| Public safety and judiciary | 17,432,646 | 16,347,313 | - | - | 17,432,646 | 16,347,313 |
| Transportation | 6,019,017 | 6,195,831 | - | - | 6,019,017 | 6,195,831 |
| Cultural, parks and recreation | 3,093,512 | 2,970,590 | - | - | 3,093,512 | 2,970,590 |
| Utilities | 6,424,206 | 6,549,894 | 2,569,973 | 2,788,427 | 8,994,179 | 9,338,321 |
| Other public services | 1,102,258 | 483,000 | - | - | 1,102,258 | 483,000 |
| Economic development | 584,851 | 428,837 | - | - | 584,851 | 428,837 |
| Airport | - | - | 276,175 | 281,848 | 276,175 | 281,848 |
| Parking | - | - | 5,104 | 5,342 | 5,104 | 5,342 |
| Civic Center and Roxy Theatre | - | - | 715,555 | 718,582 | 715,555 | 718,582 |
| Hatbox Sports Complex | - | - | 726,209 | 768,865 | 726,209 | 768,865 |
| Fairgrounds | - | - | 124,459 | 107,948 | 124,459 | 107,948 |
| Swim & Fitness Center | - | - | 467,565 | 426,826 | 467,565 | 426,826 |
| War Memorial Park | - | - | 84,178 | 80,607 | 84,178 | 80,607 |
| Financing | 111,402 | 414,924 | 1,989,567 | 995,397 | 2,100,969 | 1,410,321 |
| Total expenses | <u>40,555,861</u> | <u>39,754,748</u> | <u>6,958,785</u> | <u>6,173,842</u> | <u>47,514,646</u> | <u>45,928,590</u> |
| Increase/(decrease) in net assets before transfers | (7,174,759) | (7,498,101) | 9,240,321 | 8,718,066 | 2,065,562 | 1,219,965 |
| Transfers | 8,915,937 | 11,776,514 | (8,915,937) | (11,776,514) | - | - |
| Increase/(decrease) in net assets | 1,741,178 | 4,278,413 | 324,384 | (3,058,448) | 2,065,562 | 1,219,965 |
| Net assets - beginning of year | 188,430,176 | 184,151,763 | 50,579,262 | 53,637,710 | 239,009,438 | 237,789,473 |
| Net assets - end of year | <u>\$ 190,171,354</u> | <u>\$ 188,430,176</u> | <u>\$ 50,903,646</u> | <u>\$ 50,579,262</u> | <u>\$ 241,075,000</u> | <u>\$ 239,009,438</u> |

Governmental Activities/Administrative

The changes in net assets of governmental activities were \$1,741,178. Examples of governmental activities are general government, fire, police, streets, public works and parks.

Business-type Activities

The change in net assets of business-type activities was an increase of \$324,384. Examples of proprietary activities are water, waste water services and solid waste, Hatbox sports complex, Civic Center, Roxy Theatre, Swim & Fitness Center, War Memorial Park, Fairgrounds and Davis Field Airport.

THE CITY'S FUNDS

Governmental Type Funds

As of year end, the governmental funds reported a combined fund balance of \$21,463,297 which is a decrease from the beginning of the year in the amount of \$138,003. Several of the governmental funds are capital expenditure related and, therefore, may reflect capital expenditures or payment on debt service (which are reflected in the current financial resource-based Fund Financial Statements) as a spending of a portion of available net assets or an increase in net assets from unspent net assets.

Business-Type Funds

As of year end, the business-type funds reported combined net assets of \$50,903,646 which is an increase from the beginning of the year in the amount of \$324,384.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012 the City had \$268,334,097 invested in a broad range of capital assets, including police, fire and public works equipment, buildings, park facilities, infrastructure, roads, bridges and stormwater drainage structures. This amount represents a net increase (including additions and deductions) of \$4,889,383 from fiscal year 2011. See pages 31-32 in the notes to the financial statements for detailed changes in capital assets.

Debt

At June 30, 2012 the City had \$44,791,840 in notes outstanding versus \$35,375,715 at June 30, 2011 – an increase of 26.62% – as shown below.

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 6/30/12 | 6/30/11 | 6/30/12 | 6/30/11 | 6/30/12 | 6/30/11 |
| Notes payable | \$ - | \$ - | \$ 35,521,480 | \$ 34,940,147 | \$ 35,521,480 | \$ 34,940,147 |
| Tax-increment bond | 14,667 | 22,000 | - | - | 14,667 | 22,000 |
| Contract payable | 985,730 | 985,730 | - | - | 985,730 | 985,730 |
| Sales tax revenue note | - | - | - | - | - | - |
| Judgements payable | 412,314 | 430,745 | - | - | 412,314 | 430,745 |
| Leases payable | 357,819 | 197,982 | 8,179,000 | 8,215,236 | 8,536,819 | 8,413,218 |
| Total | <u>\$ 1,770,530</u> | <u>\$ 1,636,457</u> | <u>\$ 43,700,480</u> | <u>\$ 43,155,383</u> | <u>\$ 45,471,010</u> | <u>\$ 44,791,840</u> |

Other obligations of the City include accrued vacation pay and sick leave.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2012 budget and fees that will be charged for the business-type activities. One of those factors is the economy.

Muskogee is the third largest manufacturing community in the state. Some of the largest manufacturers are Georgia-Pacific, Owens Illinois and Dal Tile. The Muskogee County unemployment rate in 2012 was 6.4% down from 6.9% in 2011. This indicates that economic recession had an effect on the business growth in the area during the year.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2013. Amounts available for appropriation in the General Fund budget are \$31,921,362, an increase of 4.38% from the fiscal year 2012 budget of \$30,522,784.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 information, contact the City Finance Department at City of Muskogee, P.O. Box 1927, Muskogee, OK 74402.

CITY OF MUSKOGEE
STATEMENT OF NET ASSETS
June 30, 2012

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and investments: | | | |
| Cash & cash equivalents (Note 2) | \$ 14,662,137 | \$ 2,793,024 | \$ 17,455,161 |
| Investments, at cost | 3,119,560 | 91,407 | 3,210,967 |
| Receivables (net of allowance for uncollectibles): | | | |
| Services | 285,032 | 692,161 | 977,193 |
| Court fines | 815,842 | - | 815,842 |
| Taxes | 4,471,300 | - | 4,471,300 |
| Interest | 19,677 | 5,591 | 25,268 |
| Due to/from other funds (Note 2D) | 89,744 | (89,744) | - |
| Grants receivable | 320,758 | 54,689 | 375,447 |
| Restricted assets: | | | |
| Bond fund/cash & investments (Note 2) | - | 3,999,945 | 3,999,945 |
| Inventories | 2,154 | 317,481 | 319,635 |
| Capital assets: | | | |
| Land and construction in progress | 2,736,124 | 25,452,881 | 28,189,005 |
| Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2) | 177,900,425 | 62,244,667 | 240,145,092 |
| Deferred charges: | | | |
| Bond issue cost (net of accumulated amortization) (Note 1) | - | 203,159 | 203,159 |
| Total assets | \$ 204,422,753 | \$ 95,765,261 | \$ 300,188,014 |
| Liabilities: | | | |
| Accounts payable | \$ 1,135,652 | \$ 208,302 | \$ 1,343,954 |
| Cash overdraft | - | - | - |
| Temporary customer deposits | - | 17,514 | 17,514 |
| Deferred revenues | - | 960 | 960 |
| Accrued compensated absences payable (Note 1) | 6,282,220 | 573,675 | 6,855,895 |
| Accrued payroll | 430,969 | 31,818 | 462,787 |
| OPEB liability | 4,177,515 | - | 4,177,515 |
| Payable from restricted assets: | | | |
| Interest payable | - | 328,866 | 328,866 |
| Accrued interest payable | 27,169 | - | 27,169 |
| Leases payable (Note 2) | 785,163 | 8,179,000 | 8,964,163 |
| Notes payable (Note 2) | 1,000,397 | 35,521,480 | 36,521,877 |
| Judgements payable | 412,314 | - | 412,314 |
| Total liabilities | 14,251,399 | 44,861,615 | 59,113,014 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 178,850,989 | 43,997,068 | 222,848,057 |
| Restricted | 9,879,600 | 3,999,945 | 13,879,545 |
| Unrestricted | 1,440,765 | 2,906,633 | 4,347,398 |
| Total net assets | \$ 190,171,354 | \$ 50,903,646 | \$ 241,075,000 |

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

CITY OF MUSKOGEE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense)/ Revenue |
|---------------------------------------|----------------------|-------------------------|--|--|------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General government: | | | | | |
| City clerk | \$ 407,513 | \$ - | \$ - | \$ - | \$ (407,513) |
| City manager | 200,734 | - | - | - | (200,734) |
| City treasurer | 164,431 | - | - | - | (164,431) |
| Engineering and planning | 1,317,282 | - | 84,649 | - | (1,232,633) |
| Financial management | 1,703,100 | - | - | - | (1,703,100) |
| General government | 1,994,909 | 493,899 | 105,705 | - | (1,395,305) |
| Total general government | 5,787,969 | 493,899 | 190,354 | - | (5,103,716) |
| Public safety and judiciary: | | | | | |
| Animal control | 233,806 | 11,774 | 19,856 | - | (202,176) |
| City attorney | 291,861 | - | - | - | (291,861) |
| Code enforcement | 230,326 | - | - | - | (230,326) |
| Fire | 7,861,283 | - | - | - | (7,861,283) |
| Police | 7,313,715 | 1,192,683 | 37,040 | - | (6,083,992) |
| Emergency 911 | 723,593 | 12,695 | 560,458 | - | (150,440) |
| Environmental control | 589,927 | - | - | - | (589,927) |
| Civil emergency management | 188,135 | - | 129,311 | - | (58,824) |
| Total public safety and judiciary | 17,432,646 | 1,217,152 | 746,665 | - | (15,468,829) |
| Transportation: | | | | | |
| Streets | 6,019,017 | - | - | - | (6,019,017) |
| Total transportation | 6,019,017 | - | - | - | (6,019,017) |
| Cultural, parks and recreation: | | | | | |
| Cemetery | 256,546 | 73,720 | 10,703 | - | (172,123) |
| Library | 112,953 | - | - | - | (112,953) |
| Parks | 2,686,265 | 50,240 | 1,603,551 | - | (1,032,474) |
| Convention and Tourism | - | - | - | - | - |
| Multicultural | - | - | - | - | - |
| Civic Center and Roxy Theatre | 37,748 | - | - | - | (37,748) |
| Total cultural, parks and recreation | 3,093,512 | 123,960 | 1,614,254 | - | (1,355,298) |
| Utilities: | | | | | |
| Water | 3,238,145 | - | - | 24,000 | (3,214,145) |
| Sewer | 1,654,347 | - | - | - | (1,654,347) |
| Solid waste | 1,531,714 | - | - | - | (1,531,714) |
| Other public services | 1,102,258 | - | - | - | (1,102,258) |
| Economic development | 584,851 | - | 300,000 | - | (284,851) |
| Total other activities | 8,111,315 | - | 300,000 | 24,000 | (7,787,315) |
| Financing costs | 111,402 | - | - | - | (111,402) |
| Total governmental activities | 40,555,861 | 1,835,011 | 2,851,273 | 24,000 | (35,845,577) |
| Business-type activities | | | | | |
| Water and sewer | 2,202,826 | 11,099,147 | - | - | 8,896,321 |
| Solid waste | 54,405 | 2,046,965 | - | - | 1,992,560 |
| Aiport | 276,175 | 206,627 | - | 125,869 | 56,321 |
| Stormwater management | 312,742 | 458,432 | - | - | 145,690 |
| Parking | 5,104 | 58,080 | - | - | 52,976 |
| Civic Center and Roxy Theatre | 715,555 | 180,226 | - | - | (535,329) |
| Hatbox Sports Complex | 726,209 | 524,602 | 5,000 | - | (196,607) |
| Fairgrounds | 124,459 | 40,419 | - | - | (84,040) |
| Swim & Fitness Center | 467,565 | 516,011 | 18,800 | - | 67,246 |
| War Memorial Park | 84,178 | 62,898 | 3,496 | - | (17,784) |
| Financing costs | 1,989,567 | - | - | - | (1,989,567) |
| Total business-type activities | 6,958,785 | 15,193,407 | 27,296 | 125,869 | 8,387,787 |
| Total | \$ 47,514,646 | \$ 17,028,418 | \$ 2,878,569 | \$ 149,869 | \$ (27,457,790) |

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

CITY OF MUSKOGEE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

| | Net (Expense) Revenue and Changes in Net Assets | | |
|---|--|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Net (expense)/revenue | (35,845,577) | 8,387,787 | (27,457,790) |
| General revenues: | | | |
| Taxes: | | | |
| Sales and use taxes | 24,219,557 | - | 24,219,557 |
| Cigarette taxes | 337,093 | - | 337,093 |
| Franchise taxes | 2,373,451 | - | 2,373,451 |
| Property taxes | 212,278 | - | 212,278 |
| Gasoline excise taxes | 72,873 | - | 72,873 |
| Commercial vehicle taxes | 272,110 | - | 272,110 |
| Beverage taxes | 139,516 | - | 139,516 |
| Hotel/motel taxes | 708,684 | - | 708,684 |
| Intergovernmental programs | 17,717 | 510,879 | 528,596 |
| Investment earnings | 29,613 | 30,985 | 60,598 |
| Miscellaneous | 226,706 | 310,670 | 537,376 |
| Sale of property | 61,220 | - | 61,220 |
| Transfers | 8,915,937 | (8,915,937) | - |
| Total general revenues and transfers | <u>37,586,755</u> | <u>(8,063,403)</u> | <u>29,523,352</u> |
| Change in net assets | 1,741,178 | 324,384 | 2,065,562 |
| Net assets - beginning of year | <u>188,430,176</u> | <u>50,579,262</u> | <u>239,009,438</u> |
| Net assets - end of year | <u>\$ 190,171,354</u> | <u>\$ 50,903,646</u> | <u>\$ 241,075,000</u> |

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

**CITY OF MUSKOGEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|---|---|
| Assets: | | | |
| Cash and investments: | | | |
| Cash & cash equivalents (Note 2) | \$ 6,485,625 | \$ 8,176,512 | \$ 14,662,137 |
| Investments, at cost | 3,118,579 | 981 | 3,119,560 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts receivable | 79,702 | 205,330 | 285,032 |
| Court fines | 61,710 | - | 61,710 |
| Taxes | 2,666,068 | 1,805,232 | 4,471,300 |
| Interest | 19,666 | 11 | 19,677 |
| Due from other funds (Note 2D) | 89,744 | - | 89,744 |
| Grants receivable | - | 320,758 | 320,758 |
| Restricted assets: | | | |
| Bond fund/cash & investments (Notes 3 & 4) | - | - | - |
| Total assets | \$ 12,521,094 | \$ 10,508,824 | \$ 23,029,918 |
| Liabilities: | | | |
| Accounts payable | \$ 527,264 | \$ 608,388 | \$ 1,135,652 |
| Cash overdraft | - | - | - |
| Due to other funds (Note 2D) | - | - | - |
| Accrued payroll | 361,328 | 69,641 | 430,969 |
| Total liabilities | 888,592 | 678,029 | 1,566,621 |
| Fund balance: | | | |
| Restricted for: | | | |
| Other purposes | - | 9,867,167 | 9,867,167 |
| Committed to: | | | |
| Other purposes | - | 12,433 | 12,433 |
| Unassigned | 11,632,502 | (48,805) | 11,583,697 |
| Total fund balance | 11,632,502 | 9,830,795 | 21,463,297 |
| Total liabilities and fund equity | \$ 12,521,094 | \$ 10,508,824 | \$ 23,029,918 |

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

CITY OF MUSKOGEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT
OF NET ASSETS
June 30, 2012

Total Fund Balances - Total Governmental Funds \$ 21,463,297

Amounts reported for governmental activities in the statement of net assets are different because:

Some of the City's revenue will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in governmental funds: Fines and forfeitures (net of allowance for uncollectibility) 754,132

Prepaid expenses (inventories) not consumed in the current period are not financial resources and are reported as expenditures in the governmental funds. 2,154

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

| | | |
|------------------------------|-------------|--------------|
| Notes payable | (1,000,397) | |
| Leases payable | (785,163) | |
| Judgements payable | (412,314) | |
| Accrued compensated absences | (6,282,220) | |
| OPEB liability | (4,177,515) | |
| Accrued interest payable | (27,169) | |
| Total | | (12,684,778) |

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

| | | |
|-------------------------------|---------------|-------------|
| Land | \$ 2,707,952 | |
| Construction in process | 28,172 | |
| Buildings & Improvements | 20,974,195 | |
| Furniture & Equipment | 20,047,990 | |
| Infrastructure - parks | 2,328,009 | |
| Infrastructure - water/sewer | 10,359,368 | |
| Infrastructure - streets | 367,284,434 | |
| Infrastructure - public works | 38,165 | |
| Accumulated depreciation | (243,131,736) | |
| Total | | 180,636,549 |

Net assets of governmental activities **\$ 190,171,354**

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

CITY OF MUSKOGEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|---|---|
| Revenues: | | | |
| Taxes | \$ 15,112,162 | \$ 10,590,537 | \$ 25,702,699 |
| Franchise fees | 2,557,588 | - | 2,557,588 |
| Intergovernmental programs | 24,857 | 1,564,782 | 1,589,639 |
| Fines and forfeits | 941,851 | 49,562 | 991,413 |
| Donations | - | 1,575,463 | 1,575,463 |
| Admissions and concessions | - | 25,800 | 25,800 |
| Licenses and permits | 264,146 | 11,774 | 275,920 |
| Interest | 25,102 | 4,511 | 29,613 |
| Rental receipts | 200,231 | 24,440 | 224,671 |
| Cemetery collections | 73,720 | - | 73,720 |
| Judgements | - | 29,517 | 29,517 |
| Lease proceeds | - | 945,000 | 945,000 |
| Miscellaneous revenue | 74,217 | 152,489 | 226,706 |
| Sale of property | 4,906 | 56,314 | 61,220 |
| Total revenues | <u>19,278,780</u> | <u>15,030,189</u> | <u>34,308,969</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 4,401,213 | 721,838 | 5,123,051 |
| Public safety and judiciary | 13,637,786 | 3,751,559 | 17,389,345 |
| Streets | 1,403,751 | 579,868 | 1,983,619 |
| Cultural and recreational | 2,157,186 | 745,024 | 2,902,210 |
| Utilities | 5,599,277 | 455,839 | 6,055,116 |
| Economic development | - | 584,851 | 584,851 |
| Capital outlay | 33,000 | 7,510,337 | 7,543,337 |
| Debt Service: | | | |
| Principal | - | 567,720 | 567,720 |
| Interest expense | - | 111,402 | 111,402 |
| Other public services | 394,258 | 708,000 | 1,102,258 |
| Total expenditures | <u>27,626,471</u> | <u>15,736,438</u> | <u>43,362,909</u> |
| Excess of revenues over (under) expenditures | (8,347,691) | (706,249) | (9,053,940) |
| Other financing uses: | | | |
| Operating transfers in (out) | <u>9,051,645</u> | <u>(135,708)</u> | <u>8,915,937</u> |
| Excess of revenues over (under) expenditures & transfers | 703,954 | (841,957) | (138,003) |
| Net assets - beginning of year | <u>10,928,548</u> | <u>10,672,752</u> | <u>21,601,300</u> |
| Fund balance - end of year | <u>\$ 11,632,502</u> | <u>\$ 9,830,795</u> | <u>\$ 21,463,297</u> |

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

CITY OF MUSKOGEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

| | |
|---|-----------------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (138,003) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Revenues in the statement of activities that do not provide current financial resources (are not collected within 60 days) are deferred in the governmental funds. Therefore, the recognition of revenue differs between the two statements. The following represents the net change in deferred revenue for: Fines and forfeitures (net of allowance for uncollectibility) | 201,270 |
| Governmental funds report inventory costs as expenditures. However, in the statement of activities the inventory is reported as an asset. This is the change during the current period. | 748 |
| Governmental funds report new leases as revenues. However, in the statement of activities the leases are reported as a long-term liability. | (945,000) |
| Government-Wide Statement of Activities and Changes in Net Assets report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period. | 402,528 |
| Government-Wide Statement of Activities and Changes in Net Assets report OPEB liabilities in the period incurred. However, Governmental Funds do not pay on this liability. The amount of the change for the OPEB liability recorded in the current period. | (635,767) |
| The interest paid on notes and judgements is recorded as an expense in governmental funds and not as a payment against the accrual. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the interest is recorded against the payable. This is the amount of interest paid in the current period. | 170,576 |
| Governmental Funds report judgements as property tax income. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the income received is applied as a liability. This is the amount that increased the liability during the year. | (184,137) |
| Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period. | 567,720 |
| Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | 7,543,337 |
| Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. | <u>(5,242,094)</u> |
| Change in Net Assets of Governmental Activities | \$ <u><u>1,741,178</u></u> |

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

CITY OF MUSKOGEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|---|--|---------------------------------------|----------------------|
| | <u>Muskogee Municipal Authority</u> | <u>Other Enterprise Funds</u> | <u>Totals</u> |
| Assets: | | | |
| Cash and investments: | | | |
| Cash & cash equivalents (Note 2) | \$ 22,205 | \$ 2,770,819 | \$ 2,793,024 |
| Investments, at cost | - | 91,407 | 91,407 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts receivable | 548,634 | 143,527 | 692,161 |
| Interest | 2,329 | 3,262 | 5,591 |
| Grants receivable | - | 54,689 | 54,689 |
| Due from other funds | - | - | - |
| Restricted Assets: | | | |
| Bond fund/cash & investments (Notes 2) | 3,999,945 | - | 3,999,945 |
| Inventories | 298,260 | 19,221 | 317,481 |
| Capital assets: | | | |
| Land | 1,306,954 | 1,046,613 | 2,353,567 |
| Construction in progress | 23,099,314 | - | 23,099,314 |
| Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2) | 50,346,582 | 11,898,085 | 62,244,667 |
| Deferred charges: | | | |
| Deferred loan costs (net of accumulated amortization) (Note 1) | 203,159 | - | 203,159 |
| Total assets | <u>\$ 79,827,382</u> | <u>\$ 16,027,623</u> | <u>\$ 95,855,005</u> |
| Liabilities: | | | |
| Accounts payable | \$ 43,897 | \$ 164,405 | \$ 208,302 |
| Due to other funds | - | 89,744 | 89,744 |
| Temporary customer deposits | - | 17,514 | 17,514 |
| Deferred revenues | - | 960 | 960 |
| Accrued compensated absences payable (Note 1) | 423,044 | 150,631 | 573,675 |
| Accrued payroll | - | 31,818 | 31,818 |
| Payable from restricted assets: | | | |
| Interest payable | 328,866 | - | 328,866 |
| Leases payable (Note 2) | 8,179,000 | - | 8,179,000 |
| Notes payable (Note 2) | 35,521,480 | - | 35,521,480 |
| Total liabilities | <u>44,496,287</u> | <u>455,072</u> | <u>44,951,359</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 31,052,370 | 12,944,698 | 43,997,068 |
| Restricted | 3,999,945 | - | 3,999,945 |
| Unrestricted | 278,780 | 2,627,853 | 2,906,633 |
| Total net assets | <u>\$ 35,331,095</u> | <u>\$ 15,572,551</u> | <u>\$ 50,903,646</u> |

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

CITY OF MUSKOGEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Business-type Activities - Enterprise Funds | | |
|---|--|---------------------------------------|----------------------|
| | Muskogee Municipal Authority | Other Enterprise Funds | Totals |
| Revenues: | | | |
| Water revenue | \$ 7,783,559 | \$ - | \$ 7,783,559 |
| Sewer revenue | 3,064,589 | - | 3,064,589 |
| Solid waste revenue | - | 1,986,214 | 1,986,214 |
| Stormwater revenue | - | 458,432 | 458,432 |
| Penalty revenue | 250,999 | 60,751 | 311,750 |
| Parking fees | - | 58,080 | 58,080 |
| Rental receipts | - | 300,103 | 300,103 |
| Admissions and concessions | - | 632,692 | 632,692 |
| Miscellaneous revenue | 310,670 | 39,165 | 349,835 |
| Activity fees | - | 586,119 | 586,119 |
| Intergovernmental programs | - | 125,869 | 125,869 |
| Total revenues | 11,409,817 | 4,247,425 | 15,657,242 |
| Operating expense: | | | |
| Cultural and recreational | - | 1,746,461 | 1,746,461 |
| Parking | - | 705 | 705 |
| Sanitation | - | - | - |
| Stormwater | - | 310,855 | 310,855 |
| Transportation | - | 119,020 | 119,020 |
| Water service | 17,891 | - | 17,891 |
| Depreciation | 2,184,935 | 589,351 | 2,774,286 |
| Total operating expenses | 2,202,826 | 2,766,392 | 4,969,218 |
| Income before non-operating revenues, expenses & transfers | 9,206,991 | 1,481,033 | 10,688,024 |
| Non-operating revenues (expenses): | | | |
| Interest revenue | 21,427 | 9,558 | 30,985 |
| Interest expense | (1,857,373) | - | (1,857,373) |
| Grant revenues | 510,879 | - | 510,879 |
| Amortization of deferred loan cost | (19,799) | - | (19,799) |
| Loan administration fees | (112,395) | - | (112,395) |
| Total | (1,457,261) | 9,558 | (1,447,703) |
| Income (loss) before operating transfers | 7,749,730 | 1,490,591 | 9,240,321 |
| Transfers in (out) | (7,296,247) | (1,619,690) | (8,915,937) |
| Change in net assets | 453,483 | (129,099) | 324,384 |
| Net assets - beginning of year | 34,877,612 | 15,701,650 | 50,579,262 |
| Net assets - end of year | \$ 35,331,095 | \$ 15,572,551 | \$ 50,903,646 |

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

CITY OF MUSKOGEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Business-type Activities - Enterprise Funds | | |
|--|--|---------------------------------------|----------------------|
| | Muskogee Municipal Authority | Other Enterprise Funds | Totals |
| Cash flows from operating activities: | | | |
| Cash received from customers & service users | \$ 11,669,415 | \$ 4,202,115 | \$ 15,871,530 |
| Cash payments for goods & services & employees | (42,287) | (2,179,697) | (2,221,984) |
| Other operating revenues | - | (35,337) | (35,337) |
| Net cash provided by operating activities | <u>11,627,128</u> | <u>1,987,081</u> | <u>13,614,209</u> |
| Cash flows from noncapital financing activities: | | | |
| Net change in inventory | (35,264) | (459) | (35,723) |
| Grants received | 510,879 | - | 510,879 |
| Net change in due to/from accounts | - | (50,000) | (50,000) |
| Operating transfers out to other funds | (10,169,120) | (1,991,690) | (12,160,810) |
| Operating transfers in from other funds | 2,872,874 | 372,000 | 3,244,874 |
| Net cash provided (used) for noncapital financing activities | <u>(6,820,631)</u> | <u>(1,670,149)</u> | <u>(8,490,780)</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition & construction of capital assets | (4,876,448) | (485,975) | (5,362,423) |
| Principal paid on debt | (3,343,669) | - | (3,343,669) |
| Interest paid on debt | (1,754,274) | - | (1,754,274) |
| Principal received on notes | 3,888,765 | - | 3,888,765 |
| Loan issue costs | - | - | - |
| Trustee fees | (112,395) | - | (112,395) |
| Net cash provided (used) for capital and related financing activities | <u>(6,198,021)</u> | <u>(485,975)</u> | <u>(6,683,996)</u> |
| Cash flows from investing activities: | | | |
| (Purchase) liquidation of investments - unrestricted | - | 28,919 | 28,919 |
| Interest on investments | 25,029 | 8,220 | 33,249 |
| Net cash provided by investing activities | <u>25,029</u> | <u>37,139</u> | <u>62,168</u> |
| Net increase (decrease) in cash & cash equivalents | (1,366,495) | (131,904) | (1,498,399) |
| Cash and cash equivalents - beginning of year | <u>5,388,645</u> | <u>2,902,723</u> | <u>8,291,368</u> |
| Cash and cash equivalents - end of year | <u>\$ 4,022,150</u> | <u>\$ 2,770,819</u> | <u>\$ 6,792,969</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 9,206,991 | \$ 1,481,033 | \$ 10,688,024 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 2,184,935 | 589,351 | 2,774,286 |
| Change in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | 259,598 | (45,310) | 214,288 |
| Increase (decrease) in accounts payable | (35,169) | 48,615 | 13,446 |
| Increase (decrease) in accrued expenses | 10,773 | (86,608) | (75,835) |
| Total adjustments | <u>2,420,137</u> | <u>506,048</u> | <u>2,926,185</u> |
| Net cash provided by operating activities | <u>\$ 11,627,128</u> | <u>\$ 1,987,081</u> | <u>\$ 13,614,209</u> |

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

CITY OF MUSKOGEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

| | <u>Employee Benefit Trust</u> | <u>Private Purpose Trust</u> | <u>Agency Funds</u> |
|---|---------------------------------------|--------------------------------------|-------------------------|
| Assets: | | | |
| Cash and investments: | | | |
| Cash & cash equivalents (Note 3) | \$ (768,082) | \$ 115 | \$ 814,331 |
| Investments | 228 | 135,000 | 357,605 |
| Accounts receivable | 75,252 | - | - |
| Accrued interest | <u>2</u> | <u>18</u> | <u>-</u> |
| Total assets | <u>\$ (692,600)</u> | <u>\$ 135,133</u> | <u>\$ 1,171,936</u> |
| Liabilities: | | | |
| Accounts payable | \$ 18,094 | \$ - | \$ - |
| Due to other funds | - | - | - |
| Security deposits | - | - | 947,302 |
| Escrow deposits | <u>-</u> | <u>-</u> | <u>224,634</u> |
| Total liabilities | <u>18,094</u> | <u>-</u> | <u>\$ 1,171,936</u> |
| Net assets: | | | |
| Held in trust for employee benefits and other purposes | <u>\$ (710,694)</u> | <u>\$ 135,133</u> | |

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

CITY OF MUSKOGEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2012

| | <u>Employee Benefit Trust</u> | <u>Private Purpose Trust</u> |
|--------------------------------------|---------------------------------------|--------------------------------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 3,256,608 | \$ - |
| Plan members | 30,121 | - |
| Insurance recoveries | 107,494 | - |
| Sales tax revenues | 438,323 | - |
| Investment earnings | 67 | 886 |
| | <hr/> | <hr/> |
| Total additions | \$ 3,832,613 | \$ 886 |
| | <hr/> | <hr/> |
| Deductions: | | |
| Retirement contributions | \$ - | \$ - |
| Premiums paid | 478,729 | - |
| Claims paid | 3,916,737 | - |
| Administrative expenses | 92,500 | - |
| Distributions for benefit of library | - | 1,158 |
| | <hr/> | <hr/> |
| Total deductions | 4,487,966 | 1,158 |
| | <hr/> | <hr/> |
| Change in net assets | (655,353) | (272) |
| | <hr/> | <hr/> |
| Net assets beginning of year | (55,341) | 135,405 |
| | <hr/> | <hr/> |
| Net assets end of year | \$ (710,694) | \$ 135,133 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Muskogee, Oklahoma is organized under the statutes of the State of Oklahoma and was incorporated in 1898. The City currently operates under a charter ratified at a special election held December 7, 1971. The charter was approved by the Governor on February 18, 1972 and went into effect upon approval in accordance with article XVIII, three, of the Oklahoma Constitution. The City operates under a Mayor-Council-Manager form of government and is governed by an eight-member council and a ninth voting member who is the elected mayor. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning.

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

Blended Component Units/Trusts:

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

The Muskogee Parking Authority (MPA) was created pursuant to a Trust Indenture, for the benefit of the City of Muskogee, Oklahoma. MPA was established to plan, develop, construct, enlarge, remodel, improve, make alterations, extend, maintain, equip, operate and furnish parking facilities for the City of Muskogee. MPA is a public trust and an agency of the State of Oklahoma, under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of eight council members and a mayor identical with the City Council. MPA is exempt from State and Federal Income taxes. MPA is reported as an enterprise fund.

The Muskogee State Fair Authority (MSFA) was created pursuant to a Trust Indenture, for the benefit of the City of Muskogee, Oklahoma. MSFA was created to operate the fairgrounds owned by City and leased to the MSFA. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of nine trustees appointed by the City Council. MSFA is exempt from State and Federal Income taxes. MSFA is reported as an enterprise fund.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Muskogee War Memorial Park Authority (MWMPA) was created pursuant to a Trust Indenture date April 9, 1973 and subsequently amended December 6, 1990, for the benefit of the City of Muskogee, Oklahoma. MWMPA was created to operate a military theme museum and memorial park in Muskogee, Oklahoma. The MWMPA maintains a World War II vintage submarine, the USS Batfish, along with other historical military artifacts. Ownership of the USS Batfish ultimately vests with the U.S. Department of Navy. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. MWMPA is exempt from State and Federal Income taxes. MWMPA is reported as an enterprise fund.

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

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

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

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

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

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

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The following are the City's major governmental funds:

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

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

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Police Capital Outlay, Fire Capital Outlay, Non-Uniform Capital Outlay, Community Clean Up, Street and Alley, Solid Waste, Sales Tax Capital Outlay, Home Grants, Park Developmental Grant, Emergency Management Grants, Police Equipment Grants, Drug Forfeiture Revenue, Drug Forfeiture Federal, Emergency 911, City-County 911 Trust, CDBG Grants, Park Development, Repair and Replacement, Job Incentive, Sales Tax Non-Uniform Benefit, Sales Tax Police Benefit, Sales Tax Fire Benefit, Animal Control, Animal Control Adoption Fees, Community Development, Weed and Seed Program, Department of Energy Grants, Youth Alcohol Prevention, Youth Fines, Equipment Maintenance Division, Convention and Tourism and Multicultural.

Capital Projects Fund – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Civic Center Improvement, 75 Limited Access B, 98 Sales Tax Improvement, Street Maintenance Installation, Sewer Rehabilitation, 2009 Capital Improvement, Chandler Road Detention, Sales Tax Economic Development, Water/Sewer Improvement, Local Law Enforcement Block Grant and Spaulding Park Funds.

CITY OF MUSKOGEE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding. Debt Service Funds of the City include the Debt Service, Capital Lease and Tax Increment Funds.

Permanent Funds – accounts for in the same manner as governmental funds, such as the General Fund. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's permanent fund is the Cemetery Perpetual Care Fund.

Proprietary Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the City has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following are the City's major enterprise funds:

Muskogee Municipal Authority – accounts for the revenue from water and sanitary sewer operations.

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

Solid Waste – accounts for the revenue from solid waste operations.

Stormwater – accounts for the revenue from stormwater operations.

Civic Center & Concessions – accounts for the operations of the Civic Center and concessions.

Muskogee Parking Authority – accounts for the operations of parking meters and lots.

Airport – accounts for the airport rental operation.

Roxy Theater – accounts for the operations of the Roxy.

Hatbox – accounts for the operations of the Hatbox.

Swim & Fitness – accounts for the operations of the Swim and Fitness Center.

Muskogee War Memorial Park Authority – accounts for the operations of the U.S.S. Battfish.

Muskogee State Fair Authority – accounts for the operations of state fairgrounds.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

2. Restricted Cash and Investments

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

3. Fair Value of Financial Instruments

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

4. Estimates

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

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

5. Receivables and Payables

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

6. Inventories

Inventories in governmental funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds consist primarily of water meters, other materials held for subsequent use and concession supplies. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for the governmental and proprietary funds.

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

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

| Description | Governmental Activities Estimated Lives | Business-Type Activities Estimated Lives |
|---------------------------------|---|--|
| Buildings | 25 - 40 years | 25 - 40 years |
| Building improvements | 10 - 25 years | 10 - 25 years |
| Machinery and equipment | 3 - 20 years | 3 - 20 years |
| Infrastructure - parks/cemetery | 10 years | 10 years |
| Infrastructure - water/sewer | 10 - 40 years | 10 - 40 years |
| Infrastructure - streets | 15 - 25 years | 15 - 25 years |

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. Deferred Charges

Loan origination fees are amortized ratably over the repayment period of the applicable bond using the straight-line method.

9. Compensated Absences

It is the City's policy to permit full-time, permanent employees to accumulate earned but unused vacation time after one year of service. Sick leave is earned by full-time, permanent employees upon hire. Salaried employees are awarded compensatory time for work performed in excess of forty hours per week. All City employees are entitled to payment for accrued vacation benefits upon termination with no specified maximums. Uniformed employees are entitled to payment for accrued sick leave upon termination after twenty years of services regardless of age, while non-uniformed employees vest sick leave at ten years of service and at reaching age fifty-five.

Vacation and compensatory time is recorded when incurred and sick leave is recorded when vested. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit. The liability is computed based on pay rates in effect as of June 30, 2011.

10. Long-term Obligations

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

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

11. Net Assets/Fund Balance

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

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Net Assets/Fund Balance (Continued)

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

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

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

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

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

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

12. Resource Use Policy

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

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2012, the City held deposits of approximately \$25,838,009 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

The investments held at June 30, 2012 are as follows:

| Type | Weighted Average Maturity (Months) | Market Value | Cost |
|--|---|----------------------|----------------------|
| Investments | | | |
| Money Market | N/A | \$ 22,134,209 | \$ 22,134,209 |
| Government agency | N/A | 37,907 | 37,907 |
| Certificates of deposit | 7.11 | 3,611,184 | 3,611,184 |
| Municipal tax-supported money judgements | 36.00 | 54,709 | 54,709 |
| Total investments | | <u>\$ 25,838,009</u> | <u>\$ 25,838,009</u> |

Reconciliation to Statement of Net Assets

| | |
|--------------------------|----------------------|
| Governmental activities | \$ 17,781,697 |
| Business-type activities | 6,884,376 |
| Fiduciary activities | 1,171,936 |
| | <u>\$ 25,838,009</u> |

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 85.67% in Money Market funds (\$22,137,209), 0.15% in Government agencies (\$37,907), 13.98% in Certificate of Deposits (\$3,611,184) and 0.21% in Municipal tax-supported money judgments (\$54,709).

B. Uncollectible Accounts

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

| | General Fund | Muskogee Municipal Authority | Muskogee Solid Waste | Muskogee Stormwater |
|-------------|---------------------|------------------------------------|----------------------------|------------------------|
| Court fines | \$ 2,202,308 | \$ - | \$ - | \$ - |
| Water | - | 590,760 | - | - |
| Refuse | - | - | 88,087 | - |
| Stormwater | - | - | - | 18,757 |
| Total | <u>\$ 2,202,308</u> | <u>\$ 590,760</u> | <u>\$ 88,087</u> | <u>\$ 18,757</u> |

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

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

| Governmental Activities: | Balance 6/30/11 | Additions | Disposals | Balance 6/30/12 |
|---|-----------------------|---------------------|-------------|-----------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 1,550,727 | \$ 1,157,225 | \$ - | \$ 2,707,952 |
| Construction in progress | - | 28,172 | - | 28,172 |
| Total non-depreciable assets | <u>1,550,727</u> | <u>1,185,397</u> | <u>-</u> | <u>2,736,124</u> |
| Depreciable assets: | | | | |
| Buildings and improvements | 20,707,820 | 266,375 | - | 20,974,195 |
| Furniture, fixtures and equipment | 17,625,586 | 2,422,403 | - | 20,047,989 |
| Infrastructure - parks | 1,295,973 | 1,032,035 | - | 2,328,008 |
| Infrastructure - water/sewer | 8,482,466 | 1,876,902 | - | 10,359,368 |
| Infrastructure - streets | 366,524,208 | 760,226 | - | 367,284,434 |
| Infrastructure - public services | 38,165 | - | - | 38,165 |
| Total depreciable assets | <u>414,674,218</u> | <u>6,357,941</u> | <u>-</u> | <u>421,032,159</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (17,075,578) | (165,726) | - | (17,241,304) |
| Furniture, fixtures and equipment | (13,146,319) | (800,590) | - | (13,946,909) |
| Infrastructure - parks | (148,061) | (111,059) | - | (259,120) |
| Infrastructure - water/sewer | (2,370,632) | (237,199) | - | (2,607,831) |
| Infrastructure - streets | (205,121,381) | (3,923,702) | - | (209,045,083) |
| Infrastructure - public services | (27,671) | (3,817) | - | (31,488) |
| Total accumulated depreciation | <u>(237,889,642)</u> | <u>(5,242,093)</u> | <u>-</u> | <u>(243,131,735)</u> |
| Net depreciable assets | <u>176,784,576</u> | <u>1,115,848</u> | <u>-</u> | <u>177,900,424</u> |
| Net governmental activities capital assets | <u>\$ 178,335,303</u> | <u>\$ 2,301,245</u> | <u>\$ -</u> | <u>\$ 180,636,548</u> |

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets (Continued)

| Business-Type Activities: | Balance 6/30/11 | Additions | Disposals | Balance 6/30/12 |
|---|----------------------------|---------------------|------------------|----------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 2,083,673 | \$ 269,894 | \$ - | \$ 2,353,567 |
| Construction in progress | 18,222,866 | 4,876,448 | - | 23,099,314 |
| Total non-depreciable assets | <u>20,306,539</u> | <u>5,146,342</u> | <u>-</u> | <u>25,452,881</u> |
| Depreciable assets: | | | | |
| Buildings and improvements - Hatbox | 3,115,248 | - | - | 3,115,248 |
| Buildings and improvements - Civic Center | 7,071,714 | - | - | 7,071,714 |
| Buildings and improvements - Airport | 930,910 | - | - | 930,910 |
| Buildings and improvements - Parking | 360,954 | - | - | 360,954 |
| Furniture, fixtures and equipment | 12,214,889 | 83,390 | - | 12,298,279 |
| State fair assets | 902,815 | - | - | 902,815 |
| War memorial assets | 221,141 | - | - | 221,141 |
| Infrastructure - water/sewer | 74,107,747 | - | - | 74,107,747 |
| Infrastructure - parking | 111,557 | - | - | 111,557 |
| Infrastructure - sports complex | 698,724 | - | - | 698,724 |
| Infrastructure - swim & fitness | 591,945 | - | - | 591,945 |
| Infrastructure - airport | 2,348,020 | 132,691 | - | 2,480,711 |
| Total depreciable assets | <u>102,675,664</u> | <u>216,081</u> | <u>-</u> | <u>102,891,745</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements - Hatbox | (1,336,100) | (121,723) | - | (1,457,823) |
| Buildings and improvements - Civic Center | (698,659) | (178,017) | - | (876,676) |
| Buildings and improvements - Airport | (265,973) | (46,545) | - | (312,518) |
| Buildings and improvements - Parking | (202,595) | (4,398) | - | (206,993) |
| Furniture, fixtures and equipment | (2,400,390) | (363,381) | - | (2,763,771) |
| State fair assets | (592,391) | (12,823) | - | (605,214) |
| War memorial assets | (151,578) | (4,953) | - | (156,531) |
| Infrastructure - water/sewer | (31,104,618) | (1,886,638) | - | (32,991,256) |
| Infrastructure - parking | (111,557) | - | - | (111,557) |
| Infrastructure - sports complex | (384,298) | (34,936) | - | (419,234) |
| Infrastructure - swim & fitness | (51,795) | (14,799) | - | (66,594) |
| Infrastructure - airport | (572,838) | (106,073) | - | (678,911) |
| Total accumulated depreciation | <u>(37,872,792)</u> | <u>(2,774,286)</u> | <u>-</u> | <u>(40,647,078)</u> |
| Net depreciable assets | <u>64,802,872</u> | <u>(2,558,205)</u> | <u>-</u> | <u>62,244,667</u> |
| Net business-type activities capital assets | <u>\$ 85,109,411</u> | <u>\$ 2,588,137</u> | <u>\$ -</u> | <u>\$ 87,697,548</u> |

Depreciation expense was charged as a direct expense of the various programs.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Inter-fund Receivables and Payables

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

| | Due From | Due To |
|-------------------|-------------|-----------|
| General Fund: | | |
| Civic Center | \$ 89,744 | \$ - |
| Enterprise Funds: | | |
| Civic Center: | | |
| General Fund | - | 89,744 |
| Total all funds | \$ 89,744 | \$ 89,744 |

E. Capitalized Leases

The City has entered into a capitalized lease for the acquisition of a fire truck. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification (ASC) 840-10 (Formerly FAS No. 13), Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

The capital leases are described below.

| | |
|---|-------------------|
| (1) Lease payable to Systems Finance Corporation for the lease purchase of police vehicles. Five yearly payments of \$204,405 plus interest at 3.24% are due on May 1, 2008 through May 1, 2012, to be repaid from the Police Capital Outlay Fund. This lease was paid off in the current year. | \$ - |
| (2) Lease payable to Motorola Credit Corporation for the shared lease purchase of a communications network. Annual payments of \$117,399 plus interest at 4.11% are due on January 1, 2011 through January 1, 2020, to be repaid from the Emergency 911 Fund. | 785,163 |
| Total | \$ 785,163 |

The following is a summary of capitalized lease transactions for the year:

| | Balance July 1, 2011 | Additions | Payments and Cancellations | Balance June 30, 2012 |
|---------------------------|----------------------------|------------|----------------------------------|-----------------------------|
| Capital lease obligations | \$ 197,982 | \$ 945,000 | \$ 357,819 | \$ 785,163 |

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Capitalized Leases (Continued)

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------|-------------------|-------------------|
| 2013 | \$ 84,879 | \$ 32,521 | \$ 117,400 |
| 2014 | 88,367 | 29,032 | 117,399 |
| 2015 | 91,999 | 25,400 | 117,399 |
| 2016 | 95,780 | 21,619 | 117,399 |
| 2017 | 99,717 | 17,683 | 117,400 |
| 2018-2020 | 324,421 | 27,776 | 352,197 |
| Total | <u>\$ 785,163</u> | <u>\$ 154,031</u> | <u>\$ 939,194</u> |

F. Long-term Debt

The City's long-term debt is described below, segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

The governmental long-term debt of the financial reporting entity consisted of the following:

A tax-increment bond payable was issued August 26, 1987 by the Muskogee Urban Renewal Authority in the original amount of \$220,000 for tax-increment financing of an agreed-upon share of the costs of acquisition of land, relocation and asbestos removal of the severs Hotel; interest at 80% of Chase prime with a ceiling of 14% and a floor of 7%; payable over a term not to exceed thirty years with a principal payment of the lesser of (a) the amount of the annual principal payment for a year calculated as if the debt service was equal annual payments over fifteen years at an interest rate of 7%, or (b) the balance of funds remaining after the payment of the current year's interest from the apportionment of millage during the prior fiscal year installment, or (c) the remaining principal balance of the last installment; to be repaid from the apportionment of millage allocated to the City and pledged to the Authority.

A Utility relocation contract payable to the Oklahoma Department of Transportation (ODOT) was issued November 8, 2004 to refinance the relocation costs of the water and sewer lines within the U.S. Highway 69 relocation which totaled \$985,730. It is payable with no interest in monthly installments equal to 1/120th of the original balance due beginning within 60 days from the date of receipt by ODOT of the final billing which was dated May 27, 2005. APB-21 excludes payables whose interest rate is determined by a government agency from the requirements to impute interest, and no interest has been imputed. At June 30, 2012, no request for payment has been made by ODOT and no payment has been made by the City. Resources for repayment are to be provided by the Street and Alley Fund.

Judgments payable are various court-assessed judgments against the City, each judgment payable in three annual installments plus interest at the statutory rate set by the Oklahoma State Treasurer which was 9.25% for the calendar year 2012, to be repaid from property tax levy.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

The following is a summary of long-term debt transactions of the Governmental Activities of the City:

| | Balance Outstanding 7/1/11 | Issued | Retired, or Defeased During Year | Balance Outstanding 6/30/12 | Current Portion |
|----------------------------|----------------------------------|-------------------|---|-----------------------------------|--------------------|
| Governmental Activities: | | | | | |
| Tax-increment bond payable | \$ 22,000 | \$ - | \$ (7,333) | \$ 14,667 | \$ 7,333 |
| ODOT contract payable | 985,730 | - | - | 985,730 | 197,146 |
| Judgments payable | 430,745 | 184,137 | (202,568) | 412,314 | 189,717 |
| Total | <u>\$ 1,438,475</u> | <u>\$ 184,137</u> | <u>\$ (209,901)</u> | <u>\$ 1,412,711</u> | <u>\$ 394,196</u> |

The business-type long-term debt of the financial reporting entity consisted of the following:

Several promissory notes payable were issued by the Municipal Authority of the City of Muskogee to the Oklahoma Water Resources Board. These notes, although listed individually, were a part of an overall loan agreement that included both zero interest loans and below market interest loans. The aggregate interest rates of the overall loan agreement would not be considered "inappropriate" pursuant to APB No. 21 and consequently no interest has been imputed on the zero interest loans.

The Oklahoma Water Resources Board notes are secured by a pledge and assignment of revenues derived by the Authority from its operation of the water and sewer systems serving the City of Muskogee. The notes are subject to the terms and provisions of the Loan Agreement dated September 1, 1994, between the Oklahoma Water Resources Board and the Muskogee Municipal Authority. The terms of this agreement include (1) a rate covenant and (2) the establishment and funding of debt service funds held by a local trustee. For the year ended June 30, 2012, the City complied, in all material respects, with these covenants.

The following were the Oklahoma Water Resources Board notes outstanding at June 30, 2012:

Series 1993A SRF Promissory Note in the original amount of \$2,141,969 payable without interest together with an administrative fee of 0.5% per annum in consecutive semiannual installments commencing September 15, 1993, and on or before the 15th day of March and September thereafter up to and including March 15, 2013.

Series 1994A SRF Promissory Note in the original amount of \$2,479,231 payable without interest together with an administrative fee of 0.5% per annum in consecutive semiannual installments commencing February 15, 1997, and on or before the 15th day of February and August thereafter up to and including August 15, 2014.

Series 1998A SRF Promissory Note in the original amount of \$3,480,000 payable without interest together with an administrative fee of 0.5% per annum in consecutive semiannual installments commencing February 15, 1999, and on or before the 15th day of February and August thereafter up to and including August 15, 2018.

Series 1999A SRF Promissory Note in the original amount of \$1,970,766 payable at an average interest rate of 0.5% per annum in consecutive semiannual installments commencing February 15, 2000, and on or before the 15th day of February and August thereafter up to and including February 15, 2019.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

Series 2003B SRF Promissory Note in the original amount of \$4,575,000 payable at an average interest rate of 1.27% per annum in consecutive semiannual installments commencing September 15, 2003, and on or before the 15th day of March and September thereafter up to and including September 15, 2014.

Series 2008 SRF Promissory Note in the original amount of \$30,410,000 payable at an average interest rate of 3.96% per annum in consecutive semiannual interest installments commencing September 15, 2009 and principal installments commencing September 15, 2012, and on or before the 15th day of March and September thereafter up to and including March 15, 2032. Only draws on the loan have been taken at this time so the full amount has not been reached.

Series 2009 Clean Water SRF Promissory Note in the original amount of \$1,435,000 payable at an average interest rate of 2.36% per annum in consecutive semiannual installments commencing March 15, 2011, and on or before the 15th day of September and March thereafter up to and including March 15, 2030.

Series 2010 SRF Promissory Note in the original amount of \$6,565,000 payable at an average interest rate of 2.4% per annum in consecutive semiannual installments commencing December 1, 2010, and on or before the 1st day of June and December thereafter up to and including December 1, 2014.

Series 2010A SRF Promissory Note in the original amount of \$4,215,000 payable at an average interest rate of 3.25% per annum in consecutive semiannual installments commencing March 1, 2011, and on or before the 1st day of March and September thereafter up to and including September 1, 2017.

Series 2011 SRF Promissory Note in the original amount of \$10,645,000 payable at an average interest rate of 2.55% per annum in consecutive semiannual interest installments commencing February 1, 2011 and principal installments commencing February 1, 2013, and on or before the 1st day of August and February thereafter up to and including August 1, 2027. Only draws on the loan have been taken at this time so the full amount has not been reached.

A note payable from Muskogee Municipal Authority was issued to the City of Muskogee Foundation for the construction of the Port Place roads in the amount \$1,200,000. The note is payable in ten semiannual installments of \$126,698 plus interest at 2% and are due June 1, 2010 to December 1, 2014.

A note payable from the Muskogee Municipal Authority was refinanced to Bank of Oklahoma for the purchase of a new water meter system and City Hall's new heat & air system in the amount of \$8,179,000. The note is payable in twenty semi-annual installments plus interest at 2.2% and are due July 2012 to January 2022.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

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

| | Balance Outstanding 7/1/11 | Issued | Retired, or Defeased During Year | Balance Outstanding 6/30/12 | Current Portion |
|-------------------------------|----------------------------------|---------------------|---|-----------------------------------|---------------------|
| Muskogee Municipal Authority: | | | | | |
| OWRB - 1993A SRF | \$ 214,197 | \$ - | \$ (107,098) | \$ 107,099 | \$ 107,098 |
| OWRB - 1994A SRF | 433,865 | - | (123,962) | 309,903 | 123,962 |
| OWRB - 1998A SRF | 1,305,000 | - | (174,000) | 1,131,000 | 174,000 |
| OWRB - 1999A SRF | 808,519 | - | (101,065) | 707,454 | 101,065 |
| OWRB - 2003B SRF | 1,665,000 | - | (450,000) | 1,215,000 | 465,000 |
| OWRB - 2008 SRF | 18,907,871 | 3,101,302 | - | 22,009,173 | - |
| OWRB - 2009 SRF | 963,172 | - | (38,578) | 924,594 | 39,780 |
| OWRB - 2010 SRF | 5,625,000 | - | (1,555,000) | 4,070,000 | 1,595,000 |
| OWRB - 2010A SRF | 4,175,000 | - | (520,000) | 3,655,000 | 620,000 |
| OWRB - 2011 SRF | - | 787,463 | - | 787,463 | - |
| Muskogee Foundation | 842,523 | - | (237,729) | 604,794 | 242,508 |
| Honeywell - BOK | 8,215,236 | - | (36,236) | 8,179,000 | 782,000 |
| Total | <u>\$ 43,155,383</u> | <u>\$ 3,888,765</u> | <u>\$ (3,343,668)</u> | <u>\$ 43,700,480</u> | <u>\$ 4,250,413</u> |

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

| Year Ending June 30, | Governmental Activities | | |
|-------------------------|-------------------------|------------------|---------------------|
| | Principal | Interest | Total |
| 2013 | \$ 394,196 | \$ 23,338 | \$ 417,534 |
| 2014 | 365,698 | 27,190 | 392,888 |
| 2015 | 258,525 | 22,670 | 281,195 |
| 2016 | 197,146 | - | 197,146 |
| 2017 | 197,146 | - | 197,146 |
| Total | <u>\$ 1,412,711</u> | <u>\$ 73,198</u> | <u>\$ 1,485,909</u> |

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

| Business-Type Activities | | | |
|--------------------------|--------------|------------|--------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2013 | \$ 4,250,413 | \$ 332,185 | \$ 4,582,598 |
| 2014 | 4,214,351 | 284,333 | 4,498,684 |
| 2015 | 3,043,088 | 205,862 | 3,248,950 |
| 2016 | 1,794,372 | 169,937 | 1,964,309 |
| 2017 | 1,833,698 | 150,387 | 1,984,085 |
| 2018-2022 | 5,297,580 | 339,801 | 5,637,381 |
| 2023-2027 | 281,158 | 41,577 | 322,735 |
| 2028-2031 | 189,185 | 8,038 | 197,223 |
| Total | 20,903,845 | 1,532,120 | 22,435,965 |

3. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City manages these various risks of loss as follows:

| <u>Type of Loss</u> | <u>Method Managed</u> | <u>Risk Retained</u> |
|--|--|----------------------|
| Torts, errors and omissions | Purchased Insurance with Oklahoma Municipal Assurance Group. | See (1) below |
| Injuries to employees | Self-insured. | See (2) below |
| Physical property loss and Natural disasters | Purchased commercial insurance with \$1,000 to \$50,000 deductibles. | None |
| Health | Self-insured. | See (3) below |

(1) *Liability Protection Plan* – The basic insurance agreements with the Oklahoma Municipal Assurance Group cover claims against municipalities for all government functions, utilities and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws. All public officials, employees, services and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan is vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the group in equal shares. Each participating City pays all costs, premiums or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the re-insurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

3. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

- (2) *Workers Compensation* – The City has established a Workers Compensation Trust Fund. Claims settled without adjudication or arbitration are paid from the Trust Fund. Since claims for Joint Petition Settlements, Form 14 Settlements and adjudicated final orders of the Workers' Compensation Court pertaining to permanent and temporarily disability awards and medical treatment claims are paid through the City's sinking fund by property taxes assessed and collected annually specifically for this purpose, the risk retained by the City is limited to payments for undisputed temporary disability and medical treatment payments. The City has excess insurance with retention of \$350,000 per accident for police and firemen and \$300,000 for non-uniform employees. No liability for reported claims or for incurred but not reported claims has been accrued at June 30, 2012. The City's contributions to this fund were \$372,450 in the year ended June 30, 2011. At June 30, 2012, this fund had been fully funded by contributions from the City and had a zero fund balance.
- (3) *Health Benefits* – The City has established a trust fund for providing health benefits to its employees and covered dependents. Health benefits were self-insured up to a specific stop loss amount of \$125,000 per individual claim and an aggregate stop loss of approximately \$3,000,000 for 2012. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third-party claims administrator. No liabilities for reported claims or for claims incurred but not reported have been accrued at June 30, 2012. Management believes such coverage is sufficient to preclude any significant losses to the City.

All operating funds of the City participate in the program and make payments to the Life and Medical Trust Fund. Contributions to the fund are based on actuarial estimates of the amounts need to pay prior and current year claims. The contributions made by the City (as employer) were \$3,386,815 and by employees were \$30,121 for 2012. At June 30, 2012, this fund had a fund balance of -\$686,720.

B. Contingent Liabilities

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

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

C. Employee Retirement System and Plans

City employees participate in three retirement plans, which are discussed below:

The City of Muskogee, as the employer, participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of the policemen and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes and state appropriations, as necessary.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

1. Oklahoma Police Pension and Retirement Fund

All City police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63rd Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contribution from the City for these plans was \$499,703, \$498,517 and \$528,502 for 2012, 2011 and 2010, respectively. The required contribution was fully contributed. At June 30, 2012 the system held no related-party investments of the City or of its related entities.

2. Oklahoma Firefighter's Pension and Retirement Fund

All City fire department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OFPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the City for these plans was \$589,407, \$586,021 and \$606,559 for 2012, 2011 and 2010, respectively. The required contribution was fully contributed. At June 30, 2012 the system held no related-party investments of the City or of its related entities.

3. Defined contribution plan

Effective July 1, 1996, the City participates in a defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. A defined contribution plan's benefits depend solely on amounts contributed to the plan, investment earnings and forfeitures of other participants' benefits that may be allocated to remaining participants' accounts. Benefits vest after ten years of credited service, with normal retirement at age 65 and early retirement at age 55 with 10 years or more of service. Participants are required to contribute 3% of their covered compensation and the City is required to contribute 7.428% of covered compensation. Participants are permitted to make voluntary deductible contributions to the plan. The City's annual pension cost of \$616,678 was equal to the City's required and actual contributions.

OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

4. Municipal Employees Retirement Fund

In addition to the above plans, the non-uniformed employees of the City have a beneficial interest in the trust account of the City known as the Municipal Employees Retirement Fund. This fund had a fund balance of \$22,368 at June 30, 2012. None of the fund balance had been allocated to employees at June 30, 2012. Historically, these funds have been used by the City to make direct payments to pre-1984 retirees as voluntary payments to provide treatment that is more favorable for this retiree group. This group of pre-1984 retirees receives retirement payments from annuity contracts through the insurer that the City's retirement plan used prior to its current agreement with the Oklahoma Municipal Retirement Fund (OMRF). Voluntary payments to pre-1984 retirees totaled \$0, \$2,616 and \$3,224 in the years ended June 30, 2012, 2011 and 2010, respectively.

D. Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2012, approximately 9 retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the City contributed \$3,509,413 to the plan. Plan members receiving benefits contributed \$113,833, or approximately 100 percent of the total premiums, through their required contribution of \$544.91 per month for retiree-only coverage and \$879.18 for retiree and spouse medical coverage, these amounts include dental and vision coverage.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The following shows the components of the City's annual OPEB cost and the City's net OPEB obligation for the year ended June 30, 2012:

Current Service Cost (\$179,602) + Amortization Amount (\$254,878) = Total Contribution (\$434,480).
OPEB obligation for retired employees as determined by Actuarial is \$4,177,515.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

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

| <u>Actuarial Valuation Date</u> | <u>Value of Assets</u> | <u>Asset Valuation Basis</u> | <u>Actuarial Accrued Liability (AAL)*</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> |
|---|----------------------------|--------------------------------------|---|------------------------------------|-------------------------|
| 6/30/2012 | \$ - | Actuarial | \$ 4,177,515 | \$ 4,177,515 | 0.0% |

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2012, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate of 4.5% was used. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2012, was twenty-nine years.

4. OTHER INTERFUND TRANSACTIONS

The Muskogee Municipal Authority entered a lease agreement dated October 1, 1976 with the City of Muskogee. The property leased from the City includes the presently existing and hereafter acquired water and sanitary sewer systems. The leased property and the gross revenues derived there from are referred to collectively as the Trust Estate in the lease which was amended May 1, 1992. The term of the lease is to September 30, 1998, or until such date as all indebtedness incurred by the Authority and secured by the Trust Estate or any part thereof is paid.

The Muskogee Municipal Authority provided water and sewer services during the current fiscal year to the following users at no charge: City of Muskogee Departments, Muskogee State Fair Authority and Muskogee City-County Health Department.

5. LEASE AGREEMENTS

The City of Muskogee leases unimproved land at the Muskogee Davis Field Airport to various lessees for the purpose of constructing, operating and maintaining airplane hangars. The initial term of these leases is twenty years, with right of first refusal to negotiate a new lease at the termination of the initial twenty-year lease. The rental charge is \$0.13 per square foot per year due annually, with limits for increases to rental charges over the twenty-year term. The annual rental payment for each parcel leased for hangar construction is approximately \$600. At June 30, 2012, there were five such leases in effect. Since the leases are for unimproved realty, there is no depreciation or other direct expense related to the assets subject to the leases.

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

5. LEASE AGREEMENTS (Continued)

The Muskogee War Memorial Park Authority subleases a portion of its museum to an American Legion Post under the terms of a sublease agreement dated May 14, 1984. The sublease agreement provided a primary sublease term of 15 years (through 1999) and was renewable by the American Legion Post for an additional 25-year term. At the inception of the primary lease term, a \$13,065 lump-sum payment was received by the MWMPA in full payment of both the primary and renewal sublease periods. The lump-sum sublease prepayment is being amortized to income over a 40-year period at a rate of \$327 per year and, at June 30, 2012, has a remaining unamortized balance of \$4,181. The unamortized balance is included as deferred revenue.

6. RELATED ORGANIZATIONS

The Muskogee City Council is responsible for appointing members of the board of other organizations. Additionally, the City of Muskogee, in conjunction with the Muskogee County Commissioners, has created jointly-governed organizations whose boards are composed of or appointed by the City Council and the County Commissioners. These related organizations exist as separate legal entities and the City's accountability for these organizations does not extend beyond making the board appointments. A list of organizations for whom the City and/or County appoints a majority of the members of their boards includes the following:

- A More Beautiful Muskogee
- Muskogee Housing Authority
- Muskogee City-County Port Authority
- Muskogee County Transit Authority
- Muskogee Industrial Trust
- Muskogee Medical Center Authority
- Urban Renewal Authority

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2012, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

CITY OF MUSKOGEE
Muskogee, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2012

CITY OF MUSKOGEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2012
(Unaudited)

GENERAL FUND

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|--|---------------------|---------------------|----------------------|---|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Taxes | \$ 14,690,000 | \$ 14,690,000 | \$ 15,112,162 | \$ 422,162 |
| Franchise fees | 2,250,000 | 2,250,000 | 2,557,588 | 307,588 |
| Intergovernmental programs | 20,000 | 20,000 | 24,857 | 4,857 |
| Fines and forfeits | 1,060,000 | 1,060,000 | 941,851 | (118,149) |
| Licenses and permits | 250,000 | 250,000 | 264,146 | 14,146 |
| Interest | 50,000 | 50,000 | 25,102 | (24,898) |
| Rental receipts | 186,025 | 186,025 | 200,231 | 14,206 |
| Cemetery collections | 85,000 | 85,000 | 73,720 | (11,280) |
| Miscellaneous revenue | 20,000 | 20,000 | 74,217 | 54,217 |
| Sale of property | 15,000 | 15,000 | 4,906 | (10,094) |
| Total revenues | <u>18,626,025</u> | <u>18,626,025</u> | <u>19,278,780</u> | <u>652,755</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 4,670,190 | 4,670,190 | 4,401,213 | 268,977 |
| Public safety and judiciary | 14,045,016 | 14,045,016 | 13,637,786 | 407,230 |
| Streets | 1,622,351 | 1,622,351 | 1,403,751 | 218,600 |
| Cultural and recreational | 2,236,354 | 2,236,354 | 2,157,186 | 79,168 |
| Utilities | 7,521,615 | 7,521,615 | 5,599,277 | 1,922,338 |
| Capital outlay | 33,000 | 33,000 | 33,000 | - |
| Other public services | 394,258 | 394,258 | 394,258 | - |
| Total expenditures | <u>30,522,784</u> | <u>30,522,784</u> | <u>27,626,471</u> | <u>2,896,313</u> |
| Excess of revenue over (under) expenditures | (11,896,759) | (11,896,759) | (8,347,691) | 3,549,068 |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | 10,278,200 | 10,278,200 | 9,051,645 | (1,226,555) |
| Net changes in fund balance | (1,618,559) | (1,618,559) | 703,954 | 2,322,513 |
| Net assets - beginning of year | <u>10,928,548</u> | <u>10,928,548</u> | <u>10,928,548</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 9,309,989</u> | <u>\$ 9,309,989</u> | <u>\$ 11,632,502</u> | <u>\$ 2,322,513</u> |

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

CITY OF MUSKOGEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2012
(Unaudited)

SPECIAL REVENUE FUNDS

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|---------------------|--|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Taxes | \$ 4,829,436 | \$ 4,829,436 | \$ 5,995,031 | \$ 1,165,595 |
| Intergovernmental programs | - | - | 1,546,312 | 1,546,312 |
| Donations | 653,000 | 653,000 | 1,532,073 | 879,073 |
| Fines and forfeitures | 24,000 | 24,000 | 49,562 | 25,562 |
| Interest | 7,025 | 7,025 | 3,437 | (3,588) |
| Sale of property | 36,000 | 36,000 | 56,314 | 20,314 |
| Rental receipts | 25,000 | 25,000 | 24,440 | (560) |
| Admissions & concessions | 31,500 | 31,500 | 25,800 | (5,700) |
| Licenses and permits | 6,500 | 6,500 | 11,774 | 5,274 |
| Judgements | - | - | 29,517 | 29,517 |
| Lease/note proceeds | - | 945,000 | 945,000 | - |
| Miscellaneous | 8,000 | 8,000 | 152,489 | 144,489 |
| Total revenues | <u>5,620,461</u> | <u>6,565,461</u> | <u>10,371,749</u> | <u>3,806,288</u> |
| Expenditures: | | | | |
| Economic development | 588,053 | 588,053 | 584,851 | 3,202 |
| General government | 715,327 | 715,327 | 666,022 | 49,305 |
| Public safety and judiciary | 4,124,476 | 4,124,476 | 3,751,559 | 372,917 |
| Streets | 600,580 | 600,580 | 579,868 | 20,712 |
| Cultural & recreation | 730,231 | 730,231 | 720,761 | 9,470 |
| Water and sewer | 291,100 | 291,100 | 266,165 | 24,935 |
| Solid waste | 200,000 | 200,000 | 189,674 | 10,326 |
| Other public services | 718,000 | 718,000 | 708,000 | 10,000 |
| Capital outlay | 2,487,893 | 3,432,893 | 3,208,380 | 224,513 |
| Debt service: | | | | |
| Principal | 269,238 | 269,238 | 159,837 | 109,401 |
| Interest expense | 161,058 | 161,058 | 74,961 | 86,097 |
| Total expenditures | <u>10,885,956</u> | <u>11,830,956</u> | <u>10,910,078</u> | <u>920,878</u> |
| Excess of revenue over (under) expenditures | <u>(5,265,495)</u> | <u>(5,265,495)</u> | <u>(538,329)</u> | <u>4,727,166</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | <u>1,576,412</u> | <u>1,576,412</u> | <u>343,389</u> | <u>(1,233,023)</u> |
| Net changes in fund balance | <u>(3,689,083)</u> | <u>(3,689,083)</u> | <u>(194,940)</u> | <u>3,494,143</u> |
| Fund balance at beginning of year | <u>5,163,641</u> | <u>5,163,641</u> | <u>5,163,641</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,474,558</u> | <u>\$ 1,474,558</u> | <u>\$ 4,968,701</u> | <u>\$ 3,494,143</u> |

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

CITY OF MUSKOGEE
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2012
 (Unaudited)

CAPITAL PROJECTS FUND

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|---------------------|--|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues: | | | | |
| Taxes | \$ 4,164,098 | \$ 4,164,098 | \$ 4,383,228 | \$ 219,130 |
| Intergovernmental programs | - | - | 18,470 | 18,470 |
| Donations | - | - | 32,687 | 32,687 |
| Interest | 3,400 | 3,400 | 443 | (2,957) |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>4,167,498</u> | <u>4,167,498</u> | <u>4,434,828</u> | <u>267,330</u> |
| Expenditures: | | | | |
| Economic development | - | - | - | - |
| General government | 56,000 | 56,000 | 55,816 | 184 |
| Public safety and judiciary | - | - | - | - |
| Streets | - | - | - | - |
| Cultural & recreation | 15,000 | 15,000 | 14,009 | 991 |
| Utilities | - | - | - | - |
| Capital outlay | 4,367,283 | 4,367,283 | 4,301,957 | 65,326 |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest expense | - | - | - | - |
| Total expenditures | <u>4,438,283</u> | <u>4,438,283</u> | <u>4,371,782</u> | <u>66,501</u> |
| Excess of revenue over (under) expenditures | (270,785) | (270,785) | 63,046 | 333,831 |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | <u>(425,000)</u> | <u>(425,000)</u> | <u>(424,434)</u> | <u>566</u> |
| Net changes in fund balance | (695,785) | (695,785) | (361,388) | 334,397 |
| Fund balance at beginning of year | <u>4,771,150</u> | <u>4,771,150</u> | <u>4,771,150</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 4,075,365</u> | <u>\$ 4,075,365</u> | <u>\$ 4,409,762</u> | <u>\$ 334,397</u> |

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

CITY OF MUSKOGEE
Muskogee, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2012
(Unaudited)

BUDGETARY INFORMATION

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

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

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

**CITY OF MUSKOGEE
Muskogee, Oklahoma**

**SUPPLEMENTAL INFORMATION
June 30, 2012**

CITY OF MUSKOGEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2012

| | Special Revenue | | | | | | | | | |
|--|-----------------------------|---------------------------|----------------------------------|--------------------------|----------------------|--------------------|--------------------------------|----------------|--|--|
| | Capital Outlay Police | Capital Outlay Fire | Capital Outlay Non-uniform | Community Clean Up | Street & Alley | Solid Waste | Sales Tax Capital Outlay | Home Grants | | |
| Assets: | | | | | | | | | | |
| Cash and equivalents | \$ 37,405 | \$ 152,204 | \$ 389,287 | \$ (14,818) | \$ 40,177 | \$ (30,419) | \$ 1,024,504 | \$ 314 | | |
| Investments at cost | - | - | - | - | - | 440 | - | - | | |
| Accounts receivable, net | - | - | - | 71,730 | - | 131 | - | - | | |
| Grants receivable | - | - | - | - | - | - | - | - | | |
| Taxes receivable | 24,417 | 24,417 | 24,417 | - | 214,242 | - | 195,339 | - | | |
| Interest receivable | - | - | - | - | - | 4 | - | - | | |
| Restricted assets: | | | | | | | | | | |
| Cash & investments | - | - | - | - | - | - | - | - | | |
| Total assets | \$ 61,822 | \$ 176,621 | \$ 413,704 | \$ 56,912 | \$ 254,419 | \$ (29,844) | \$ 1,219,843 | \$ 314 | | |
| Liabilities: | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 2,897 | \$ - | \$ 18,476 | \$ 4,857 | \$ 90,791 | \$ - | | |
| Cash overdraft | - | - | - | - | - | - | - | - | | |
| Due to other funds | - | - | - | - | - | - | - | - | | |
| Accrued payroll | - | - | - | - | - | - | - | - | | |
| Total liabilities | \$ - | \$ - | \$ 2,897 | \$ - | \$ 18,476 | \$ 4,857 | \$ 90,791 | \$ - | | |
| Fund balances: | | | | | | | | | | |
| Restricted | 61,436 | 176,255 | 410,132 | 56,910 | 235,751 | - | 1,126,522 | 281 | | |
| Committed | 386 | 366 | 675 | 2 | 192 | - | 2,530 | 33 | | |
| Unassigned | - | - | - | - | - | (34,701) | - | - | | |
| Total fund balances | \$ 61,822 | \$ 176,621 | \$ 410,807 | \$ 56,912 | \$ 235,943 | \$ (34,701) | \$ 1,129,052 | \$ 314 | | |
| Total liabilities and fund balances | \$ 61,822 | \$ 176,621 | \$ 413,704 | \$ 56,912.00 | \$ 254,419 | \$ (29,844) | \$ 1,219,843 | \$ 314 | | |

CITY OF MUSKOGEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012

Special Revenue

| | Park Development Grant | Emergency Management Grants | Police Equipment Grants | Drug Forfeiture Revenue | Drug Forfeiture Federal | Emergency 911 | City- County 911 | CDBG Grants |
|--|------------------------------|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|------------------------|-------------------|
| | | | | | | | | |
| (Continued) | | | | | | | | |
| Assets: | | | | | | | | |
| Cash and equivalents | \$ (108,498) | \$ 2,136 | \$ 28,341 | \$ 29,864 | \$ 6,547 | \$ (122,475) | \$ 15,198 | \$ 304,906 |
| Investments at cost | - | - | - | - | - | - | - | - |
| Accounts receivable, net | - | - | - | - | - | - | - | 132,415 |
| Grants receivable | 226,109 | - | 10,000 | - | - | - | - | 84,649 |
| Taxes receivable | - | - | - | - | - | - | - | - |
| Interest receivable | - | - | - | - | - | - | - | - |
| Restricted assets: | | | | | | | | |
| Cash & investments | - | - | - | - | - | - | - | - |
| Total assets | \$ 117,611 | \$ 2,136 | \$ 38,341 | \$ 29,864 | \$ 6,547 | \$ (122,475) | \$ 15,198 | \$ 521,970 |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 10,000 | \$ 23 | \$ 15,687 | \$ 2,545 | \$ - | \$ 105 |
| Cash overdraft | - | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - | - |
| Accrued payroll | - | - | - | - | - | - | - | - |
| Total liabilities | \$ - | \$ - | \$ 10,000 | \$ 23 | \$ 15,687 | \$ 2,545 | \$ - | \$ 105 |
| Fund balances: | | | | | | | | |
| Restricted | - | 2,136 | 28,283 | 29,765 | - | - | 15,198 | 521,226 |
| Committed | - | - | 58 | 76 | - | - | - | 639 |
| Unassigned | 117,611 | - | - | - | (9,140) | (125,020) | - | - |
| Total fund balances | 117,611 | 2,136 | 28,341 | 29,841 | (9,140) | (125,020) | 15,198 | 521,865 |
| Total liabilities and fund balances | \$ 117,611 | \$ 2,136 | \$ 38,341 | \$ 29,864 | \$ 6,547 | \$ (122,475) | \$ 15,198 | \$ 521,970 |

CITY OF MUSKOGEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2012

Special Revenue

| (Continued) Assets: | Park Development | Repair and Replacement | Job Incentives | Sales Tax | | Sales Tax | | Sales Tax | | Animal Control | Animal Adopt Fees |
|--|---------------------|------------------------------|-------------------|------------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|----------------------|
| | | | | Non Uniform Benefit | Police Benefit | Fire Benefit | Fire Benefit | Animal Control | | | |
| Cash and equivalents | \$ 653,243 | \$ 50,656 | \$ 28,722 | \$ 392,459 | \$ 273,419 | \$ 136,528 | \$ 136,528 | \$ 44,818 | \$ 64,036 | | |
| Investments at cost | - | - | - | - | - | - | - | - | - | | |
| Accounts receivable, net | - | 91 | - | - | - | - | - | - | - | | |
| Grants receivable | - | - | - | - | - | - | - | - | - | | |
| Taxes receivable | - | - | - | 195,339 | 195,339 | 195,339 | 195,339 | - | - | | |
| Interest receivable | - | - | - | - | - | - | - | - | - | | |
| Restricted assets: | | | | | | | | | | | |
| Cash & investments | - | - | - | - | - | - | - | - | - | | |
| Total assets | \$ 653,243 | \$ 50,747 | \$ 28,722 | \$ 587,798 | \$ 468,758 | \$ 331,867 | \$ 331,867 | \$ 44,818 | \$ 64,036 | | |
| Liabilities: | | | | | | | | | | | |
| Accounts payable | \$ 64,812 | \$ 7,390 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,497 | |
| Cash overdraft | - | - | - | - | - | - | - | - | - | - | |
| Due to other funds | - | - | - | - | - | - | - | - | - | - | |
| Accrued payroll | 392 | - | - | 18,161 | 23,530 | 18,216 | 18,216 | - | - | - | |
| Total liabilities | \$ 65,204 | \$ 7,390 | \$ - | \$ 18,161 | \$ 23,530 | \$ 18,216 | \$ 18,216 | \$ - | \$ 2,497 | | |
| Fund balances: | | | | | | | | | | | |
| Restricted | 586,671 | 43,251 | 28,134 | 569,108 | 444,773 | 312,800 | 312,800 | 44,736 | 61,539 | | |
| Committed | 1,368 | 106 | 588 | 529 | 455 | 851 | 851 | 82 | - | | |
| Unassigned | - | - | - | - | - | - | - | - | - | | |
| Total fund balances | \$ 588,039 | \$ 43,357 | \$ 28,722 | \$ 569,637 | \$ 445,228 | \$ 313,651 | \$ 313,651 | \$ 44,818 | \$ 61,539 | | |
| Total liabilities and fund balances | \$ 653,243 | \$ 50,747 | \$ 28,722 | \$ 587,798 | \$ 468,758 | \$ 331,867 | \$ 331,867 | \$ 44,818 | \$ 64,036 | | |

CITY OF MUSKOGEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2012

| | Special Revenue | | | | | | |
|--|---------------------|--------------------------|-----------------------|-----------------------|------------------|------------------------|----------------|
| | Weed & Seed Program | Youth Alcohol Prevention | Community Development | Equipment Maintenance | Youth Fines | Convention and Tourism | Multi-cultural |
| (Continued) | | | | | | | |
| Assets: | | | | | | | |
| Cash and equivalents | 47,736 \$ | 106,058 \$ | (794) \$ | - \$ | 20,050 \$ | 91,437 \$ | - |
| Investments at cost | - | - | - | - | - | - | - |
| Accounts receivable, net | - | - | - | - | - | 963 | - |
| Grants receivable | - | - | - | - | - | - | - |
| Taxes receivable | - | - | - | - | - | - | - |
| Interest receivable | - | - | - | - | - | - | - |
| Restricted assets: | | | | | | | |
| Cash & investments | - | - | - | - | - | - | - |
| Total assets | 47,736 \$ | 106,058 \$ | (794) \$ | - \$ | 20,050 \$ | 92,400 \$ | - |
| Liabilities: | | | | | | | |
| Accounts payable | - | - | - | - | - | - | - |
| Cash overdraft | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| Accrued payroll | - | - | - | 9,342 | - | - | - |
| Total liabilities | - | - | - | 9,342 | - | - | - |
| Fund balances: | | | | | | | |
| Restricted | 47,736 | 106,058 | - | (9,342) | 20,050 | 92,267 | - |
| Committed | - | - | (794) | - | - | 133 | - |
| Unassigned | - | - | (794) | - | - | - | - |
| Total fund balances | 47,736 | 106,058 | (794) | (9,342) | 20,050 | 92,400 | - |
| Total liabilities and fund balances | 47,736 \$ | 106,058 \$ | (794) \$ | - \$ | 20,050 \$ | 92,400 \$ | - |

CITY OF MUSKOGEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2012

| | Capital Projects | | | | | | |
|--|---------------------------------------|---------------------------------|--------------------------------|---------------------------|--------------------------------|-------------------------------|--------------------------------------|
| | Street Maintenance Installation | 2009 Sewer Rehabilitation | 2009 Capital Improvement | 75 Limited Access B | 98 Sales Tax Improvement | Chandler Road Detention | Sales Tax Economic Development |
| (Continued) | | | | | | | |
| Assets: | | | | | | | |
| Cash and equivalents | \$ 177,836 | \$ 1,448,562 | \$ 1,431,208 | \$ 70,492 | \$ - | \$ 121,465 | \$ 1 |
| Investments at cost | - | - | - | - | - | - | - |
| Accounts receivable, net | - | - | - | - | - | - | - |
| Grants receivable | - | - | - | - | - | - | - |
| Taxes receivable | - | 244,174 | 175,805 | - | - | - | - |
| Interest receivable | - | - | - | - | - | - | - |
| Restricted assets: | | | | | | | |
| Cash & investments | - | - | - | - | - | - | - |
| Total assets | \$ 177,836 | \$ 1,692,736 | \$ 1,607,013 | \$ 70,492 | \$ - | \$ 121,465 | \$ 1 |
| Liabilities: | | | | | | | |
| Accounts payable | - | 306,263 | 78,156 | - | - | - | - |
| Cash overdraft | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| Accrued payroll | - | - | - | - | - | - | - |
| Total liabilities | - | \$ 306,263 | \$ 78,156 | - | \$ - | \$ - | \$ - |
| Fund balances: | | | | | | | |
| Reserved | 177,379 | 1,386,473 | 1,528,690 | 70,353 | - | 121,225 | 1 |
| Unreserved | 457 | - | 167 | 139 | - | 240 | - |
| Total fund balances | \$ 177,836 | \$ 1,386,473 | \$ 1,528,857 | \$ 70,492 | \$ - | \$ 121,465 | \$ 1 |
| Total liabilities and fund balances | \$ 177,836 | \$ 1,692,736 | \$ 1,607,013 | \$ 70,492 | \$ - | \$ 121,465 | \$ 1 |

CITY OF MUSKOGEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2012

| (Continued) Assets: | Capital Projects | | | Debt Service | | | Permanent Fund | | Total Non-Major Governmental Funds |
|--|---|--------------------------------|-------------------|-----------------|------------------|-------------------|-------------------|------------------|---|
| | Local Law Enforcement Block Grant | Water/ Sewer Improvement | Spaulding Park | Sinking | Tax Increment | Capital Lease | Cemetery | Perptual Care | |
| Cash and equivalents | 763 \$ | 115,576 \$ | 6,575 \$ | 4,742 \$ | 11,471 \$ | (3,336) \$ | 435,203 \$ | 541 | 8,176,512 |
| Investments at cost | - | - | - | - | - | - | - | 981 | 205,330 |
| Accounts receivable, net | - | - | - | - | - | - | - | - | 320,758 |
| Grants receivable | - | - | - | - | - | - | - | - | 1,805,232 |
| Taxes receivable | - | - | - | 3,862 | - | - | - | - | 11 |
| Interest receivable | - | - | - | - | - | - | - | 7 | - |
| Restricted assets: | | | | | | | | | |
| Cash & investments | - | - | - | - | - | - | - | - | - |
| Total assets | 763 \$ | 115,576 \$ | 6,575 \$ | 8,604 \$ | 11,471 \$ | (3,336) \$ | 435,751 \$ | | 10,508,824 |
| Liabilities: | | | | | | | | | |
| Accounts payable | - | 3,731 \$ | - | - | - | - | - | 158 \$ | 608,388 |
| Cash overdraft | - | - | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - | - | - |
| Accrued payroll | - | - | - | - | - | - | - | - | 69,641 |
| Total liabilities | - | 3,731 | - | - | - | - | 158 | | 678,029 |
| Fund balances: | | | | | | | | | |
| Restricted | 755 | 111,446 | - | 7,860 | 11,471 | - | 434,383 | - | 9,867,167 |
| Committed | 8 | 399 | - | 744 | - | - | 1,210 | - | 12,433 |
| Unassigned | - | - | 6,575 | - | - | (3,336) | - | - | (48,805) |
| Total fund balances | 763 | 111,845 | 6,575 | 8,604 | 11,471 | (3,336) | 435,593 | | 9,830,795 |
| Total liabilities and fund balances | 763 \$ | 115,576 \$ | 6,575 \$ | 8,604 \$ | 11,471 \$ | (3,336) \$ | 435,751 \$ | | 10,508,824 |

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | Special Revenue | | | | | | | | | |
|---|-----------------------------|---------------------------|----------------------------------|--------------------------|----------------------|--------------------|--------------------------------|----------------|---------------|-------------|
| | Capital Outlay Police | Capital Outlay Fire | Capital Outlay Non-uniform | Community Clean Up | Street & Alley | Solid Waste | Sales Tax Capital Outlay | Home Grants | | |
| Revenues: | | | | | | | | | | |
| Taxes | 146,108 \$ | 146,108 \$ | 146,108 \$ | 17,717 | 159,884 \$ | - | 1,168,861 \$ | - | 27,349 | - |
| Intergovernmental programs | - | - | - | - | 272,110 | - | - | - | - | - |
| Donations | - | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - | - |
| Interest | 328 | 350 | 109 | - | 6 | 43 | 345 | - | - | - |
| Sale of property | - | - | - | - | 270 | 52 | - | - | - | - |
| Rental receipts | - | - | - | - | - | - | - | - | - | - |
| Admissions & concessions | - | - | - | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | 29,517 | - | - | - | - | - | - |
| Judgements | - | - | - | - | - | - | - | - | - | - |
| Lease/note proceeds | - | - | - | 22,246 | - | 8,979 | - | - | - | - |
| Miscellaneous | - | - | - | 69,480 | 432,270 \$ | 9,074 | 1,196,555 \$ | - | - | - |
| Total revenues | 146,436 \$ | 146,458 \$ | 146,217 \$ | 99,443 \$ | 432,270 \$ | 9,074 \$ | 1,196,555 \$ | - | 27,349 | - |
| Expenditures: | | | | | | | | | | |
| Economic development | - | - | - | 27,336 | - | - | - | - | - | - |
| General government | - | - | 92,080 | - | - | - | 157,320 | - | 205,403 | - |
| Public safety and judiciary | - | - | - | - | 397,367 | - | 72,818 | - | 49,371 | - |
| Streets | - | - | - | - | - | - | 18,887 | - | - | - |
| Cultural & recreation | - | - | - | - | - | 102,303 | - | - | - | - |
| Water and sewer | - | - | - | - | - | - | - | - | - | - |
| Solid waste | - | - | - | - | - | 179,664 | 758,468 | - | - | - |
| Other public services | - | - | 187,616 | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - |
| Interest expense | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | - | - | 279,696 | 27,336 | 397,367 | 281,967 | 1,262,267 | - | - | - |
| Excess of revenues over (under) expenditures | 146,436 | 146,458 | (133,479) | 42,144 | 34,903 | (272,893) | (65,712) | - | - | - |
| Other financing uses: | | | | | | | | | | |
| Operating transfers in (out) | (144,405) | - | - | - | - | 192,000 | (127,283) | - | - | - |
| Excess of revenues over (under) expenditures & transfers | 2,031 | 146,458 | (133,479) | 42,144 | 34,903 | (80,893) | (192,995) | - | - | - |
| Fund balance - beginning of year | 59,791 | 30,163 | 544,286 | 14,768 | 201,040 | 46,192 | 1,322,047 | 314 | - | 314 |
| Fund balance - end of year | \$ 61,822 | \$ 176,621 | \$ 410,807 | \$ 56,912 | \$ 235,943 | \$ (34,701) | \$ 1,129,052 | \$ 314 | \$ - | \$ - |

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| (Continued) Revenues: | Park Development Grant | Emergency Management Grants | Police Equipment Grants | Special Revenue | | | | City- County 911 | CDBG Grants |
|---|------------------------------|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|---------------------|------------------------|-------------------|
| | | | | Drug Forfeiture Revenue | Drug Forfeiture Federal | Emergency 911 | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,451 | \$ - |
| Intergovernmental programs | 540,774 | 129,311 | 30,705 | - | - | - | 4,244 | - | 108,649 |
| Donations | - | - | 3,139 | - | - | - | 560,459 | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest | - | - | 4 | 8 | - | - | - | - | 95 |
| Sale of property | - | - | - | - | - | - | - | - | - |
| Rental receipts | - | - | - | - | - | - | - | - | - |
| Admissions & concessions | - | - | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - | - | - |
| Judgements | - | - | - | - | - | - | - | - | - |
| Lease/note proceeds | - | - | - | - | - | - | 945,000 | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | 110,677 |
| Total revenues | \$ 540,774 | \$ 129,311 | \$ 33,848 | \$ 8 | \$ - | \$ - | \$ 1,509,703 | \$ 8,451 | \$ 219,421 |
| Expenditures: | | | | | | | | | |
| Economic development | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| General government | - | - | - | - | - | - | - | - | 134,963 |
| Public safety and judiciary | - | 33,966 | 3,623 | 13,241 | 30,789 | 784,391 | - | - | - |
| Streets | - | - | - | - | - | - | - | - | - |
| Cultural & recreation | - | - | - | - | - | - | - | - | - |
| Water and sewer | - | - | - | - | - | - | - | - | - |
| Solid waste | - | - | - | - | - | - | - | - | - |
| Other public services | - | - | - | - | - | - | - | - | - |
| Capital outlay | 596,525 | 96,718 | 24,228 | - | 22,605 | 1,142,404 | - | - | - |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | - | - | 159,837 | - | - | - |
| Interest expense | - | - | - | - | - | 74,961 | - | - | - |
| Total expenditures | 596,525 | 130,684 | 27,851 | 13,241 | 53,394 | 2,161,593 | 2,161,593 | - | 134,963 |
| Excess of revenues over (under) expenditures | (55,751) | (1,373) | 5,997 | (13,233) | (53,394) | (651,890) | 8,451 | 84,458 | - |
| Other financing uses: | | | | | | | | | |
| Operating transfers in (out) | - | - | - | - | - | 485,041 | - | - | - |
| Excess of revenues over (under) expenditures & transfers | (55,751) | (1,373) | 5,997 | (13,233) | (53,394) | (166,849) | 8,451 | 84,458 | - |
| Fund balance - beginning of year | 173,362 | 3,509 | 22,344 | 43,074 | 44,254 | 41,829 | 6,747 | 437,407 | - |
| Fund balance - end of year | \$ 117,611 | \$ 2,136 | \$ 28,341 | \$ 29,841 | \$ (9,140) | \$ (125,020) | \$ 15,198 | \$ 521,865 | - |

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | Park Development | Repair and Replacement | Job Incentives | Special Revenue | | | | Animal Control | Animal Adopt Fees |
|---|---------------------|------------------------------|-------------------|-------------------------------------|--------------------------------|------------------------------|----------------------|-------------------|----------------------|
| | | | | Sales Tax Non Uniform Benefit | Sales Tax Police Benefit | Sales Tax Fire Benefit | Sales Tax Benefit | | |
| Taxes | \$ - | \$ - | \$ - | \$ 1,168,861 | \$ 1,168,861 | \$ 1,168,861 | \$ - | \$ - | |
| Intergovernmental programs | 363,002 | - | - | - | - | - | - | - | |
| Donations | 648,619 | - | - | - | - | - | 2,353 | 17,503 | |
| Fines and forfeits | - | - | - | - | - | - | - | - | |
| Interest | 1,270 | 63 | 10 | 162 | 160 | 162 | 20 | - | |
| Sale of property | - | 55,992 | - | - | - | - | - | - | |
| Rental receipts | 24,440 | - | - | - | - | - | - | - | |
| Admissions & concessions | 25,800 | - | - | - | - | - | - | - | |
| Licenses and permits | - | - | - | - | - | - | 549 | 11,225 | |
| Judgements | - | - | - | - | - | - | - | - | |
| Lease/note proceeds | - | - | - | - | - | - | - | - | |
| Miscellaneous | 3,662 | 6,925 | - | - | - | - | - | - | |
| Total revenues | \$ 1,066,793 | \$ 62,980 | \$ 10 | \$ 1,169,023 | \$ 1,169,021 | \$ 1,169,023 | \$ 2,922 | \$ 28,728 | |
| Expenditures: | | | | | | | | | |
| Economic development | \$ - | \$ - | \$ 205,000 | \$ - | \$ - | \$ - | \$ - | \$ - | |
| General government | - | - | - | 227,648 | - | - | - | - | |
| Public safety and judiciary | - | - | - | 158,599 | 1,072,619 | 1,431,265 | - | 15,661 | |
| Streets | - | - | - | 109,683 | - | - | - | - | |
| Cultural & recreation | 447,027 | - | - | 224,363 | - | - | - | - | |
| Water and sewer | - | 35,139 | - | 212,139 | - | - | - | - | |
| Solid waste | - | - | - | 87,371 | - | - | - | - | |
| Other public services | - | - | - | - | - | - | - | - | |
| Capital outlay | 200,152 | - | - | - | - | - | - | - | |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | |
| Interest expense | - | - | - | - | - | - | - | - | |
| Total expenditures | 647,179 | 35,139 | 205,000 | 1,019,803 | 1,072,619 | 1,431,265 | - | 15,661 | |
| Excess of revenues over (under) expenditures | 419,614 | 27,841 | (204,990) | 149,220 | 96,402 | (262,242) | 2,922 | 13,067 | |
| Other financing uses: | | | | | | | | | |
| Operating transfers in (out) | - | - | - | - | - | - | - | - | |
| Excess of revenues over (under) expenditures & transfers | 419,614 | 27,841 | (204,990) | 149,220 | 96,402 | (262,242) | 2,922 | 13,067 | |
| Fund balance - beginning of year | 168,425 | 15,516 | 233,712 | 420,417 | 348,826 | 575,893 | 41,896 | 48,472 | |
| Fund balance - end of year | \$ 588,039 | \$ 43,357 | \$ 28,722 | \$ 569,637 | \$ 445,228 | \$ 313,651 | \$ 44,818 | \$ 61,539 | |

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | Special Revenue | | | | | | |
|---|---------------------|--------------------|-----------------------|-----------------------|------------------|------------------------|----------------|
| | Weed & Seed Program | Alcohol Prevention | Community Development | Equipment Maintenance | Youth Fines | Convention and Tourism | Multi-cultural |
| (Continued) Revenues: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 708,684 | \$ - |
| Intergovernmental programs | 56,695 | - | - | - | - | - | - |
| Donations | - | - | 300,000 | - | - | - | - |
| Fines and forfeits | - | 23,868 | - | - | 25,694 | - | - |
| Interest | - | - | 248 | - | - | 54 | - |
| Sale of property | - | - | - | - | - | - | - |
| Rental receipts | - | - | - | - | - | - | - |
| Admissions & concessions | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Judgements | - | - | - | - | - | - | - |
| Lease/note proceeds | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - |
| Total revenues | \$ 56,695 | \$ 23,868 | \$ 300,248 | \$ - | \$ 25,694 | \$ 708,738 | \$ - |
| Expenditures: | | | | | | | |
| Economic development | \$ - | \$ - | \$ 352,515 | \$ - | \$ - | \$ - | \$ - |
| General government | 44,669 | - | - | 9,342 | - | - | - |
| Public safety and judiciary | - | 2,002 | - | - | - | - | - |
| Streets | - | - | - | - | - | - | - |
| Cultural & recreation | - | - | - | - | - | - | - |
| Water and sewer | - | - | - | - | - | - | - |
| Solid waste | - | - | - | - | - | - | - |
| Other public services | - | - | - | - | 35,000 | 673,000 | - |
| Capital outlay | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest expense | - | - | - | - | - | - | - |
| Total expenditures | 44,669 | 2,002 | 352,515 | 9,342 | 35,000 | 673,000 | - |
| Excess of revenues over (under) expenditures | 12,026 | 21,866 | (52,267) | (9,342) | (9,306) | 35,738 | - |
| Other financing uses: | | | | | | | |
| Operating transfers in (out) | - | - | (46,964) | - | - | (15,000) | - |
| Excess of revenues over (under) expenditures & transfers | 12,026 | 21,866 | (99,231) | (9,342) | (9,306) | 20,738 | - |
| Fund balance - beginning of year | 35,710 | 84,192 | 98,437 | - | 29,356 | 71,662 | - |
| Fund balance - end of year | \$ 47,736 | \$ 106,058 | \$ (794) | \$ (9,342) | \$ 20,050 | \$ 92,400 | \$ - |

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

| | Civic Center Improvement | Street Maintenance Installation | 2009 Sewer Rehabilitation | Capital Projects | | | 98 Sales Tax Improvement | Chandler Road Detention | Sales Tax Economic Development |
|---|--------------------------|---------------------------------|---------------------------|--------------------------|---------------------|----------|--------------------------|-------------------------|--------------------------------|
| | | | | 2009 Capital Improvement | 75 Limited Access B | | | | |
| Taxes | - | 1,461,076 | 1,870,177 | 1,051,975 | - | - | - | - | |
| Intergovernmental programs | - | - | - | - | - | - | - | - | |
| Donations | - | - | - | - | - | - | - | - | |
| Fines and forfeits | - | - | - | - | - | - | - | - | |
| Interest | 53 | - | - | 167 | 21 | - | 36 | - | |
| Sale of property | - | - | - | - | - | - | - | - | |
| Rental receipts | - | - | - | - | - | - | - | - | |
| Admissions & concessions | - | - | - | - | - | - | - | - | |
| Licenses and permits | - | - | - | - | - | - | - | - | |
| Judgements | - | - | - | - | - | - | - | - | |
| Lease/note proceeds | - | - | - | - | - | - | - | - | |
| Miscellaneous | - | - | - | - | - | - | - | - | |
| Total revenues | 53 | 1,461,076 | 1,870,177 | 1,052,142 | 21 | - | 36 | - | |
| Expenditures: | | | | | | | | | |
| Economic development | - | - | - | - | - | - | - | - | |
| General government | - | - | 54,606 | 1,210 | - | - | - | - | |
| Public safety and judiciary | - | - | - | - | - | - | - | - | |
| Streets | - | - | - | - | - | - | - | - | |
| Cultural & recreation | 9,075 | - | - | - | - | - | - | - | |
| Water and sewer | - | - | - | - | - | - | - | - | |
| Solid waste | - | - | - | - | - | - | - | - | |
| Other public services | - | - | - | - | - | - | - | - | |
| Capital outlay | - | 1,894,432 | 1,400,443 | 910,286 | - | - | - | - | |
| Debt service: | - | - | - | - | - | - | - | - | |
| Principal | - | - | - | - | - | - | - | - | |
| Interest expense | - | - | - | - | - | - | - | - | |
| Total expenditures | 9,075 | 1,894,432 | 1,455,049 | 911,496 | - | - | - | - | |
| Excess of revenues over (under) expenditures | (9,022) | (433,356) | 415,128 | 140,646 | 21 | - | 36 | - | |
| Other financing uses: | | | | | | | | | |
| Operating transfers in (out) | - | - | (171,037) | (253,397) | - | - | - | - | |
| Excess of revenues over (under) expenditures & transfers | (9,022) | (433,356) | 244,091 | (112,751) | 21 | - | 36 | - | |
| Fund balance - beginning of year | 186,858 | 1,819,829 | 761,364 | 1,641,608 | 70,471 | - | 121,429 | 1 | |
| Fund balance - end of year | 177,836 | 1,386,473 | 1,005,455 | 1,528,857 | 70,492 | - | 121,465 | 1 | |

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

| | Capital Projects | | | | Debt Service | | | Perm Fund Cemetery Perpetual Care | Total Non-Major Governmental Funds |
|---|---|--------------------------------|-------------------|-----------------|------------------|------------------|----------------|--|---|
| | Local Law Enforcement Block Grant | Water/ Sewer Improvement | Spaulding Park | Sinking | Tax Increment | Capital Lease | | | |
| Revenues: | | | | | | | | | |
| Taxes | \$ - | \$ - | - | 204,038 | \$ 8,240 | \$ - | \$ - | \$ - | 10,590,537 |
| Intergovernmental programs | - | - | 18,470 | - | - | - | - | - | 1,564,782 |
| Donations | - | - | 32,687 | - | - | - | - | 10,703 | 1,575,463 |
| Fines and forfeits | - | - | - | - | - | - | - | - | 49,562 |
| Interest | 1 | 38 | 127 | 430 | - | - | - | 201 | 4,511 |
| Sale of property | - | - | - | - | - | - | - | - | 56,314 |
| Rental receipts | - | - | - | - | - | - | - | - | 24,440 |
| Admissions & concessions | - | - | - | - | - | - | - | - | 25,800 |
| Licenses and permits | - | - | - | - | - | - | - | - | 11,774 |
| Judgements | - | - | - | - | - | - | - | - | 29,517 |
| Lease/note proceeds | - | - | - | - | - | - | - | - | 945,000 |
| Miscellaneous | - | - | - | - | - | - | - | - | 152,489 |
| Total revenues | 1 | 38 | 51,284 | 204,468 | 8,240 | \$ - | \$ - | 10,904 | \$ 15,030,189 |
| Expenditures: | | | | | | | | | |
| Economic development | \$ - | \$ - | - | - | \$ - | - | - | - | 584,851 |
| General government | - | - | - | - | - | - | - | - | 721,838 |
| Public safety and judiciary | - | - | - | - | - | - | - | - | 3,751,559 |
| Streets | - | - | - | - | - | - | - | - | 579,868 |
| Cultural & recreation | - | - | 4,934 | - | - | - | - | 10,254 | 745,024 |
| Water and sewer | - | - | - | - | - | - | - | - | 266,165 |
| Solid waste | - | - | - | - | - | - | - | - | 189,674 |
| Other public services | - | - | - | - | - | - | - | - | 708,000 |
| Capital outlay | - | 96,796 | - | - | - | - | - | - | 7,510,337 |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | 202,568 | 7,333 | 197,982 | - | - | 567,720 |
| Interest expense | - | - | - | 28,484 | 1,534 | 6,423 | - | - | 111,402 |
| Total expenditures | - | 96,796 | 4,934 | 231,052 | 8,867 | 204,405 | 10,254 | 10,254 | 15,736,438 |
| Excess of revenues over (under) expenditures | 1 | (96,758) | 46,350 | (26,584) | (627) | (204,405) | 650 | 650 | (706,249) |
| Other financing uses: | | | | | | | | | |
| Operating transfers in (out) | - | - | - | - | - | (54,663) | - | - | (135,708) |
| Excess of revenues over (under) expenditures & transfers | 1 | (96,758) | 46,350 | (26,584) | (627) | (259,068) | 650 | 650 | (841,957) |
| Fund balance - beginning of year | 762 | 208,603 | (39,775) | 35,188 | 12,098 | 255,732 | 434,943 | 434,943 | 10,672,752 |
| Fund balance - end of year | 763 | 111,845 | 6,575 | 8,604 | 11,471 | (3,336) | 435,593 | 435,593 | 9,830,795 |

CITY OF MUSKOGEE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
June 30, 2012

| | <u>Muskogee Solid Waste</u> | <u>Stormwater</u> | <u>Muskogee Parking Authority</u> | <u>Airport Fund</u> | <u>Roxy Theater</u> | <u>Concessions</u> |
|--|-------------------------------------|---------------------|---|-------------------------|-------------------------|--------------------|
| Assets: | | | | | | |
| Cash and investments: | | | | | | |
| Cash & cash equivalents (Note 3) | \$ 54,502 | \$ 870,787 | \$ 1,224,176 | \$ 279,278 | \$ 4,371 | \$ 283 |
| Investments, at cost | - | - | 91,407 | - | - | - |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Accounts receivable | 108,435 | 29,147 | 5,644 | - | - | - |
| Interest | - | - | 3,262 | - | - | - |
| Grants receivable | - | - | - | 54,689 | - | - |
| Due from other funds | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| Capital assets: | | | | | | |
| Land | - | 48,303 | 995,310 | 3,000 | - | - |
| Construction in progress | - | - | - | - | - | - |
| Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3) | <u>184,155</u> | <u>81,503</u> | <u>153,960</u> | <u>2,438,690</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 347,092</u> | <u>\$ 1,029,740</u> | <u>\$ 2,473,759</u> | <u>\$ 2,775,657</u> | <u>\$ 4,371</u> | <u>\$ 283</u> |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ 51,457 | \$ - | \$ 27,200 | \$ 1,064 | \$ - |
| Due to other funds | - | - | - | - | - | - |
| Temporary customer deposits | - | - | - | - | - | - |
| Deferred revenues | - | - | - | - | - | - |
| Accrued compensated absences payable (Note 1) | 79,181 | 5,384 | - | 4,940 | - | - |
| Accrued payroll | <u>-</u> | <u>648</u> | <u>-</u> | <u>962</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>79,181</u> | <u>57,489</u> | <u>-</u> | <u>33,102</u> | <u>1,064</u> | <u>-</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 184,155 | 129,806 | 1,149,270 | 2,441,690 | - | - |
| Restricted | - | - | - | - | - | - |
| Unrestricted | <u>83,756</u> | <u>842,445</u> | <u>1,324,489</u> | <u>300,865</u> | <u>3,307</u> | <u>283</u> |
| Total net assets | <u>\$ 267,911</u> | <u>\$ 972,251</u> | <u>\$ 2,473,759</u> | <u>\$ 2,742,555</u> | <u>\$ 3,307</u> | <u>\$ 283</u> |

CITY OF MUSKOGEE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
June 30, 2012

| (Continued) | Civic Center | State Fair Authority | Swim & Fitness Center | War Memorial Park | Hatbox | Total Non-Major Enterprise Funds |
|--|---------------------|-------------------------|-----------------------------|-------------------------|---------------------|---|
| Assets: | | | | | | |
| Cash and investments: | | | | | | |
| Cash & cash equivalents (Note 3) | \$ (24,787) | \$ 77,951 | \$ 111,023 | \$ 7,061 | \$ 166,174 | \$ 2,770,819 |
| Investments, at cost | - | - | - | - | - | 91,407 |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Accounts receivable | 301 | - | - | - | - | 143,527 |
| Interest | - | - | - | - | - | 3,262 |
| Grants receivable | - | - | - | - | - | 54,689 |
| Due from other funds | - | - | - | - | - | - |
| Inventories | - | - | - | 6,345 | 12,876 | 19,221 |
| Capital assets: | | | | | | |
| Land | - | - | - | - | - | 1,046,613 |
| Construction in progress | - | - | - | - | - | - |
| Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3) | <u>6,214,939</u> | <u>297,601</u> | <u>525,351</u> | <u>64,971</u> | <u>1,936,915</u> | <u>11,898,085</u> |
| Total assets | <u>\$ 6,190,453</u> | <u>\$ 375,552</u> | <u>\$ 636,374</u> | <u>\$ 78,377</u> | <u>\$ 2,115,965</u> | <u>\$ 16,027,623</u> |
| Liabilities: | | | | | | |
| Accounts payable | \$ 17,619 | \$ 6,381 | \$ 11,659 | \$ 2,891 | \$ 46,134 | \$ 164,405 |
| Due to other funds | 89,744 | - | - | - | - | 89,744 |
| Temporary customer deposits | 17,514 | - | - | - | - | 17,514 |
| Deferred revenues | - | - | - | 960 | - | 960 |
| Accrued compensated absences payable (Note 1) | 37,139 | - | 22,659 | - | 1,328 | 150,631 |
| Accrued payroll | <u>4,215</u> | <u>-</u> | <u>5,883</u> | <u>-</u> | <u>20,110</u> | <u>31,818</u> |
| Total liabilities | <u>166,231</u> | <u>6,381</u> | <u>40,201</u> | <u>3,851</u> | <u>67,572</u> | <u>455,072</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 6,214,939 | 297,601 | 525,351 | 64,971 | 1,936,915 | 12,944,698 |
| Restricted | - | - | - | - | - | - |
| Unrestricted | <u>(190,717)</u> | <u>71,570</u> | <u>70,822</u> | <u>9,555</u> | <u>111,478</u> | <u>2,627,853</u> |
| Total net assets | <u>\$ 6,024,222</u> | <u>\$ 369,171</u> | <u>\$ 596,173</u> | <u>\$ 74,526</u> | <u>\$ 2,048,393</u> | <u>\$ 15,572,551</u> |

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Muskogee Solid Waste | Stormwater | Muskogee Parking Authority | Airport Fund | Roxy Theater | Concessions |
|---|----------------------------|-------------------|----------------------------------|---------------------|-----------------|---------------|
| Revenues: | | | | | | |
| Solid waste revenue | \$ 1,986,214 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Stormwater revenue | - | 458,432 | - | - | - | - |
| Penalty revenue | 60,751 | - | - | - | - | - |
| Parking fees | - | - | 58,080 | - | - | - |
| Rental receipts | - | - | - | 197,922 | 9,109 | - |
| Miscellaneous revenue | - | - | - | 8,705 | - | - |
| Admissions and concessions | - | - | - | - | 13,709 | 283 |
| Activity fees | - | - | - | - | - | - |
| Donations | - | - | - | - | - | - |
| Intergovernmental programs | - | - | - | 125,869 | - | - |
| Total revenues | <u>2,046,965</u> | <u>458,432</u> | <u>58,080</u> | <u>332,496</u> | <u>22,818</u> | <u>283</u> |
| Operating expense: | | | | | | |
| Cultural and recreational | - | - | - | - | 30,401 | - |
| Parking | - | - | 705 | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Stormwater | - | 310,855 | - | - | - | - |
| Transportation | - | - | - | 119,020 | - | - |
| Depreciation | 54,405 | 1,887 | 4,399 | 157,155 | - | - |
| Total operating expenses | <u>54,405</u> | <u>312,742</u> | <u>5,104</u> | <u>276,175</u> | <u>30,401</u> | <u>-</u> |
| Income before non-operating revenues, expenses and transfers | <u>1,992,560</u> | <u>145,690</u> | <u>52,976</u> | <u>56,321</u> | <u>(7,583)</u> | <u>283</u> |
| Non-operating revenues (expenses): | | | | | | |
| Interest revenue | 35 | 681 | 8,167 | 263 | 6 | - |
| Total | <u>35</u> | <u>681</u> | <u>8,167</u> | <u>263</u> | <u>6</u> | <u>-</u> |
| Income (loss) before operating transfers | <u>1,992,595</u> | <u>146,371</u> | <u>61,143</u> | <u>56,584</u> | <u>(7,577)</u> | <u>283</u> |
| Transfers in (out) | <u>(1,974,337)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,000</u> | <u>-</u> |
| Change in net assets | 18,258 | 146,371 | 61,143 | 56,584 | (577) | 283 |
| Net assets - beginning of year | <u>249,653</u> | <u>825,880</u> | <u>2,412,616</u> | <u>2,685,971</u> | <u>3,884</u> | <u>-</u> |
| Net assets at end of year | <u>\$ 267,911</u> | <u>\$ 972,251</u> | <u>\$ 2,473,759</u> | <u>\$ 2,742,555</u> | <u>\$ 3,307</u> | <u>\$ 283</u> |

CITY OF MUSKOGEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012

| (Continued) | Civic Center | State Fair Authority | Swim & Fitness Center | War Memorial Park | Hatbox | Total Non-Major Enterprise Funds |
|---|---------------------|-------------------------|-----------------------------|-------------------------|---------------------|---|
| Revenues: | | | | | | |
| Solid waste revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,986,214 |
| Stormwater revenue | - | - | - | - | - | 458,432 |
| Penalty revenue | - | - | - | - | - | 60,751 |
| Parking fees | - | - | - | - | - | 58,080 |
| Rental receipts | 85,112 | - | - | - | 7,960 | 300,103 |
| Miscellaneous revenue | 850 | - | 1,464 | - | 850 | 11,869 |
| Admissions and concessions | 71,446 | 40,419 | - | - | 506,835 | 632,692 |
| Activity fees | - | - | 514,547 | 62,898 | 8,674 | 586,119 |
| Donations | - | - | 18,800 | 3,496 | 5,000 | 27,296 |
| Intergovernmental programs | - | - | - | - | - | 125,869 |
| Total revenues | <u>157,408</u> | <u>40,419</u> | <u>534,811</u> | <u>66,394</u> | <u>529,319</u> | <u>4,247,425</u> |
| Operating expense: | | | | | | |
| Cultural and recreational | 502,523 | 111,636 | 452,766 | 79,585 | 569,550 | 1,746,461 |
| Parking | - | - | - | - | - | 705 |
| Sanitation | - | - | - | - | - | - |
| Stormwater | - | - | - | - | - | 310,855 |
| Transportation | - | - | - | - | - | 119,020 |
| Depreciation | 182,631 | 12,823 | 14,799 | 4,593 | 156,659 | 589,351 |
| Total operating expenses | <u>685,154</u> | <u>124,459</u> | <u>467,565</u> | <u>84,178</u> | <u>726,209</u> | <u>2,766,392</u> |
| Income before non-operating revenues, expenses and transfers | <u>(527,746)</u> | <u>(84,040)</u> | <u>67,246</u> | <u>(17,784)</u> | <u>(196,890)</u> | <u>1,481,033</u> |
| Non-operating revenues (expenses): | | | | | | |
| Interest revenue | 234 | 5 | 133 | - | 34 | 9,558 |
| Total | <u>234</u> | <u>5</u> | <u>133</u> | <u>-</u> | <u>34</u> | <u>9,558</u> |
| Income (loss) before operating transfers | <u>(527,512)</u> | <u>(84,035)</u> | <u>67,379</u> | <u>(17,784)</u> | <u>(196,856)</u> | <u>1,490,591</u> |
| Transfers in (out) | <u>282,647</u> | <u>50,000</u> | <u>-</u> | <u>15,000</u> | <u>-</u> | <u>(1,619,690)</u> |
| Change in net assets | <u>(244,865)</u> | <u>(34,035)</u> | <u>67,379</u> | <u>(2,784)</u> | <u>(196,856)</u> | <u>(129,099)</u> |
| Net assets - beginning of year | <u>6,269,087</u> | <u>403,206</u> | <u>528,794</u> | <u>77,310</u> | <u>2,245,249</u> | <u>15,701,650</u> |
| Net assets at end of year | <u>\$ 6,024,222</u> | <u>\$ 369,171</u> | <u>\$ 596,173</u> | <u>\$ 74,526</u> | <u>\$ 2,048,393</u> | <u>\$ 15,572,551</u> |

CITY OF MUSKOGEE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Muskogee Solid Waste | Stormwater | Muskogee Parking Authority | Airport Fund | Roxy Theater | Concessions |
|--|----------------------------|-------------------|----------------------------------|-------------------|-------------------|---------------|
| Cash flows from operating activities: | | | | | | |
| Cash received from customers & service users | \$ 2,039,751 | \$ 449,097 | \$ 58,810 | \$ 288,365 | \$ 22,818 | \$ 283 |
| Cash payments for goods & services & employees | - | (276,765) | (705) | (107,410) | (30,715) | - |
| Other operating revenues | (34,849) | 348 | - | (836) | - | - |
| Net cash provided by operating activities | <u>2,004,902</u> | <u>172,680</u> | <u>58,105</u> | <u>180,119</u> | <u>(7,897)</u> | <u>283</u> |
| Cash flows from noncapital financing activities: | | | | | | |
| Net change in inventory | - | - | - | - | - | - |
| Net change in due to/from accounts | - | - | - | - | - | - |
| Operating transfers out to other funds | (1,974,337) | - | - | - | - | - |
| Operating transfers in from other funds | - | - | - | - | 7,000 | - |
| Net cash provided (used) for noncapital financing activities | <u>(1,974,337)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,000</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | | | |
| Acquisition & construction of capital assets | - | (83,390) | (269,894) | (132,691) | - | - |
| Principal paid on debt | - | - | - | - | - | - |
| Net cash provided (used) for capital and related financing activities | <u>-</u> | <u>(83,390)</u> | <u>(269,894)</u> | <u>(132,691)</u> | <u>-</u> | <u>-</u> |
| Cash flows from investing activities: | | | | | | |
| (Purchase) liquidation of investments - unrestricted | - | - | 28,919 | - | - | - |
| Interest on investments | 35 | 681 | 6,829 | 263 | 6 | - |
| Net cash provided by investing activities | <u>35</u> | <u>681</u> | <u>35,748</u> | <u>263</u> | <u>6</u> | <u>-</u> |
| Net increase (decrease) in cash & cash equivalents | 30,600 | 89,971 | (176,041) | 47,691 | (891) | 283 |
| Cash and cash equivalents - beginning of year | <u>23,902</u> | <u>780,816</u> | <u>1,400,217</u> | <u>231,587</u> | <u>5,262</u> | <u>-</u> |
| Cash and cash equivalents - end of year | <u>\$ 54,502</u> | <u>\$ 870,787</u> | <u>\$ 1,224,176</u> | <u>\$ 279,278</u> | <u>\$ 4,371</u> | <u>\$ 283</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | | |
| Operating income | \$ 1,992,560 | \$ 145,690 | \$ 52,976 | \$ 56,321 | \$ (7,583) | \$ 283 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation | 54,405 | 1,887 | 4,399 | 157,155 | - | - |
| Change in assets and liabilities: | | | | | | |
| (Increase) decrease in accounts receivable | (7,214) | (9,335) | 730 | (44,131) | - | - |
| Increase (decrease) in accounts payable | - | 34,090 | - | 11,610 | (314) | - |
| Increase (decrease) in accrued expenses | (34,849) | 348 | - | (836) | - | - |
| Total adjustments | <u>12,342</u> | <u>26,990</u> | <u>5,129</u> | <u>123,798</u> | <u>(314)</u> | <u>-</u> |
| Net cash provided by operating activities | <u>\$ 2,004,902</u> | <u>\$ 172,680</u> | <u>\$ 58,105</u> | <u>\$ 180,119</u> | <u>\$ (7,897)</u> | <u>\$ 283</u> |

CITY OF MUSKOGEE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012

| | Civic Center | State Fair Authority | Swim & Fitness Center | War Memorial Park | Hatbox | Total Non-Major Enterprise Funds |
|--|---------------------|-------------------------|-----------------------------|-------------------------|--------------------|---|
| Cash flows from operating activities: | | | | | | |
| Cash received from customers & service users | \$ 157,358 | \$ 40,419 | \$ 549,501 | \$ 66,394 | \$ 529,319 | \$ 4,202,115 |
| Cash payments for goods & services & employees | (501,759) | (108,883) | (457,555) | (80,900) | (615,005) | (2,179,697) |
| Other operating revenues | - | - | - | - | - | (35,337) |
| Net cash provided by operating activities | <u>(344,401)</u> | <u>(68,464)</u> | <u>91,946</u> | <u>(14,506)</u> | <u>(85,686)</u> | <u>1,987,081</u> |
| Cash flows from noncapital financing activities: | | | | | | |
| Net change in inventory | - | - | - | 1,062 | (1,521) | (459) |
| Net change in due to/from accounts | - | - | (50,000) | - | - | (50,000) |
| Operating transfers out to other funds | (17,353) | - | - | - | - | (1,991,690) |
| Operating transfers in from other funds | 300,000 | 50,000 | - | 15,000 | - | 372,000 |
| Net cash provided (used) for noncapital financing activities | <u>282,647</u> | <u>50,000</u> | <u>(50,000)</u> | <u>16,062</u> | <u>(1,521)</u> | <u>(1,670,149)</u> |
| Cash flows from capital and related financing activities: | | | | | | |
| Acquisition & construction of capital assets | - | - | - | - | - | (485,975) |
| Principal paid on debt | - | - | - | - | - | - |
| Net cash provided (used) for capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(485,975)</u> |
| Cash flows from investing activities: | | | | | | |
| (Purchase) liquidation of investments - unrestricted | - | - | - | - | - | 28,919 |
| Interest on investments | 234 | 5 | 133 | - | 34 | 8,220 |
| Net cash provided by investing activities | <u>234</u> | <u>5</u> | <u>133</u> | <u>-</u> | <u>34</u> | <u>37,139</u> |
| Net increase (decrease) in cash & cash equivalents | (61,520) | (18,459) | 42,079 | 1,556 | (87,173) | (131,904) |
| Cash and cash equivalents - beginning of year | <u>36,733</u> | <u>96,410</u> | <u>68,944</u> | <u>5,505</u> | <u>253,347</u> | <u>2,902,723</u> |
| Cash and cash equivalents - end of year | <u>\$ (24,787)</u> | <u>\$ 77,951</u> | <u>\$ 111,023</u> | <u>\$ 7,061</u> | <u>\$ 166,174</u> | <u>\$ 2,770,819</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | | |
| Operating income | \$ (527,746) | \$ (84,040) | \$ 67,246 | \$ (17,784) | \$ (196,890) | \$ 1,481,033 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation | 182,631 | 12,823 | 14,799 | 4,593 | 156,659 | 589,351 |
| Change in assets and liabilities: | | | | | | |
| (Increase) decrease in accounts receivable | (50) | - | 14,690 | - | - | (45,310) |
| Increase (decrease) in accounts payable | 5,737 | 2,753 | 4,381 | (1,315) | (8,327) | 48,615 |
| Increase (decrease) in accrued expenses | (4,973) | - | (9,170) | - | (37,128) | (86,608) |
| Total adjustments | <u>183,345</u> | <u>15,576</u> | <u>24,700</u> | <u>3,278</u> | <u>111,204</u> | <u>506,048</u> |
| Net cash provided by operating activities | <u>\$ (344,401)</u> | <u>\$ (68,464)</u> | <u>\$ 91,946</u> | <u>\$ (14,506)</u> | <u>\$ (85,686)</u> | <u>\$ 1,987,081</u> |

CITY OF MUSKOGEE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2012

| | Meter Deposit Fund | Escrow Fund | Total Agency Funds |
|----------------------------------|-----------------------------------|------------------------|-----------------------------------|
| Assets: | | | |
| Cash and investments: | | | |
| Cash & cash equivalents (Note 3) | \$ 589,697 | \$ 224,634 | \$ 814,331 |
| Investments, at cost | 357,605 | - | 357,605 |
| Total assets | \$ 947,302 | \$ 224,634 | \$ 1,171,936 |
| Liabilities: | | | |
| Security deposits | 947,302 | - | 947,302 |
| Escrow deposits | - | 224,634 | 224,634 |
| Total liabilities | \$ 947,302 | \$ 224,634 | \$ 1,171,936 |

CITY OF MUSKOGEE
Muskogee, Oklahoma

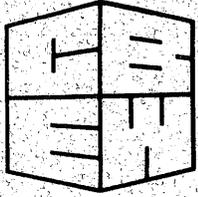
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2012

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Program or Award Amount</u> | <u>Revenue Collected</u> | <u>Federal Expenditures</u> |
|---|----------------------------|--------------------------------|--------------------------|-----------------------------|
| <u>U.S. Department of Transportation:</u> | | | | |
| Recreational Trails Program | 20.219 | 540,774 | 467,471 | 467,471 |
| Federal Aviation Administration - Airport Improvement Program | 20.106 | 229,795 | 7,123 | 7,123 |
| Federal Aviation Administration - Airport Improvement Program | 20.106 | 44,175 | 458 | 458 |
| Sub-total U.S. Department of Transportation | | 814,744 | 475,052 | 475,052 |
| <u>U.S. Department of Justice:</u> | | | | |
| <u>Passed through the Oklahoma Department of Justice:</u> | | | | |
| Bulletproof Vest Partnership Program | 16.607 | 3,186 | 3,186 | 3,186 |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 216,380 | 6,103 | 6,103 |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 46,831 | 1,500 | 1,500 |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 44,468 | 36,611 | 36,611 |
| Community Capacity Development | 16.595 | 142,000 | 20,736 | 20,736 |
| Community Capacity Development | 16.595 | 157,000 | 70,589 | 70,589 |
| Sub-total U.S. Department of Justice | | 609,865 | 138,725 | 138,725 |
| <u>U.S. Department of Homeland Security:</u> | | | | |
| <u>Passed through the Oklahoma Department of Emergency Management:</u> | | | | |
| Emergency Management Performance Grants | 97.042 | 15,000 | 15,000 | 15,000 |
| Emergency Management Performance Grants | 97.042 | 24,750 | 24,750 | 24,750 |
| State Homealnd Security Program | 97.073 | 16,393 | 16,393 | 16,393 |
| State Homealnd Security Program | 97.073 | 96,718 | 96,718 | 96,718 |
| State Homealnd Security Program | 97.073 | 2,600 | 2,600 | 2,600 |
| Hazard Mitigation Grant | 97.039 | 54,600 | 16,200 | 16,200 |
| Sub-total U.S. Department of Homeland Security | | 210,061 | 171,661 | 171,661 |
| <u>Environmental Protection Agency:</u> | | | | |
| <u>Passed through the Oklahoma Water Resources Board:</u> | | | | |
| Capitalization Grants for Clean Drinikng Water Revolving | 66.468 | 510,879 | 510,879 | 510,879 |
| <u>U.S. Department of Housing and Urban Development:</u> | | | | |
| <u>Passed through the Oklahoma Department of Commerce:</u> | | | | |
| 13915 CDBG 09 | 14.228 | 96,435 | 46,435 | 46,435 |
| 14422 CDBG 10 | 14.228 | 84,484 | 38,214 | 38,214 |
| Sub-total U.S. Department of Housing and Urban Development | | 180,919 | 84,649 | 84,649 |
| <u>U.S. Department of the Interior:</u> | | | | |
| <u>Passed through the Oklahoma Tourism and Recreation:</u> | | | | |
| Land and Water Conservation Project | 15.921 | 44,458 | 18,470 | 18,470 |
| Sub-total U.S. Department of the Interior | | 44,458 | 18,470 | 18,470 |
| Total of Expenditures of Federal Awards | | \$ 2,370,926 | \$ 1,399,436 | \$ 1,399,436 |

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

**CITY OF MUSKOGEE
Muskogee, Oklahoma**

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2012**



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

December 10, 2012

Honorable City Council
City of Muskogee
Muskogee, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Muskogee, Oklahoma, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

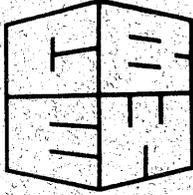
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

City of Muskogee
December 10, 2012

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

CBEW Professional Group, LLP

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

December 10, 2012

Honorable City Council
City of Muskogee
Muskogee, Oklahoma

Compliance

We have audited the compliance of the City of Muskogee, Oklahoma, (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City of Muskogee, Oklahoma's compliance based on our audit.

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

In our opinion, the City of Muskogee, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Muskogee, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

City of Muskogee
December 10, 2012

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

CITY OF MUSKOGEE
Muskogee, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Muskogee.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of City of Muskogee were disclosed during the audit.
4. No significant deficiencies to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for City of Muskogee expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for City of Muskogee are reported in this Schedule.
7. The program tested as major program includes: Recreational Trails Program – CFDA No. 20.219 and Capitalization Grants for Drinking Water State Revolving Funds – CFDA No. 66.468.
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The City of Muskogee qualified as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None

CITY OF MUSKOGEE
Muskogee, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012

No prior year findings.