



# **THE CITY OF OKMULGEE, OKLAHOMA**

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

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

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

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ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Okmulgee, Oklahoma

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

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

Because of the inadequacy of accounting records for prior years, we were unable to form an opinion regarding the amounts at which property and equipment and accumulated depreciation are reported in the accompanying financial statements at June 30, 2011, or the amount of depreciation expense for the year then ended.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had prior year records concerning property and equipment and related accumulated depreciation been adequate, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major proprietary fund of the City of Okmulgee, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had prior year records concerning property and equipment and related accumulated depreciation been adequate, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of the City of Okmulgee, Oklahoma, as of June 30, 2011, and the change in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund of the City of Okmulgee, Oklahoma, as of June 30, 2011, and the respective changes in financial position 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 March 13, 2012, on our consideration of the City of Okmulgee, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information, as listed in the table of contents, be

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

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
March 13, 2012

**CITY OF OKMULGEE, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
As of and for the year ended June 30, 2011**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Okmulgee's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

### ***FINANCIAL HIGHLIGHTS***

- For the fiscal year ended June 30, 2011, the City's total net assets increased \$6,191,018 or 17.6% from the prior year.
- During the year, the City's expenses for governmental activities were \$8,200,886 and were funded by program revenues of \$2,313,047 and further funded with taxes and other general revenues that totaled \$7,100,144, excluding net transfers and a \$3,181,127 gain on sale of building.
- In the City's business-type activities, such as utilities, total program revenues exceeded expenses by \$1,695,601.
- At June 30, 2011, the General Fund reported an unassigned fund balance of \$3,630,804, which is a decrease of 16.7% from the prior year unreserved fund balance.
- For budgetary reporting purposes, the General Fund reported revenues less than estimates by \$2,169,376 or 19.5%, while expenditures were under the final appropriations by \$3,261,620 or 37.6%.

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

The financial statements presented herein include all of the activities of the City of Okmulgee (the "City") and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of three categories of activities – governmental, business-type and discretely-presented component units. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

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

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

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

#### **Fund Financial Statements**

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

During the year the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," which provides a more clearly defined fund balance category structure and clarifies fund type definitions.

*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 service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

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

*Fiduciary funds* - When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or others parties. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities, if any, are reported in a separate statement of fiduciary net assets and a statement of

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changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations. Currently, the City does not report any fiduciary funds.

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

**Net Assets**

The City's combined net assets increased from \$35,199,955 to \$41,391,973 between fiscal years 2010 and 2011. Looking at the net assets of governmental and business-type activities separately, governmental activities increased \$3,704,185 while business-type activities increased \$2,486,833.

**TABLE 1  
NET ASSETS (In Thousands)**

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
Current assets	\$ 8,259	\$ 5,944	39%	\$ 6,963	7,182	-3%	\$ 15,222	\$ 13,126	16%
Capital assets, net	9,040	7,486	21%	60,074	49,869	20%	69,114	57,355	21%
Other non-current assets	-	-	0%	1,369	813	68%	1,369	813	68%
<b>Total assets</b>	<u>17,299</u>	<u>13,430</u>	29%	<u>68,406</u>	<u>57,864</u>	18%	<u>85,705</u>	<u>71,294</u>	20%
Current liabilities	318	241	32%	4,143	3,356	23%	4,461	3,597	24%
Non-current liabilities	452	365	24%	39,401	32,133	23%	39,853	32,498	23%
<b>Total liabilities</b>	<u>770</u>	<u>606</u>	27%	<u>43,544</u>	<u>35,489</u>	23%	<u>44,314</u>	<u>36,095</u>	23%
Net assets									
Invested in capital assets, net of related debt	9,040	7,486	21%	21,166	18,061	17%	30,206	25,547	18%
Restricted	754	1,133	-33%	1,049	1,059	-1%	1,803	2,192	-18%
Unrestricted	6,735	4,205	60%	2,647	3,255	-19%	9,383	7,460	26%
<b>Total net assets</b>	<u>\$ 16,529</u>	<u>\$ 12,824</u>	29%	<u>\$ 24,862</u>	<u>\$ 22,375</u>	11%	<u>\$ 41,391</u>	<u>\$ 35,199</u>	18%

Net assets of the City's governmental activities increased to approximately \$16.5 million. However, \$9,793,575 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net assets were \$6,735,047 at the end of this year.

Net assets of the City's business-type activities increased to approximately \$24.9 million. However, \$22,214,858 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net assets were \$2,647,493 at the end of this year. Other non-current assets increased approximately \$556,000 due to the unamortized bond issue costs due to the issuance of 2010 Oklahoma Water Resources Board Notes and the 2010 Sales Tax Revenue Note.

**Changes in Net Assets**

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

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**TABLE 2  
CHANGES IN NET ASSETS (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
<b>Revenues</b>									
Charges for service	\$ 1,147	\$ 964	19%	\$ 8,328	\$ 6,999	19%	\$ 9,475	\$ 7,963	19%
Operating grants and contributions	468	550	-15%	-	5	-100%	468	555	-16%
Capital grants and contributions	699	82	752%	1,170	2,613	-55%	1,869	2,695	-31%
Taxes	6,635	6,431	3%	-	-	-	6,635	6,431	3%
Intergovernmental revenue	149	144	3%	-	-	-	149	144	3%
Investment income	47	55	-15%	20	217	-91%	67	272	-75%
Miscellaneous	179	290	-38%	82	42	95%	261	332	-21%
Payments received from component unit	89	-	100%	-	-	-	89	-	100%
Gain on sale of capital asset	3,181	-	100%	-	-	-	3,181	-	100%
<b>Total revenues</b>	<b>12,594</b>	<b>8,516</b>	<b>48%</b>	<b>9,600</b>	<b>9,876</b>	<b>-3%</b>	<b>22,194</b>	<b>18,392</b>	<b>21%</b>
<b>Expenses</b>									
General government	1,997	2,170	-8%	-	-	-	1,997	2,170	-8%
Public safety	4,446	4,711	-6%	-	-	-	4,446	4,711	-6%
Streets	709	599	18%	-	-	-	709	599	18%
Culture, parks and recreation	612	691	-11%	-	-	-	612	691	-11%
Community development	437	399	10%	-	-	-	437	399	10%
Water	-	-	-	2,490	2,317	7%	2,490	2,317	7%
Wastewater	-	-	-	3,534	3,182	11%	3,534	3,182	11%
Sanitation	-	-	-	961	957	1%	961	957	1%
Economic development	-	-	-	52	60	-13%	52	60	-13%
Airport	-	-	-	510	457	12%	510	457	12%
Interest charge - governmental activities	-	-	-	255	167	53%	255	167	53%
<b>Total expenses</b>	<b>8,201</b>	<b>8,570</b>	<b>-4%</b>	<b>7,802</b>	<b>7,140</b>	<b>9%</b>	<b>16,003</b>	<b>15,710</b>	<b>2%</b>
Excess (deficiency) before transfers	4,393	(54)	8235%	1,798	2,736	-34%	6,191	2,682	131%
Transfers	(689)	(1,016)	32%	689	1,016	-32%	-	-	0%
<b>Change in net assets</b>	<b>3,704</b>	<b>(1,070)</b>	<b>446%</b>	<b>2,487</b>	<b>3,752</b>	<b>-34%</b>	<b>6,191</b>	<b>2,682</b>	<b>131%</b>
<b>Beginning net assets, restated</b>	<b>12,824</b>	<b>13,894</b>	<b>-8%</b>	<b>22,376</b>	<b>18,624</b>	<b>20%</b>	<b>35,200</b>	<b>32,518</b>	<b>8%</b>
<b>Ending net assets</b>	<b>\$ 16,528</b>	<b>\$ 12,824</b>	<b>29%</b>	<b>\$ 24,863</b>	<b>\$ 22,376</b>	<b>11%</b>	<b>\$ 41,391</b>	<b>\$ 35,200</b>	<b>18%</b>

The City's governmental activities had an increase in net assets of \$3,704,185, due in large part to a \$3.2 million gain on sale of capital assets. The business-type activities had an increase in net assets of \$2,486,833 from the prior year, due mainly to an increase in charges for services revenue of approximately \$1.3 million. The results indicate the City, as a whole, improved its financial condition from the prior year.

#### **A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$7,586,212 or a 37.7% increase from the prior year. The enterprise funds reported net assets of \$24,862,351 or an 11.2% increase from the prior year.

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MANAGEMENT DISCUSSION & ANALYSIS  
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Other fund highlights include:

- For the year ended June 30, 2011, the General Fund’s total fund balance increased by \$2,459,440 or 56.3%. This increase was due to the sale of building in the amount of \$3,200,000.
- The Dedicated Sales Tax Fund’s total fund balance decreased by \$382,420 or 33.8%.

**Governmental Activities**

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

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

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

	<u>Total Expense</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue</u>		<u>% Inc. (Dec.)</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
General government	\$ 1,997	\$ 2,170	-8%	\$ (1,888)	\$ (2,064)	9%
Public safety	4,446	4,711	-6%	(3,374)	(3,790)	11%
Streets	709	599	18%	385	(116)	432%
Culture, parks and recreation	612	691	-11%	(574)	(605)	5%
Community development	437	399	10%	(437)	(399)	-10%
<b>Total</b>	<u>\$ 8,201</u>	<u>\$ 8,570</u>	-4%	<u>\$ (5,888)</u>	<u>\$ (6,974)</u>	16%

For the year ended June 30, 2011, total expenses for governmental activities amounted to \$8,200,886. Of these total expenses, taxpayers and other general revenues funded \$7,011,197, while those directly benefiting from the program funded \$1,166,514 from grants and other contributions and \$1,146,533 from charges for services.

**Business-type Activities**

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

- Total business-type activities reported net revenues of \$1,695,601 for the year ended June 30, 2011, due mainly to capital grants for water, sewer and airport in the amount of \$1,169,971.
- All individual activities reported net expenses for the year ended June 30, 2011, with the exception of water, sanitation and airport which reported net revenues of \$2,793,984, \$50,148 and \$45,076, respectively.

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

	<u>Total Expense of Services</u>		<u>% Inc. Dec.</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. Dec.</u>
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
	Water	\$ 2,490		\$ 2,317	7%	
Sewer	3,534	3,182	11%	(886)	(1,147)	23%
Sanitation	961	957	1%	50	81	-38%
Economic development	52	60	-13%	(52)	(55)	5%
Airport	510	457	12%	45	2,085	-98%
Interest charges - governmental activities	255	167	53%	(255)	(167)	-53%
<b>Total</b>	<b>\$ 7,802</b>	<b>\$ 7,140</b>	<b>9%</b>	<b>\$ 1,696</b>	<b>\$ 2,476</b>	<b>-32%</b>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2011, the City had \$69,113,998 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents an increase of approximately \$11.7 million or 20.5% over last year.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	Land	\$ 66	\$ 59	\$ 3,514	\$ 3,514	\$ 3,580
Buildings	2,701	2,088	1,479	802	4,180	2,890
Imp. other than buildings	2,209	945	-	-	2,209	945
Machinery, furniture and equipment	1,650	2,006	1,109	1,313	2,759	3,319
Infrastructure	2,414	2,388	53,972	44,241	56,386	46,629
Construction in progress	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 9,040</b>	<b>\$ 7,486</b>	<b>\$ 60,074</b>	<b>\$ 49,870</b>	<b>\$ 69,114</b>	<b>\$ 57,356</b>

This year's more significant capital asset additions included:

- Water and Sewer Line Improvements
- Street Improvements
- Airport Improvements
- Police cars and equipment

See Note 5 to the financial statements for more detail information on the City's capital assets and changes therein.

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**Long- Term Debt**

At year-end, the City had \$46,818,125 (\$42,349,330, net of unamortized charge on refunding), in long-term debt outstanding which represents a \$7,142,312 or 18% increase from the prior year. The City's changes in long-term debt by type of debt are as follows:

**TABLE 6  
Long-Term Debt  
(In Thousands)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Accrued absences	\$ 502	\$ 406	\$ 201	\$ 201	\$ 703	\$ 607	16%
Meter deposit liability	-	-	223	221	223	221	1%
Notes payable	-	-	13,680	4,787	13,680	4,787	186%
Revenue bonds	-	-	31,640	33,545	31,640	33,545	-6%
Landfill closure liability	-	-	572	516	572	516	11%
<b>Totals</b>	<b>\$ 502</b>	<b>\$ 406</b>	<b>\$ 46,316</b>	<b>\$ 39,270</b>	<b>\$ 46,818</b>	<b>\$ 39,676</b>	<b>18%</b>

See Note 6 to the financial statements for more detailed information on the City's long-term debt and changes therein.

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

The City's Sales and Use Tax collections for fiscal year 2010-11 increased by 1.0% from fiscal year 2009-10. Sales and Use Tax collections for fiscal year 2011-12 are budgeted for a very small increase from 2010-11. Despite recent improvements in State Sales Tax collections, Sales and Use Tax collections for the City of Okmulgee are not expected to change drastically in either direction. As stated in previous audits, the City's dependence on Sales and Use Tax along with Utility Revenue to fund Major Capital Improvements as well as operations is a problem in budgeting for future needs. A growing threat is the amount of sales that are occurring through the Internet without Sales Tax or Use Tax being collected as required. The true extent of this problem is almost impossible to determine.

The sale of the Creek Council House to the Muscogee (Creek) Nation for approximately \$3,200,000 provided the City of Okmulgee with some highly restricted Capital Improvement Funds but the City needs to be prepared for continued requests from internal and external entities to use these funds. A clear policy and guidelines for spending these funds must be developed. At a minimum, these funds should only be spent on capital improvements that benefit the entire community for a purpose similar to the original bond proposal. It is suggested that these funds only be expended on projects with a significant match of funds from other sources.

The Okmulgee Municipal Authority raised Water and Sewer Rates in July of 2010 in anticipation of borrowing significant amounts for water and sewer improvements required by ODEQ/USEPA requirements. These rate increases were based on a utility rate study conducted by the City's Financial Advisor, Paul Smith and the projected revenue seems to be sufficient to cover the repayments. The total amount borrowed from the Oklahoma Water Resources Board for Water and Sewer is \$24,400,000.

The Municipal Authority also raised the commercial solid waste collection fees for commercial dumpsters and this increase should cover the cost of providing that service. Residential solid waste collection fees have not been increased since 2004 and should be examined and compared with other cities. Uncertainty at the landfill regarding the current lessee and operator, Elliot Construction, continues to be a significant concern for the Sanitation Department and the Municipal Authority regarding the cost of providing solid waste collection service.

The stormwater fee approved in February 2008 has proved sufficient in providing for a plan to address stormwater issues but actual projected costs of improvements is far in excess of the revenue the stormwater fee will generate. The inequity of Cities being required by ODEQ/EPA to have ordinances and fees for stormwater while the State and Counties have no such requirement is very unfair and is proving to be a deterrent to economic development within the Cities.

The continued escalating costs for employee and employee dependents health insurance benefits and the uncertainty of Federal requirements for employee health insurance benefits in the future make it extremely difficult for City staff to plan ahead and budget for the unknown.

The City's economy as a whole has increased slightly in the past year but it is not recovering as rapidly as some other communities in the area, especially the suburbs of Tulsa and Tulsa itself. This condition indicates the need for conservative budgeting for fiscal year 2012-2013.

Covington Aircraft continues to expand its operations at the Okmulgee Airport and the recent airport improvements have provided a much-improved situation for aircraft using the airport. These improvements should lead to further expansion at Covington and hopefully other aircraft service providers. Aviation Fuel Sales have increased significantly in the last two years and are projected to increase even more over the foreseeable future due to the improved access and our Airports accessibility.

The Okmulgee area continues to provide an available, trained labor force and a relatively low cost-of-living. Educational training opportunities are many and varied due to the presence of Oklahoma State University Institute of Technology (OSUIT) and Green Country Technology Center. Both OSUIT and Green Country Technology Center continue to expand their physical campuses as well as their curriculum and degree programs.

The presence of the Muscogee (Creek) Nation headquarters is an additional positive factor for Okmulgee. The construction of the auditorium/physical fitness center with a seating capacity of 3,000 people is complete, as is Phase One of the College of the Muscogee Nation and housing at the College. Three additional, identical education buildings at the College are planned in the near future. The Muscogee (Creek) Nation anticipates an influx of 600 to 800 students. This influx would create significant sales tax collections for the City and would probably require additional housing units as well. A significant Muscogee Nation Housing Project is complete just east of the Best Western Motel and will provide quality housing for future tribal residents. An additional housing project on North Mission is anticipated soon.

Several other significant Muscogee (Creek) Nation projects are currently planned including a Health Clinic, a Museum, a new Administration Building, and the enclosure of the existing rodeo arena. All of these projects will create a demand for additional retail stores, which would then increase sales taxes for the City of Okmulgee.

**CITY OF OKMULGEE, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
As of and for the year ended June 30, 2011**

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The agreement between Okmulgee Area Development Corporation and the City of Okmulgee coupled with the financial support of the Viersen Family Foundation, allowed OADC to provide a full-time economic development director, which has enabled the City of Okmulgee to become much more responsive to business and industry prospects. Although the Muscogee Nation has withdrawn their \$25,000 of support from the agreement, the agreement can survive in the short-run and there is reason to believe that the Muscogee Nation will return some support in the future. Business and Industry recruitment is extremely difficult at this time due to the state of the National Economy but the City of Okmulgee needs to be well prepared when the Economy recovers.

The City has aptly responded to the short-term demand for infrastructure improvements, some of which were mandated by USEPA and some that were required for business development. The City was fortunate in that both construction costs and interest rates were at historically low levels when the loans were finalized and bids were let. These conditions will allow the City to accomplish even more improvements in our Sewer Line Projects therefore moving us closer to compliance and release from our Consent Decree with USEPA. The Raw Water Line Project is complete and the Water Treatment Plant Project is approximately 50% complete.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Okmulgee City Manager or Okmulgee City Clerk at City of Okmulgee, P. O. Box 250, Okmulgee, Oklahoma 74447-0250 or by phone at (918) 758-1100.

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

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

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

**Statement of Net Assets– June 30, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit Okmulgee Parking Authority</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,853,009	\$ 5,350,253	\$ 12,203,262	\$ -
Deposits with insurance pool	4,546	-	4,546	-
Interest receivable	84	-	84	-
Accounts receivable, net of allowance	-	1,408,069	1,408,069	-
Due from other governments	919,906	200,000	1,119,906	-
Other taxes receivable	25,920	-	25,920	-
Court fines receivable, net of allowance	363,773	-	363,773	-
Other receivables	23,980	6,828	30,808	-
Internal balances	67,751	(67,751)	-	-
Inventories	-	65,429	65,429	-
Capital assets:				
Land and construction in progress	66,180	3,513,511	3,579,691	-
Other capital assets, net of depreciation	8,973,489	56,560,818	65,534,307	188,542
Unamortized bond issuance costs	-	1,369,423	1,369,423	-
Total assets	<u>17,298,638</u>	<u>68,406,580</u>	<u>85,705,218</u>	<u>188,542</u>
<b>LIABILITIES</b>				
Accounts payable	158,161	642,974	801,135	-
Accrued payroll liabilities	56,318	23,596	79,914	-
Retainage payable	-	845,837	845,837	-
Accrued interest payable	-	184,800	184,800	-
Due to other governments	11,892	-	11,892	-
Claim liability	41,337	-	41,337	-
Long-term liabilities				
Due within one year	50,231	2,445,921	2,496,152	-
Due in more than one year	452,077	39,401,101	39,853,178	-
Total liabilities	<u>770,016</u>	<u>43,544,229</u>	<u>44,314,245</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,039,669	21,165,996	30,205,665	188,542
Restricted for:				
External contracts	753,906	1,048,862	1,802,768	-
Unrestricted	6,735,047	2,647,493	9,382,540	-
Total net assets	<u>\$ 16,528,622</u>	<u>\$ 24,862,351</u>	<u>\$ 41,390,973</u>	<u>\$ 188,542</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Statement of Activities –Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Component Unit Okmulgee Parking Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 1,997,292	\$ 109,711	\$ -	\$ -	\$ (1,887,581)	\$ -	\$ (1,887,581)	\$ -
Public Safety	4,445,950	726,172	335,714	10,037	(3,374,027)	-	(3,374,027)	-
Streets	708,974	288,699	116,566	688,868	385,159	-	385,159	-
Culture and Recreation	611,706	21,951	15,329	-	(574,426)	-	(574,426)	-
Community Development	436,964	-	-	-	(436,964)	-	(436,964)	-
Total governmental activities	<u>8,200,886</u>	<u>1,146,533</u>	<u>467,609</u>	<u>698,905</u>	<u>(5,887,839)</u>	<u>-</u>	<u>(5,887,839)</u>	<u>-</u>
Business-Type Activities:								
Water	2,490,217	5,084,201	-	200,000	-	2,793,984	2,793,984	-
Sewer	3,534,289	2,050,418	-	597,500	-	(886,371)	(886,371)	-
Sanitation	960,542	1,010,690	-	-	-	50,148	50,148	-
Economic Development	52,186	-	29	-	-	(52,157)	(52,157)	-
Airport	509,741	182,346	-	372,471	-	45,076	45,076	-
Interest charges - governmental activities	255,079	-	-	-	-	(255,079)	(255,079)	-
Total business-type activities	<u>7,802,054</u>	<u>8,327,655</u>	<u>29</u>	<u>1,169,971</u>	<u>-</u>	<u>1,695,601</u>	<u>1,695,601</u>	<u>-</u>
Total primary government	<u>\$ 16,002,940</u>	<u>\$ 9,474,188</u>	<u>\$ 467,638</u>	<u>\$ 1,868,876</u>	<u>(5,887,839)</u>	<u>1,695,601</u>	<u>(4,192,238)</u>	<u>-</u>
Component Unit:								
Parking	\$ 19,342	\$ -	\$ -	\$ -	-	-	-	(19,342)
Payment to primary government	88,947	-	-	-	-	-	-	(88,947)
Total component unit	<u>\$ 108,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,289)</u>
<b>General revenues:</b>								
Taxes:								
Sales and use taxes					6,175,145	-	6,175,145	-
Franchise taxes and public service taxes					376,151	-	376,151	-
Hotel/motel taxes					83,967	-	83,967	-
Intergovernmental revenue not restricted to specific programs					149,276	-	149,276	-
Unrestricted investment earnings					47,293	19,507	66,800	116
Miscellaneous					179,365	82,478	261,843	-
Payments received from component unit					88,947	-	88,947	-
Transfers					(689,247)	689,247	-	-
Special item - gain on sale of building					3,181,127	-	3,181,127	-
Total general revenues and transfers					<u>9,592,024</u>	<u>791,232</u>	<u>10,383,256</u>	<u>116</u>
Change in net assets					<u>3,704,185</u>	<u>2,486,833</u>	<u>6,191,018</u>	<u>(108,173)</u>
Net assets - beginning					<u>12,824,437</u>	<u>22,375,518</u>	<u>35,199,955</u>	<u>296,715</u>
Net assets - ending					<u>\$ 16,528,622</u>	<u>\$ 24,862,351</u>	<u>\$ 41,390,973</u>	<u>\$ 188,542</u>

See accompanying notes to these financial statements.

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

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF OKMULGEE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Governmental Funds Balance Sheet - June 30, 2011**

	<u>General Fund</u>	<u>Dedicated Sales Tax Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,286,412	\$ 566,597	\$ 6,853,009
Deposits with insurance pool	4,546	-	4,546
Interest receivable	84	-	84
Due from other governments	735,641	184,265	919,906
Due from other funds	249,512	-	249,512
Taxes receivable	25,920	-	25,920
Court fines receivable, net of allowance	363,773	-	363,773
Other receivables	23,980	-	23,980
Total assets	<u>\$ 7,689,868</u>	<u>\$ 750,862</u>	<u>\$ 8,440,730</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 158,161	\$ -	\$ 158,161
Accrued payroll payable	56,318	-	56,318
Claims liability	41,337	-	41,337
Due to other funds	181,761	-	181,761
Payable to other governments	11,892	-	11,892
Deferred revenue	405,049	-	405,049
Total liabilities	<u>854,518</u>	<u>-</u>	<u>854,518</u>
 Fund balances:			
Restricted for:			
Deposits with insurance pool	4,546	-	4,546
Capital projects and debt service	-	749,360	749,360
Committed for community improvements	3,200,000	-	3,200,000
Assigned for capital projects and debt service	-	1,502	1,502
Unassigned	3,630,804	-	3,630,804
Total fund balances	<u>6,835,350</u>	<u>750,862</u>	<u>7,586,212</u>
Total liabilities and fund balances	<u>\$ 7,689,868</u>	<u>\$ 750,862</u>	<u>\$ 8,440,730</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Dedicated Sales Tax Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 5,161,840	\$ 1,473,423	\$ 6,635,263
Intergovernmental	1,198,242	-	1,198,242
Licenses and permits	68,178	-	68,178
Charges for services	81,369	-	81,369
Fines and forfeitures	653,450	-	653,450
Investment earnings	45,791	1,502	47,293
Miscellaneous	181,345	-	181,345
Total revenues	<u>7,390,215</u>	<u>1,474,925</u>	<u>8,865,140</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,874,444	-	1,874,444
Public safety	4,079,197	-	4,079,197
Culture and recreation	509,318	-	509,318
Community development	431,690	-	431,690
Capital Outlay	<u>1,636,026</u>	<u>-</u>	<u>1,636,026</u>
Total expenditures	<u>8,530,675</u>	<u>-</u>	<u>8,530,675</u>
Excess (deficiency) of revenues over expenditures	<u>(1,140,460)</u>	<u>1,474,925</u>	<u>334,465</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of building	3,208,122	-	3,208,122
Transfers in - component unit	88,947	-	88,947
Transfers in	788,458	1,241,327	2,029,785
Transfers out	<u>(485,627)</u>	<u>(3,098,672)</u>	<u>(3,584,299)</u>
Total other financing sources and uses	<u>3,599,900</u>	<u>(1,857,345)</u>	<u>1,742,555</u>
Net change in fund balances	2,459,440	(382,420)	2,077,020
Fund balances - beginning	<u>4,375,910</u>	<u>1,133,282</u>	<u>5,509,192</u>
Fund balances - ending	<u>\$ 6,835,350</u>	<u>\$ 750,862</u>	<u>\$ 7,586,212</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA  
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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Assets Reconciliation:**

Total fund balance, governmental funds	\$	7,586,212
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
		9,039,669
Certain other long-term assets are not available to pay current period liabilities and therefore are reported as deferred revenue in this fund financial statement.		
Court fines receivable		289,481
Due from other governments - grants		115,568
Certain long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		
Accrued compensated absences		(502,308)
Net Assets of Governmental Activities in the Statement of Net Assets		\$ 16,528,622

**Changes in Fund Balances – Changes in Net Assets Reconciliation:**

Net change in fund balances - total governmental funds:	\$	2,077,020
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		2,221,869
Depreciation expense		(641,393)
Book value of assets disposed		(26,995)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenue - fines		54,837
Change in deferred revenue - grants		115,568
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Change in accrued compensated absences		(96,721)
Change in net assets of governmental activities		\$ 3,704,185

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF OKMULGEE, OKLAHOMA**  
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**Proprietary Funds Statement of Net Assets - June 30, 2011**

	<u>OMA</u>	<u>OEDA</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,317,255	\$ 2,468	\$ 3,319,723
Restricted:			
Cash and cash equivalents	2,030,530	-	2,030,530
Due from other funds	217,085	-	217,085
Accounts receivable, net of allowance	1,408,069	-	1,408,069
Due from other governments	200,000	-	200,000
Other receivables	6,828	-	6,828
Inventories	65,429	-	65,429
Total current assets	<u>7,245,196</u>	<u>2,468</u>	<u>7,247,664</u>
Non-current assets:			
Capital Assets:			
Land and construction in progress	3,501,511	12,000	3,513,511
Other capital assets, net of accumulated depreciation	56,557,631	3,187	56,560,818
Unamortized note issue costs	1,369,423	-	1,369,423
Total non-current assets	<u>61,428,565</u>	<u>15,187</u>	<u>61,443,752</u>
Total assets	<u>68,673,761</u>	<u>17,655</u>	<u>68,691,416</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	642,974	-	642,974
Accrued payroll liabilities	23,596	-	23,596
Accrued interest payable	184,800	-	184,800
Due to other funds	249,512	35,324	284,836
Retainage payable	845,837	-	845,837
Current portion of:			
Deposits subject to refund	44,628	-	44,628
Compensated absences	20,075	-	20,075
Landfill closure liability	57,176	-	57,176
Notes payable	469,042	-	469,042
Bonds payable	1,855,000	-	1,855,000
Total current liabilities	<u>4,392,640</u>	<u>35,324</u>	<u>4,427,964</u>
Non-current liabilities:			
Deposits subject to refund	178,514	-	178,514
Compensated absences	180,676	-	180,676
Landfill closure liability	514,585	-	514,585
Notes payable	13,211,121	-	13,211,121
Bonds payable	25,316,205	-	25,316,205
Total non-current liabilities	<u>39,401,101</u>	<u>-</u>	<u>39,401,101</u>
Total liabilities	<u>43,793,741</u>	<u>35,324</u>	<u>43,829,065</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	21,150,809	15,187	21,165,996
Restricted for debt service	1,048,862	-	1,048,862
Unrestricted	2,680,349	(32,856)	2,647,493
Total net assets (deficit)	<u>\$ 24,880,020</u>	<u>\$ (17,669)</u>	<u>\$ 24,862,351</u>

See accompanying notes to the basic financial statements.

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

**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets - Year Ended June 30, 2011**

	<u>OMA</u>	<u>OEDA</u>	<u>Total</u>
<b>REVENUES</b>			
Water	\$ 4,950,580	\$ -	\$ 4,950,580
Water taps	16,553	-	16,553
Sewer	2,001,541	-	2,001,541
Sewer taps	1,600	-	1,600
Sanitation	977,426	-	977,426
Stormwater	288,699	-	288,699
Landfill lease	10,000	-	10,000
Penalties	158,361	-	158,361
Airport	182,346	-	182,346
Other	29,248	-	29,248
Total operating revenues	<u>8,616,354</u>	<u>-</u>	<u>8,616,354</u>
<b>OPERATING EXPENSES</b>			
Public works operations	88,207	-	88,207
Utility billing	303,450	-	303,450
Public works director	187,598	-	187,598
Water treatment plant	856,521	-	856,521
Water and sewer line maintenance	513,556	-	513,556
Wastewater treatment plant	918,137	-	918,137
Sanitation	821,212	-	821,212
Streets	504,149	-	504,149
Airport	243,152	-	243,152
Economic development	-	51,529	51,529
Depreciation	1,926,712	114	1,926,826
Amortization expense	77,651	-	77,651
Total operating expenses	<u>6,440,345</u>	<u>51,643</u>	<u>6,491,988</u>
Operating income (loss)	<u>2,176,009</u>	<u>(51,643)</u>	<u>2,124,366</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	19,507	-	19,507
Reimbursements	25,000	-	25,000
Miscellaneous revenue	90,478	-	90,478
Operating grants and contributions	29	-	29
Interest expense	(1,822,215)	-	(1,822,215)
Total non-operating revenue (expenses)	<u>(1,687,201)</u>	<u>-</u>	<u>(1,687,201)</u>
Income (loss) before contributions and transfers	488,808	(51,643)	437,165
Capital contributions	1,532,029	-	1,532,029
Transfers in	3,539,299	45,000	3,584,299
Transfers out	(3,066,660)	-	(3,066,660)
Change in net assets	2,493,476	(6,643)	2,486,833
Total net assets (deficit) - beginning	<u>22,386,544</u>	<u>(11,026)</u>	<u>22,375,518</u>
Total net assets (deficit) - ending	<u>\$ 24,880,020</u>	<u>\$ (17,669)</u>	<u>\$ 24,862,351</u>

See accompanying notes to the basic financial statements.

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

**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2011**

	<u>OMA</u>	<u>OEDA</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 8,415,369	\$ -	\$ 8,415,369
Payments to employees	(2,420,454)	-	(2,420,454)
Payments to suppliers	(1,382,977)	(51,529)	(1,434,506)
Receipts of customer meter deposits	78,509	-	78,509
Refunds of customer meter deposits	(75,873)	-	(75,873)
Interfund receipts/payments	111,784	-	111,784
<b>Net cash provided by (used in) operating activities</b>	<u>4,726,358</u>	<u>(51,529)</u>	<u>4,674,829</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	3,539,299	45,000	3,584,299
Transfers to other funds	(3,066,660)	-	(3,066,660)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>472,639</u>	<u>45,000</u>	<u>517,639</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(12,132,047)	-	(12,132,047)
Proceeds from debt	9,854,824	-	9,854,824
Capital grants received	934,529	-	934,529
Principal paid on debt	(2,269,455)	-	(2,269,455)
Issue costs paid	(633,750)	-	(633,750)
Interest and fiscal agent fees paid on debt	(1,416,775)	-	(1,416,775)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(5,662,674)</u>	<u>-</u>	<u>(5,662,674)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of investments	1,624,625	-	1,624,625
Interest and dividends	19,995	-	19,995
<b>Net cash provided by (used in) investing activities</b>	<u>1,644,620</u>	<u>-</u>	<u>1,644,620</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,180,943	(6,529)	1,174,414
<b>Balances - beginning of year</b>	<u>4,166,842</u>	<u>8,997</u>	<u>4,175,839</u>
<b>Balances - end of year</b>	<u>\$ 5,347,785</u>	<u>\$ 2,468</u>	<u>\$ 5,350,253</u>
<b>Reconciliation to Statement of Net Assets:</b>			
Cash and cash equivalents	\$ 3,317,255	\$ 2,468	\$ 3,319,723
Restricted cash and cash equivalents - current	2,030,530	-	2,030,530
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 5,347,785</u>	<u>\$ 2,468</u>	<u>\$ 5,350,253</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 2,176,009	\$ (51,643)	2,124,366
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,926,712	114	1,926,826
Amortization expense	77,651	-	77,651
Miscellaneous revenue	115,478	-	115,478
Operating grants	29	-	29
Change in assets and liabilities:			
Due from other funds	(99,707)	-	(99,707)
Due to other funds	211,791	-	211,791
Due to other governments	(194,601)	-	(194,601)
Accounts receivable	(112,604)	-	(112,604)
Other receivables	(1,287)	-	(1,287)
Accounts payable	(57,444)	-	(57,444)
Due to component unit	(300)	-	(300)
Retainage payable	658,366	-	658,366
Inventory	(35,083)	-	(35,083)
Deposits, subject to refund	2,636	-	2,636
Accrued payroll payable	3,625	-	3,625
Landfill closure liability	55,673	-	55,673
Accrued compensated absences	(586)	-	(586)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 4,726,358</u>	<u>\$ (51,529)</u>	<u>\$ 4,674,829</u>
<b>Noncash activities:</b>			
Forgiveness of debt	\$ 597,500	\$ -	\$ 597,500

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Okmulgee), three blended component units, and one discretely presented component unit as noted below. This annual report includes all activities for which the Okmulgee City Council is fiscally responsible.

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

**The City of Okmulgee** – that operates the public safety, streets, culture and recreation, community development and administrative activities

The City of Okmulgee is an incorporated municipality with a population of approximately 13,000 located in northeastern Oklahoma. The City is a Council-Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager, removable by Council action

The City provides typical municipal services such as public safety, street maintenance, culture and recreation and community development.

**Component Units:**

*Blended:*

The component units blended into the presentation of the primary government include:

**The Okmulgee Public Works Authority** – that operates the water, sewer, sanitation, and airport services of the City (activity transferred to the Okmulgee Municipal Authority during the fiscal 2011)

**The Okmulgee Economic Development Authority** – that operates the economic development activities of the City

**The Okmulgee Municipal Authority** – that operates the water, sewer, sanitation, and airport services of the City. This new public trust was created with the intent to replace the existing OPWA trust. The OMA trust indenture contains fewer debt restrictions than the OPWA trust, thus allowing the OMA to begin needed improvements to the utility system.

All component units (Authorities) above have the City Council as their governing body (trustees) and therefore the City is able to impose its will on the Authorities. The City Council is also able to impose its will through required approval of all debt obligations issued by these entities.

*Discretely-Presented:*

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

**The Okmulgee Parking Authority** – that operates the parking activities of the City

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

## **2. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statements of net assets and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the economic resources focus, all assets and liabilities are reported, including current and non-current. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- Public Safety and Judiciary – Fire, Police, Legal and Municipal Court – fines and forfeitures, false alarm fees, and restricted operating and capital grants
- Streets and Transportation – Streets – Commercial vehicle and gasoline excise tax shared by the State and restricted capital grants, charges for services include stormwater fees
- Culture and Recreation – Library and Creek Council House – lake fees, operating grants
- Community Development – None
- General Government – City Administration, General Government, Finance, Central Repair, Property Maintenance – license and permits, weed abatements

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

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*Governmental Funds:*

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Dedicated Sales Tax Fund (capital project fund) – accounts for a one-cent sales tax restricted by voter approval for capital improvements or debt service on capital debt

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

The General Fund and Dedicated Sales Tax Fund are considered major funds and are therefore displayed in separate columns. There are no other governmental funds of the City.

*Proprietary Funds:*

The City's proprietary funds include:

- OEDA – that accounts for the activities of the Okmulgee Economic Development Authority public trust in providing economic development services to the public
- OMA – that accounts for the activities of the Okmulgee Municipal Authority public trust in providing water, sewer, sanitation and airport services to the public.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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For business-type activities and proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

*Discretely Presented Component Unit:*

The Okmulgee Parking Authority, reported as a discretely presented component unit, follows the same accounting principles as the proprietary funds noted above.

**3. Cash, Cash Equivalents, and Investments**

For the purposes of the statements of net assets, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

Marketable investments are reported at their fair value, based on quoted market prices.

At June 30, 2011, the reporting entity held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Cash on hand			\$ 2,900
Demand deposits			<u>10,392,974</u>
			<u>10,395,874</u>
<b>Investments:</b>			
Money Market Funds	N/A	AAA <sub>m</sub>	<u>1,807,388</u>
			<u>1,807,388</u>
<b>Total deposits and investments</b>			<u><u>\$ 12,203,262</u></u>
<b>Reconciliation to Statement of Net Assets:</b>			
Cash and cash equivalents			<u>\$ 12,203,262</u>
			<u><u>\$ 12,203,262</u></u>

*Custodial Credit Risk* – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

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The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. At June 30, 2011, the City was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy; therefore, the City sets no specific limit on investment maturities. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

*Investment Credit Risk* – The City has no investment 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 deposit 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, b, c, and d.

*Concentration of Investment Credit Risk* - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

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

*Restricted Cash and Investments* - The amounts reported as restricted net assets on the proprietary fund statement of net assets are comprised of cash and investments held by the trustee bank on behalf of the public trust (Authority) related to their required revenue bond accounts and deposits held for refund related to utility deposits. The restricted assets as of June 30, 2011 were as follows:

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	Current
	Cash and cash equivalents
Utility Deposits	\$ 223,142
Trustee Accounts:	
Series 2008 Note Account	39,922
Series 2008 Construction Account	59,129
Series 2009 Revenue Account	1,179,577
Series 2010 Project Account	514,597
Series 2010 Revenue Account	14,163
Total	\$ 2,030,530

#### 4. Receivables

*Primary Government Accounts Receivables:*

Accounts receivable of the business-type activities consists of customer utilities receivable. Accounts receivable of the governmental activities consists of franchise tax, police fines and hotel/motel tax receivables. Receivables detail at June 30, 2011, is as follows:

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Franchise taxes	\$ 17,676	\$ -	\$ 17,676
Hotel/motel tax	8,244	-	8,244
Court fines	2,425,153	(2,061,380)	363,773
Other	23,980	-	23,980
Total Governmental Activities	\$ 2,475,053	\$ (2,061,380)	\$ 413,673
Business-Type Activities:			
Utilities	\$ 1,877,491	\$ (469,422)	\$ 1,408,069

#### 5. Capital Assets and Depreciation

*Capital Assets:*

Capital assets consist of land, buildings, improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. A capitalization threshold of \$1,500 is used to report capital assets. The City's inventory of capital assets is incomplete with regards to assets purchased prior to 2005. As a result, the amount of capital assets reported in the financial statements does not represent the historical cost of all capital assets of the reporting entity.

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

	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 58,500	\$ 7,680	\$ -	\$ 66,180
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>58,500</u>	<u>7,680</u>	<u>-</u>	<u>66,180</u>
Other capital assets:				
Buildings	2,901,899	760,134	38,100	3,623,933
Improvements	1,011,955	1,315,567	-	2,327,522
Infrastructure	2,964,480	134,555	-	3,099,035
Machinery, furniture and equipment	3,369,052	3,933	-	3,372,985
Total other capital assets at historical cost	<u>10,247,386</u>	<u>2,214,189</u>	<u>38,100</u>	<u>12,423,475</u>
Less accumulated depreciation for:				
Buildings	813,672	120,215	11,105	922,782
Improvements	67,077	51,799	-	118,876
Infrastructure	576,193	109,218	-	685,411
Machinery, furniture and equipment	1,362,756	360,161	-	1,722,917
Total accumulated depreciation	<u>2,819,698</u>	<u>641,393</u>	<u>11,105</u>	<u>3,449,986</u>
Other capital assets, net	<u>7,427,688</u>	<u>1,572,796</u>	<u>26,995</u>	<u>8,973,489</u>
Governmental activities capital assets, net	<u>\$ 7,486,188</u>	<u>\$ 1,580,476</u>	<u>\$ 26,995</u>	<u>\$ 9,039,669</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,513,511	\$ -	\$ -	\$ 3,513,511
Total capital assets not being depreciated	<u>3,513,511</u>	<u>-</u>	<u>-</u>	<u>3,513,511</u>
Other capital assets:				
Buildings	1,497,367	718,178	-	2,215,545
Machinery, furniture and equipment	5,347,981	3,389	-	5,351,370
Utility property improvements	60,015,708	11,410,480	-	71,426,188
Total other capital assets at historical cost	<u>66,861,056</u>	<u>12,132,047</u>	<u>-</u>	<u>78,993,103</u>
Less accumulated depreciation for:				
Buildings	695,429	41,463	-	736,892
Machinery, furniture and equipment	4,034,872	207,019	-	4,241,891
Utility property improvements	15,775,158	1,678,344	-	17,453,502
Total accumulated depreciation	<u>20,505,459</u>	<u>1,926,826</u>	<u>-</u>	<u>22,432,285</u>
Other capital assets, net	<u>46,355,597</u>	<u>10,205,221</u>	<u>-</u>	<u>56,560,818</u>
Business-type activities capital assets, net	<u>\$ 49,869,108</u>	<u>\$ 10,205,221</u>	<u>\$ -</u>	<u>\$ 60,074,329</u>
<b>Component Unit:</b>				
Okmulgee Parking Authority:				
Other capital assets:				
Buildings	\$ 55,348	\$ -	\$ -	\$ 55,348
Infrastructure	359,174	-	-	359,174
Total other capital assets at historical cost	<u>414,522</u>	<u>-</u>	<u>-</u>	<u>414,522</u>
Less accumulated depreciation for:				
Buildings	15,221	1,384	-	16,605
Infrastructure	191,417	17,958	-	209,375
Total accumulated depreciation	<u>206,638</u>	<u>19,342</u>	<u>-</u>	<u>225,980</u>
Other capital assets, net	<u>207,884</u>	<u>(19,342)</u>	<u>-</u>	<u>188,542</u>
Okmulgee Parking Authority capital assets, net	<u>\$ 207,884</u>	<u>\$ (19,342)</u>	<u>\$ -</u>	<u>\$ 188,542</u>

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*Depreciation:*

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

- Buildings 25 years
- Improvements other than buildings 20 years
- Machinery, furniture and equipment 3-20 years
- Utility property and improvements 6-60 years
- Infrastructure 5-30 years

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 101,079	Water	\$ 517,962
Public safety	238,379	Sewer	1,074,116
Streets	204,825	Sanitation	67,502
Culture and recreation	94,124	Airport	266,589
Community development	2,986	Economic development	657
	<u>\$ 641,393</u>		<u>\$1,926,826</u>

**6. Long-Term Debt and Debt Service Requirements**

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

<u>Type of Debt</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Accrued compensated absences	\$ 405,587	\$ 236,644	\$ (139,923)	\$ 502,308	\$ 50,231
Total Governmental Activities	<u>\$ 405,587</u>	<u>\$ 236,644</u>	<u>\$ (139,923)</u>	<u>\$ 502,308</u>	<u>\$ 50,231</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 4,787,295	\$ 9,854,823	\$ (961,955)	\$ 13,680,163	\$ 469,042
Revenue bonds payable	33,545,000	-	(1,905,000)	31,640,000	1,855,000
Deposits subject to refund	220,506	78,509	(75,873)	223,142	44,628
Landfill closure liability	516,088	55,673	-	571,761	57,176
Accrued compensated absences	201,337	96,658	(97,244)	200,751	20,075
Total Business-Type Activities	<u>39,270,226</u>	<u>10,085,663</u>	<u>(3,040,072)</u>	<u>46,315,817</u>	<u>2,445,921</u>
Total Long-Term Debt	<u>\$ 39,675,813</u>	<u>\$ 10,322,307</u>	<u>\$ (3,179,995)</u>	<u>\$ 46,818,125</u>	<u>\$ 2,496,152</u>

**Reconciliation to Statement of Net Assets:**

<b>Governmental Activities:</b>	
Due within one year	\$ 50,231
Due in more than one year	452,077
Total Governmental Activities Long-term liabilities	<u>\$ 502,308</u>
<b>Business-Type Activities:</b>	
Due within one year	\$ 2,445,921
Due in more than one year	39,401,101
Add back unamortized charge on refunding	4,468,795
Total Business-Type Activities Long-term liabilities	<u>\$ 46,315,817</u>

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*Governmental activities long-term debt:*

**Accrued Compensated Absences:**

	Current portion	\$ 50,231
	Noncurrent portion	452,077
Total Accrued Compensated Absences		<u>\$ 502,308</u>

*Business-type activities long-term debt:*

**Notes Payable:**

Note Payable to Oklahoma Department of Transportation dated February 2002, original amount of \$564,551 with an annual interest rate of 0.0% due in monthly installments of \$4,705, final installment due February 2012.		\$ 32,507
Note Payable to Oklahoma Department of Commerce dated September 29, 2006, original amount of \$80,000 with an annual interest rate of 0.0% due in monthly installments of \$667, final installment due February 2017.		45,333
2008 Sales Tax and Revenue Note payable to BancFirst dated December 23, 2008, original amount of \$5,000,000, secured by pledged sales tax, with an annual interest rate of 4.95% due in semi-annual installments of principal and interest beginning June 2009, final installment due December 2023.		4,395,000
2010 Sales Tax and Revenue Note payable to BancFirst dated December 23, 2010, original amount of \$1,850,000, secured by pledged sales tax, with an annual interest rate of 4.3% due in semi-annual installments of principal and interest beginning June 2011, final installment due December 2025.		1,800,000
2010E Series CWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$650,000, secured by utility revenues, payable in semi-annual installments, interest rate at 2.86%, final maturity March 15, 2031.		422,990
2010A Series CWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$5,100,000, secured by utility revenues, payable in semi-annual installments, interest rate at 2.54%, final maturity September 15, 2032.		1,978,343
2010C Series DWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$2,960,000, secured by utility revenues, payable in semi-annual installments, interest rate at 3.28%, final maturity September 15, 2031.		1,285,229
2010D Series DWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$4,895,000, secured by utility revenues, payable in semi-annual installments, interest rate at 3.32%, final maturity March 15, 2032.		2,400,270
2010B Series DWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$10,795,000, secured by utility revenues, payable in semi-annual installments, interest rate at 3.32%, final maturity March 15, 2032.		1,320,491
Total Notes Payable		<u>\$ 13,680,163</u>
	Current portion	469,042
	Noncurrent portion	13,211,121
Total Notes Payable		<u>\$ 13,680,163</u>

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**Revenue Bonds Payable:**

2009A Series Utility System and Sales Tax Revenue Bonds original issue amount of \$30,000,000, dated December 1, 2009, issued by Okmulgee Municipal Authority, secured by certain utility revenue and pledged sales tax, due in annual principal installments, interest rates from 1.75% to 5.0%, final maturity December 1, 2024. \$ 30,000,000

2009B Taxable Series Utility System and Sales Tax Revenue Bonds, original issue amount of \$3,545,000, dated December 1, 2009, issued by Okmulgee Municipal Authority, secured by certain utility revenue and pledged sales tax, due in annual principal installments, interest rates from 1.5% to 2.25%, final maturity December 1, 2011. 1,640,000

Total Revenue Bonds Payable	\$ 31,640,000
Less: Unamortized Discount on Refunding	(387,466)
Unamortized Gain/Loss on Refunding	(4,302,203)
Add: Unamortized Issue Premium on Refunding	220,874
Net Revenue Bonds Payable	<u>\$ 27,171,205</u>

Current portion	\$ 1,855,000
Noncurrent portion	<u>25,316,205</u>
Total Revenue Bonds Payable	<u>\$ 27,171,205</u>

**Accrued Compensated Absences:**

Current portion	\$ 20,075
Noncurrent portion	<u>180,676</u>
Total Accrued Compensated Absences	<u>\$ 200,751</u>

**Deposits Subject to Refund:**

Current portion	\$ 44,628
Noncurrent portion	<u>178,514</u>
Total Deposits Subject to Refund	<u>\$ 223,142</u>

*Long-term debt service requirements to maturity:*

<u>Year Ending June 30,</u>	Business Type Activities			
	Capital Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2012	\$ 469,042	\$ 834,356	\$ 1,855,000	\$ 1,104,454
2013	1,183,913	1,021,760	1,900,000	1,065,122
2014	1,291,737	977,048	1,935,000	1,024,354
2015	1,340,541	929,466	1,980,000	977,835
2016	1,388,792	881,246	2,030,000	922,635
2017-2021	7,740,630	3,589,111	11,205,000	3,497,513
2022-2025	7,962,283	2,091,355	10,735,000	962,100
2026-2030	7,239,830	876,078	-	-
2031-2033	1,458,572	35,040	-	-
Totals	<u>\$ 30,075,340</u>	<u>\$ 11,235,460</u>	<u>\$ 31,640,000</u>	<u>\$ 9,554,013</u>
Less: Amount to be drawn	<u>(16,395,177)</u>			
	<u>\$ 13,680,163</u>			

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*Conduit Debt:*

In November 2003, the Okmulgee Public Works Authority (OPWA) entered into a conduit debt agreement with Independent School District No. 1 of Okmulgee County, Oklahoma. Under this agreement, the OPWA issued \$3,835,000 of Educational Facilities Lease Revenue Bonds, the proceeds of which are to be used for renovation, repairs, furnishing and equipping of the Okmulgee School. Under the terms of the bond indenture, the OPWA has taken a land lease on certain real property owned by the School District. Concurrent with the execution of the ground lease, the parties have entered into a Sublease Agreement under which the School District subleased the property from the OPWA. The District's lease payments to the OPWA are equal to debt service requirements on the debt. Lease proceeds under the Sublease Agreement are pledged to secure the payment of principal and interest on the bonds, and are to be used for no other purpose. The OPWA has no obligation for the debt beyond the use of resources provided by the sublease for payments of debt service requirements. Total Educational Lease Revenue Bonds outstanding at June 30, 2011 was \$1,565,000.

*Defeased Bonds Outstanding:*

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

2001A Series Capital Improvement Revenue Bonds – Defeased	\$23,045,000
2002 Series Capital Improvement Revenue Bonds - Defeased	<u>9,445,000</u>
Total Defeased Bonds Outstanding	<u>\$ 32,490,000</u>

*Landfill Closure Liability:*

State and federal laws and regulations require the City to place a final cover on its construction and demolition landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for eight years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these costs as an operating expense of the Public Works Authority in each fiscal year. The current period expense amount is based upon the amount of landfill capacity used as of each fiscal year end.

The \$571,761 reported as accrued landfill closure cost liability at June 30, 2011, represents the cumulative amount of such costs reported to date based on the use of 86.3% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$90,767 as the remaining estimated capacity is filled. The City has an agreement with Elliott Construction Company, Inc. whereby the City will guarantee \$662,528 of the total estimated closure and post-closure care costs. The approved 2011 cost estimates are \$502,562 for closure and \$586,463 for post-closure for a total of \$1,089,025. These amounts are based on what it would cost to perform all closure and post-closure care in 2011. The Authority expects to close the landfill cell in the year 2012 and actual costs may be higher or lower at that time due to inflation, changes in technology or changes in regulations.

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The City has qualified under the Department of Environmental Quality financial assurance test relating to these future closure and post-closure care costs, whereby the City's overall financial condition and other submitted information serves as evidence of the City's ability to pay for the closure and post-closure care costs when the landfill is actually closed. As such, the City is not required to fund an escrow trust account for these costs.

**Landfill Closure Liability:**

Current portion	\$	57,176
Noncurrent portion		514,585
Total Landfill Closure Liability	\$	<u>571,761</u>

**Pledge of Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has pledged two cents (or 1/2) of future sales tax revenues and net utility revenues to repay the \$30,000,000 Series 2009A Utility System and Sales Tax Revenue Bonds, the \$3,545,000 Taxable Series 2009B Utility System and Sales Tax Revenue Bonds, the \$1,850,000 Series 2010 Sales Tax and Revenue Note, the \$650,000 of the OWRB 2010E Series CWSRF promissory note, the \$5,100,000 2010A Series CWSRF, the \$2,960,000 2010C Series DWSRF, the \$4,895,000 2010D Series DWSRF, and the \$10,795,000 2010B Series DWSRF Note Payables. The bonds and notes are payable from pledged sales tax revenues and net utility revenues. The bonds and notes are payable through 2024, 2011, 2025, 2031, 2032, 2031, 2032 and 2032, respectively. The total principal and interest payable for the remainder of the life of these bonds and notes are \$74,046,698. Pledged sales taxes received in the current year were \$2,946,846 and net utility revenues were \$4,436,887. Debt service payments of \$3,737,194 for the current fiscal year were 50.7% of pledged sales taxes and net utility revenues of \$7,383,733.

*Sales Tax Pledge* - The City has pledged one cent (or 25%) of future sales tax revenues to repay the \$5,000,000 2008 Sales Tax and Revenue Note. Proceeds from the note provided for the purchase or construction of capital assets. The note is payable from pledged sales tax revenues. The notes are payable through 2024 and 2025. The total principal and interest payable for the remainder of the life of these notes is \$8,380,275. Pledged sales taxes received in the current year were \$1,473,423. Debt service payments of \$476,834 for the current fiscal year were 32.4% of pledged sales taxes.

*Debt Service Coverage Requirement:*

The revenue bond trust indentures require that Net Revenues Available for Debt Service must equal 125% of the average annual debt service on all OMA parity debt. The actual coverage was met as follows:

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	<b>OKMULGEE MUNICIPAL AUTHORITY</b>	
	2009A&B Revenue Bonds & 2010 Revenue Note	OWRB Debt
Gross Revenue Available for Debt Service:		
Charges for services (1)	\$8,106,061	\$8,106,061
Investment income	19,507	19,507
Sales tax pledged	2,946,846	2,946,846
<b>Total Gross Revenues Available</b>	<b>11,072,414</b>	<b>11,072,414</b>
Operating Expenses: (1)		
Operations - water, sewer and sanitation	3,688,681	3,688,681
<b>Total Operating Expenses</b>	<b>3,688,681</b>	<b>3,688,681</b>
<b>Net Revenues Available for Debt Service</b>	<b>\$7,383,733</b>	<b>\$7,383,733</b>
Debt Service Requirements:		
Annual debt service on all OMA parity debt	\$3,737,194	-
Maximum annual debt service on all OMA parity debt	-	\$4,759,914
Computed Coverage	198%	155%
Coverage Requirement	100%	125%

(1) The above gross revenue and operating expenses include water, sewer and sanitation operations of the Municipal Authority, excluding depreciation and amortization.

Note: The 2009A&B Revenue Bonds and 2010 Revenue Note also requires a coverage of 125% of annual principal and interest solely on these bonds. Since 198% was achieved on all parity debt, it is apparent that this requirement was met also.

*Reserve Account Balance Requirements:*

There is no reserve account requirement established in connection with the 2009A Bonds or the 2009B Bonds.

**7. Net Assets and Fund Balances**

*Net Assets:*

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

a. *Invested in capital assets, net of related debt* - Consists of capital assets, net of accumulated depreciation and unamortized capital debt issuance costs, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets, net of unexpended debt proceeds.

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

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	Contractual Agreements
Governmental Activities:	
Capital Projects and Debt Service:	
Dedicated Sales Tax Fund	\$ 749,360
Deposits with insurance pool:	
General Fund	\$ 4,546
Total Governmental Activities	753,906
 TOTAL RESTRICTED NET ASSETS	 \$ 753,906

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

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

*Fund Balances:*

Governmental fund equity is classified as fund balance. Since the City has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

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

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**8. Sales Tax Revenue**

Sales tax revenue represents a four cent tax on each dollar of taxable sales. One cent (or 25%) is voter-restricted to secure debt payments on capital debt and is recorded in the Dedicated Sales Tax Fund. The other three cents (or 75%) are recorded in the General Fund. Two cents are pledged to cover debt service on the 2009A and 2009B Revenue Bonds as well as the 2010 Oklahoma Water Resources Board Notes.

**9. Internal and Interfund Balances and Transfers**

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

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2011 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
OMA	General Fund	\$ 783,030	Operating
OMA	General Fund	5,428	Grant reimbursement
OMA	Dedicated Sales Tax Fund	1,241,327	Transfer for debt service
OMA	Governmental activities	1,036,875	Capital assets purchased for gov't funds
General Fund	OMA	440,627	Sales tax transfer
General Fund	OEDA	45,000	Operating
Dedicated Sales Tax Fund	OMA	6,666	Trustee statement activity
Dedicated Sales Tax Fund	OMA	3,092,006	Transfer for debt service
Total		<u>\$ 6,650,959</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,029,785	\$ (3,584,299)	\$ (1,554,514)
Proprietary Funds	(3,066,660)	2,486,833	(579,827)
	<u>\$ (1,036,875)</u>	<u>\$ (1,097,466)</u>	<u>\$ (2,134,341)</u>

**Reconciliation to Statement of Activities:**

Governmental Funds Transfers	\$ (1,554,514)
Capital assets transferred from business-type activities to governmental activities	1,036,875
Total fund level	<u>(517,639)</u>
Capital assets transferred from governmental activities to business-type activities	(387,058)
Street activity moved from business-type activities to governmental activities	215,450
Total government-wide level	<u>\$ (689,247)</u>

*Balances:*

Interfund receivable and payables at June 30, 2011 were comprised of the following:

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<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	OMA	\$ 249,512	Expense to be reimbursed
OMA	General Fund	181,761	Operating subsidy to be reimbursed
OMA	OEDA	35,324	Operating subsidy to be reimbursed
Total		<u>\$ 466,597</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 249,512	\$ (181,761)	\$ 67,751
Proprietary Funds	217,085	(284,836)	(67,751)
Total	<u>\$ 466,597</u>	<u>\$ (466,597)</u>	<u>\$ -</u>

**10. Risk Management**

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

- General Liability and Physical Property – Covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Workers' Compensation – Workers' compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Employee's Group Medical – Self insured up to \$50,000 per employee. Additional coverage for claims exceeding \$50,000 per employee.

The City's general liability, physical property and workers compensation risks are transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the City. The portion of the reserves to which the City has access is reported as Deposits with Insurance Pool.

Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

*Claims Liability Analysis:*

The claims liabilities related to the risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standards No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Such accrued losses include an estimated liability for incurred but not reported claims based on past historical experience.

For the risk management health activity reported in the General fund, changes in the estimated claims liability for the City from July 1, 2007, to June 30, 2011, are as follows:

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Claims Liability, June 30, 2008	\$72,162
Claims incurred and changes in estimates	1,216,248
Claims paid	<u>(1,216,351)</u>
Claims Liability, June 30, 2009	72,059
Claims incurred and changes in estimates	1,232,905
Claims paid	<u>(1,226,790)</u>
Claims Liability, June 30, 2010	78,174
Claims incurred and changes in estimates	1,262,734
Claims paid	<u>(1,299,571)</u>
Claims Liability, June 30, 2011	<u><u>\$41,337</u></u>

## **11. Contingencies**

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

## **12. Pension Plan Participation**

The City of Okmulgee participates in four pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF) – an agent multiple-employer defined benefit plan
4. Oklahoma Municipal Retirement System Defined Contribution Plan (OMRF) – an agent multiple-employer defined contribution plan

### *Firefighters' Plan:*

Pursuant to the requirements of Title 11, section 49-102, the City of Okmulgee participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments for the fire pension system of \$237,092.

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

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*Police Plan:*

Pursuant to the requirements of Title 11, section 50-102, the City of Okmulgee participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments for the police pension system of \$91,823.

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

*Employee Plans:*

Defined Benefit Plan:

The City provides a pension benefit for all of its full-time employees with the exception of the police and fire departments, through the Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer-defined benefit plan. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JP Morgan Chase Bank acts as securities custodian. The employee's contribution rate is 0%. The City's contribution rate is 12.14% and is actuarially adjusted each fiscal year. The plan is funded by contributions from participants and employers as necessary.

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

Eligibility Factors, Contribution Methods and Benefit Provisions

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	12.14% of covered payroll, adjusted actuarially each fiscal year
- Employee Rate	None
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	- Normal retirement at age 65 with 10 years of service - Early retirement at age 55 with 10 years of service - Disability retirement upon disability with 10 years of service - Death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.

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- f. Benefit Determination Methods:
- Normal Retirement 2.625% of final average salary multiplied by credited years of service.
  - Early Retirement Actuarially reduced benefit based upon age and years of service at termination.
  - Disability Retirement Same as normal retirement.
  - Death Benefit 50% of employee's accrued benefit, payable to a non-spouse for 5 years certain or a spouse for lifetime or remarriage.
  - Prior to 10 Years Service Return of employee contributions with accrued interest.
- g. Form of Benefit Payments Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

Annual Pension Costs

1. Current Year Contribution Information

For the year ended June 30, 2011, the City's annual pension cost of \$361,997 was equal to the City's required and actual contributions.

2. Actuarial Assumptions:

Date of Last Actuarial Valuation	For Plan Year July 1, 2011
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase.
f. Mortality	UP 94 mortality
g. Asset Valuation Method	Actuarial method

Funded Status and Funding Progress

As of January 1, 2011, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$ 11,106,449
Actuarial value of plan assets	10,838,862
Unfunded actuarial accrued liability (UAAL)	<u>\$ 267,587</u>
Funded ratio (actuarial value of plan assets/AAL)	97.6%
Annual covered payroll (active plan members)	\$ 2,916,953
UAAL as a percentage of covered payroll	9.2%

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The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

*Summary of Contributions – All Defined Benefit Plans:*

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2009	123,301	100%	2009	123,858	100%
2010	123,526	100%	2010	128,290	100%
2011	125,293	100%	2011	118,336	100%
<b>OMRF</b>					
Fiscal Year	Required Contribution	Percentage Contributed			
2009	145,620	100%			
2010	361,997	100%			
2011	353,903	100%			

*OMRF Defined Contribution Plan:*

The City has also provided a defined contribution plan and trust known as the City of Okmulgee Plan and Trust (the "Plan") in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OMRF operations are supervised by a nine-member Council of Trustees elected by the participating municipalities. The Plan is administered by JP Morgan Chase Bank. The defined contribution plan is available to all full-time employees who are not already participating in another plan. According to City Ordinance, the employee must contribute to the Plan 5% of their gross wages. The City, as employer, contributes, per ordinance, a variable amount based on budget. This fiscal year the employer contributed 0% of pay to this plan. If an employee terminates before becoming fully vested, the employer's contributions that are forfeited are allocated to the remaining employees. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2011, the City contributed \$0 to the plan, while the employee contributions totaled \$142,560.

The City also participates in the City Manager plan whereby the City contributes 10% and the city manager contributes 7% of gross wages to the plan. For the year ended June 30, 2011, the City contributed \$0 to the plan, while the city manager contributions totaled \$5,252.

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

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*Summary of Contributions – Defined Contribution Plan:*

For the year ended June 30, 2011, the following amounts related to the defined contribution plan:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Employee contributions made	\$ 147,812	\$ 146,514	\$ 137,111
Employer (City) contributions made	\$ -	\$ -	\$ 40,503

**13. Use of Estimates**

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2011**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 2,396,465	\$ 2,396,465	\$ 1,175,910	\$ (1,220,555)
<b>Resources (Inflows):</b>				
<b>TAXES:</b>				
Sales tax	5,800,000	5,800,000	4,420,270	(1,379,730)
Use tax	165,000	165,000	281,452	116,452
Franchise tax	400,000	400,000	376,151	(23,849)
Hotel/Motel tax	55,000	55,000	83,967	28,967
Total Taxes	<u>6,420,000</u>	<u>6,420,000</u>	<u>5,161,840</u>	<u>(1,258,160)</u>
<b>INTERGOVERNMENTAL:</b>				
Alcoholic beverage tax	60,000	60,000	63,643	3,643
Gas excise tax	23,000	23,000	23,407	407
Commercial vehicle tax	92,000	92,000	93,159	1,159
Cigarette/tobacco tax	80,000	80,000	85,633	5,633
Grants	818,000	1,742,455	603,485	(1,138,970)
Total Intergovernmental	<u>1,073,000</u>	<u>1,997,455</u>	<u>869,327</u>	<u>(1,128,128)</u>
<b>LICENSES AND PERMITS:</b>	<u>57,500</u>	<u>57,500</u>	<u>68,178</u>	<u>10,678</u>
<b>FINES AND FORFEITURES:</b>	<u>440,600</u>	<u>440,600</u>	<u>653,450</u>	<u>212,850</u>
<b>CHARGES FOR SERVICES:</b>				
Lake fees	5,000	5,000	6,730	1,730
Weed abatements	30,000	30,000	35,903	5,903
False alarm fee	3,000	3,000	2,195	(805)
Nutrition center rent	1,800	1,800	1,800	-
Insufficient check charge fees	2,500	2,500	3,830	1,330
Police department service fees	7,500	7,500	8,825	1,325
Fire subscriptions	12,000	12,000	5,200	(6,800)
Shelter fees	1,200	1,200	1,665	465
Library fees	12,000	12,000	15,221	3,221
Total Charges for Services	<u>75,000</u>	<u>75,000</u>	<u>81,369</u>	<u>6,369</u>
<b>INVESTMENT INCOME:</b>	<u>44,000</u>	<u>44,000</u>	<u>45,791</u>	<u>1,791</u>
<b>MISCELLANEOUS:</b>				
Seized property	2,000	2,000	1,980	(20)
Stop loss refunds	60,000	60,000	33,373	(26,627)
Miscellaneous	47,500	130,900	145,992	15,092
Total Miscellaneous	<u>109,500</u>	<u>192,900</u>	<u>181,345</u>	<u>(11,555)</u>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from sale of land	-	3,200,000	3,208,122	8,122
Transfers in	750,000	750,000	788,458	38,458
Transfers in - component unit	-	138,748	88,947	(49,801)
Total Other Financing Sources	<u>750,000</u>	<u>4,088,748</u>	<u>4,085,527</u>	<u>(3,221)</u>
<b>Total Resources (Inflows)</b>	<u>8,969,600</u>	<u>13,316,203</u>	<u>11,146,827</u>	<u>(2,169,376)</u>
<b>Amounts available for appropriation</b>	<u>11,366,065</u>	<u>15,712,668</u>	<u>12,322,737</u>	<u>(3,389,931)</u>
<b>Charges to Appropriations (Outflows):</b>				
<i>General Government:</i>				
City Administration	427,845	432,593	414,320	18,273
General Government	523,388	981,935	815,993	165,942
Finance	296,122	298,722	244,816	53,906
Central Repair	220,727	223,871	203,809	20,062
Property Maintenance	666,952	679,530	416,808	262,722
<i>Public Safety and Judiciary:</i>				
Police	2,154,483	2,207,956	1,973,086	234,870
E-911 Operations	274,708	279,380	261,560	17,820
Fire	1,910,068	2,535,816	1,743,868	791,948
Legal and Municipal Court	163,507	165,744	161,115	4,629
<i>Culture and Recreation:</i>				
Library	525,202	535,083	446,749	88,334
Creek Council House	81,958	81,958	69,460	12,498
Historic Preservation	5,500	5,500	2,732	2,768
<i>Community:</i>				
Community Development	1,345,986	1,527,919	1,447,444	80,475
Transfers to Other Funds	1,993,000	1,993,000	485,627	1,507,373
<b>Total Charges to Appropriations</b>	<u>10,589,446</u>	<u>11,949,007</u>	<u>8,687,387</u>	<u>3,261,620</u>
Fund balances - ending	<u>\$ 776,619</u>	<u>\$ 3,763,661</u>	<u>\$ 3,635,350</u>	<u>\$ (128,311)</u>

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

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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported using the modified accrual basis of accounting, with the exception of on-behalf payments.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within departments require the approval of the City Manager. All other transfers require the approval of the City Council. All supplemental appropriations require the approval of the City Council and are to be filed with the Office of the State Auditor and Inspector.
3. The General Fund budgetary comparison differs from the modified cash basis Statement of Revenues, Expenditures and Changes in Fund Balance as follows:

	Revenues, Expenditures and Changes in Fund Balance	On-Behalf Payments Made by State	Per Budgetary Comparison Schedule
General Fund:			
Total Revenues	\$ 7,390,215	\$ (328,915)	\$ 7,061,300
Transfers In	788,458	-	788,458
Transfers In - Component Unit	88,947	-	88,947
Proceeds from Sale of Land	3,208,122	-	3,208,122
Total Revenues and Other Financing Sources	<u>11,475,742</u>	<u>(328,915)</u>	<u>11,146,827</u>
Total Expenditures	8,530,675	(328,915)	8,201,760
Transfers Out	485,627	-	485,627
Total Expenditures and Other Financing Uses	<u>9,016,302</u>	<u>(328,915)</u>	<u>8,687,387</u>
Net Change in Fund Balance	<u>\$ 2,459,440</u>	<u>\$ -</u>	<u>\$ 2,459,440</u>

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

**Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan**

OMRF Agent Multiple Employer Defined Pension Plan - Schedule of Funding Progress

*Required Supplementary Information - Schedule of Funding Progress*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -- Entry Age</u>	<u>Unfunded (Overfunded) AAL</u>	<u>Funded Ratio</u>	<u>(1) Covered Payroll</u>	<u>AAL as a Percentage of Covered Payroll</u>
1/1/04	\$8,714,667	\$7,235,475	(\$1,479,192)	120.4%	\$2,708,951	(54.6%)
1/1/05	\$9,140,382	\$7,341,710	(\$1,798,672)	124.5%	\$2,445,792	(73.5%)
1/1/06	\$9,564,777	\$7,845,394	(\$1,719,383)	121.9%	\$2,565,014	(67.0%)
1/1/07	\$10,039,073	\$8,092,489	(\$1,946,584)	124.1%	\$2,483,721	(78.4%)
1/1/08	\$10,585,238	\$9,051,248	(\$1,533,990)	116.9%	\$2,754,885	(55.7%)
1/1/09	\$9,896,535	\$9,520,683	(\$375,852)	103.9%	\$2,934,379	(12.8%)
1/1/10	\$10,238,653	\$10,270,233	\$31,580	99.7%	\$2,919,879	1.1%
1/1/11	\$10,838,862	\$11,106,449	\$267,587	97.6%	\$2,916,953	9.2%

(1) Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year and not the actual covered payroll during the fiscal year.

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

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**CITY OF OKMULGEE, OKLAHOMA**

**SINGLE AUDIT REPORTS  
AND SUPPLEMENTARY SCHEDULES**

**JUNE 30, 2011**



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*

Honorable Mayor and Members of the City Council of the  
City of Okmulgee, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Okmulgee, Oklahoma (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 13, 2012. The report on the governmental activities, the business-type activities, and each major proprietary fund of the City was qualified because prior year records concerning property and equipment and the related accumulated depreciation are not adequate. In addition, the report on the discretely-presented component unit was qualified because prior year records concerning its property and equipment and the related accumulated depreciation are not adequate. Except as described in the preceding sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described as finding 11-1 in the accompanying schedule of findings and questioned costs to be material weaknesses.

**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 is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
March 13, 2012

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

Honorable Mayor and Members of the City Council of the  
City of Okmulgee, Oklahoma

**Compliance**

We have audited the City of Okmulgee, Oklahoma's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2011. The City's major federal program is 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 its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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'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 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, 2011.

**Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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.

*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 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated March 13, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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.

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

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



Edmond, Oklahoma  
March 13, 2011

**CITY OF OKMULGEE, OKLAHOMA**

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**CITY OF OKMULGEE, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass through agency Grantor/Program Title	CFDA Number	Grant #	Award Amount	Federal Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>				
Assistance to Firefighters Grant	97.044	EMW-2008-FO-12174	\$ 134,955	\$ 4,819
<b>U.S. DEPARTMENT OF JUSTICE:</b>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0507	10,037	10,037
<b>U. S. DEPARTMENT OF THE INTERIOR:</b>				
Passed through Oklahoma Historical Society: Historic Preservation Fund Grants-In-Aid	15.904	09-604	5,850	29
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>				
Passed through Federal Aviation Administration Airport Improvement Program	20.106	3-40-0074-016-2010	340,824	311,170
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>				
Passed through Oklahoma Water Resources Board Capitalization Grants for Clean Water State Revolving Funds	66.458	ORF-10-0013-CW	97,500	97,500
Capitalization Grants for Drinking Water State Revolving Funds	66.468	ORF-10-0013-DW	500,000	500,000
<b>Subtotal Environmental Protection Agency</b>			<u>597,500</u>	<u>597,500</u>
<b>U.S. DEPARTMENT OF ENERGY:</b>				
Passed through Oklahoma Department of Commerce Stimulus Energy Efficiency and Conservation Block Grant-ARRA	81.128	13976 SEECBG 09	200,000	200,000
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 1,289,166</u>	<u>\$ 1,123,555</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Note 1. Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Okmulgee (the "City") under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

*Note 2. Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CITY OF OKMULGEE, OKLAHOMA

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

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Qualified – governmental activities,  
business-type activities, each major  
proprietary fund, and the discretely-  
presented component unit  
Unqualified – each major governmental  
fund

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified

not considered to be material weakness(es)?   yes  X  none reported

Noncompliance material to financial statements noted?   yes  X  no

Federal Awards

Internal control over major programs:

Material weakness (es) identified?   yes  X  no

Significant deficiency (ies) identified

not considered to be material weakness (es)?   yes  X  none reported

Type of auditor's report issued on compliance  
for major programs:  Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)?   yes  X  no

Identification of major programs:

CFDA Number(s)

20.106

66.468

Name of Federal Program or Cluster

Airport Improvement Program

Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish  
between Type A and Type B programs: \$  300,000

Auditee qualified as low-risk auditee?   yes  X  no

CITY OF OKMULGEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)  
Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

See findings 11-1.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

There are no findings requiring reporting under this section.

CITY OF OKMULGEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)  
Year Ended June 30, 2011

**Finding 11-1 Lack of Detailed Capital Asset Records and Annual Inventory of Assets  
(Prior Year Finding 10-1)**

**Criteria:**

It is the responsibility of management to properly report the City's capital assets in the financial statements.

**Condition:**

The City has not maintained a complete listing of capital assets prior to 2005.

**Cause:**

Prior to 2005, the City did not maintain complete capital asset records.

**Effect:**

Capital assets may not be properly reported in the City's financial statements.

**Recommendation:**

Management is responsible for properly reporting the City's capital assets. A complete inventory should be conducted documenting all assets owned by the City prior to 2005. The detailed records should contain, at a minimum, a description of the assets, date of acquisition, cost, and location. GASB 34 reporting requirements require that all assets of the City be depreciated. Therefore, it was also recommended that the inventory listings reflect the assets' estimated useful life and related depreciation information.

**Management's Response:**

The City has elected, at this time, not to address this finding due to estimated costs involved to resolve the matter.

CITY OF OKMULGEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
For Prior Year Ended June 30, 2010

**Finding 10-1 Lack of Detailed Capital Asset Records and Annual Inventory of Assets  
(Prior Year Finding 09-1)**

**Criteria:**

It is the responsibility of management to properly report the City's capital assets in the financial statements.

**Condition:**

The City has not maintained a complete listing of capital assets prior to 2005.

**Cause:**

Prior to 2005, the City did not maintain complete capital asset records.

**Effect:**

Capital assets may not be properly reported in the City's financial statements.

**Recommendation:**

Management is responsible for properly reporting the City's capital assets. A complete inventory should be conducted documenting all assets owned by the City prior to 2005. The detailed records should contain, at a minimum, a description of the assets, date of acquisition, cost, and location. GASB 34 reporting requirements require that all assets of the City be depreciated. Therefore, it was also recommended that the inventory listings reflect the assets' estimated useful life and related depreciation information.

**Management's Response:**

The City has elected, at this time, not to address this finding due to estimated costs involved to resolve the matter.

**Current Status:**

See current year finding 11-1.

CITY OF OKMULGEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Cont'd)  
For Prior Year Ended June 30, 2010

**Finding 10-2 Expenditures Exceeding Appropriations  
(Prior Year Finding 09-2)**

**Criteria:**

Compliance with State of Oklahoma laws and regulations.

**Condition:**

Oklahoma State law prescribes that no encumbrances or expenditures which exceed the available appropriations for each object category within a department or fund may be authorized or made by an officer or employee. Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General Fund	City Administration	\$4,953

**Cause:**

Budget amendments near year-end did not address this department.

**Effect:**

Expenditures exceeded budget amounts.

**Recommendation:**

We recommend that the City adopt formal budget amendments, especially at or near year-end by department.

**Management's Response:**

The City monitors budgetary compliance as claims are processed against appropriations each month. Certain adjustments are recorded in the preparation of the annual financial statements that result in charges to appropriations that may exceed the appropriations for a department. In future years, the City will more closely monitor budget compliance.

**Status:**

The recommended process was implemented in the current year.

CITY OF OKMULGEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Cont'd)  
For Prior Year Ended June 30, 2010

**Finding 10-3 Controls Over Financial Reporting – Compliance with Generally Accepted Accounting Principles**

**Criteria:**

Effective in the City's 2010 fiscal year, generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB) require the City to record certain provisions for post-employment benefits in its annual financial statements.

**Condition:**

The City has not recorded a liability or the related expenses and disclosures for its post-employment benefits relating to its post-employment health care plan as required by the GASB.

**Cause:**

The City did not obtain an actuarial study to determine the liability and related expense data associated with its health care plan.

**Effect:**

The City's liability for post-employment benefits and the current year expense for providing its health care plan is not recorded in the governmental activities, business-type activities, or proprietary funds in accordance with generally accepted accounting principles.

**Recommendation:**

We recommend the City comply with the new requirements related to the accounting and reporting for other post-employment benefits and record the necessary provisions and related disclosures in its annual financial statements to conform to generally accepted accounting principles.

**Management's Response:**

The benefits addressed in this finding are scheduled to be discontinued effective July 1, 2011. Therefore, the City declines to obtain an actuarial report due to the costs required to do so.

**Status:**

The other post-employment benefit plan was discontinued during the current year.

CITY OF OKMULGEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Cont'd)  
For Prior Year Ended June 30, 2010

**Finding 10-4 Cash Management**  
**Airport Improvement Program – ARRA**  
**CFDA Number 20.106**

**Criteria:**

The Airport Improvement Program grant is a cost reimbursement grant. Therefore, payments to contractors should be made prior to a drawdown of federal grant monies for the expenses.

**Condition:**

Of two draw requests reviewed, in both cases the City received the federal monies in advance of payment to vendors. Draws were completed 23 days and 36 days, respectively, before the related payment was made.

**Questioned Costs:**

None.

**Cause:**

City personnel requested reimbursement when pay requests were received from the contractor rather than when payment to the contractor was made.

**Effect:**

The City did not fully comply with the grant agreement.

**Recommendation:**

We recommend the City review the process for grant draw requests and provide additional training where needed.

**Management's Response:**

Proper training will be provided and draw requests will be made appropriately in the future.

**Status:**

The recommended process was implemented during the current year.