

CITY OF STROUD, OKLAHOMA
Report on Audit of Financial Statements
June 30, 2011

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Independent Auditor's Report

City Council
City of Stroud
Stroud, Oklahoma

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

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stroud, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 2, 2011 on my consideration of the City of Stroud's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 my audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 38 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stroud's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial

statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Judith K. Ballard, CPA, PC

Stroud, Oklahoma
December 2, 2011

Management's Discussion and Analysis

The following discussion and analysis of the City of Stroud's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011.

Financial Highlights

- ❖ The assets of the City of Stroud exceeded its liabilities at the close of the most recent fiscal year by \$11,725,238 (net assets). Of this amount, \$1,225,427 (unrestricted net assets) may be used to meet the government's obligations to citizens and creditors.
- ❖ The government's total net assets increased by \$238,976 for the year ended June 30, 2011.
- ❖ As of the close of the current fiscal year the City of Stroud's governmental funds reported combined ending fund balances of \$903,925 a decrease of \$128,225 in comparison with the prior year. Approximately \$330,568 is available for spending at the government's discretion (unassigned fund balance).
- ❖ At the end of the current fiscal year, unassigned fund balance for the general fund was \$330,568.
- ❖ The City of Stroud's total debt decreased by \$402,340 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Stroud's basic financial statements. The City of Stroud's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad view of the City of Stroud's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the City of Stroud's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Stroud is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Stroud that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of

the City of Stroud include general government, public safety, public works, and culture and recreation. The business-type activity of the City of Stroud, the Stroud Utility Authority, provides the City's electric, water, wastewater and sanitation utility operation.

The government-wide financial statements include not only the City of Stroud itself (known as the primary government), but also the legally separate authorities (Stroud Hospital Authority and Stroud Industrial Authority) for which the City of Stroud is financially accountable. Financial information for these component units is reported separately from the financial information for the primary government itself. The Stroud Utility Authority, although also legally separate, functions for all practical purposes as a department of the City of Stroud, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 10-12 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Stroud, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Stroud can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital expenditure fund, special revenue fund and the CDBG grant fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and other governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-14 of this report.

Proprietary funds. The City maintains a type of proprietary funds, an Enterprise fund which is used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Stroud Utility Authority.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has three fiduciary funds- the meter deposit fund, the HRA employee benefit fund and the municipal court fund, which are agency funds.

The fiduciary fund financial statements can be found on page 19 of the report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 20-37 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on page 38 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditure for the general fund. Combining and individual fund statements and schedules can be found on pages 39-40 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$11,725,238 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (83%) reflects its investment in capital assets (e.g. land buildings, improvements, vehicles and equipment) less any related debt used to acquire those assets that are still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Assets
(In Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 1,014	\$ 1,555	\$ 2,569
Capital assets	4,553	7,126	11,679
Total assets	<u>5,567</u>	<u>8,681</u>	<u>14,248</u>
Long-term debt outstanding	194	1,745	1,939
Other liabilities	193	391	584
Total liabilities	<u>387</u>	<u>2,136</u>	<u>2,523</u>
Net assets:			
Invested in capital assets, net of debt	4,359	5,381	9,740
Restricted	567	187	754
Unrestricted	254	977	1,231
Total in net assets	<u>\$ 5,180</u>	<u>\$ 6,545</u>	<u>\$ 11,725</u>

A portion of the City's net assets (6%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$1,231,733 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities decreased the City's net assets by \$195,537.

Table 2
Statement of Activities
(in Thousands)
Year Ended June 30, 2011

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
Program Revenues			
Charges for services	\$313	\$4,235	\$4,548
Operating grants and contributions	-	16	16
Capital grants and contributions	1,506	-	1,506
General Revenue			
Sales and use tax	1,198	-	1,198
Franchise tax/fee	39	-	39
Other tax	60	-	60
Investment income	7	2	9
Other	72	191	263
Total revenues	3,195	4,444	7,639
Expenses			
General Government	568	296	864
Public Safety	783	-	783
Public Works	708	-	708
Culture and recreation	508	-	508
Electric	-	2,332	2,332
Water	-	160	160
Sewer	-	170	170
Economic Development	-	64	64
Sanitation	-	263	263
Lake	-	106	106
Depreciation/Amortization	-	428	428
Interest Expense	-	46	46
Maintenance	-	62	62
Other	-	4	4
Total expense	2,567	3,931	6,498
Increase/(decr) in net assets before transfers	628	513	1,141
Transfers-internal activity	305	(305)	-
Transfers to SIA	(1,129)	-	(1,129)
Capital contributions	-	222	222
Change in net assets	(196)	430	234
Beginning net assets	5,371	6,115	11,486
Prior Period Adjustment	5	-	5
Ending net assets	5,180	6,545	11,725

Business-type activities. Business-type activities increased the City's net assets by \$429,414. The key element in this increase is the excess of operating income over operating expenses.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$903,925 a decrease of \$128,225, in comparison with the prior year. Approximately 65% of this total amount or \$330,568 constitutes unassigned fund balance in the general fund, which is available for spending at the government's discretion. The remainder of the fund balances is designated to indicate that it is not available for new spending because it has already been restricted, committed, or assigned for projects such as capital improvements or is unavailable for spending.

- The fund balance of the City's general fund increased by \$3,179 during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Stroud Utilities Authority at the end of the year amounted to \$977,271.

The total increase in net assets was \$429,613.

General Fund Budgetary Highlights

There was an increase of \$33,600 between the original budget and the final budget for the general fund. Overall, actual revenues on the budgetary basis of \$1,673,630 were \$17,178 less than the estimated revenues in the budget of \$1,690,808. Actual expenditures of \$1,675,351 were \$33,480 less than the \$1,708,831 approved in budget appropriations. After a transfer in of \$417,798 from the Stroud Utilities Authority, the City had \$1,721 excess expenditures over revenues.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$11,679,556 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Electrical infrastructure improvements and equipment purchases

Table 3
Capital Assets (net of accumulated depreciation)
(In Thousands)
June 30, 2011

	Governmental Activities	Business-type Activities	Totals
Land	723	-	723
Construction in Progress	9	360	369
Buildings	822	167	989
Machinery & Equipment	267	184	451
Vehicles	359	124	483
Infrastructure	2,373	6,291	8,664
TOTAL	4,553	7,126	11,679

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$1,939,619. This represents debt secured solely by specified revenue sources (i.e., revenue notes and bonds) of \$1,745,118 and capital lease obligations totaling \$194,501. This represents a decrease of \$402,340 over last year.

Table 4
Outstanding Debt
(In Thousands)
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Capital lease obligations	\$ 195	-	195
Revenue bonds payable	-	1,745	1,745
Total Outstanding debt	\$ 195	1,745	1,940

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2010-2011 budgets, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. A downturn in the national economy is expected to have a continuing effect on the local economy for the coming year. Employment costs are currently stable and sales tax revenues are expected to remain stable.

City of Stroud, Oklahoma
Statement of Net Assets
June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 946,893	121,363	1,068,256	426,664
Investments	280,744	155,764	436,508	1,906,991
Receivables, net	288,638	664,454	953,092	5,750
Internal balances	(507,858)	507,858	-	
Due from/(to) fiduciary funds	5,879	4,116	9,995	-
Total current assets	<u>1,014,296</u>	<u>1,453,555</u>	<u>2,467,851</u>	<u>2,339,405</u>
Noncurrent assets:				
Bond issuance costs, net	-	101,177	101,177	11,773
Capital assets, net of accumulated depreciation	4,553,115	7,126,441	11,679,556	3,490,865
Total noncurrent assets	<u>4,553,115</u>	<u>7,227,618</u>	<u>11,780,733</u>	<u>3,502,638</u>
Total assets	<u>5,567,411</u>	<u>8,681,173</u>	<u>14,248,584</u>	<u>5,842,043</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	110,371	339,605	449,976	12,821
Accrued interest payable	-	11,526	11,526	-
Current portion of long-term obligation	-	101,442	101,442	41,017
Total current liabilities	<u>110,371</u>	<u>452,573</u>	<u>562,944</u>	<u>53,838</u>
Noncurrent liabilities:				
Accrued compensated absences	82,412	39,813	122,225	-
Capital lease obligations	194,501	-	194,501	-
Notes payable	-	1,643,676	1,643,676	829,706
Total noncurrent liabilities	<u>276,913</u>	<u>1,683,489</u>	<u>1,960,402</u>	<u>829,706</u>
Total liabilities	<u>387,284</u>	<u>2,136,062</u>	<u>2,523,346</u>	<u>883,544</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,358,614	5,381,323	9,739,937	2,620,142
Restricted for:				
Capital improvements	313,681	186,517	500,198	479,066
Other purposes	253,370	-	253,370	-
Unrestricted	254,462	977,271	1,231,733	1,859,291
Total net assets	<u>\$ 5,180,127</u>	<u>6,545,111</u>	<u>11,725,238</u>	<u>4,958,499</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue	Component Units
		Charges for Services	Operating Grants and Contributions		
PRIMARY GOVERNMENT					
Governmental activities:					
General government	\$ 568,439	175,738		(392,701)	-
Public safety	782,608	55,905		(720,805)	-
Public works	707,881	20,752		806,159	-
Culture and recreation	507,472	60,932		(439,902)	-
Total government activities	<u>2,566,400</u>	<u>313,327</u>	<u>-</u>	<u>(747,249)</u>	<u>-</u>
Business-type activities:					
Administration	295,818	-	10,000	(285,818)	-
Electric	2,332,177	3,337,543	5,789	1,011,155	-
Water	159,705	416,560	-	256,855	-
Sewer	169,971	203,547	-	33,576	-
Economic Development	64,434	-	-	(64,434)	-
Sanitation	262,640	277,163	-	14,523	-
Lake	105,948	-	-	(105,948)	-
Maintenance	62,443	-	-	(62,443)	-
Depreciation & Amortization	428,217	-	-	(428,217)	-
Interest Expense	45,881	-	-	(45,881)	-
Other	3,772	-	-	(3,772)	-
Total business-type activities	<u>3,931,006</u>	<u>4,234,813</u>	<u>15,789</u>	<u>319,596</u>	<u>-</u>
Total primary government	<u>\$ 6,497,406</u>	<u>4,548,140</u>	<u>15,789</u>	<u>(427,653)</u>	<u>-</u>
Component units	<u>\$77,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(\$77,087)</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net assets:				
Net (expense) revenue	\$ (747,249)	319,596	(427,653)	(\$77,087)
General revenues:				
Taxes:				
Sales and use	1,198,269	-	1,198,269	-
Franchise	39,246	-	39,246	-
Alcoholic beverage	28,563	-	28,563	-
Gas and Vehicle	31,334	-	31,334	-
Investment income	6,789	2,344	9,133	33,195
Miscellaneous	72,100	182,640	254,740	
Rental and lease income		7,820	7,820	232,500
Transfers - internal activity	304,603	(304,603)	-	-
Transfers-Stroud Industrial Authority	(1,129,192)			1,129,192
Capital Contributions	-	221,617	221,617	39,580
Total general revenues and transfers	<u>551,712</u>	<u>109,818</u>	<u>661,530</u>	<u>1,434,467</u>
Change in net assets	(195,537)	429,414	233,877	\$1,357,380
Prior Period Adjustment	4,900	199	5,099	448,718
Net assets - beginning	5,370,764	6,115,498	11,486,262	3,152,401
Net assets - ending	<u>\$ 5,180,127</u>	<u>\$ 6,545,111</u>	<u>11,725,238</u>	<u>\$4,958,499</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma
 Governmental Funds
 Balance Sheet
 June 30, 2011

	General Fund	Capital Expenditure Fund	Special Reserve Fund	CDBG Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 312,579	\$ 251,593	\$ 171,572	\$ -	211,149	946,893
Investments	235,525	-	-	-	45,219	280,744
Receivables, net	174,908	99,390	-	-	14,340	288,638
Due(to)/from other funds	27,879	13,557	-	-	-	41,436
Total assets	750,891	364,540	171,572	-	270,708	1,557,711
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and Accrued Liabilities	55,731	50,859	-	-	3,781	110,371
Due to Other Funds	364,592	-	165,266	-	13,557	543,415
Total liabilities	420,323	50,859	165,266	-	17,338	653,786
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	313,681	-	-	253,370	567,051
Committed	-	-	6,306	-	-	6,306
Assigned	-	-	-	-	-	-
Unassigned	330,568	-	-	-	-	330,568
Total fund balances	330,568	313,681	6,306	-	253,370	903,925
Total liabilities and fund balances	\$ 750,891	\$ 364,540	\$ 171,572	\$ -	\$ 270,708	\$ 1,557,711

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

Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.

Governmental capital assets	\$ 13,369,064	
Less accumulated depreciation	(8,815,949)	4,553,115

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

Capital leases payable	(194,501)	
Accrued compensated absences	(82,412)	(276,913)

Net assets of governmental activities \$ 5,180,127

See accompanying notes to the basic financial statements

City of Stroud, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

	General Fund	Capital Expenditure Fund	Special Reserve Fund	CDBG Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 839,092	\$ 398,423	-	-	31,334	1,268,849
Intergovernmental	34,461	355,523	-	1,129,192	15,211	1,534,387
Licenses and permits	7,099	-	-	-	-	7,099
Charge for services	257,419	-	-	-	2,889	260,308
Fines and forfeitures	45,920	-	-	-	-	45,920
Interest	4,741	1,083	255	-	710	6,789
Miscellaneous	67,100	-	-	-	5,000	72,100
Total revenues	<u>1,255,832</u>	<u>755,029</u>	<u>255</u>	<u>1,129,192</u>	<u>55,144</u>	<u>3,195,452</u>
EXPENDITURES						
Current:						
General government	492,289	-	-	-	2,681	494,970
Public safety	698,173	-	-	-	-	698,173
Public works	75,736	-	-	-	17,992	93,728
Culture and recreation	409,153	-	-	-	7,428	416,581
Capital outlay	-	141,352	-	-	41,591	182,943
Total expenditures	<u>1,675,351</u>	<u>141,352</u>	<u>-</u>	<u>-</u>	<u>69,692</u>	<u>1,886,395</u>
Excess (deficiency) of revenues over expenditures	<u>(419,519)</u>	<u>613,677</u>	<u>255</u>	<u>1,129,192</u>	<u>(14,548)</u>	<u>1,309,057</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	417,798	-	-	-	-	417,798
Transfers out	-	(113,195)	-	(1,129,192)	-	(1,242,387)
Capital Contributions	-	-	-	-	-	-
Expenses Paid for Other Funds	-	(617,593)	-	-	-	(617,593)
Total other financing sources and uses	<u>417,798</u>	<u>(730,788)</u>	<u>-</u>	<u>(1,129,192)</u>	<u>-</u>	<u>(1,442,182)</u>
Net change in fund balances	(1,721)	(117,111)	255	-	(14,548)	(133,125)
Prior Period Adjustment	4,900	-	-	-	-	4,900
Fund balances - beginning	327,389	430,792	6,051	-	267,918	1,032,150
Fund balances - ending	<u>\$ 330,568</u>	<u>\$ 313,681</u>	<u>\$ 6,306</u>	<u>\$ -</u>	<u>\$ 253,370</u>	<u>903,925</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2011

Net Change in fund balances - total governmental funds \$ (133,125)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital asset expenditures in the current reporting period.

Capital outlay expenditures, net	147,958	
Depreciation expense	(254,058)	
Prior Period Adjustment -net	<u>5,125</u>	(100,975)

Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. 43,988

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes the net increase in compensated absences of \$5,425 (5,425)

Change in net assets of governmental activities \$ (195,537)

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma
Proprietary Funds
Statement of Net Assets
June 30, 2011

	Business-type Activities Enterprise Funds
	<u>Stroud Utilities Authority</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 121,363
Investments	155,764
Receivables	664,454
Due from other funds	511,973
Total current assets	<u>1,453,554</u>
Non-current assets:	
Bond issue cost - net	101,177
Capital assets, net of accumulated depreciation	7,126,441
Total non-current assets	<u>7,227,618</u>
Total assets	<u><u>8,681,172</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and Accrued Liabilities	339,604
Accrued interest payable	11,526
Current portion of long-term obligation	101,442
Total current liabilities	<u>452,572</u>
Non-current liabilities:	
Accrued compensated absences	39,813
Note payable	1,643,676
Total non-current liabilities	<u>1,683,489</u>
Total liabilities	<u>2,136,061</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,381,323
Restricted:	
Capital improvement	186,517
Unrestricted	977,271
Total net assets	<u><u>\$ 6,545,111</u></u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	Business-type Activities Enterprise Funds
	Stroud Utilities Authority
<u>OPERATING REVENUES:</u>	
Charges for services	
Electric	\$ 3,337,543
Water	416,560
Wastewater	203,547
Sanitation	277,163
Other (including ice storm fee)	148,546
Total operating revenues	4,383,359
<u>OPERATING EXPENSES:</u>	
General and administration	295,818
Electric	2,332,177
Water	159,705
Sewer	169,971
Sanitation	262,640
Economic development	64,434
Legal	3,772
Shop	31,851
Building and grounds	30,592
Lake	105,948
Depreciation and amortization	428,217
Total operating expenses	3,885,125
Operating income(loss)	498,234
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Oklahoma Emergency Management Reimbursement	5,789
Grant Revenue	10,000
Miscellaneous revenues	34,094
Rental and lease income	7,820
Interest and investment income	2,344
Interest expense	(45,881)
Total nonoperating revenues (expenses)	14,166
Income before other revenues, expenses, gains, losses and transfers	512,400
<u>CAPITAL CONTRIBUTIONS, SPECIAL AND EXTRA ITEMS AND TRANSFERS</u>	
Transfers in	113,195
Transfers out	(417,798)
Capital Contributions	221,617
Prior Year Adjustment	199
Total operating transfers & other	(82,787)
Change in net assets	429,613
Net assets - beginning	6,115,498
Net assets - ending	\$ 6,545,111

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-type Activities
	Enterprise Funds
	Stroud
	Utilities
	Authority
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$ 4,244,323
Payments to suppliers	(3,143,868)
Payments to employees	(492,382)
Net cash provided (used) by operating activities	608,073
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Miscellaneous revenues	34,094
Operating transfers in (out)	(304,603)
Increase in due from other funds	(337,219)
Prior Year Adjustment	443
Rent and lease proceeds	7,820
Grant revenue	10,000
Net cash provided (used) by noncapital financing activities	(589,465)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Proceeds from ice storm reimbursement	5,789
Proceeds from / (paid) debt issuance	(392,852)
Interest expense	(46,671)
(Acquisition) disposition of fixed assets	(549,978)
Capital Contributions	221,617
Net cash provided (used) by capital and related financing activities	(762,095)
<u>CASH FLOWS INVESTING ACTIVITIES</u>	
(Increase) decrease in investments	(1,283)
Interest received	2,344
Net cash provided (used) by investing activities	1,061
Net increase (decrease) in cash and cash equivalents	(742,426)
Cash and cash equivalents, beginning of the year	863,789
Cash and cash equivalents, end of the year **	\$ 121,363
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating income (loss)	498,234
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and Amortization expense	428,217
Change in assets and liabilities:	
Receivable, net	(139,036)
Accounts payable and accrued liabilities	(185,859)
Compensated Absences	6,517
Total adjustments	109,839
Net cash provided by (used in) operating activities	\$ 608,073
** Classified as:	
Current Assets	121,363
Restricted Assets	-
	121,363

See accompanying notes to the basic financial statements.

City of Stroud, Oklahoma
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

	Agency Funds		
	Meter Deposit Fund	HRA Fund	Municipal Court Fund
ASSETS			
Cash and cash equivalents	\$ 36,838	9,965	9,573
Investments	56,170	-	-
Due from other funds	-	-	-
 Total assets	 <u>93,008</u>	 <u>9,965</u>	 <u>9,573</u>
LIABILITIES			
Customer deposits	88,892	-	-
Employee deposits	-	9,965	-
Due to bondholders	-	-	3,694
Due to other funds	4,116	-	5,879
 Total liabilities	 <u>93,008</u>	 <u>9,965</u>	 <u>9,573</u>
 NET ASSETS	 <u>\$ -</u>	 <u>-</u>	 <u>-</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

I. Organization

The City of Stroud, Oklahoma (the City) was established in 1898 and operates under a council-manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), public works (streets and cemetery), culture and recreation, general government and administration, along with utility services to include electric, water, wastewater, and sanitation, and golf and airport facilities.

II. Summary of significant accounting policies.

A. Reporting entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the City.

Blended component units. The Stroud Utilities Authority (SUA), serves all the citizens of the City and is governed by a board comprised of the City's elected council (Trustees). The rates for user charges and debt authorization are approved by the city council. The SUA was created May 27, 1963, to finance, develop, and operate the electric, water, wastewater, and solid waste activities of the City. The SUA is reported as an enterprise fund type.

Discretely presented component units. Discretely presented component units of the City issue separately audited financial statements. Copies of these audit reports may be obtained from the City Hall offices in Stroud.

There are two discretely presented component units of the City. The Stroud Hospital Authority was created April 1, 1976 to operate and maintain the Stroud Municipal Hospital, which was sold in May, 2004. This Authority continues to operate to stimulate economic growth and development of the City. The Trustees are different from the City's governing body and the City is the beneficiary.

The Stroud Industrial Authority was created February 25, 1974 to aid in the City's economic growth and development by financing, operating, constructing and administering any public works, improvements or facilities. The Trustees are a body separate from the City's governing body and the City is the beneficiary.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function of the segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital expenditure fund is used for major capital expenditures of the City. It is funded by one-third of the three cents sales tax imposed by the City.

The special revenue fund is used for special projects the City may need additional funds for. Monies are transferred from other funds whenever the Town Council deems it appropriate.

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

The CDBG grant fund was used this fiscal year to record the revenues and expenditures for the CDBG grant funds received by the Town. The grant funds were all expended by year end and this fund has a zero fund balance at year end.

The City reports the following major proprietary funds:

The Stroud Utilities Authority accounts for the City's utility operations including electric, water, wastewater, and sanitation, as well as broadband communications and ambulance services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance of their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Stroud Utilities Authority are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, money market accounts, and certificates of deposit or short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, and Oklahoma County, school district, or municipality.

Investments for the City, as well as for its component units are reported at fair value.

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either: "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles of 21% of the receivable balance.

3. Inventories and prepaid items

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Inventory amounts not consumed at year end are insignificant.

4. Capital assets

Capital assets, which includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Equipment	5-10
Vehicles	7-20
Infrastructure	15-50

5. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees accrue vacation from 2 - 4 weeks a year, depending on length of service, up to a maximum of 240 hours for all employees. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave may be accumulated up to a maximum of 480 hours for employees. A liability for these amounts

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

7. Fund equity

The Town reports governmental fund balances on the governmental fund financial statements according to the following classifications:

Nonspendable - This is the portion of the fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This is the portion of the fund balance that has constraints placed on the use of resources that are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This is the portion of the fund balance that has been constrained by formal action of the Town Council to be used only for specific purposes. The committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. It is distinguished from *restricted* fund balance in that amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process as mentioned. Constraints imposed on the use of *committed* amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the Town Council that *commit* amounts to specific purposes is not considered to be legally enforceable.

Assigned - This is the portion of the fund balance constrained by the *intent* of the Town Council to be used for specific purposes, but is neither restricted nor committed.

Unassigned - This is the residual classification of fund balance in the *general fund*. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned or unassigned could be used, the Town considers the expenditure spent out of the committed fund balance.

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

III. Stewardship, compliance, and accountability

Budgetary information

The City has adopted the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with the Budget Act, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- d. By July 1, the adopted budget is filed with the Office of the State Auditor and Inspector.

All funds (except those of the Public Trust component units) with revenues and expenditures are required to have annual budgets approved by the City Council. The legal level of control at which expenditures may not legally exceed appropriations is the total department level within a fund. The Budget Act recognizes the following object categories as a control level by department within a fund:

- | | |
|------------------------------|-----------------------|
| - Personal Services | - Capital Outlay |
| - Material and Supplies | - Debt Service |
| - Other Services and Charges | - Interfund Transfers |

All transfers of appropriation between funds and supplemental appropriations require City Council approval. The City Clerk may transfer appropriations between object categories within a fund without City council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the Stroud Utilities Authority (accounted for as a blended component unit in this report) is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control; and, therefore no budget and actual financial presentations for the public trusts are included in this report.

The city prepares its budgets for all funds on the modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. All appropriations and encumbrances outstanding at year-end lapse and any open commitments to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, encumbrances outstanding at year-end are not treated as expenditures in the budget and actual financial statements until the year they become expenditures.

For the year ended June 30, 2011, the City complied, in all material respects, with the applicable budget laws as discussed above. Supplemental appropriations reflected in the

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

budget amounts reported in the financial statements were properly approved by the City Council. For the year ended June 30, 2011, the following supplemental appropriations were approved:

<u>Fund Type</u>	<u>Original Appropriations</u>	<u>Increase In Appropriations</u>	<u>Revised Appropriations</u>
General Fund	\$ 1,675,231	\$ 33,600	\$ 1,708,831
SUA	4,336,715	-	4,336,715
Street & Alley Fund	100,000	-	100,000
Capital Expenditure Fund	640,855	-	640,855

IV. Detailed notes on all funds

A. Deposits and investments

It is the City's policy for deposits to be secured by collateral and/or be federally insured. The City's deposits were fully covered by FDIC insurance and securities held by the pledging financial institution's trust department or agent in the entity's name at June 30, 2011.

Oklahoma Statutes allow the City to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trusts revenue bonds, except industrial revenue bonds; bonds of the State of Oklahoma and wholly owned corporations of the United States; short-term obligations of the United States; and certificates of deposit. All City funds have been invested in accordance with Oklahoma Statutes.

B. Receivables

Receivables as of June 30, 2011, for the City of Stroud's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Capital Expenditure Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Stroud Utilities Authority</u>	<u>Total</u>
Gross Receivables	\$ 175,384	99,390	14,340	843,182	1,132,296
Less: allowance for uncollectibles	(476)	-	-	(178,728)	(179,204)
Net total receivables	<u>174,908</u>	<u>99,390</u>	<u>14,340</u>	<u>664,454</u>	<u>953,092</u>

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

C. Capital assets

Capital asset balances and activities for the year ended June 30, 2011, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	723,266	-	-	723,266
Construction in Progress	-	9,025	-	9,025
Total capital assets, not being depreciated	723,266	9,025	-	732,291
Capital assets, being depreciated:				
Buildings and improvements	2,153,328	5,360	-	2,158,688
Equipment	694,256	53,353	-	747,609
Vehicles	1,199,871	38,794	-	1,238,665
Infrastructure	8,450,385	41,426	-	8,491,811
Total capital assets, being depreciated	12,497,840	138,933	-	12,636,773
Less accumulated depreciation for:				
Buildings	(1,283,961)	(53,302)	-	(1,337,263)
Equipment	(439,670)	(40,528)	-	(480,198)
Vehicles	(807,744)	(71,567)	-	(879,311)
Infrastructure	(6,030,516)	(88,661)	-	(6,119,177)
Total accumulated depreciation	(8,561,891)	(254,058)	-	(8,815,949)
Total capital assets, being depreciated, net	3,935,949	(115,125)	-	3,820,824
Governmental activities capital assets, net	4,659,215	(106,100)	-	4,553,115
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	-	-	-	-
Construction in Progress	59,220	301,161	-	360,381
Total capital assets, not being depreciated	59,220	301,161	-	360,381
Capital assets, being depreciated:				
Buildings	529,959	-	-	529,959
Equipment	203,055	126,627	-	329,682
Vehicles	320,332	-	-	320,332
Infrastructure	15,077,066	120,238	-	15,197,304
Total capital assets, being depreciated	16,130,412	246,865	-	16,377,277
Less accumulated depreciation:				
Buildings	(348,918)	(14,383)	-	(363,301)
Equipment	(127,932)	(17,936)	-	(145,868)
Vehicles	(177,194)	(18,663)	-	(195,857)
Infrastructure	(8,536,348)	(369,843)	-	(8,906,191)
Total accumulated depreciation	(9,190,392)	(420,825)	-	(9,611,217)
Total capital assets, being depreciated, net	6,940,020	(173,960)	-	6,766,060
Business-type activities capital assets, net	6,999,240	127,201	-	7,126,441

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	Current Year Depreciation	Retirements	Net
General government	37,579	-	37,579
Public safety	75,187	-	75,187
Public works	38,076	-	38,076
Culture and recreation	103,216	-	103,216
	<u>254,058</u>	<u>-</u>	<u>254,058</u>
Business-type activities:			
Electric	94,299	-	94,299
Water	71,144	-	71,144
Sewer	129,906	-	129,906
Lake	113,733	-	113,733
General and administration	11,743	-	11,743
	<u>420,825</u>	<u>-</u>	<u>420,825</u>

D. Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2011, cash and investments included \$88,892 available for refund of customer deposits.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2011, there were \$3,694 in bonds being held that were subject to refund.

E. Leases

Capital Leases

The City has entered into various lease agreements as lessee for financing the acquisition of capital assets. These lease agreements qualify as capital leases for accounting purposes and,

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease obligations are as follows:

City of Stroud

Lease purchase agreement with Spirit Bank dated December, 2009, payable in monthly installments of \$460, including interest at 4.5%, through December 2014, for one vehicle.	\$ 13,681
Lease purchase agreement with US Bank dated August, 2009, payable in monthly installments of \$184, including interest at 8.35%, through August, 2012, for a copier.	2,453
Lease purchase agreement with Oshkosh Capital dated August 30, 2007 Payable in monthly installments of \$2,766, including interest at 5.0%, through August 2017, for one 2007 Prince Contender Custom Pumper.	<u>178,367</u>
Total Governmental-type activities	<u>194,501</u>
Total capital lease obligation	\$ <u>194,501</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

Year Ending June 30,	Activities
2012	\$ 40,011
2013	39,017
2014	37,599
2015	33,194
2016	33,194
2017-2021	33,195
2022-2026	8,992
Total required payments	<u>225,202</u>
Less: Interest expense	<u>30,701</u>
Total principal payments	\$ <u>194,501</u>

F. Long-term debt

Long-term liabilities of the City of Stroud as of June 30, 2011, are summarized as follows:

Governmental activities

Accrued compensated absences	\$ <u>82,412</u>
Total governmental activities	<u>82,412</u>

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

Business-type activities

Stroud Utilities Authority

\$1,700,000 promissory note, Series 2005, to the Oklahoma Water Resources Board, dated August 9, 2005, payable in semi-annual installments over 20 years including interest at 3.10% secured by pledged one cent sales tax. 1,387,430

Stroud Utilities Authority

\$138,032 promissory note to Spiritbank, dated October 25, 2006, payable in monthly payments of \$2,039 at an interest rate of 6.25%, secured by an electric bucket truck. 53,239

Stroud Utilities Authority

\$32,736 note with SpiritBank, dated July 2008, payable at \$342/month, including interest at 4.61%, through June 2018, for a mobile home 24,739

Stroud Utilities Authority

\$660,000 promissory note, Series 2011 Clean Water, to the Oklahoma Water Resource Board, payable in semi-annual payments of \$16,500 to begin September 2012, or when the project is complete, secured by a pledged sales tax and utility revenues. 278,892

Stroud Utilities Authority

\$1,952 note to US Bank, dated September 2009, payable at \$61/month, including interest at 8.35%, through August 2012, for a copier 818

Accrued compensated absences 39,813

Total business-type activities \$ 1,784,931

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

Long-term liabilities transactions for the year ended June 30, 2011 and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Accrued compensated absences	76,987	5,425	-	82,412	20,603
Total governmental activities	<u>76,987</u>	<u>5,425</u>	<u>-</u>	<u>82,412</u>	<u>20,603</u>
Business-type activities					
Ice Storm note	534,759	-	534,759	-	-
US Bank-copier	1,952	-	1,134	818	696
SpiritBank Truck	73,400	-	20,161	53,239	21,754
SpiritBank Truck	11,570	-	11,570	-	-
SpiritBank-Trailer	27,493	-	2,754	24,739	3,027
OWRB-Series 2011	-	278,892	-	278,892	5,350
OWRB - Series 2005	1,456,248	-	68,818	1,387,430	70,615
Accrued compensated absences	33,296	6,517	-	39,813	8,324
Total business-type activities	<u>2,138,718</u>	<u>-</u>	<u>639,196</u>	<u>1,784,931</u>	<u>109,766</u>
Total long-term debt	<u>2,215,705</u>	<u>-</u>	<u>639,196</u>	<u>1,867,343</u>	<u>130,369</u>

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending June 30,	Business-Type Activities
2012	\$ 151,756
2013	160,145
2014	143,999
2015	135,556
2016	135,556
2017-2021	661,364
2022-2026	661,365
2027-2031	145,889
2032-2036	<u>8,972</u>
Total principal and interest	2,204,602
Less interest	<u>459,484</u>
Principal outstanding at June 30, 2011	<u><u>\$ 1,745,118</u></u>

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

G. Compensated absences

Full-time employees with at least one year of service earn vacation of ten to twenty days per year depending on years of service completed. A maximum of 240 hours may be carried over from one benefit year into another. Payment in lieu of vacation is limited to a maximum of ten days. In accordance with the guidelines set fourth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation and sick leave as follows:

Governmental activities	\$82,412
Business-type activities	<u>39,813</u>
Total accrued compensated absences	\$122,225

Full-time employees earn sick leave at the rate of ten hours per month, up to 60 days. Police employees earn 10 hours per month up to 480 hours. Upon retirement, employees are paid at the rate of ½ hour for every 1 hour accumulated sick leave up to the maximum accrual of 240 hours compensation for 480 hours.

H. Interfund receivables, payables and transfers

Interfund transactions:

The composition of interfund balances as of June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Agency	5,879
General fund	Special Reserve fund	22,000
Capital Expenditure fund	Other Government	13,557
SUA	General fund	364,592
SUA	Special Reserve fund	143,266
SUA	Agency	4,116
Total		553,410

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

Interfund transactions:

	Transfers In				Totals
	General Fund	Capital Expenditure Fund	Nonmajor Governmental	Stroud Utilities Authority	
Transfers out:					
Nonmajor governmental	-	-	-	-	-
Stroud Utilities Authority	417,798	-	-	-	417,798
Capital Expenditure Fund	-	-	-	113,195	113,195
Totals	417,798	-	-	113,195	530,993

V. Other information

A. 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; employees health and life; and natural disasters. The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Retained</u>
a. Torts, errors and omissions, health and life, and vehicle loss	Participation in Oklahoma Municipal Assurance Group	None
b. Injuries to employees (workers compensation)	Participation in Oklahoma Municipal Assurance Group	None
c. Physical property loss and natural disaster	Participation in Oklahoma Municipal Assurance Group.	None

Management believes such 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.

B. Contingent liabilities

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

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

C. Employee retirement systems and pension plans

The City of Stroud participates in the Oklahoma State Firefighters' Pension and Retirement System (OFPRS). Additionally, for other City employees not covered by the other plans, the City of Stroud maintains a defined benefit plan, Oklahoma Municipal Retirement Fund (OMRF), for employees not covered by other plans.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fire fighting employees of the City.

That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System in Oklahoma City, Oklahoma.

Funding Policy - The City of Stroud contributes \$60 per volunteer firefighter for the year ended June 30, 2011.

Oklahoma Municipal Retirement (OMRF)

Plan Description - The City maintains a defined benefit retirement plan which covers employees not covered by other plans. The plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). All regular, full-time City employees not covered by other plans are required to participate in the OMRF. Benefits vest after ten years of service. Effective July 1, 1993, employees who retire at age 65 or completion of ten years of service, if later, are entitled to annual retirement benefits, payable monthly in an amount equal to 1.875% of final average compensation multiplied by the number of years credited service. Final average compensation is defined as the average of the five highest consecutive annual salaries out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed ten years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65 the amount of benefit will be actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

A participant who becomes totally and permanently disabled after completion of ten years of service will be entitled to a disability benefit computed as an early retirement benefit based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age if the employee is also eligible for a disability benefit from Social Security.

Employee contributions are returned with accrued interest if their employment is terminated prior to completion of ten years of service. A death benefit is payable after ten years of service based on 50% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse.

Funding Policy - The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the system.

The actuarial accrued liability was computed as part of an actuarial valuation performed as of March 2011. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.5% compounded annually, 2) future salary increases of 4% - 7.42% depending on age.

Actuarially Determined Contribution Requirements and Contributions Made

The System's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 30 years.

For the fiscal year ended June 30, 2011, employees were required to contribute 3.75% of annual compensation. The City is required to contribute the remaining amounts necessary to fund the pension plan, using an actuarial basis. The City's contribution rate, for the fiscal year ended June 30, 2011, was 6.57. During the year ended June 30, 2011, the City and the employees contributed \$72,293 and \$41,264, respectively, to the OMRF.

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

Historical trend information for the OMRF Employee Retirement System of Stroud, Oklahoma for the past ten years is as follows:

**City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011**

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage Covered Payroll
1/1/2002	2,125,573	2,264,525	93.9%	138,952	874,425	15.9%
1/1/2003	1,996,291	2,237,382	89.2%	241,091	863,607	27.9%
1/1/2004	2,076,721	2,442,410	85.0%	365,689	899,674	40.6%
1/1/2005	2,178,601	2,479,171	87.9%	300,570	973,817	30.9%
1/1/2006	2,264,870	2,645,581	85.6%	380,711	982,802	38.7%
1/1/2007	2,372,187	2,502,866	94.8%	130,679	1,051,509	12.4%
1/1/2008	2,475,867	2,648,246	93.5%	172,380	1,096,224	15.7%
1/1/2009	2,261,072	2,579,015	87.7%	317,943	1,013,934	31.4%
1/1/2010	2,232,361	2,663,862	83.8%	431,501	1,007,505	42.8%
1/1/2011	2,275,998	2,823,191	80.6%	547,192	1,118,232	48.9%

City Manager Only Plan (COM)

Plan Description - The City of Stroud participates in the Oklahoma Municipal Retirement Fund's City Manager Only Plan for its city manager. The City Manager Only Plan provides portable retirement plans for municipal managers.

The participant vests immediately in all contributions, however, benefits are not available to the participant until retirement, termination, death, or unforeseeable emergency.

Funding Policy - The City of Stroud contributes 8.57% of participant compensation to the plan and the participant contributes 5.75% of compensation. Contributions made by the City on behalf of the participant during the year ended June 30, 2011 were \$5,774 and participant contributions were \$3,874.

D. Ice Storm Litigation

In November 2010, an agreement was reached whereby the City's portion was determined to be \$271,013 for ice storm related damage and debris removal during the 2007 ice storm. This amount had already been accrued in a prior year and remains to be paid at June 30, 2011.

E. Ice Storm Note Payable-Bancfirst

In October 2010, the City was able to pay off the SUA ice storm note payable to Bancfirst with the aid of the monies in the restricted ice storm account.

City of Stroud, Oklahoma
Notes to Financial Statements
June 30, 2011

F. Expanded Governmental Fund Balance Classification

The following shows the governmental fund balances by classification. Where the amounts are nonspendable, restricted, committed or assigned, the purposes for which they are so designated are noted below.

	<u>Major Special Revenue Funds</u>					<u>Total</u>
	<u>General Fund</u>	<u>Capital Expenditure Fund</u>	<u>Special Reserve Fund</u>	<u>CDBG Grant Fund</u>	<u>Other Funds</u>	
Fund balances:						
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted For:						
Capital projects	-	313,681	-	-	-	313,681
Airport	-	-	-	-	12,254	12,254
Streets	-	-	-	-	104,261	104,261
Library	-	-	-	-	2,040	2,040
Economic Dev	-	-	-	-	73,408	73,408
Cemetery	-	-	-	-	61,407	61,407
Committed:						
Special Projects	-	-	6,306	-	-	6,306
Assigned:	-	-	-	-	-	-
Unassigned:	330,568	-	-	-	-	330,568
Total fund balances	<u>\$330,568</u>	<u>\$313,681</u>	<u>\$6,306</u>	<u>\$0</u>	<u>\$253,370</u>	<u>\$903,925</u>

G. Primary Government Transfers to Stroud Industrial Authority

The Town of Stroud was awarded two CDBG grant funds in the amounts of \$1,000,000 and \$203,267 in last fiscal year. Of that amount, \$74,075 was expended and recorded in last fiscal year. The remaining \$1,129,192 was expended and recorded during the current fiscal year. The funds were transferred to a discretely blended component unit, the Stroud Industrial Authority, where the funds were used to construct facilities at the airport for rental to Mint Turbines, LLC in accordance with the grant agreements. The facilities are owned by Stroud Industrial Authority.

City of Stroud, Oklahoma
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
REVENUES				
Taxes	\$ 872,000	\$ 872,000	839,092	(32,908)
Intergovernmental	5,000	5,000	34,461	29,461
Licenses and permits	10,150	10,150	7,099	(3,051)
Charge for services	265,600	265,600	257,419	(8,181)
Fines and forfeitures	20,000	20,000	45,920	25,920
Interest	2,500	2,500	4,741	2,241
Miscellaneous	67,400	67,400	67,100	(300)
Total revenues	<u>\$ 1,242,650</u>	<u>\$ 1,242,650</u>	<u>\$ 1,255,832</u>	<u>\$ 13,182</u>
EXPENDITURES				
General government:				
Administration	\$ 369,847	\$ 403,597	\$ 401,043	\$ (2,554)
Legal	11,120	11,120	10,885	(235)
Public safety:				
Police	594,495	618,495	617,059	(1,436)
Fire	89,992	80,492	80,188	(304)
Civil defense	1,000	1,000	926	(74)
Public works:				
Streets	95,920	73,092	65,507	(7,585)
Airport	-	453	533	80
Cemetery	15,600	13,100	9,697	(3,403)
Shop	28,552	28,552	25,351	(3,201)
Building & Grounds	43,957	53,057	55,010	1,953
Culture and recreation:				
Library	84,458	79,458	68,856	(10,602)
Community center	12,000	7,500	5,167	(2,333)
Golf course	147,436	147,436	144,079	(3,357)
Recreation/parks	144,320	153,320	152,784	(536)
Fitness center	36,534	38,159	38,266	107
Total expenditures	<u>\$ 1,675,231</u>	<u>\$ 1,708,831</u>	<u>\$ 1,675,351</u>	<u>\$ (33,480)</u>
Excess (deficiency) of revenues over (under) expenditures	(432,581)	(466,181)	(419,519)	46,662
OTHER FINANCING SOURCES (USES)				
Transfers	414,558	448,158	417,798	(30,360)
Net changes in fund balances	(18,023)	(18,023)	(1,721)	16,302
Fund balances - beginning			327,389	
Prior Period Adjustment			4,900	
Fund balances - ending			<u>\$ 330,568</u>	

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

City of Stroud, Oklahoma
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2011

	Special Revenue					Total Nonmajor Governmental Funds
	Street & Alley	Library Society	Airport	CDBG MEMCO	Cemetery Care	
<u>ASSETS</u>						
Cash and cash equivalents	\$ 101,663	2,652	17,238	73,408	16,188	211,149
Investments	-	-	-	-	45,219	45,219
Receivables, net	5,767	-	8,573	-	-	14,340
Due from other funds	-	-	-	-	-	-
TOTAL	\$ 107,430	2,652	25,811	73,408	61,407	270,708
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	3,169	612	-	-	-	3,781
Due to other funds	-	-	13,557	-	-	13,557
Total Liabilities	\$ 3,169	612	13,557	-	-	17,338
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	104,261	2,040	12,254	73,408	61,407	253,370
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	\$ 104,261	\$ 2,040	\$ 12,254	\$ 73,408	\$ 61,407	\$ 253,370
TOTAL	\$ 107,430	\$ 2,652	\$ 25,811	73,408	61,407	\$ 270,708

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

City of Stroud, Oklahoma
 Nonmajor Governmental Funds
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2011

	Special Revenue					Total Nonmajor Governmental Funds
	Street & Alley	Library Society	Airport	CDBG MEMCO	Cemetery Care	
REVENUES						
Taxes	31,334	-	-	-	-	31,334
Intergovernmental	-	6,638	8,573	-	-	15,211
Charge for services	-	-	-	-	2,889	2,889
Interest	-	-	291	247	172	710
Miscellaneous	-	-	-	5,000	-	5,000
Total revenues	<u>31,334</u>	<u>6,638</u>	<u>8,864</u>	<u>5,247</u>	<u>3,061</u>	<u>55,144</u>
EXPENDITURES						
Current						
General government	-	-	-	2,681	-	2,681
Cultural and Recreation	-	7,428	-	-	-	7,428
Public safety	-	-	-	-	-	-
Public Works	17,654	-	-	-	338	17,992
Capital outlay	16,397	-	9,025	-	16,169	41,591
Total expenditures	<u>34,051</u>	<u>7,428</u>	<u>9,025</u>	<u>2,681</u>	<u>16,507</u>	<u>69,692</u>
Excess (deficiency) of revenues over expenditures	<u>(2,717)</u>	<u>(790)</u>	<u>(161)</u>	<u>2,566</u>	<u>(13,446)</u>	<u>(14,548)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Expenditures paid for other funds	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(2,717)</u>	<u>(790)</u>	<u>(161)</u>	<u>2,566</u>	<u>(13,446)</u>	<u>(14,548)</u>
Fund balances - beginning	106,978	2,830	12,415	70,842	74,853	267,918
Fund balances - ending	<u>104,261</u>	<u>2,040</u>	<u>12,254</u>	<u>73,408</u>	<u>61,407</u>	<u>253,370</u>

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

City of Stroud, Oklahoma
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
<u>U.S. Department of Housing and Urban Development</u>				
(Passed through the Oklahoma Dept of Commerce)				
Community Development Block Grant (Passed to Stroud Industrial Authority)	14.228	14040 CDBG ED 09	1,000,000	925,925
Community Development Block Grant (Passed to Stroud Industrial Authority)	14.255	14042 SCDBG 09	203,267	203,267
Community Development Block Grant	14.228	14074 CDBG 09	250,000	230,000
Community Development Block Grant	14.228	12807 CDBG-CIP 07	20,000	10,000
Total U.S. Dept of Housing and Urban Development			<u>1,473,267</u>	<u>1,369,192</u>
<u>US Department of Transportation</u>				
(Passed through the Oklahoma Dept of Transportation)				
Transportation Enhancement Grant	20.205	STP-141E(152)EH	240,000	41,154
<u>US Environmental Protection Agency</u>				
(Passed through Oklahoma Water Resource Board)				
ARRA-Clean Water State Revolving Fund	66.458	ORF-10-0015-CW	660,000	278,892
Total Federal Funds			<u>2,373,267</u>	<u>1,689,238</u>
<u>STATE PROGRAMS</u>				
<u>State of Oklahoma</u>				
Passed through Oklahoma Dept. of Agriculture				
Fire Grant		N/A	4,398	4,398
Passed through Oklahoma Dept. of Libraries				
		N/A	5,906	5,906
Passed through Central OK Economic Development				
District - (REAP)		N/A	75,000	75,000
Passed through Oklahoma Dept. of Environmental Quality				
Drinking Water State Revolving Fund		CWSRF 1020705	125,000	1,000
Total State of Oklahoma			<u>210,304</u>	<u>86,304</u>
Total Federal and State Assistance			<u>\$ 2,583,571</u>	<u>\$ 1,775,542</u>

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

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

City Council
City of Stroud, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stroud, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Stroud's basic financial statements and have issued my report thereon dated December 2, 2011. I conducted my 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 my audit, I considered City of Stroud, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Stroud's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Stroud, Oklahoma's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Stroud, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.


Stroud, Oklahoma 74079
December 2, 2011

CITY OF STROUD, OKLAHOMA
SINGLE AUDIT SUPPLEMENT AND
INDEPENDENT AUDITOR'S REPORTS
ON COMPLIANCE AND INTERNAL CONTROL

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

CITY OF STROUD, OKLAHOMA
SINGLE AUDIT SUPPLEMENT AND
INDEPENDENT AUDITOR'S REPORTS
ON COMPLIANCE AND INTERNAL CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Member AICPA & OSCP

**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 City Council Members
City of Stroud, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stroud, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Stroud's basic financial statements and have issued my report thereon dated December 2, 2011. I conducted my 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 my audit, I considered City of Stroud, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Stroud's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Stroud, Oklahoma's internal control over financial reporting.

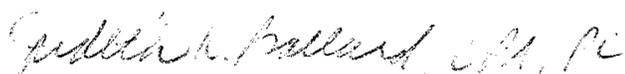
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies,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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Stroud, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.


Stroud, Oklahoma 74079
December 2, 2011

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**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**

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

Compliance

I have audited the City of Stroud, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Stroud's major federal programs for the year ended June 30, 2011. The City of Stroud, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Stroud, Oklahoma's management. My responsibility is to express an opinion on the City of Stroud, Oklahoma's compliance based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Stroud's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Stroud, Oklahoma's compliance with those requirements.

In my opinion, the City of Stroud, Oklahoma complied, in all material respects, with the 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 of Stroud, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Stroud, Oklahoma'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 my 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, I do not express an opinion on the effectiveness of the City of Stroud, Oklahoma'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* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Judith K. Ballard, CPA, PC

Stroud, Oklahoma 74079
December 2, 2011

City of Stroud, Oklahoma
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
<u>U.S. Department of Housing and Urban Development</u>				
(Passed through the Oklahoma Dept of Commerce)				
Community Development Block Grant (Passed to Stroud Industrial Authority)	14.228	14040 CDBG ED 09	1,000,000	925,925
Community Development Block Grant (Passed to Stroud Industrial Authority)	14.255	14042 SCDBG 09	203,267	203,267
Community Development Block Grant	14.228	14074 CDBG 09	250,000	230,000
Community Development Block Grant	14.228	12807 CDBG-CIP 07	20,000	10,000
Total U.S. Dept of Housing and Urban Development			1,473,267	1,369,192
<u>US Department of Transportation</u>				
(Passed through the Oklahoma Dept of Transportation)				
Transportation Enhancement Grant	20.205	STP-141E(152)EH	240,000	41,154
<u>US Environmental Protection Agency</u>				
(Passed through Oklahoma Water Resource Board)				
ARRA-Clean Water State Revolving Fund	66.458	ORF-10-0015-CW	660,000	278,892
Total Federal Funds			2,373,267	1,689,238
<u>STATE PROGRAMS</u>				
<u>State of Oklahoma</u>				
Passed through Oklahoma Dept. of Agriculture				
Fire Grant		N/A	4,398	4,398
Passed through Oklahoma Dept. of Libraries				
		N/A	5,906	5,906
Passed through Central OK Economic Development				
District - (REAP)		N/A	75,000	75,000
Passed through Oklahoma Dept. of Environmental Quality				
Drinking Water State Revolving Fund		CWSRF 1020705	125,000	1,000
Total State of Oklahoma			210,304	86,304
Total Federal and State Assistance			\$ 2,583,571	\$ 1,775,542

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal and state awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

CITY OF STROUD, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Stroud, Oklahoma.
2. There were no conditions disclosed during the audit of the financial statements required to be reported in the *Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of non-compliance material to the financial statements were disclosed during the audit.
4. No internal control reportable conditions relating to the audit of the major federal award program are reported.
5. The auditor's report on compliance for the major federal award program expresses an unqualified opinion.
6. The audit disclosed no audit findings related to major programs that are required to be reported.
7. The programs tested as a major program are

Community Development Block Grant	14.228	14040 CDBG ED 09
Community Development Block Grant	14.255	14042 SCDBG 09
Community Development Block Grant	14.228	14074 CDBG 09
Community Development Block Grant	14.228	12807 CDBG-CIP 07
Transportation Enhancement Grant	20.205	STP-141E(152)EH
ARRA-Clean Water State Revolving Fund	66.458	ORF-10-0015-CW
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City of Stroud, Oklahoma was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

Compliance

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None