THE CITY OF COLLINSVILLE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

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

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TABLE OF CONTENTS

Page

Independent Auditor's Report on Financial Statements 5-6

Management's Discussion and Analysis 7-12

The Basic Financial Statements:

Government-Wide Financial Statements:
Statement of Net Assets (Modified Cash Basis) 14
Statement of Activities (Modified Cash Basis) 15

Governmental Funds Financial Statements:
Balance Sheet (Modified Cash Basis) 17
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) 18

Proprietary Funds Financial Statements:
Statement of Net Assets (Modified Cash Basis) 20
Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) 21
Statement of Cash Flows (Modified Cash Basis) 22

Footnotes to the Basic Financial Statements 23-39

Required Supplementary Information:

Budgetary Comparison Information

Budgetary Comparison Schedule (Modified Cash Basis) – General Fund 41
Budgetary Comparison Schedule (Modified Cash Basis) – 1999 Sales Tax Fund 41
Footnotes to Budgetary Comparison Schedules 42

Pension Plan Information

Schedule of Retirement Plan Contributions 43

Supplementary Information:

Combining General Fund Account Schedules

Combining Balance Sheet (Modified Cash Basis) 45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) 46

TABLE OF CONTENTS

Combining Non-Major Governmental Fund Statements

Combining Balance Sheet (Modified Cash Basis)..... 47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis)..... 47

Combining Fund Schedules – Collinsville Municipal Authority

Combining Schedule of Net Asset Accounts (Modified Cash Basis)..... 48
Combining Schedule of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis)..... 49

Grant Awards Information

Schedule of Expenditures of Federal Awards..... 50
Schedule of Expenditures of State Awards..... 51

Debt Service Coverage Information

Debt Service Coverage Schedule 52
Debt Service Reserve Requirements Schedule 52

Internal Control and Compliance Information

Independent Auditor's Report on Internal Control and Compliance.....55-57
Schedule of Findings and Questioned Costs.....58-59

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Collinsville, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Collinsville, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Collinsville, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2012, on our consideration of the City of Collinsville, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Collinsville, Oklahoma's financial statements as a whole. The budgetary comparison information, pension plan information, debt service coverage information, schedule of expenditures of state awards, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 financial statements. The schedule of expenditures of federal awards, schedule of expenditures of state awards, and combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and

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relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The budgetary comparison information, pension plan information, and debt service coverage information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

HBC CPAs & Advisors

Yukon, Oklahoma

July 27, 2012

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The management of the City of Collinsville is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2011. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net assets decreased by $1,499,424, and the assets of the City exceed its liabilities at June 30, 2011, by $8,089,360 (net assets). $3,942,917 of this amount is restricted for various purposes. The remaining $4,146,443 is available to meet the government's ongoing needs.

- At June 30, 2011, the City's governmental funds reported combined ending fund balances on a modified cash basis of $1,437,370.

- The City's business-type activities reported a decrease in net assets of $1,489,572 from prior year compared to an increase of $7,161,790 between the prior two years. The decrease is primarily due to the significant spending of prior year proceeds of long-term debt in the current year.

ABOUT THE CITY

The City of Collinsville is an incorporated municipality with a population of approximately 4,077 located in Tulsa County in northeastern Oklahoma. The City is a Commission/Manager form of government and operates under the charter that provides for three branches of government.

- Legislative – the City Commission is a five-member governing body elected by respective wards and the mayor is elected at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Commission
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Commission

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, and through its Municipal Authority, certain utility services including electric, water, wastewater, and sanitation.

The City's Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The City's financial reporting entity includes two separate legal entities reported as the primary government.

- **The City of Collinsville** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*

- **The Collinsville Municipal Authority (CMA)** – public trust created pursuant to 60 O.S. § 176 that operates the electric, water, wastewater, and sanitation services of the City, governed by trustees comprised of the entire City Commissioners – *considered part of the primary government presentation for reporting purposes*

In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Commissioners. This is considered sufficient imposition of will to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Collinsville (the "City") and the Collinsville Municipal Authority (the "Municipal Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

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

Reporting the City as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's electric, water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Commissioners may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* – account for different types of activities.

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

Proprietary funds - When the City, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. In this report proprietary funds are reported on the modified cash basis of accounting and a current financial resource measurement focus. The City's proprietary fund is the Collinsville Municipal Authority that accounts for the operation of the electric, water, sewer, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23-40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the 1999 Sales Tax Fund.

THE CITY AS A WHOLE

For the year ended June 30, 2011, net assets on a modified cash basis for the governmental and business-type activities decreased $1,499,424.

Net Assets (Modified Cash Basis)
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Beginning net assets	$ 1,447,222	$ 8,141,562	$ 9,588,784
Increase/(Decrease)	(9,852)	(1,489,572)	(1,499,424)
Ending net assets	**$ 1,437,370**	**$ 6,651,990**	**$ 8,089,360**

Following is a summary of net assets reported on a modified cash basis for the City of Collinsville:

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Assets:									
Current and other assets	$ 1,454,014	$ 1,451,811	0%	$ 7,040,620	$ 8,507,371	-17%	$ 8,494,634	$ 9,959,182	-15%
Total assets	1,454,014	1,451,811	0%	7,040,620	8,507,371	-17%	8,494,634	9,959,182	-15%
Liabilities:									
Current and other liabilities	16,644	4,589	263%	17,618	18,519	-5%	34,262	23,108	48%
Long-term liabilities	-	-	-	371,012	347,290	7%	371,012	347,290	7%
Total liabilities	16,644	4,589	263%	388,630	365,809	6%	405,274	370,398	9%
Net assets:									
Restricted	99,997	97,533	-	3,842,920	6,054,937	-37%	3,942,917	6,152,470	-36%
Unrestricted	1,337,373	1,349,689	-1%	2,809,070	2,086,625	35%	4,146,443	3,436,314	21%
Total net assets	**$ 1,437,370**	**$ 1,447,222**	-1%	**$ 6,651,990**	**$ 8,141,562**	-18%	**$ 8,089,360**	**$ 9,588,784**	-16%

The City's governmental activities had a decrease in net assets of $9,852. The business-type activities had a decrease in net assets of $1,489,572.

Business-type activities' current and other assets decreased in the current year due to the expending of a portion of the 2009 and 2010 Sales Tax Revenue Bond proceeds received in prior year. Current and other liabilities increased in the current year by $11,154 due mainly to several payroll withholdings not being paid until subsequent to year end.

Revenues, Expenses and Changes in Net Assets (Modified Cash Basis)
Year Ended June 30, 2011

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Revenues:									
Program revenues:									
Charges for Services	$ 795,507	$ 819,595	-3%	$ 6,839,930	$ 6,312,264	8%	$ 7,635,437	$ 7,131,859	7%
Grants & Contributions	58,925	75,113	-22%	-	-	-	58,925	75,113	-22%
Capital Grants,Contributions&Debt Proceeds	545,841	5,037,792	-89%	426,974	3,759,857	-89%	972,815	8,797,649	-89%
General Revenues:									
Sales Tax	1,320,113	1,201,443	10%	-	-	-	1,320,113	1,201,443	10%
Other Taxes	146,338	167,204	-12%	-	-	-	146,338	167,204	-12%
Other General Revenues	143,734	98,713	46%	38,169	19,842	92%	181,903	118,555	53%
Total Revenues	3,010,458	7,399,860	-59%	7,305,073	10,091,963	-28%	10,315,531	17,491,823	-41%
Program Expenses:									
General Government	720,783	36,152	1894%	-	-	-	720,783	36,152	1894%
Public Safety	2,523,910	2,177,943	16%	-	-	-	2,523,910	2,177,943	16%
Highways and Streets	616,875	714,264	-14%	-	-	-	616,875	714,264	-14%
Cemetery	91,214	57,357	59%	-	-	-	91,214	57,357	59%
Culture and Recreation	480,894	1,141,728	-58%	-	-	-	480,894	1,141,728	-58%
Electric	-	-	-	3,984,110	3,738,970	7%	3,984,110	3,738,970	7%
Sanitation	-	-	-	412,813	469,443	-12%	412,813	469,443	-12%
Water	-	-	-	655,341	674,881	-3%	655,341	674,881	-3%
Sewer	-	-	-	2,078,889	1,314,224	58%	2,078,889	1,314,224	58%
Interest on long-term debt	250,126	129,530	93%	-	-	-	250,126	129,530	93%
Total Expenses	4,683,802	4,256,974	10%	7,131,153	6,197,518	15%	11,814,955	10,454,492	13%
Excess (Deficiency)	(1,673,344)	3,142,886	-153%	173,920	3,894,445	-96%	(1,499,424)	7,037,331	-121%
Net Transfers	1,663,492	(3,267,345)	-151%	(1,663,492)	3,267,345	-151%	-	-	-
Increase/(Decrease) Net Assets	$ (9,852)	$ (124,459)	-92%	$ (1,489,572)	$ 7,161,790	-121%	$ (1,499,424)	$ 7,037,331	-121%
Beginning Net Assets	1,447,222	1,571,681	-8%	8,141,562	979,772	731%	9,588,784	2,551,453	276%
Ending Net Assets	$ 1,437,370	$ 1,447,222	-1%	$ 6,651,990	$ 8,141,562	-18%	$ 8,089,360	$ 9,588,784	-16%

Capital grants, contributions and debt proceeds decreased by $7,824,834 from the prior year. This is mainly due to the issuance of two new revenue bonds totaling $7,920,000 in the prior year. The activity related to these revenue bonds were split between both the governmental activities and the business-type activities. The 2009 bonds' purposes were for governmental activities, while the 2010 bonds' purposes were business-type in nature. This also explains the significant decreases in certain expenses of both the governmental and business-type activities, along with the changes in net transfers. General government expense in the governmental activities increased significantly due to the purchase of construction supplies in the amount of approximately $698,000. Interest on long-term debt also increased from the prior year due to the recent issuance of the two new revenue bonds.

Governmental Activities

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
General government	$ 721	$ 36	1903%	($674)	$22	-3164%
Public safety	2,524	2,166	17%	(1,710)	(675)	153%
Streets	617	714	-14%	(139)	1,650	-108%
Culture, parks and recreation	481	1,142	-58%	(481)	824	-158%
Cemetery	91	57	60%	(30)	(4)	650%
Interest on long-term debt	250	142	76%	(250)	(142)	76%
Total	$ 4,684	$ 4,257	10%	$(3,284)	$ 1,675	-296%

Business-type Activities

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2011	2010		2011	2010	
Electric	$ 3,984	$ 3,739	7%	$ 782	$ 858	-9%
Sanitation	413	469	-12%	98	165	-41%
Water	655	675	-3%	379	324	17%
Sewer	2,079	1,314	58%	(1,124)	2,528	-144%
Total	$ 7,131	$ 6,197	15%	$ 135	$ 3,875	-97%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of $1,437,370.

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance decreased by $13,953.

Budgetary Highlights

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues under final estimates by $331,840 or a 9.4% negative variance. General Fund actual expenditures were under final appropriations by $314,636 or an 8.9% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2012 budget is consistent to prior years.
- Water, sewer and garbage rates have increased over a three-year period with the first increase effective July 1, 2009.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at P.O. Box 730, Collinsville, Oklahoma 74021 or telephone at 918-371-1010.

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET ASSETS AND ACTIVITIES

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,310,332	$ 6,688,501	$ 7,998,833
Investments	189,098	299,707	488,805
Due from vendor	-	6,996	6,996
Internal Balances	(45,416)	45,416	-
Total Assets	1,454,014	7,040,620	8,494,634
LIABILITIES			
Miscellaneous payroll liabilities	6,333	6,024	12,357
Due to other governments	1,747	11,594	13,341
Due to depositors	8,564	-	8,564
Long-term liabilities			
Due within one year	-	74,202	74,202
Due in more than one year	-	296,810	296,810
Total liabilities	16,644	388,630	405,274
NET ASSETS			
Restricted for cemetery	99,997	-	99,997
Restricted for capital projects	-	2,876,928	2,876,928
Restricted for debt service	-	965,992	965,992
Unrestricted	1,337,373	2,809,070	4,146,443
Total net assets	$ 1,437,370	$ 6,651,990	$ 8,089,360

See accompanying notes to these financial statements.

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

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants, Contributions and Debt Proceeds	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Primary government							
Governmental Activities							
General Government	$ 720,783	$ 46,325	$ -	$ -	$ (674,458)	$ -	$ (674,458)
Public Safety	2,523,910	625,462	20,000	168,773	(1,709,675)	-	(1,709,675)
Highways and streets	616,875	62,231	38,925	377,068	(138,651)	-	(138,651)
Cemetery	91,214	61,489	-	-	(29,725)	-	(29,725)
Culture and Recreation	480,894	-	-	-	(480,894)	-	(480,894)
Interest on Long-term debt	250,126	-	-	-	(250,126)	-	(250,126)
Total governmental activities	4,683,802	795,507	58,925	545,841	(3,283,529)	-	(3,283,529)
Business-type activities:							
Electric	3,984,110	4,766,450	-	-	-	782,340	782,340
Water	655,341	959,601	-	74,562	-	378,822	378,822
Sewer	2,078,889	602,807	-	352,412	-	(1,123,670)	(1,123,670)
Sanitation	412,813	511,072	-	-	-	98,259	98,259
Total business-type activities	7,131,153	6,839,930	-	426,974	-	135,751	135,751
Total primary government	11,814,955	7,635,437	58,925	972,815	(3,283,529)	135,751	(3,147,778)
General revenues:							
Taxes:							
Sales and use tax					$ 1,320,113	$ -	$ 1,320,113
Franchise taxes and public service taxes					107,198	-	107,198
E-911 taxes					39,140	-	39,140
Intergovernmental revenue not restricted to specific programs					24,338	-	24,338
Unrestricted investment earnings					10,287	20,087	30,374
Miscellaneous					109,109	18,082	127,191
Transfers					1,663,492	(1,663,492)	-
Total general revenues and transfers					3,273,677	(1,625,323)	1,648,354
Change in net assets					(9,852)	(1,489,572)	(1,499,424)
Net assets - beginning					1,447,222	8,141,562	9,588,784
Net assets - ending					$ 1,437,370	$ 6,651,990	$ 8,089,360

See accompanying notes to these financial statements.

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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

	General Fund	1999 Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,310,332	$ -	$ -	$ 1,310,332
Investments	87,464	-	101,634	189,098
Total assets	$ 1,397,796	$ -	$ 101,634	$ 1,499,430
LIABILITIES AND FUND BALANCES				
Liabilities:				
Miscellaneous payroll payables	$ 6,333	$ -	$ -	$ 6,333
Due to other governments	1,747	-	-	1,747
Due to other funds	45,416	-	-	45,416
Refundable deposits	8,564	-	-	8,564
Total liabilities	62,060	-	-	62,060
Fund balances:				
Restricted for:				
Cemetery	-	-	99,997	99,997
Assigned for:				
Capital improvements	227,249	-	-	227,249
Cemetery	-	-	1,637	1,637
Unassigned	1,108,487	-	-	1,108,487
Total fund balances	1,335,736	-	101,634	1,437,370
Total liabilities and fund balances	$ 1,397,796	$ -	$ 101,634	$ 1,499,430

See accompanying notes to these financial statements.

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

	General Fund	1999 Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 575,282	$ 567,108	$ 324,061	$ 1,466,451
Intergovernmental	508,314	-	-	508,314
Charges for services	548,727	-	9,223	557,950
Fines and foreitures	191,232	-	-	191,232
Licenses and permits	46,325	-	-	46,325
Investment income	8,650	-	1,637	10,287
Miscellaneous	119,109	-	-	119,109
Total revenues	1,997,639	567,108	334,921	2,899,668
EXPENDITURES				
Current:				
General government	720,783	-	-	720,783
Public safety	2,127,477		-	2,127,477
Highways and streets	122,157	-	-	122,157
Culture and recreation	41,145		-	41,145
Cemetery	84,455	-	-	84,455
Capital Outlay	207,552	-	-	207,552
Debt Service:				
Principal	30,734	-	-	30,734
Interest and other charges	8,698	-	-	8,698
Total Expenditures	3,343,001	-	-	3,343,001
Excess (deficiency) of revenues over expenditures	(1,345,362)	567,108	334,921	(443,333)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	110,790	-	-	110,790
Transfers In	1,220,619	122,911	-	1,343,530
Transfers out	-	(690,019)	(330,820)	(1,020,839)
Total other financing sources and uses	1,331,409	(567,108)	(330,820)	433,481
Net change in fund balances	(13,953)	-	4,101	(9,852)
Fund balances - beginning	1,349,689	-	97,533	1,447,222
Fund balances - ending	$ 1,335,736	$ -	$ 101,634	$ 1,437,370

See accompanying notes to these financial statements.

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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

	Collinsville Municipal Authority
ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,702,569
Restricted cash and cash equivalents	3,174,347
Investments	71,707
Due from other funds	45,416
Due from vendor	6,996
Total current assets	6,001,035
Non-current assets:	
Restricted cash and cash equivalents	811,585
Restricted investments	228,000
Total non-current assets	1,039,585
Total assets	7,040,620
LIABILITIES	
Current liabilities:	
Miscellaneous payroll payables	6,024
Due to other governments	11,594
Deposits subject to refund	74,202
Total current liabilities	91,820
Non-current liabilities:	
Deposits subject to refund	296,810
Total non-current liabilities	296,810
Total liabilities	388,630
NET ASSETS	
Restricted for capital projects	2,876,928
Restricted for debt service	965,992
Unrestricted	2,809,070
Total net assets	$ 6,651,990

See accompanying notes to these financial statements

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2011

	Collinsville Municipal Authority
Operating Revenues:	
Electric	$ 4,467,981
Water	899,513
Sewer	565,075
Sanitation	479,080
Penalties	152,508
Planning fees	1,750
Administration fees	245,807
Miscellaneous	28,216
Total operating revenues	6,839,930
Operating Expenses:	
General government	1,199,796
Electric	2,919,143
Water and sewer distribution	192,098
Water and sewer treatment	330,676
Sanitation	234,978
Total Operating Expenses	4,876,691
Operating income	1,963,239
Non-Operating Revenues (Expenses):	
Investment income	20,087
Miscellaneous	18,082
Grant revenue	184,340
Capital outlay	(2,440,860)
Debt service:	
Principal retirement	(566,589)
Interest expense and fees	(587,814)
Total non-operating revenue (expenses)	(3,372,754)
Income (loss) before transfers and other sources	(1,409,515)
Transfers and other financing sources:	
Proceeds from long-term debt	242,634
Transfers in	1,014,080
Transfers out	(1,336,771)
Change in net assets	(1,489,572)
Total net assets - beginning	8,141,562
Total net assets - ending	$ 6,651,990

See accompanying notes to these financial statements.

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2011

	Collinsville Municipal Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 6,858,012
Payments to suppliers	(3,628,448)
Payments to employees	(1,249,144)
Interfund receipts/payments	(13,741)
Receipts of customer meter deposits	109,870
Refunds of customer meter deposits	(86,148)
Net cash provided by operating activities	1,990,401
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,014,080
Transfers to other funds	(1,336,771)
Net cash provided by (used in) noncapital financing activities	(322,691)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(2,440,860)
Proceeds of grant	184,340
Proceeds on capital debt	242,634
Principal paid on debt	(566,589)
Interest and fiscal agent fees paid on debt	(587,814)
Net cash provided by (used in) capital and related financing activities	(3,168,289)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(4,894)
Interest and dividends	20,087
Net cash provided by investing activities	15,193
Net increase (decrease) in cash and cash equivalents	(1,485,386)
Balances - beginning of year	8,173,887
Balances - end of year	$ 6,688,501
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	2,702,569
Restricted cash and cash equivalents - Current	3,174,347
Restricted cash and cash equivalents - Non-current	811,585
Total cash and cash equivalents, end of year	6,688,501

(Continued)

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	$ 1,963,239
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Miscellaneous revenue	18,082
Change in assets and liabilities:	
Miscellaneous payroll liabilities	6,024
Due to other governments	(6,925)
Due from other funds	(13,741)
Deposits subject to refund	23,722
Net cash provided by (used in) operating activities	$ 1,990,401

See accompanying notes to these financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Statement of Net Assets and Activities:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The City's financial reporting entity includes two separate legal entities reported as the primary government

- **The City of Collinsville** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*

- **The Collinsville Municipal Authority (CMA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, electric and sanitation services of the City, with the City Commissioners serving as the governing body of the trust – *considered part of the primary government presentation for reporting purposes*

For the above public trust, the City of Collinsville is the beneficiary of the trust and the City Commissioners either serves as the governing body of the trust or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Commissioners. This is considered sufficient imposition of will to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

B. Basis of Accounting and Presentation

Government-Wide Financial Statements:

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

- General government: License and permits
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Cemetery: Cemetery lot sales and openings/closings

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Governmental Funds:

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

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds
- 1999 Sales Tax Fund – accounts for contributions and specific revenues and expenditures for various capital projects

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

- Sales Tax Reserve Fund – accounts for the dedicated sales tax to be used for capital improvements and water operations
- Cemetery Care Fund – accounts for 15% of cemetery revenue of which 12.5% is restricted by State law for cemetery capital improvements.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

Proprietary Fund:

The City's proprietary fund is comprised of the following:

- Collinsville Municipal Authority (CMA) – accounts for activities as set forth in the trust indentures and other operations as assigned by trustee members

The proprietary fund is reported on a modified cash basis and the current financial resources measurement focus, as defined above. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts.

Investments consist of long-term certificates of deposits, reported at cost, and shares of a government obligation mutual fund reported at the current fund share price, which also represents its fair value.

D. Capital Assets and Depreciation

Due to the use of the modified cash basis accounting, capital assets and related depreciation are not reported in the financial statements.

E. Long-Term Debt

Due to the use of the modified cash basis accounting, long term debt obligations are not reported in the financial statements. However the amount of long term debt issued and outstanding at the end of the fiscal year is reported as a commitment in Note 9.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

G. Fund Balances and Net Assets

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

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

b. *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

a. Nonspendable – includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.

b. Restricted – consists of fund balance with constraints placed on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.

d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposed but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city commission has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.

e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then

unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

H. Internal and Interfund Balances and Transfers

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

2. Deposits and Investments

For the year ended June 30, 2011, the City recognized $30,374 of investment income. At June 30, 2011, the primary government held the following deposits and investments:

Type		Carrying Value
Deposits:		
Demand deposits		$ 4,155,913
Time deposit		488,805
		$ 4,644,718
Investments:		
JP Morgan Treasury Plus MMkt Investor Fund	AAAm	$ 42,966
Federated Government Obligations	AAAm	3,799,954
		3,842,920
Total deposits and investments		$ 8,487,638
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		$ 7,998,833
Investments		488,805
		$ 8,487,638

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

The City's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2011, the City had adequate collateral to cover all bank balances.

Investment Credit Risk
The City limits its investments to those allowed in state law applicable to municipalities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The City's only marketable investments at June 30, 2011 consisted of $3,842,920 in money market funds invested in U.S. Treasury securities with a credit rating of AAA by Standard and Poors.

Investment Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's has no investment policy that limits based on maturity. The City discloses it exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2011, the investments were limited to a time deposits and shares of money market funds invested in U.S. Treasury securities not exposed to interest rate risk.

Concentration of Investment Credit Risk
Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk. At June 30, 2011, the City had no concentration of credit risk as defined above.

Restricted cash and Investments – The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2011 are as follows:

	Current	Noncurrent	
	Cash and cash equivalents	Cash and cash equivalents	Investments
Utility Deposits	$ 74,202	$ 68,810	$ 228,000
Bond Trustee Accounts	3,100,145	742,775	-
Total	$ 3,174,347	$ 811,585	$ 228,000

3. Sales Tax Revenue

Sales tax revenue represents a 3.75 cent local tax on each dollar of taxable sales within the City, of which 1 3/4 cent is restricted for debt service and recorded in the 1999 Sales Tax Fund per voter approval of Ordinance #826 effective on and after July 2009; and 1 cent is restricted for capital outlay and/or water operations and recorded in the Sales Tax Reserve Fund per voter approval of Ordinance #442 effective on and after July 1977. The remaining 1 cent is received and recorded in the General Fund.

4. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

5. Internal and Interfund Balances and Transfers

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

Due From	Due To	Amount	Nature of Balance
General Fund	CMA	$ 45,416	Expenses paid out of wrong fund
Total		$ 45,416	

Reconciliation to Fund Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	$ -	$ (45,416)	$ (45,416)
Proprietary Funds	45,416	-	45,416
Total	$ 45,416	$ (45,416)	$ -

Transfers between legal entities and funds netted to $2,357,610 and are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
Cemetery Care Fund	General Fund	$ 6,759	Capital asset purchase
CMA	General Fund	712,996	Operational purposes
CMA	General Fund	324,061	Sales tax transfer
CMA	General Fund	176,803	Reimburse expenses
CMA	1999 Sales Tax Fund	122,911	Operational purposes
Sales Tax Reserve Fund	CMA	324,061	Sales tax transfer
1999 Sales Tax Fund	CMA	690,019	Debt service payaments
Total		$ 2,357,610	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	$ 1,343,530	$ (1,020,839)	$ 322,691
Proprietary Funds	1,014,080	(1,336,771)	(322,691)
	$ 2,357,610	$ (2,357,610)	-

Reconciliation to Statement of Activities:

Net Transfers	$ 322,691
Reclassification and transfer of governmental activities out of enterprise funds	$ 1,340,801
Total Transfers - Internal Activity	$ 1,663,492

6. Risk Management

The City and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

7. Employee Retirement Plan Participation

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

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

Firefighter Pension System:

Plan Summary Information. The City of Collinsville, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters.

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

Funding Policy. OFPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2009	$62,474	$62,474
2010	$69,203	$69,203
2011	$80,747	$80,747

Police Pension System:

Plan Summary Information. The City of Collinsville, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of full-time police officers.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OPPRS, 1001 N.W. 63rd St., Suite 605, Oklahoma City, OK 73116-7335.

Funding Policy. OPPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll for each police officer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2009	$46,204	$46,204
2010	$46,305	$46,305
2011	$46,618	$46,618

OMRF Defined Benefit Plan

The City contributes to the City of Collinsville Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Commissioners. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase of Oklahoma City acts as administrator and securities custodian.

Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	9.53% of covered payroll
-Employee Rate	4% of earnings
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 7 years of service -Early retirement at age 55 with 7 years of service -Disability retirement with 7 years of service -Marital death benefit with 7 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	2.625% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

The OMRF contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2009	$67,442	$67,442
2010	$95,845	$95,845
2011	$95,991	$95,991

Actuarial Valuation Information

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

Actuarial accrued liability (AAL)	$2,551,523
Actuarial value of plan assets	2,130,966
Unfunded actuarial accrued liability (UAAL)	$420,557
Funded ratio (actuarial value of plan assets/AAL)	83.5%
Annual covered payroll (active plan members)	1,013,746
UAAL as a percentage of covered payroll	41.5%

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

Actuarial assumptions used in the valuation included the following:

For Plan Year July 1, 2011 (Date of Last Acutarial Valuation)

a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost-of-Living Increase	N/A
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Mortality	UP 94 mortality
g. Asset Valuation Method	Actuarial method

OMRF Defined Contribution Plan

The City has also provided a defined contribution plan and trust known as the City of Collinsville Plan and Trust (the "Plan") in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by Bank One Trust Company of Oklahoma City. The defined contribution plan is available to all full-time employees on a voluntary basis who are not already participating in another plan. According to City Ordinance, the employee may contribute to the Plan an amount up to 3% of their gross wages. The City as employer, contributes per ordinance, an amount up to 100% of the employee contribution. The City is currently providing benefits to a uniform officer who is not enrolled in their respective pension plan. The employee contributes 8%, while the City contributes 13%. If an employee terminates before becoming fully vested, the employer's contributions that are forfeited may be used to reduce the City's current-period contribution requirements. The authority to establish and amend the provisions of the plan rests with the City Commissioners. For the year ended June 30, 2011, the City contributed $19,069 to the plan, while the employee contributions totaled $11,735.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway Oklahoma City, Oklahoma, 73102.

8. Postemployment Healthcare Plan

Plan Description:

The City of Collinsville Employees Healthcare Plan (CCEHP) is a single-employer defined benefit healthcare plan administered by the City's health insurance carrier. The obligation for payment of benefits has been effectively transferred from the City to the insurance company, and the City has not guaranteed benefits in the event of the insurance company's insolvency. CCEHP provides medical and dental insurance benefits to eligible retirees and their spouses through the plan. Article IX, Section 6 of the City Code assigns the authority to establish and amend benefit provisions to the City Council. The CCEHP does not issue a separate publicly available financial report.

Funding Policy and Contributions Made:

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, in the form of insurance premiums paid to the insurance company. The City does not provide any additional amount to prefund benefits nor does the plan have an actuarial valuation. The City requires plan members to contribute 100% of a premium amount established by the insurance company and approved by the City Council for all employees and retirees. While, in regards to retirees, this amount contains an implied rate subsidy by the City through a reduced blended premium covering all current employees and retirees, there is no actuarial valuation performed to determine the amount of such subsidy. Because, the retiree insurance premium established is paid entirely by retiree contributions, there is no net cash outflow by the City related to these benefits. Therefore, there is no cash-basis expenditures reported for the City in regards to the plan benefits. For the year ended June 30, 2011, the City had no retirees participating in the plan's insurance coverage. For fiscal year 2011, the plan member contributed $0 in the form of insurance premium payments.

Commitments and Contingencies

Long-term Debt Commitments:

Governmental activities had the following long-term debt payable from taxes and other general revenues for June 30, 2011:

Capital Lease Agreements:

$82,932 capital lease agreement with RCB Bank for purchase of an ambulance, payable in monthly installments of $1,378, final payment due August 2012.	$	18,173
Total Capital Leases Payable	$	18,173

Notes Payable:

2002 note payable to Hoover/Kirkhart for a building for police department, original amount of $150,900, payable in monthly installments of $996 with an annual interest rate of 5%, final payment due August 2022.	$	101,528
2007 note payable to American Bank for a 1999 ambulance, original amount of $25,144, payable in monthly installments of $490 with an annual interest rate of 6.25%, final payment due May 2012.		4,948
2011 note payable to American Bank for (3) 2010 Ford Crown Victoria police cars, original amount of $65,992, payable in interest-only monthly installments for 5 months, with regular monthly installments of $1,918.72 thereafter, with an annual interest rate of 2.99%, final payment due February 2014.		64,416
2011 note payable to American Bank for a 2011 Ford Crown Victoria police car, original amount of $15,836, payable at maturity, annual interest rate of 4.5%, final maturity July 2011.		15,836
2011 note payable to RCB Bank for Stryker EMS equipment, original amount of $28,963, payable in monthly installments of $851 with an annual interest rate of 3.6%, final payment due May 2014.		28,198
Total Notes Payable	$	214,926

Business-type activities long-term debt payable from net revenues generated by the utility resources or pledged to the debt include the following:

Capital Lease Agreement:

$37,195 capital lease agreement with Catepillar Finance for purchase of an excavator, payable in monthly installments of $1,033, final payment due July 2011.	$	1,033

Revenue Bonds Payable:

2006 Sales Tax and Utility Revenue Note, original amount of $3,300,000, payable in monthly installments, interest rate ranging from 4.49%, final payment due October 1, 2019.	$	2,306,800
2009 Sales Tax and Utility Revenue Note, original amount of $4,915,000, payable in semi-annual installments, interest rate ranging from 4.65% to 5.0%, final payment due August 1, 2029		4,915,000
2010 Sales Tax and Utility Revenue Note, original amount of $3,005,000, payable in semi-annual installments, interest rate ranging from 3.0% to 5.0%, final payment due March 1, 2040.		3,005,000
Total Revenue Bonds Payable	$	10,226,800

Water Contract Obligations:

Obligation payable to the U.S. Army Corps of Engineer, original amount of $229,232, for the use of water facility, payable in annual installments of $9,159, final maturity in March 2032.		$ 130,676

Notes Payable:

2001 OWRB note payable for wastewater improvements, original amount of $897,424, payable in 40 semi-annual installments with an annual interest rate of 2.561%, final payment due December 2021.	$	560,706
2009 note payable to RCB Bank for land purchase, original amount of $79,914, payable in monthly installments of $601 with an annual interest rate of 5.5%, final payment due February 2027.		74,571
2007 OWRB note payable for wastewater improvements, original amount of $1,370,000, payable in 40 semi-annual installments with an annual interest rate of 2.60%, final payment due July 2027.		1,157,874
2007 note payable to RCB Bank for sanitation equipment, original amount of $280,185, payable in monthly installments of $4,078 with an annual interest rate of 5.79%, final payment due July 2014.		136,629
2007 note payable to RCB Bank for a backhoe, original amount of $75,598, payable in monthly installments of $1,762 with an annual interest rate of 5.53%, final payment due November 2011.		8,023
2007 note payable to ODOC for a CDBG loan, original amount of $136,354, payable in quarterly installments of $1,704, final payment due September 2027.		112,492
2009 note payable to RCB Bank for a 2009 Ford F550 Truck, original amount of $92,083, payable in monthly installments of $1,709, final payment due July 2014.		59,076
2009 note payable to RCB Bank for a 2007 International 4300 Truck & Equipment, original amount of $112,376, payable in monthly installments of $2,086, final payment due July 2014		69,805
2009 OWRB note payable for wastewater improvements, original amount of $550,000, payable in 40 semi-annual installments with an annual interest rate of 2.74%, final payment due March 2030.		308,553
2010 note payable to RCB Bank for a 2010 International Freightliner M2, original amount of $117,446, payable in monthly installments of $2,681 with an annual interest rate of 4.5%, final payment due February 2014.		80,787
Total Notes Payable	$	2,568,516

Compensated Absences:

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

CMA – accrued compensated absences	$123,612
General Fund – accrued compensated absences	104,049
Total	$227,661

Water Rights Contract:

The Collinsville Municipal Authority (CMA) entered into an agreement with the United States of America for water storage space in Oologah Lake. In consideration of the right to utilize the aforesaid storage space in the Project for municipal and industrial supply purposes, the CMA agreed to pay costs in the amount of $229,232, along with maintenance and operations costs on an annual basis. This agreement was activated in April 1985, payable in annual installments of $9,159. The total water right obligation balance at June 30, 2011 is $130,676. Due to the long-term nature of this agreement and infinite economic life of the water rights, the CMA's investment in the water rights contract is not being amortized.

Vision 2025 Capital Improvements Agreement:

On March 15, 2004, a capital improvement agreement was made and entered into by and among the Tulsa County Industrial Authority, the Board of County Commissioners of Tulsa County, and the City of Collinsville. On September 9, 2003, the duly qualified electors of Tulsa County approved the levy and collection of a county sales tax for the purpose of capital improvements for community enrichment within Tulsa County. The following capital projects were agreed to be provided for the City of Collinsville:

- Downtown/Neighborhoods improvements – mainly on Collinsville main street (Highway 20).

- $2.3 million ($1.1 million for Fire/EMS building and $1.2 million for City Hall) from Vision 2025 is to rebuild the historic 1913 City Hall/Fire Station destroyed by fire in December 2001. The original building has been rebuilt. There is a large multi-purpose room for city commission meetings, city boards and authorities, city court and community functions. The fire and emergency medical services were re-located in the summer of 2005 to a new structure adjacent to the City Hall building to create a campus for city operations in downtown Collinsville. Police operations that were conducted out of the destroyed building were relocated in 2003 a few blocks away and were not a part of the Vision 2025 funding.

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one and three-quarters cents (or 46.67%) of future sales tax revenues and net utility revenues to repay the $3,300,000 Series 2006 Sales Tax and Utility Revenue Bonds, the $4,915,000 Series 2009 Sales Tax and Utility Revenue Bonds, the $3,005,000 Series 2010 Sales Tax and Utility Revenue Bonds, the $897,424 Series 2001 OWRB Promissory Notes, and the $1,370,000 2007 CWSRF OWRB Promissory Note. Proceeds from the bonds provided refunding of bonds issued for capital assets while proceeds from the notes provided for the purchase or construction of capital assets. The bonds and notes are payable from pledged sales tax revenues and net utility revenues. The bonds are payable through 2019, 2029, and 2040, respectively, while the notes are payable through 2021 and 2027. Pledged sales taxes received in the current year were $567,108 and net utility revenues were $2,490,652, for a total of net pledged revenues of $3,057,760. Debt service payments of $868,043, related to the above debt issues, for the current fiscal year are 28.4% of total pledged sales taxes and net utility revenues. Net revenues available to pay debt service are 272% of annual average debt service of $1,122,796.

Litigation:

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

Federal and State Award Programs:

The City of Collinsville participates in various federal or state grant/loan programs from year to year. In 2011, the City's involvement in federal and state award programs was significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	$ -	$ -	$ 1,123,921	$ 1,123,921
Resources (Inflows):				
Taxes	551,871	551,871	575,282	23,411
Intergovernmental	781,792	846,249	508,314	(337,935)
Charges for services	556,107	558,723	548,727	(9,996)
Fines and forfeitures	213,390	213,390	191,232	(22,158)
Licenses and permits	48,708	48,828	46,325	(2,503)
Investment income	7,102	7,102	7,169	67
Miscellaneous	77,979	299,245	119,109	(180,136)
Transfers In	1,016,450	1,023,209	1,220,619	197,410
Total Resources (Inflows)	3,253,399	3,548,617	3,216,777	(331,840)
Charges to Appropriations (Outflows):				
Non-departmental	669,309	843,886	698,074	145,812
Municipal Court	82,054	82,054	61,497	20,557
Police	1,038,608	1,071,702	1,016,615	55,087
Animal warden	50,937	77,567	76,135	1,432
Fire	1,081,739	1,102,665	1,102,665	-
Street	202,932	202,932	122,157	80,775
Vehicle maintenance	31,433	29,772	22,709	7,063
Park/Swim pool	37,688	45,055	41,145	3,910
Cemetery	58,699	91,214	91,214	-
Total Charges to Appropriations	3,253,399	3,546,847	3,232,211	314,636
Ending Budgetary Fund Balance	$ -	$ 1,770	$ 1,108,487	$ 1,106,717

	1999 SALES TAX FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	$ -	$ -	$ -	$ -
Resources (Inflows):				
Taxes	501,015	501,015	567,108	66,093
Transfers In	209,545	209,545	122,911	(86,634)
Total Resources (Inflows)	710,560	710,560	690,019	(20,541)
Amounts available for appropriation	$ 710,560	$ 710,560	$ 690,019	$ (20,541)
Charges to Appropriations (Outflows):				
Transfers out	710,560	710,560	690,019	20,541
Total Charges to Appropriations	710,560	710,560	690,019	20,541
Ending Budgetary Fund Balance	$ -	$ -	$ -	$ -

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriations within a fund require City Manager's approval, while supplemental appropriations require City Commission approval.

	General Fund
Total budgetary resources (inflows)	$3,216,777
Add: Capital lease proceeds	110,790
Capital Improvement Fund combined with General – investment income	1,481
Total resources as recorded on statement of revenues, expenditures, and changes in fund balances – governmental funds	$3,329,048
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances:	
Total revenues	$1,997,639
Proceeds of long-term debt	110,790
Transfers in	1,220,619
Total resources	$3,329,048
Total budgetary expenditures and transfers	$3,232,211
Add: Capital lease purchase	110,790
Total expenditures as recorded on statement of revenues, expenditures, and changes in fund balances – governmental funds	$3,343,001

Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan

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

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry Age	Unfunded (Overfunded) AAL	Funded Ratio	(1) Covered Payroll	AAL as a Percentage of Covered Payroll
1/1/04	$1,721,419	$1,654,807	($66,612)	104.0%	$1,071,019	(6.2%)
1/1/05	$1,863,448	$1,756,495	($106,954)	106.1%	$1,061,450	(10.1%)
1/1/06	$2,007,998	$2,152,006	$144,009	93.3%	$1,033,403	13.9%
1/1/07	$2,167,340	$2,305,735	$138,395	94.0%	$1,000,499	13.8%
1/1/08	$2,337,754	$2,492,018	$154,265	93.8%	$1,007,920	15.3%
1/1/09	$2,259,329	$2,631,233	$371,903	85.9%	$1,032,914	36.0%
1/1/10	$2,381,375	$2,842,392	$461,018	83.8%	$1,062,954	43.4%
1/1/11	$2,130,966	$2,551,523	$420,557	83.5%	$1,013,746	41.5%

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

SUPPLEMENTARY INFORMATION

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

	General Fund	Capital Improvement Fund	Total General Fund
ASSETS			
Cash and cash equivalents	$ 1,170,547	$ 139,785	$ 1,310,332
Investments	-	87,464	87,464
Total assets	1,170,547	227,249	1,397,796
LIABILITIES AND FUND BALANCES			
Liabilities:			
Miscellaneous payroll liabilities	6,333	-	6,333
Due to other funds	45,416	-	45,416
Payable to other governments	1,747	-	1,747
Refundable deposits	8,564	-	8,564
Total liabilities	62,060	-	62,060
Fund balances:			
Assigned for:			
Capital improvements	-	227,249	227,249
Unassigned	1,108,487	-	1,108,487
Total fund balances	1,108,487	227,249	1,335,736
Total liabilities and fund balances	$ 1,170,547	$ 227,249	$ 1,397,796

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

	General Fund	Capital Improvement Fund	Total General Fund
REVENUES			
Taxes	$ 575,282	$ -	$ 575,282
Intergovernmental	508,314	$ -	$ 508,314
Charges for services	548,727	-	548,727
Fines and forfeitures	191,232	-	191,232
Licenses and permits	46,325	-	46,325
Investment income	7,169	1,481	8,650
Miscellaneous	119,109	-	119,109
Total revenues	1,996,158	1,481	1,997,639
EXPENDITURES			
Current:			
General government	720,783	-	720,783
Public safety	2,127,477	-	2,127,477
Highways and streets	122,157	-	122,157
Culture and recreation	41,145	-	41,145
Cemetery	84,455	-	84,455
Capital Outlay	207,552	-	207,552
Debt Service:			
Principal	30,734	-	30,734
Interest and other charges	8,698	-	8,698
Total Expenditures	3,343,001	-	3,343,001
Excess (deficiency) of revenues over expenditures	(1,346,843)	1,481	(1,345,362)
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	110,790	-	110,790
Transfers in	1,220,619	-	1,220,619
Total other financing sources and uses	1,331,409	-	1,331,409
Net change in fund balances	(15,434)	1,481	(13,953)
Fund balances - beginning	1,123,921	225,768	1,349,689
Fund balances - ending	$ 1,108,487	$ 227,249	$ 1,335,736

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

	Sales Tax Reserve Fund	Cemetery Care Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ -	$ -	$ -
Investments	-	101,634	101,634
Total assets	$ -	$ 101,634	$ 101,634
LIABILITIES AND FUND BALANCES			
Liabilities:			
Miscellaneous payroll liabilties	$ -	$ -	$ -
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Cemetery	-	99,997	99,997
Assigned for:			
Cemetery	-	1,637	1,637
Total fund balances	-	101,634	101,634
Total liabilities and fund balances	$ -	$ 101,634	$ 101,634

NonMajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2011

	Sales Tax Reserve Fund	Cemetery Care Fund	Total-Other Governmental Funds
REVENUES			
Taxes	$ 324,061	$ -	$ 324,061
Charges for services	-	9,223	9,223
Investment earnings	-	1,637	1,637
Miscellaneous	-	-	-
Total revenues	324,061	10,860	334,921
EXPENDITURES			
Current:			
Total Expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	324,061	10,860	334,921
OTHER FINANCING SOURCES (USES)			
Transfers out	(324,061)	(6,759)	(330,820)
Total other financing sources and uses	(324,061)	(6,759)	(330,820)
Net change in fund balances	-	4,101	4,101
Fund balances - beginning	-	97,533	97,533
Fund balances - ending	$ -	$ 101,634	$ 101,634

Combining Schedule of Net Asset Accounts – Collinsville Municipal Authority (Modified Cash Basis) – June 30, 2011

	Collinsville Municipal Authority Accounts			
	CMA Operating Account	Meter Deposit Account	Debt Service Account	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,702,569	$ -	$ -	$ 2,702,569
Restricted cash and cash equivalents	-	74,202	3,100,145	3,174,347
Investments	71,707	-	-	71,707
Due from other funds	45,416	-	-	45,416
Due from vendor	6,996	-	-	6,996
Total current assets	2,826,688	74,202	3,100,145	6,001,035
Non-current assets:				
Restricted cash and cash equivalents	-	68,810	742,775	811,585
Restricted investments	-	228,000	-	228,000
Total non-current assets	-	296,810	742,775	1,039,585
Total assets	2,826,688	371,012	3,842,920	7,040,620
LIABILITIES				
Current Liabilities:				
Miscellaneous payroll payables	6,024	-	-	6,024
Due to other governments	11,594	-	-	11,594
Deposits subject to refund	-	74,202	-	74,202
Total current liabilities	17,618	74,202	-	91,820
Non-current liabilities:				
Deposits subject to refund	-	296,810	-	296,810
Total non-current liabilities	-	296,810	-	296,810
Total liabilities	17,618	371,012	-	388,630
NET ASSETS				
Restricted for capital projects	-	-	2,876,928	2,876,928
Restricted for debt service	-	-	965,992	965,992
Unrestricted	2,809,070	-	-	2,809,070
Total net assets	$ 2,809,070	$ -	$ 3,842,920	$ 6,651,990

Combining Schedule of Revenues, Expenses and Changes in Net Assets – Collinsville Municipal Authority (Modified Cash Basis) – Year Ended June 30, 2011

	Collinsville Municipal Authority Accounts			
	CMA Operating Account	Meter Deposit Account	Debt Service Account	Total
Operating Revenues:				
Electric	$ 4,467,981	$ -	$ -	$ 4,467,981
Water	899,513	-	-	899,513
Sewer	565,075	-	-	565,075
Sanitation	479,080	-	-	479,080
Penalties	152,508	-	-	152,508
Planning fees	1,750	-	-	1,750
Administration fees	245,807	-	-	245,807
Miscellaneous	28,216	-	-	28,216
Total operating revenues	6,839,930	-	-	6,839,930
Operating Expenses:				
General government	1,199,796	-	-	1,199,796
Electric	2,919,143	-	-	2,919,143
Water and sewer distribution	192,098	-	-	192,098
Water and sewer treatment	330,676	-	-	330,676
Sanitation	234,978	-	-	234,978
Total Operating Expenses	4,876,691	-	-	4,876,691
Operating income (loss)	1,963,239	-	-	1,963,239
Non-Operating Revenues (Expenses):				
Investment income	19,512	-	575	20,087
Miscellaneous	17,082	-	1,000	18,082
Grant revenue	184,340	-	-	184,340
Capital outlay	(433,225)	-	(2,007,635)	(2,440,860)
Debt service:				
Principal retirement	(343,389)	-	(223,200)	(566,589)
Interest expense and fees	(91,841)	-	(495,973)	(587,814)
Total non-operating revenue (expenses)	(647,521)	-	(2,725,233)	(3,372,754)
Income (loss) before transfers and other sources	1,315,718	-	(2,725,233)	(1,409,515)
Transfers and other financing sources:				
Proceeds from long-term debt	242,634	-	-	242,634
Transfers in	324,061	-	690,019	1,014,080
Transfers out	(1,159,968)	-	(176,803)	(1,336,771)
Change in net assets	722,445	-	(2,212,017)	(1,489,572)
Total net assets - beginning	2,086,625	-	6,054,937	8,141,562
Total net assets - ending	$ 2,809,070	$ -	$ 3,842,920	$ 6,651,990

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2011

CITY OF COLLINSVILLE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA#	Grant #	Award Amount	Federal Expenditures
U. S. DEPARTMENT OF TRANSPORTATION:				
Passed Through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	PT-10-03-08-03	$ 20,000	$ 4,011
State and Community Highway Safety	20.600	PT-11-03-04-04	20,000	11,361
Subtotal - CFDA 20.600			40,000	15,372
Passed Through Oklahoma Department of Transportation:				
Main Street Enhancement Project	20.200	STP-172E(472)J/P26906(04)	407,061	294,704
Subtotal - CFDA 20.200			407,061	294,704
Total U. S. Department of Transportation			**447,061**	**310,076**
ENVIRONMENTAL PROTECTION AGENCY:				
Passed through Oklahoma Water Resources Board:				
Clean Water ARRA Funds	66.458	ORF-09-0009	169,840	74,562
Total Environmental Protection Agency			**169,840**	**74,562**
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through INCOG:				
Community Development Block Grant - 2008 Tulsa County Urban	14.210	B-08-UY-40-0001	56,499	9,785
Community Development Block Grant - 2009 Tulsa County Urban	14.210	B-09-UC-40-0205	69,778	69,778
Total Federal Emergency Management Agency			**126,277**	**79,563**
U. S. DEPARTMENT OF HOMELAND SECURITY:				
Assistance to Firefighters Grant	97.044	EMW-2007-FF-00829	209,633	49,646
Total Department of Homeland Security			**209,633**	**49,646**
TOTAL FEDERAL AWARDS			**$ 952,811**	**$ 513,847**

NOTE: This schedule has been prepared on the basis of accounting consistent with the definition of federal awards expended as defined in paragraph 205 of OMB Circular A-133.

CITY OF COLLINSVILLE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA#	Grant #	Award Amount	State Expenditures
OKLAHOMA DEPARTMENT OF AGRICULTURE				
Forestry Services - Rural Fire Grant	N/A	N/A	$ 4,398	$ 4,398
Total Oklahoma Department of Agriculture			**4,398**	**4,398**
OKLAHOMA DEPARTMENT OF COMMERCE				
Passed through INCOG:				
Rural Economic Action Plan Funds - Community Development	N/A	2010 REAP 100106	40,000	40,000
Total Oklahoma Department of Commerce			**40,000**	**40,000**
OKLAHOMA DEPARTMENT OF TRANSPORTATION				
Relocation of Water lines	N/A	STP-072B	182,262	162,687
Relocation of Sewer lines	N/A	STP-072B	217,447	194,975
Total Department of Commerce			**399,709**	**357,662**
TOTAL STATE AWARDS			$ 444,107	$ 402,060

Debt Service Coverage Schedule – June 30, 2011

Gross Revenue Available for Debt Service:	
Operating revenues of leased systems	$5,932,569
Sales tax revenue - restricted for debt service	567,108
Total Gross Revenues Available	6,499,677
System Operating Expenses	3,441,917
Net Revenues Available for Debt Service	$3,057,760
Debt Service Requirements:	
Average annual debt service - 2001 and 2007 OWRB promissory note, 2006 Revenue Note and 2009 & 2010 Sales Tax and Utility Revenue Bonds	$1,122,796
Coverage	272%
Coverage Requirement	125%

Debt Service Reserve Requirements – June 30, 2011

	2009 REVENUE BOND SINKING RESERVE ACCOUNT	2010 REVENUE BOND SINKING RESERVE ACCOUNT
Required Balance, June 30, 2011	$491,766	$250,846
Balance in Reserve Accounts, June 30, 2011	491,895	250,880
Excess of Account Balance over Required Balance	$129	$34

INTERNAL CONTROL AND COMPLIANCE INFORMATION

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Natalie Heim Barnes, CPA

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

To the City Commission
City of Collinsville, Oklahoma

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Collinsville, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Collinsville, Oklahoma's basic financial statements and have issued our report thereon dated July 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Collinsville, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Collinsville, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Collinsville, 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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.

HBC CPAs & Advisors

July 27, 2012

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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

To the City Commission
City of Collinsville, Oklahoma

Compliance

We have audited City of Collinsville, 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 City of Collinsville, Oklahoma's major federal programs for the year ended June 30, 2011. City of Collinsville, 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 City of Collinsville, Oklahoma's management. Our responsibility is to express an opinion on City of Collinsville, Oklahoma's compliance based on our audit.

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

In our opinion, City of Collinsville, Oklahoma, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of City of Collinsville, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Collinsville, 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 our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Collinsville, 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 over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

This report is intended solely for the information and use of management, City Commission, 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.

HBC CPAs + Advisors

July 27, 2012

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CITY OF COLLINSVILLE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

Summary of Auditor's Reports

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. There were no significant deficiencies reported in the independent auditor's report on internal control over financial reporting.
3. There were no instances of noncompliance considered material to the financial statements of the City disclosed during the audit.
4. There were no material weaknesses in internal control over compliance with requirements applicable to major federal awards programs reported in the independent auditor's report on internal control over compliance.
5. The independent auditor's report on compliance with requirements applicable to major federal awards programs expressed an unqualified opinion.
6. The audit disclosed no finding required to be reported under Section 510(a) of OMB Circular A-133.
7. The Authority's major programs was U.S. Department of Transportation, passed through Oklahoma Department of Transportation, Main Street Enhancement Project, CFDA No. 20.200.
8. A threshold of $300,000 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.
9. The Authority does not qualify as a low risk auditee as that term is defined by OMB Circular A-133.

CITY OF COLLINSVILLE, OKLAHOMA
PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2011

No matters were reported.