

CITY OF CRESCENT

Crescent, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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CITY OF CRESCENT CRESCENT, OKLAHOMA

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To the City Council
City of Crescent, Oklahoma

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Crescent, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crescent, Oklahoma's, management. My responsibility is to express an opinion on these financial statements based on my audit.

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

As discussed in Note 1.D., management has not recorded fixed assets at historical cost in the proprietary fund and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those fixed assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the business-type activities. The amount by which this departure would affect the assets, net assets, and expenses of the business-type activities is not reasonably determinable.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the business-type activities of the City of Crescent, Oklahoma, as of June 30, 2012, or the changes in financial position and, where applicable, cash flows thereof for the year then ended.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated September 11, 2012, on my consideration of the City of Crescent, Oklahoma's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 my audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, on pages 33 and 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The City of Crescent, Oklahoma, has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crescent, Oklahoma's financial statements as a whole. The individual nonmajor fund financial statements on pages 38 and 39, the individual nonmajor fund budgetary comparison schedules on page 40, the schedule of grant funds on page 41, and the schedule of findings and responses on page 42, are presented for purposes of additional analysis and are not a required part of the financial statements. The individual nonmajor fund financial statements, the individual nonmajor fund budgetary comparison schedules, the schedule of grant funds, and the schedule of findings and responses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bruce Luttrell, CPA, PC

September 11 , 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CRESCENT
STATEMENT OF NET ASSETS
JUNE 30, 2012**

Statement 1

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 116,942.84	\$ 127,680.17	\$ 244,623.01
Restricted cash and cash equivalents	460,262.39	23,393.87	483,656.26
Investments		46,000.00	46,000.00
Restricted investments (net of amortization)	3,212,446.32		3,212,446.32
Accounts receivable	79,626.90	52,631.40	132,258.30
Total current assets	<u>3,869,278.45</u>	<u>249,705.44</u>	<u>4,118,983.89</u>
Noncurrent assets			
Capital assets:			
Equipment	463,470.89	220,708.04	684,178.93
Vehicles	28,936.00	59,335.14	88,271.14
Land and improvements		192,000.00	192,000.00
Buildings & Infrastructure	313,454.26	2,912,420.99	3,225,875.25
Less accumulated depreciation	(170,439.02)	(2,631,063.75)	(2,801,502.77)
Total noncurrent assets	<u>635,422.13</u>	<u>753,400.42</u>	<u>1,388,822.55</u>
Total assets	<u>4,504,700.58</u>	<u>1,003,105.86</u>	<u>5,507,806.44</u>
Liabilities			
Current liabilities			
Accounts payable	18,608.63	16,342.20	34,950.83
Accrued compensated absences	6,533.04	4,210.88	10,743.92
Total current liabilities	<u>25,141.67</u>	<u>20,553.08</u>	<u>45,694.75</u>
Noncurrent liabilities			
Accrued compensated absences	7,329.27	5,039.07	12,368.34
Refundable deposits		69,393.87	69,393.87
Total noncurrent liabilities	<u>7,329.27</u>	<u>74,432.94</u>	<u>81,762.21</u>
Total liabilities	<u>32,470.94</u>	<u>94,986.02</u>	<u>127,456.96</u>
Net assets (Note 1.D.)			
Invested in capital assets, net of related debt	635,422.13	753,400.42	1,388,822.55
Restricted	68,460.45		68,460.45
Committed	3,212,446.32		3,212,446.32
Assigned	392,778.16		392,778.16
Unassigned	163,122.58	154,719.42	317,842.00
Total net assets	<u>\$ 4,472,229.64</u>	<u>\$ 908,119.84</u>	<u>\$ 5,380,349.48</u>

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

**CITY OF CRESCENT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012**

Statement 2

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Primary Government		
					Governmental Activities	Business-type Activities	Totals
Governmental activities							
General Government	\$ 266,778.75	\$ -	\$ 20,000.00	\$ -	\$ (246,778.75)	\$ -	\$ (246,778.75)
Public Safety	291,515.17	56,403.00	-	-	(235,112.17)	-	(235,112.17)
Streets	184,894.76	-	-	-	(184,894.76)	-	(184,894.76)
Culture and recreation	63,617.00	9,489.48	4,412.77	-	(49,714.75)	-	(49,714.75)
Total government activities	806,805.68	65,892.48	24,412.77	-	(716,500.43)	-	(716,500.43)
Business-type activities							
Water	231,270.79	232,490.18	-	-	-	1,219.39	1,219.39
Wastewater	129,277.89	175,726.76	-	-	-	46,448.87	46,448.87
Sanitation	113,915.20	180,448.58	-	-	-	66,533.38	66,533.38
Administrative and general	113,358.86	-	-	-	-	(113,358.86)	(113,358.86)
Total business-type activities	587,822.74	588,665.52	-	-	-	842.78	842.78
Totals	\$ 1,394,628.42	\$ 654,558.00	\$ 24,412.77	\$ -	(716,500.43)	842.78	(715,657.65)
General revenues							
Sales tax					361,062.17	-	361,062.17
Use tax					18,026.79	-	18,026.79
Tobacco tax					5,220.16	-	5,220.16
Intergovernmental revenue not restricted to specific programs					10,882.18	-	10,882.18
Intergovernmental revenue restricted for streets & alleys					11,432.27	-	11,432.27
Franchise fees					50,186.85	-	50,186.85
Miscellaneous					3,891.25	8,076.28	11,967.53
Investment earnings					124,321.49	657.37	124,978.86
Transfers: In					9,592.85	-	9,592.85
Transfers: Out					(9,592.85)	-	(9,592.85)
Total general revenues and transfers					585,023.16	8,733.65	593,756.81
Change in net assets					(131,477.27)	9,576.43	(121,900.84)
Net assets, beginning of year					4,603,706.91	898,543.41	5,502,250.32
Net assets, end of year					\$ 4,472,229.64	\$ 908,119.84	\$ 5,380,349.48

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

FUND FINANCIAL STATEMENTS

**CITY OF CRESCENT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

Statement 3

	General Fund	Street Capital Improv. Fund	Other Governmental Funds	Crescent Economic Development Authority	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 116,942.84	\$ -	-	-	\$ 116,942.84
Restricted cash and cash equivalents	6,031.79	349,454.25	104,776.35	-	460,262.39
Restricted investments (net of amortization)	3,212,446.32	-	-	-	3,212,446.32
Receivables from other governments	79,626.90	-	-	-	79,626.90
Intercompany receivables	-	-	976.22	-	976.22
Total assets	<u>\$ 3,415,047.85</u>	<u>\$ 349,454.25</u>	<u>\$ 105,752.57</u>	<u>\$ -</u>	<u>\$ 3,870,254.67</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 18,608.63	-	-	-	\$ 18,608.63
Intercompany payables	976.22	-	-	-	976.22
Total current liabilities	<u>19,584.85</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,584.85</u>
Total liabilities	<u>19,584.85</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,584.85</u>
Fund Balance (Note 1.D.)					
Restricted	1,307.65	-	67,152.80	-	68,460.45
Committed	3,212,446.32	-	-	-	3,212,446.32
Assigned	4,724.14	349,454.25	38,599.77	-	392,778.16
Unassigned	176,984.89	-	-	-	176,984.89
Total fund balances	<u>3,395,463.00</u>	<u>349,454.25</u>	<u>105,752.57</u>	<u>-</u>	<u>3,850,669.82</u>
Total liabilities and fund balances	<u>\$ 3,415,047.85</u>	<u>\$ 349,454.25</u>	<u>\$ 105,752.57</u>	<u>\$ -</u>	<u>\$ 3,870,254.67</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 805,861.15
The accumulated depreciation is \$ 170,439.02

Net effect for reconciliation

Other long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.

Accrued compensated absences

635,422.13
(13,862.31)

Net assets of governmental activities

\$ 4,472,229.64

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

CITY OF CRESCENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

Statement 4

	General Fund	Street Capital Improv. Fund	Other Governmental Funds	Crescent Economic Development Authority	Total Governmental Funds
Revenues:					
Sales tax	\$ 282,067.16	\$ 78,995.01	\$ -	\$ -	\$ 361,062.17
Use tax	18,026.79				18,026.79
Tobacco tax	5,220.16				5,220.16
Intergovernmental	10,882.18		11,432.27		22,314.45
Franchise fees	50,186.85				50,186.85
Fines and forfeitures	50,259.00				50,259.00
Charges for services	10,733.48		4,900.00		15,633.48
Miscellaneous	3,891.25		-		3,891.25
Gain on Treasury Bonds	-				-
Investment income	123,763.57	451.51	106.41		124,321.49
Grants	4,412.77		20,000.00		24,412.77
Total revenues	<u>559,443.21</u>	<u>79,446.52</u>	<u>36,438.68</u>	<u>-</u>	<u>675,328.41</u>
Expenditures:					
General government:					
Municipal court	11,117.37				11,117.37
General government	214,365.44		20,000.00		234,365.44
Public safety:					
Police	263,697.69				263,697.69
Fire	34,332.48				34,332.48
Streets:					
Streets	6,881.91	256,639.00	3,922.78		267,443.69
Culture and recreation:					
Library	26,548.98				26,548.98
Parks and recreation	12,301.93				12,301.93
Community center	7,616.50				7,616.50
Swimming pool	15,208.59				15,208.59
Wastewater		14,062.00			14,062.00
Total expenditures paid	<u>592,070.89</u>	<u>270,701.00</u>	<u>23,922.78</u>	<u>-</u>	<u>886,694.67</u>
Excess of revenues collected over (under) expenditures	<u>(32,627.68)</u>	<u>(191,254.48)</u>	<u>12,515.90</u>	<u>-</u>	<u>(211,366.26)</u>
Other financing sources (uses)					
Operating transfers in	9,592.85	-	-	-	9,592.85
Operating transfer out	-	(6,000.00)	(3,592.85)	-	(9,592.85)
Total other financing sources (uses)	<u>9,592.85</u>	<u>(6,000.00)</u>	<u>(3,592.85)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other uses	<u>(23,034.83)</u>	<u>(197,254.48)</u>	<u>8,923.05</u>	<u>-</u>	<u>(211,366.26)</u>
Fund balances, beginning of year	<u>3,418,497.83</u>	<u>546,708.73</u>	<u>96,829.52</u>	<u>-</u>	<u>4,062,036.08</u>
Fund balances, end of year	<u>\$ 3,395,463.00</u>	<u>\$ 349,454.25</u>	<u>\$ 105,752.57</u>	<u>\$ -</u>	<u>\$ 3,850,669.82</u>

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

**CITY OF CRESCENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

Statement 4 (cont.)

Reconciliation of the change in fund balances: total governmental funds to the change in net assets of governmental activities:

Net change in fund balances: total governmental funds (211,366.26)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	120,799.93
Depreciation	(36,766.00)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued compensated absences	(4,144.94)
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Change in net assets of governmental activities	\$ (131,477.27)
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**CITY OF CRESCENT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012**

Statement 5

	Public Works Authority Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 127,680.17
Restricted cash and cash equivalents	23,393.87
Investments	46,000.00
Accounts receivable	52,631.40
Total current assets	249,705.44
Noncurrent assets	
Capital assets:	
Equipment	220,708.04
Vehicles	59,335.14
Land and improvements	192,000.00
Buildings & Infrastructure	2,912,420.99
Less accumulated depreciation	(2,631,063.75)
Total noncurrent assets	753,400.42
Total assets	1,003,105.86
Liabilities	
Current liabilities	
Accounts payable	16,342.20
Accrued compensated absences	4,210.88
Total current liabilities	20,553.08
Noncurrent liabilities	
Refundable deposits	69,393.87
Accrued compensated absences	5,039.07
Total noncurrent liabilities	74,432.94
Total liabilities	94,986.02
Net assets	
Invested in capital assets, net of related debt	753,400.42
Unassigned	154,719.42
Total net assets	\$ 908,119.84

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

**CITY OF CRESCENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012**

Statement 6

	Public Works Authority <u>Enterprise Fund</u>
Operating revenue	
Charges for services:	
Water	\$ 225,779.71
Sewer	175,726.76
Sanitation	180,448.58
Late charges	6,710.47
Total operating revenue	<u>588,665.52</u>
 Operating expenses:	
Water	206,323.75
Wastewater	57,993.89
Sanitation	113,915.20
Administration and general	113,093.86
Depreciation	96,496.04
Total operating expenses	<u>587,822.74</u>
 Net operating income	 <u>842.78</u>
 Nonoperating revenue (expense)	
Investment income	657.37
Other income	8,076.28
Total nonoperating revenue	<u>8,733.65</u>
 Net income before transfers	 9,576.43
Operating transfers: In	-
Operating transfers: Out	-
	<u>-</u>
 Net income	 9,576.43
 Net assets beginning of year	 <u>898,543.41</u>
 Net asset end of year	 <u>\$ 908,119.84</u>

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

**CITY OF CRESCENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012**

Statement 7

	Public Works Authority
	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 585,554.51
Payments to suppliers	(338,910.08)
Payments to employees	(158,788.59)
Receipts of customer utility deposits	11,628.97
Refunds of customer utility deposits	(9,431.27)
Net cash provided (used) by operating activities	90,053.54
Cash flows from noncapital financing activities	
Transfers to other funds	-
Other income	8,076.28
Net cash provided (used) by noncapital financing activities	8,076.28
Cash flows from capital and related financing activities	
Purchase of capital assets	(88,880.00)
Net cash provided (used) by capital and related financing activities	(88,880.00)
Cash flows from investing activities	
Interest income	657.37
Net cash provided (used) by investing activities	657.37
Net increase (decrease) in cash and cash equivalents	9,907.19
Cash balance beginning of year	141,166.85
Cash balance end of year	\$ 151,074.04
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 842.78
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	96,496.04
Change in assets and liabilities:	
Accounts receivable	(3,111.01)
Refundable deposits	2,185.70
Accounts payable	(4,545.63)
Accrued compensated absences	(1,814.34)
Net cash provided by operating activities	\$ 90,053.54

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP.) GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is composed of the following:

Primary Government:	City of Crescent
Blended Component Units:	Crescent Public Works Authority Crescent Economic Development Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board, the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

BLENDING COMPONENT UNITS

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component units are presented below:

<u>Component Unit</u>	<u>Brief Description / Inclusion Criteria</u>	<u>Fund Included In</u>
Public Works Authority (PPWA)	Created November 6, 1967, to finance, develop, and operate the water, sewer and solid waste activities of the City. The current City Council serves as entire governing body (trustees). The City of Crescent is the beneficiary of the trust.	PWA Enterprise Fund

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.A. FINANCIAL REPORTING ENTITY (continued)

<u>Component Unit</u>	<u>Brief Description / Inclusion Criteria</u>	<u>Fund Included In</u>
Crescent Economic Development Authority (CEDA)	Created March 31, 1981, to stimulate economic growth and development, promote, stimulate, encourage and finance the growth and development of the agriculture, commerce, and industry of the City of Crescent, in order to achieve maximum utilization of the City's human, economic and natural resources and tourist attractions, and in so doing is empowered to obtain funds for these purposes and in so doing to incur indebtedness. The City council appoints the trustees. And, in fact, one current member of the City council serves as a trustee. The City of Crescent is the beneficiary of the trust.	Separate Fund

DISCRETELY PRESENTED COMPONENT UNIT

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The City of Crescent does not have any discretely presented component units.

The component units do not issue separately audited component unit financial statements.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

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Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.B. BASIS OF PRESENTATION (continued)

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue fund, which is reported as a nonmajor fund:

<u>Fund</u>	<u>Brief Description</u>
Street & Alley Fund	Accounts for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.

Capital Project Funds

Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds. The Street Capital Improvement Fund is reported as a major fund, while the Fire Department Capital Improvement Fund is reported as a nonmajor fund.

Street Capital Improvement Fund	Accounts for contributions and specific revenues and transfers from other city funds and expenditures for various street capital projects. The city previously allocated one third of its sales tax to the Street Capital Improvement Fund, to be used for street improvements. (See Note 1.E.)
Fire Department Capital Improvement Fund	Accounts for contributions and specific revenues and transfers from other city funds and expenditures for various capital projects, and the fees from fire runs.
Grant Fund	Accounts for grant revenues and expenditures.

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.B. BASIS OF PRESENTATION (continued)

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by enterprise funds.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Public Works Authority	Accounts for the activities of the public trust in providing water, sewer, and solid waste services to the public.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments classified in the financial statements, consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value. Restricted investments consist of the U.S. Treasury bonds (discussed in Note 3.B.) and certificates of deposit whose maturity term exceeds three months.

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded. Major receivable balances for the governmental activities include sales tax, franchise taxes, alcoholic beverage tax, motor vehicle taxes, and police fines. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.H. for details of interfund transactions, including receivables and payables at year-end.

INVENTORIES

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures at the time of purchase.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. And, under GASB No. 34, small cities are not required to retroactively report infrastructure assets, and the City of Crescent has elected not to retroactively report. Infrastructure assets in governmental funds acquired since July 1, 2003, are recorded at cost.

Detail fixed asset records at historical cost have not been maintained of such assets which are still in service for the proprietary fund (Crescent Public Works Authority). Generally accepted accounting principles require that these assets be capitalized, and the related depreciation be recorded, which would increase the assets and expenses of the activities.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$ 500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Machinery, furniture, and equipment	5-15 years
Vehicles	4-5 years
Utility property and improvements	30 years
Infrastructure	25 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets of the proprietary fund are related to the utility meter deposits. The primary restricted assets of the governmental funds are the sales tax amount in the Street Capital Improvement Fund, the U.S. Treasury bonds and certificates of deposit related to the Electrical System Sales Trust Account, the motor vehicle tax, and gasoline excise tax, related to the Street and Alley Fund, and the grant, and other restricted, bank accounts of the General Fund.

LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES

All full-time City employees are eligible for sick leave, which accrues at 10 hours per month, up to a maximum of 960 hours (120 days). Sick leave is not paid upon separation. All full-time City employees are

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

eligible for vacation pay, which accrues at 3.33 hours per month. Employees are eligible for 2 weeks vacation after 2 years employment, and 3 weeks after 4 years employment. Accrued vacation in excess of 180 hours must be used before the anniversary date, or it is lost. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

EQUITY CLASSIFICATION

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Fund balances at June 30, 2012, for the governmental funds are as follows:

	<u>General Fund</u>	<u>Capital Projects Funds</u>		<u>Spec Revenue Street & Alley Fund</u>	<u>Total</u>
		<u>Street Capital Imp. Fund</u>	<u>Fire Dept. Capital Imp. Fund</u>		
Fund balances:					
Restricted for:					
Highways				67,152.80	67,152.80
Drug and alcohol enforce	939.72				939.72
CLEET	367.93				367.93
Total Restricted	1,307.65			67,152.80	68,460.45
Committed to:					
Electrical Sys Sale Trust	3,366,251.39				3,366,251.39
Assigned to:					
Capital projects		349,454.25	38,599.77		388,054.02
Police equip & training	4,724.14				4,724.14
Total Assigned	4,724.14	349,454.25	38,599.77		392,778.16
Unassigned	23,179.82				23,179.82
Total Fund Balances	3,395,463.00	349,454.25	38,599.77	67,152.80	3,850,669.82

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

The City presently levies a three-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax was allocated two-thirds to the General Fund, and one-third to the Street Capital Improvement Fund, through December 31, 2009. From December 31, 2009, to September 30, 2011, all the sales tax went into the General Fund. Then, starting in October 2011, one-third of the sales tax started going into the Street Capital Improvement Fund again. Sales tax collected by the State in June and received by the City in July has been accrued and is included under the caption "Receivable from other governments."

PROGRAM REVENUES

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

General Government	Licenses and permits
Public Safety	Fine revenue and fire protection
Culture and Recreation	Rental income, recreation fees, concession sales, and specific donations

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.

CITY OF CRESCENT
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (continued)

2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditure/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances – Resource flows between the primary government (the City and Public Works Authority) and the discretely-presented component unit (if any) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

1.G. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all the City's deposits were fully insured or collateralized.

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

DEPOSITS

All the deposits of the City are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the City (or public trusts) or by its agent in its name.

At June 30, 2012, the City's deposits had a carrying amount of \$ 774,279.27 and a bank balance of \$ 774,279.27. Of the bank balance, \$ 371,092.32 was covered by federal depository insurance and the remainder was covered by collateral held by the City's agent in the City's name. At June 30, 2012, the City's petty cash funds totaled \$ 600.00.

INVESTMENTS

Investments of the City (excluding Public Trusts) are limited by State law to the following:

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

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2012, the City and its public trusts complied, in all material respects, with these investment restrictions.

At June 30, 2012, the City's restricted cash and investments consisted of the U.S. Treasury bonds related to the Electrical System Sales Trust account, certificates of deposit and the savings account related to the Electrical System Sales Trust Account, the motor vehicle and gasoline excise tax in the Street & Alley Fund, the sales tax funds in the Street Capital Improvement Fund, the checking account related to the Fire Department Fund, and the other restricted bank accounts of the General Fund. At June 30, 2012, the carrying value and fair value of the U.S. Treasury bonds related to the Electrical System Sales Trust fund was \$ 1,712,446.32, the certificates of deposit were \$ 1,500,000.00, and the savings account was \$ 153,805.07. The Crescent Public Works Authority's investments consisted solely of a certificate of deposit

CITY OF CRESCENT
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

3.A. DEPOSITS AND INVESTMENTS (continued)

whose original maturity terms exceeded three months. At June 30, 2012, the carrying value and fair value of the certificate of deposit was \$ 46,000.00. For purposes of the Statement of Net Assets and the Statement of Cash Flows, the certificate of deposit is classified as an investment.

Interest Rate Risk: The City does not have a formal investment policy.

Credit Risk: The City has no policy regarding credit risk.

Concentration of Credit Risk: The City places no limit on the amount that the City may invest in any one issuer.

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$ 69,393.87; amounts held by the City in the Street Capital Improvement Fund account for street capital improvements of \$ 349,454.25; amounts held in the Street & Alley Fund of \$ 66,176.58; amounts held in the Fire Department Capital Improvement Fund of \$ 38,599.77; and amounts held in various other checking accounts of \$ 6,031.79.

On June 16, 1989, the City sold all the property comprising the City's electric distribution system. Approximately \$ 2,268,500 of the proceeds were designated as restricted for investment purposes and were invested in U.S. Treasury Bonds (with a \$ 2,000,000 par value) held in safekeeping by the Federal Reserve Bank in a Treasury-Direct account. Of the interest earned on the U.S. Treasury Bonds, the City Council has earmarked 75 % as available for use by the City to meet normal operating needs, and the remaining 25 % to be reinvested in a local bank in certificates of deposit. During subsequent years, these funds were used to purchase more Treasury Bonds. During the current year, \$ 300,000 of the bonds matured, and \$ 300,000 was reinvested in certificates of deposit. At June 30, 2012, \$ 800,000 of Treasury Bonds were held by The Bankers Bank Safekeeping department, and \$ 900,000 were held by the Federal Reserve in the Treasury Direct account. During the year ended June 30, 1996, the citizens voted to use \$ 150,000 of this trust fund to buy the Bank of Crescent building (See Note 4.C.). These funds were to be paid back to the Trust Fund at \$ 10,000 per year, for 15 years, as approved by a resolution of the City Council in March 1995. The last repayment was made during the previous year.

3.C. RESTRICTED REVENUES

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	See Note 1.E.
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Water, Sewer, and Trash revenue	Debt service and utility operations
Grant proceeds	Grant expenditures

CITY OF CRESCENT
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

3.D. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of sales tax (40.2 %), franchise tax (49.9 %), alcoholic beverage tax (0.9 %), fines and court costs (4.7 %), and other (4.3 %). Receivables detail at June 30, 2012, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 79,626.90	52,631.40	132,258.30

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
<i>Governmental activities:</i>				
Other capital assets:				
Vehicles	28,936.00			28,936.00
Machinery, furniture and equipment	290,518.03	172,952.86		463,470.89
Buildings & Infrastructure	211,802.12	101,652.14		313,454.26
Total other capital assets at historical cost	<u>531,256.15</u>	<u>274,605.00</u>		<u>805,861.15</u>
Less accumulated depreciation for:				
Vehicles	36,419.00	4,561.00		40,980.00
Machinery, furniture and equipment	83,824.02	15,988.00		99,812.02
Buildings & Infrastructure	13,430.00	16,217.00		29,647.00
Total accumulated depreciation	<u>133,673.02</u>	<u>36,766.00</u>		<u>170,439.02</u>
Other capital assets, net	<u>397,583.13</u>	<u>237,839.00</u>		<u>635,422.13</u>
Government activities capital assets, net	<u>397,583.13</u>	<u>237,839.00</u>		<u>635,422.13</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	192,000.00			192,000.00
Total capital assets not being depreciated	<u>192,000.00</u>			<u>192,000.00</u>
Other capital assets:				
Machinery, furniture and equipment	152,607.04	61,210.00		213,817.04
Vehicles	31,665.14	27,670.00		59,335.14
Utility property	2,919,311.99			2,919,311.99
Total other capital assets at historical cost	<u>3,103,584.17</u>	<u>88,880.00</u>		<u>3,192,464.17</u>
Less accumulated depreciation for:				
Machinery, furniture and equipment	117,512.87	12,479.00		129,991.87
Vehicles	31,657.31	872.00		32,529.31
Utility property	2,385,397.53	83,145.04		2,468,542.57
Total accumulated depreciation	<u>2,534,567.71</u>	<u>96,496.04</u>		<u>2,631,063.75</u>
Other capital assets, net	<u>569,016.46</u>	<u><7,616.04></u>		<u>561,400.42</u>
Business-type activities capital assets, net	<u>761,016.46</u>	<u><7,616.04></u>		<u>753,400.42</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

3.E. CAPITAL ASSETS (continued)

Primary Government:	
Governmental Activities:	
General Government	\$ 3,968.00
Public Safety	8,700.00
Streets	21,202.00
Culture and Recreation	<u>2,896.00</u>
Total depreciation expense for governmental activities	<u>\$ 36,766.00</u>
Business-Type Activities:	
Water	\$ 24,947.04
Sewer	71,284.00
Admin and general	<u>265.00</u>
Total depreciation expense for business-type activities	<u>\$ 96,496.04</u>

3.F. ACCOUNTS PAYABLE

Payables in the General Fund and nonmajor governmental funds are composed entirely of payables to vendors. Payables of Utilities Enterprise Fund are also composed entirely of payables to vendors.

3.G. LONG-TERM DEBT

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of June 30, 2012, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Accrued Compensated Absences:

• Current Portion	\$ 6,533.04
• Noncurrent portion	<u>7,329.27</u>
Total Governmental activity debt	<u>\$ 13,862.31</u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2012, the long-term debt payable from proprietary fund resources consisted of the following:

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

3.G. LONG-TERM DEBT (continued)

Refundable Deposits:

- Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable	\$ 69,393.87
-------------------------------	--------------

Accrued Compensated Absences:

- | | |
|----------------------|-------------|
| • Current portion | \$ 4,210.88 |
| • Noncurrent portion | 5,039.07 |
| | \$ 9,249.95 |

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2012.

Type of Debt	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
Governmental Activities:					
Accrued compensated absences	9,717.37	4,144.94	-	13,862.31	6,533.04
Total Governmental Activities	9,717.37	4,144.94	-	13,862.31	6,533.04
Business-Type Activities:					
Accrued compensated absences	11,064.29		1,814.34	9,249.95	4,210.88
Refundable deposits	67,208.17	11,628.97	9,443.27	69,393.87	69,393.87
Total Business-Type Activities	78,272.46	11,628.97	11,257.61	78,643.82	73,604.75

3.H. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2012, were as follows:

	Transfers In	Transfers Out
MAJOR FUNDS		
GENERAL FUND		
Street Capital Improvement Fund	262,639.00	78,995.01
Street and Alley Fund	3,592.85	

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

3.H. INTERFUND TRANSFERS AND BALANCES (continued)

STREET CAPITAL IMP FUND	78,995.01	262,639.00
STREET & ALLEY FUND		3,592.85
 GRAND TOTALS	 \$ 345,226.86	 \$ 345,226.86

The City transferred one-third of its sales tax to the Street Capital Improvements Fund for specific street improvement projects through December 31, 2009. From December 31, 2009, to September 30, 2011, all the sales tax went into the General Fund. Then, starting in October 2011, one-third of the sales tax started going into the Street Capital Improvement Fund again.

The other transfers reflected in the above schedule are used to move restricted resources collected by the General Fund to the funds authorized to spend the resources.

NOTE 4: OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

OKLAHOMA MUNICIPAL RETIREMENT FUNDS

The City provides a defined benefit plan with the Oklahoma Municipal Retirement Fund for all employees except the city manager. The plan is available to all full-time employees not already participating in another state plan. In a defined benefit plan, benefits are actuarially determined based on number of years' service, as determined under the plan. Benefits vest after ten years. All employees contribute to the Plan an amount equal to 3 per cent of annual compensation. The City contributed at the rate of 3 % of employee compensation for the year ended June 30, 2012.

The city manager participates in the CMO plan of the Oklahoma Municipal Retirement Fund, which is the defined contribution plan for city managers only. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. The City contributes 5 % of covered payroll, and the city manager contributed 5 % for the year ended June 30, 2012. These percentages can vary from year to year. Participants are permitted to make voluntary deductible contributions to the plan. Benefits are immediately vested.

For the year ended June 30, 2012, the following amounts relate to the plans:

	<u>City Manager</u>	<u>All Others</u>
Total payroll	\$ 49,620.48	\$ 467,732.60
Payroll for covered employees	49,620.48	358,019.95
Employee contributions made	2,481.12	10,740.51
Employer (City) contributions made	2,481.12	10,740.51
City contributions as a % of covered payroll	5 %	3 %

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

The City of Crescent, as the employer, participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Eligibility Factors, Contribution Methods, and Benefit Provisions

	Firefighter's Pension and Retirement System
Obtaining separately issued financial Statements	Firefighters Pension and Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, Oklahoma 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
City's contribution rate	\$ 60 per volunteer
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2.5 % of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$ 6.69 per month per year of service, with a maximum of 30 years considered. If vested, same as full-time.
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years.
Provision for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/05
Death (duty, nonduty, post retirement)	Yes
Disability (duty, nonduty)	Yes
Cost of living allowances	Yes

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

Related-Party Investments

As of June 30, 2012, the System held no related-party investments of the City or of its component units.

4.B. RISK MANAGEMENT

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

The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors, and omissions	Purchased commercial insurance, with a deductible of \$ 1,000	Deductible amount
b. Physical property loss and natural disasters	Purchased commercial insurance, with a deductible of \$ 1,000	Deductible amount
c. Workers compensation, health and life	Workers comp is insured through State Insurance Fund with no deductible. City participates in the OMAG risk entity pool with a deductible of \$ 1,000 for each individual.	None Deductible amount

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

Risk Entity Pools

The City participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Life and Health Benefit Plan (risk entity pools.)

(1) Liability Protection Plan

The basic insurance agreements cover claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating City pays

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

4.B. RISK MANAGEMENT (continued)

all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

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

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

(2) Life and Health Benefit Plan

The City participated in the Oklahoma Municipal Assurance Group Life and Health Benefit Plan (the Plan) as a Class II participant. The title to all assets acquired by the Plan are vested in the Plan. In the event of termination of the Plan, such property shall belong to the then members of the Plan in equal shares. Each participating City pays for all costs, contributions, or other fees attributable to its respective participation in any plan, policy or service established under this agreement, and is responsible for its obligation under any contract entered into with the Plan.

The Plan's reserves for policy and contract claims are provided on municipalities in which the Plan has insured risk and include provisions for reported claims and an estimate for claims incurred but not reported. The reserves are based on the estimated ultimate cost of settling the claims, including the effects of general economic conditions, and were determined using paid claims data for claims paid subsequent to year-end and the Plan's historical claims experience.

The Plan has excess stop-loss agreements, which cover losses in excess of specific and aggregate retention levels. Such agreements are closely connected to the Plan's underwriting process such that the coverage is provided based upon a participating municipality's classification. The plan classifies participating municipalities into three categories: Class I, Class II, and Class III. Such classification is dependent upon the number of covered employees with Class I municipalities having the most employees and Class III having the least employees.

Class II and Class III are pooled together under one excess stop-loss agreement between the Plan and the excess stop-loss carrier. This agreement is similar in nature to the Class I municipality agreements; however, no amounts are refundable to Class II and Class III municipalities for contributions collected in excess of benefits paid and the Plan is responsible for claims incurred but not paid as of June 30, 2012. If a Class II and Class III municipality renews, the renewal excess stop-loss agreement covers claims incurred before June 30, 2012, and paid in the renewal period.

4.C. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Grants

The City has been approved for a Community Development Block Grant (CDBG) through the Oklahoma

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

4.C. COMMITMENTS AND CONTINGENCIES (continued)

Department of Commerce / Division of Community Affairs and Development, funded by the U.S. Department of Housing and Urban Development, for \$ 324,999 to help upgrade the City's sewer system. The funding period runs from September 23, 2011, through September 23, 2013. The total project is expected to cost \$ 575,000, funded by this grant, and the rest of the funds to be provided by the City. As of June 30, 2012, no funds had been drawn under the grant, and the City had provided \$ 29,762 of their funds. See the Schedule of Grant Funds for further details.

The City has been approved for a \$ 40,000 Community Development Block Grant (Capital Improvement Planning grant) from the Oklahoma Department of Commerce, funded by the U.S. Department of Housing and Urban Development, administered through the Association of Central Oklahoma Governments (ACOG), to analyze, plan, and inventory the City's fixed assets. The grant does not require any matching funds on the City's behalf. During the current year, \$ 20,000 was received, as reimbursement, under the grant, and expended. See the Schedule of Grant Funds for further details.

Operating Leases

In March 2008, the City entered into two operating lease agreements with a local bank, for two police cars. The leases include monthly payments of \$ 471.03 each, which includes interest at 5 ½ %, and which terminate with the fiscal year of the City (June 30.) The leases included five successive options to renew for one year, under the same terms. The annual lease payments are as follows:

Year ending <u>June 30</u>	<u>Total</u>
2013	<u>8,478.54</u>
Total	8,478.54
Less interest	<u><216.78></u>
Net lease obligations	<u>\$ 8,261.76</u>

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. 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. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The City is a party to various legal proceedings that 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 3-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and

CITY OF CRESCENT
Crescent, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

4.C. COMMITMENTS AND CONTINGENCIES (continued)

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.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 11, 2012, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CRESCENT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

Exhibit 1

UNAUDITED

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Beginning Budgetary Fund Balance	190,000.00	190,000.00	98,233.31	(91,766.69)
Resources (Inflows):				
Alcohol beverage tax	9,000.00	9,000.00	10,438.57	1,438.57
Code enforcement	300.00	300.00	386.00	86.00
Community park and building	2,000.00	2,000.00	2,270.00	270.00
Franchise fees	45,000.00	45,000.00	51,211.39	6,211.39
Interest income	100,000.00	100,000.00	129,010.69	29,010.69
Miscellaneous	30,000.00	30,300.00	62,558.01	32,258.01
Library	4,000.00	4,328.00	3,847.10	(480.90)
Ordinance violation fees	40,000.00	40,000.00	44,537.00	4,537.00
Permits and licenses	1,000.00	1,000.00	1,335.00	335.00
Sales tax	350,000.00	350,000.00	348,715.82	(1,284.18)
Use tax	-	-	20,129.52	20,129.52
Tobacco tax	-	-	5,037.54	5,037.54
Swimming pool	-	-	4,441.28	4,441.28
Grants & FEMA	-	-	6,277.11	6,277.11
Transfers In	-	-	-	0.00
Amounts available for appropriation	<u>771,300.00</u>	<u>771,928.00</u>	<u>788,428.34</u>	<u>16,500.34</u>
Charges to Appropriations (Outflows):				
General Government:				
Maintenance and operations	261,184.00	246,184.00	94,384.69	151,799.31
Funds Transfer	-	-	-	-
Total General Government	<u>261,184.00</u>	<u>246,184.00</u>	<u>94,384.69</u>	<u>151,799.31</u>
City Attorney:				
Maintenance and operations	<u>5,000.00</u>	<u>5,000.00</u>	<u>345.00</u>	<u>4,655.00</u>
City Clerk:				
Personal services	33,280.00	33,280.00	30,856.43	2,423.57
Maintenance and operations	500.00	500.00	-	500.00
Total City Clerk	<u>33,780.00</u>	<u>33,780.00</u>	<u>30,856.43</u>	<u>2,923.57</u>
City Manager:				
Personal services	49,621.00	49,621.00	49,620.48	0.52
Maintenance and operations	500.00	500.00	-	500.00
Total City Manager	<u>50,121.00</u>	<u>50,121.00</u>	<u>49,620.48</u>	<u>500.52</u>
City Treasurer:				
Personal services	<u>500.00</u>	<u>500.00</u>	<u>500.00</u>	<u>-</u>
Civil Defense:				
Personal services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fire Department:				
Maintenance and operations	20,050.00	35,762.77	34,332.48	1,430.29
Capital outlay	-	-	-	-
	<u>20,050.00</u>	<u>35,762.77</u>	<u>34,332.48</u>	<u>1,430.29</u>

(Continued)

**CITY OF CRESCENT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

UNAUDITED

Exhibit 1

	Budget Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Library:				
Personal services	23,129.00	23,129.00	20,238.40	2,890.60
Maintenance and operations	4,000.00	4,050.00	2,564.29	1,485.71
Capital outlay	2,000.00	5,285.00	3,746.29	1,538.71
Total library	<u>29,129.00</u>	<u>32,464.00</u>	<u>26,548.98</u>	<u>5,915.02</u>
Municipal Court:				
Personal services	<u>6,600.00</u>	<u>6,600.00</u>	<u>6,600.00</u>	<u>-</u>
Parks and Recreation:				
Personal services	-	-	-	-
Maintenance and operations	9,000.00	14,000.00	12,301.93	1,698.07
Total parks and recreation	<u>9,000.00</u>	<u>14,000.00</u>	<u>12,301.93</u>	<u>1,698.07</u>
Swimming pool:				
Personal services	9,000.00	9,000.00	4,898.64	4,101.36
Maintenance and operations	5,000.00	11,000.00	10,309.95	690.05
Total swimming pool	<u>14,000.00</u>	<u>20,000.00</u>	<u>15,208.59</u>	<u>4,791.41</u>
Community center:				
Maintenance and operations	7,000.00	8,000.00	7,616.50	383.50
Capital outlay	-	-	-	-
Total community center	<u>7,000.00</u>	<u>8,000.00</u>	<u>7,616.50</u>	<u>383.50</u>
Police:				
Personal services	207,860.00	207,860.00	196,605.70	11,254.30
Maintenance and operations	68,000.00	77,301.68	64,537.67	12,764.01
Capital outlay	-	-	-	-
Total Police	<u>275,860.00</u>	<u>285,161.68</u>	<u>261,143.37</u>	<u>24,018.31</u>
Police equipment & training:				
Maintenance and operations	<u>100.00</u>	<u>3,875.00</u>	<u>2,554.32</u>	<u>1,320.68</u>
CLEET:				
Maintenance and operations	<u>10,000.00</u>	<u>10,000.00</u>	<u>4,517.37</u>	<u>5,482.63</u>
Streets and alleys:				
Personal services	-	-	-	-
Maintenance and operations	10,000.00	10,000.00	6,881.91	3,118.09
Total streets and alleys	<u>10,000.00</u>	<u>10,000.00</u>	<u>6,881.91</u>	<u>3,118.09</u>
Audit:				
Maintenance and operations	<u>4,800.00</u>	<u>4,800.00</u>	<u>4,000.00</u>	<u>800.00</u>
Retirement:				
Personal services	<u>8,876.00</u>	<u>8,876.00</u>	<u>8,420.76</u>	<u>455.24</u>
Social security / medicare				
Personal services	<u>25,300.00</u>	<u>25,300.00</u>	<u>23,519.02</u>	<u>1,780.98</u>
Total Charges to Appropriations	<u>771,300.00</u>	<u>800,424.45</u>	<u>589,351.83</u>	<u>211,072.62</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>(28,496.45)</u>		
Amortization of premium on Treasury Bonds			<u>2,719.06</u>	
General Fund Expenditures (Statement of Revenues, Expenditures, and Changes in Fund Balance)			<u>592,070.89</u>	

Unaudited - See the Independent Auditor's Report

**CITY OF CRESCENT
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2012**

UNAUDITED

Budget Law

The City prepares its annual operating budget under the provisions of the Municipal Budget Act (the “New Budget Act”). In accordance with those provisions, the following process is used to adopt the annual budget:

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

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All transfers of appropriations between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the accrual basis of accounting.

OTHER SUPPLEMENTARY INFORMATION

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

City Council
City of Crescent, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crescent, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Crescent, Oklahoma's, basic financial statements and have issued my report thereon dated September 11, 2012. My report included an explanatory paragraph that stated management had not presented the Management's Discussion and Analysis to supplement the financial statements. My report on the business-type activities was qualified due to the omission of fixed assets and related depreciation. I conducted my audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses (# 2012-1 and # 2012-2) to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompany schedule of findings and responses (# 2012-3 through # 2012-6) to be significant deficiencies.

Compliance and Other Matters

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

The City of Crescent's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the City of Crescent's response and, accordingly, I express no opinion on it.

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



Bruce G. Luttrell, CPA, PC

September 11, 2012

**CITY OF CRESCENT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUNDS	Exhibit 2 Total Nonmajor Governmental Funds
	Street and Alley Fund	Fire Dept. Capital Improv. Fund	Grant Fund
ASSETS			
Cash and cash equivalents	\$ 66,176.58	\$ 38,599.77	\$ 104,776.35
Accounts receivable			
Intercompany receivables	976.22		976.22
Total assets	<u>\$ 67,152.80</u>	<u>\$ 38,599.77</u>	<u>\$ 105,752.57</u>
LIABILITIES AND FUND BALANCE			
Liabilities	\$ -	\$ -	\$ -
Fund Balance:			
Reserved, reported in nonmajor special revenue funds	67,152.80	38,599.77	105,752.57
Unreserved, reported in nonmajor special revenue funds			-
Total Fund Balance	<u>67,152.80</u>	<u>38,599.77</u>	<u>105,752.57</u>
Total Liabilities and Fund Balance	<u>\$ 67,152.80</u>	<u>\$ 38,599.77</u>	<u>\$ 105,752.57</u>

**CITY OF CRESCENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
	Street and Alley Fund	Fire Dept. Capital Improv. Fund	Grant Fund		
Revenues:					
Sales tax	\$ -	\$ -	\$ -		\$ -
Intergovernmental	11,432.27				11,432.27
Charges for services		4,900.00			4,900.00
Grants			20,000.00		20,000.00
Investment income	67.13	39.28			106.41
Miscellaneous income					-
Total Revenues	<u>11,499.40</u>	<u>4,939.28</u>	<u>20,000.00</u>		<u>36,438.68</u>
Expenditures:					
General government			20,000.00		20,000.00
Streets	3,922.78				3,922.78
Fire department					-
Museum					-
Interest expense					-
Total Expenditures	<u>3,922.78</u>	<u>-</u>	<u>20,000.00</u>		<u>23,922.78</u>
Excess (deficiency) of revenues over expenditures	<u>7,576.62</u>	<u>4,939.28</u>	<u>-</u>		<u>12,515.90</u>
Other financing sources (uses):					
Operating transfers in		-			-
Operating transfers out	(3,592.85)	-			(3,592.85)
Total other financing sources (uses)	<u>(3,592.85)</u>	<u>-</u>			<u>(3,592.85)</u>
Net change in fund balances	3,983.77	4,939.28	-		8,923.05
Fund Balances - beginning	<u>63,169.03</u>	<u>33,660.49</u>	<u>-</u>		<u>96,829.52</u>
Fund Balances - ending	<u>\$ 67,152.80</u>	<u>\$ 38,599.77</u>	<u>\$ -</u>		<u>\$ 105,752.57</u>

Exhibit 3

CITY OF CRESCENT
 BUDGETARY COMPARISON SCHEDULE
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

Exhibit 4

	STREET AND ALLEY			CAPITAL PROJECTS FUND				
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Beginning Budgetary Fund Balance	\$ 60,000.00	\$ 60,000.00	\$ 63,169.03	\$ 3,169.03	\$ 545,000.00	\$ 545,000.00	\$ 580,369.22	\$ 35,369.22
Resources (Inflows):								
Taxes	10,000.00	10,000.00	11,432.27	1,432.27			78,995.01	78,995.01
Charges for services				-	1,500.00	1,500.00	4,900.00	3,400.00
Investment income	75.00	75.00	67.13	(7.87)	1,500.00	1,500.00	490.79	(1,009.21)
Grants				-			20,000.00	20,000.00
Miscellaneous				-				-
Funds transfer				-				-
Amounts available for appropriation	70,075.00	70,075.00	74,668.43	4,593.43	548,000.00	548,000.00	684,755.02	136,755.02
Charges to Appropriations (Outflows):								
Personal services				-			20,000.00	(20,000.00)
Maintenance and operations	60,075.00	60,075.00	3,922.78	56,152.22				
Other services and charges				-				-
Capital outlays	10,000.00	10,000.00	-	10,000.00	548,000.00	548,000.00	270,701.00	277,299.00
Funds transfer			3,592.85	(3,592.85)			6,000.00	(6,000.00)
Total Charges to Appropriations	70,075.00	70,075.00	7,515.63	62,559.37	548,000.00	548,000.00	296,701.00	251,299.00
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 67,152.80	\$ 67,152.80	\$ -	\$ -	\$ 388,054.02	\$ 388,054.02

**CITY OF CRESCENT
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Exhibit 5

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash		Contract Receipts Revenue Recognized	Contract Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Cash	
				Accrued or Deferred Revenue at July 1, 2011	Accrued or Deferred Revenue at June 30, 2012							
U.S. Department of Housing and Urban Development												
Passed through the Oklahoma Department of Commerce												
CDBG	14.228	14787 CDBG 11	324,999.00	-	-	-	-	-	-	-	-	-
CDBG	14.228	14815 CDBG-CIP 11	40,000.00	-	-	20,000.00	20,000.00	-	-	-	-	-
Total			364,999.00	-	-	20,000.00	20,000.00	-	-	-	-	-

CITY OF CRESCENT
Crescent, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2012

Exhibit 6

Number

# 2012-1	<u>Finding:</u>	Personnel lack the accounting expertise to prevent, detect, or correct material misstatements in the financial statements.
	<u>Management's Response:</u>	The City will strive to provide continuing education to train employees attempt to correct this deficiency.
# 2012-2	<u>Finding:</u>	Inadequate design of internal control over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.
	<u>Management's Response:</u>	The City will strive to provide continuing education to train employees to attempt to correct this deficiency.
# 2012-3	<u>Finding:</u>	Lack of segregation of duties: personnel with access to customers' account information (including the billing function) also have access to cash receipts.
	<u>Management's Response:</u>	Due to the small number of employees, it is not feasible to segregate the duties necessary to alleviate this deficiency.
# 2012-4	<u>Finding:</u>	Lack of segregation of duties: bank accounts are not reconciled by personnel independent of the cash receipts and disbursements functions.
	<u>Management's Response:</u>	Due to the small number of employees, it is not feasible to segregate the duties necessary to alleviate this deficiency.
# 2012-5	<u>Finding:</u>	Lack of segregation of duties: bank statements are not received by personnel independent of the cash receipts and disbursements functions.
	<u>Management's Response:</u>	Due to the small number of employees, it is not feasible to segregate the duties necessary to alleviate this deficiency.
# 2012-6	<u>Finding:</u>	Customers have been charged in excess of the rate provided by Resolution 11-06 for trash service, since March 2011.
	<u>Management's Response:</u>	When Resolution 11-06 was approved in March 2011, it included an incorrect rate for trash service. This was a clerical error, and will be corrected by a new Resolution.