

*City of Ardmore, Oklahoma*

*Annual Financial Report*

*For the Fiscal Year Ended*

*June 30, 2011*

**City of Ardmore, Oklahoma**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2011**

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***INTRODUCTORY SECTION***





THE CITY OF  
**ARDMORE, OKLAHOMA**

P.O. BOX 249  
23 S. WASHINGTON  
ARDMORE, OKLAHOMA 73401



September 26, 2012

To the Honorable Mayor, Members of the City Commission and Citizens of the City of Ardmore:

The City of Ardmore's general-purpose financial statements for the year ended June 30, 2011 provide an overview of the City's financial position and the results of its operations for the past fiscal year. These financial statements comply with the City charter and State statutes.

This report consists of management's representations concerning the finances of the City of Ardmore. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Ardmore has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Ardmore's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Ardmore's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

**Independent Audit**

The City of Ardmore's financial statements have been audited by Rahhal Henderson Johnson, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Ardmore for the fiscal year ended June 30, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, rendered a qualified opinion that the City of Ardmore's financial statements for the fiscal year ended June 30, 2011. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Ardmore was part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of Ardmore's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Ardmore, incorporated in 1898, is conveniently located on Interstate 35 in the south central part of the state. The City of Ardmore currently occupies a land area of 55.7 square miles and serves a population of 24,283 (2010 census). The City of Ardmore is empowered to levy a property tax on real, public service and personal property located within its boundaries for general obligation bonds approved by the voters and judgments awarded by courts. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Commissioners.

The City of Ardmore operates under the council-manager form of government. Policy-making and legislative authority are vested in a City Commission consisting of five members. The City Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Members of the City Commission are elected on a non-partisan basis; one from each of the four wards and one at-large. They serve three year staggered terms. The mayor and vice-mayor are elected each year from the City Commission membership.

The City of Ardmore provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational activities and cultural events. Certain water, wastewater, sanitation and golf services are provided as business-type activities of the City. The City utilized the Ardmore Public Works Authority as a financing vehicle for revenue bond debt. The City of Ardmore also is financially accountable for the legally separate Ardmore Development Authority, Ardmore Animal Care Authority, Hardy Murphy Coliseum Authority, Ardmore Regional Park Authority, Ardmore Main Street Authority and Ardmore Tourism Authority, all of which are reported separately within the City of Ardmore

financial statements. Additional information on all six of these legally separate entities can be found in Note I.A in the notes to the financial statements.

### **Budget**

The annual budget serves as the foundation for the City of Ardmore's financial planning and control. The Finance Director is responsible for preparing revenue forecasts, calculating year end personnel costs, distributing department budget worksheets and information packages and monitoring the internal review process to meet time lines.

The department heads are responsible for reviewing the estimates of remaining expenditure costs for the current fiscal year and the projected cost estimates for the next fiscal year prepared by the department superintendents and supervisors.

The City Manager is responsible for reviewing the total financial program with the Finance Director's assistance and formulating a balanced budget to be presented to the City Commission for their final approval.

The Ardmore City Charter and Title 11 of the Oklahoma Statutes require the City Manager to submit a budget to the City Commission before June 1<sup>st</sup> of each year. The appropriated budget is prepared by fund and department. Budget to actual comparisons are provided in this report for each major governmental fund. The comparisons are provided on pages 71-73. The City Manager has the authority to transfer between departments within a fund. The City Commission must approve supplemental budgets or transfers of appropriations between funds.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Ardmore operates.

**Local economy.** The City of Ardmore currently enjoys a favorable economic environment and local indicators point to continued stability.

Ardmore has approximately fifty-five (55) square miles within its incorporated boundaries. It has a diverse land use pattern including:

- Large rural tracts (used mainly for residential purposes)
- Large agricultural tracts (used as grazing land)
- Suburban residential subdivision lots
- Small inner city residential lots with commercial fringes
- Strip commercial lots
- Vibrant and revitalized historic downtown commercial center

Ardmore is conveniently located on Interstate 35 and is intersected by US 70, State Highway 199 and State Highway 142. The City also has six motor freight companies operating terminals, a bus carrier and rail service from Santa Fe Railroad. There are four industrial parks with a combined total acreage of 3,260.

The Ardmore Development Authority (ADA) is a constant positive influence for economic development within the community. They have been recognized as being one of the most successful within their industry. The ADA has been named twice to the Nation's Top Ten Developers list and in 2002 garnered the distinction of the Best Regional Economic Development Group in the nation. Their industrial recruitment has been substantially enhanced through the earmarking of a ¼ cent sales tax.

Building related activities are anticipated to remain strong with the coming year. The Ardmore Development Authority has been and will continue to actively pursue new industries.

The major employers with over 100 employees in Ardmore are:

- Michelin North America – Manufacturing/Tires
- Mercy Memorial Health Center – Healthcare/Hospital
- Dollar General – Distribution/General Merchandise
- Wal-Mart Supercenter – Retail/General Merchandise
- Ardmore City Schools – Education/Schools
- The Samuel Roberts Noble Foundation – Plant Biology/Agricultural Science
- City of Ardmore – Municipality
- Valero Energy Corporation – Energy/Petroleum Products
- EJIW Ardmore Foundry – Manufacturing/Casting Products
- Best Buy – Distribution/Electronics
- Flanders Filters – Air Filter Manufacturer/Distribution
- Werner Trucking – Trucking
- First National Bank & Trust Co. – Service/Banking
- Dot Foods – Food Redistribution
- Lowe's Home Improvement – Retail/Hardware
- Atlas Roofing – Manufacturing/Roofing Products
- Noble Energy Corporation – Energy/Petroleum Explorations and Production
- Joe Brown Company - Trucking

The region (which includes the City of Ardmore and the surrounding county area) has an employed labor force of approximately 19,292 as of 2010, which is anticipated to grow at a rate of 2.66 percent each year for the next several years. Meanwhile, there continues to be a discernable trend toward steady residential growth.

**Long-term financial planning.** The City Commission meets in the first quarter of the new calendar year for a commission retreat. This informal retreat focuses on short and long term goals. It is attended by the City Manager and Department Directors who present the City Commissioners with a list of program and project proposals. The Commissioners evaluate the program/project proposals and rank them in priority order. The City Manager and Directors then develop work plans if necessary to implement the Commission's priorities through the budget process.

During FY 10-11, most of the city's short term goals were realized and a majority of the long term goals were started. Goals, which were listed in the 2010-2011 one year action plan, that have been accomplished are:

1. Completed construction of a two million gallon water tower.
2. Supported location of university branch campus in Ardmore.
3. Continued working toward the CALEA certification of Police Department.
4. Completed first full year with Golf Course professional management of the course.
5. Continued aggressive street improvement program.
6. Renovation of walking trails.
7. Reviewed employee health benefits and made revisions.

The City Commission discussed the following topics at their retreat held in January 2011 which staff will be focusing on during FY 11-12. They are as follows:

1. Complete construction of new Water Tower.
2. Research "Pay on Line" utility bill option.
3. Protection and repair of Arbuckle Water Line.
4. Inflow and infiltration Study of Storm Water into the Sewer Lines.
5. Continue street improvement program.
6. Continue working on obtaining branch college campus in Ardmore.
7. Continue CALEA certification process of Police Department.

The following are a few goals listed in the two to five year action plan:

- Locate alternative sources of water
- Examine alternatives for the housing of our Police Department
- Develop storm water management plan
- Take lead with citizens in deciding Ardmore's growth vehicle
- Continue water/wastewater improvements
- Achieve Police Department CALEA (Certified Accredited Law Enforcement Agency) accreditation
- Continue to improve City Commission and Trust Authority relations.
- Become more proactive instead of reactive with infrastructure of water and sewer lines by creating a structured maintenance program
- Maintain integrity of historic districts

- Continue to strengthen sales tax base through retain recruitment

**Cash management policies and practices.** Cash, temporarily idle during the year, was invested in certificates of deposit. The maturities of the investments range from 30 days to 1 year, with an average maturity of 6 months. The average yield on investments is approximately .45% for the government.

**Risk management.** The City's risk management program includes workers' compensation and health and wellness. As part of this risk management, resources are being accumulated in the general fund to meet potential losses. In addition, various control techniques, including employee accident prevention training, are utilized to minimize accident-related losses. The City maintains commercial insurance to cover catastrophic claims for health. Court judgments for workers' compensation are funded through property taxes over a three year period. Additional information on the City of Ardmore's risk management activity can be found in Note IV.I. of the notes to financial statements.

**Pension benefits.** Reporting entity employees participate in three public employee defined benefit plans. The first defined benefit plan is for all nonpublic safety/non-union employees and is limited on the City's required contribution to 22.56% of salaries with the employee contribution at 4%. The employer rate for FY 11-12 for the defined benefit plan of the non-union employees will decrease to 20.54% while the employees share will increase to 6%. Firefighters and police officers are members of state-wide plans to which the City, employees and the State of Oklahoma contribute. The limitation on the City's required contribution to these two plans is 13% of salaries with the firefighters and police officers each contributing 8%.

## **Awards**

The City of Ardmore received the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award for its annual budget document dated July 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including use as a policy document, a financial plan, an operations guide, and a communications device. This was the twelfth consecutive year that the government has received this prestigious award (see page 8).

## **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and/or contributed to the preparation of this report. Credit also must be given to the Mayor and Commission for their

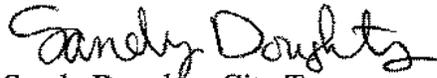
unfailing support for maintaining the highest standards of professionalism in the management of the City of Ardmore's finances.

Respectfully submitted,

Respectfully submitted,



J.D. Spohn, City Manager



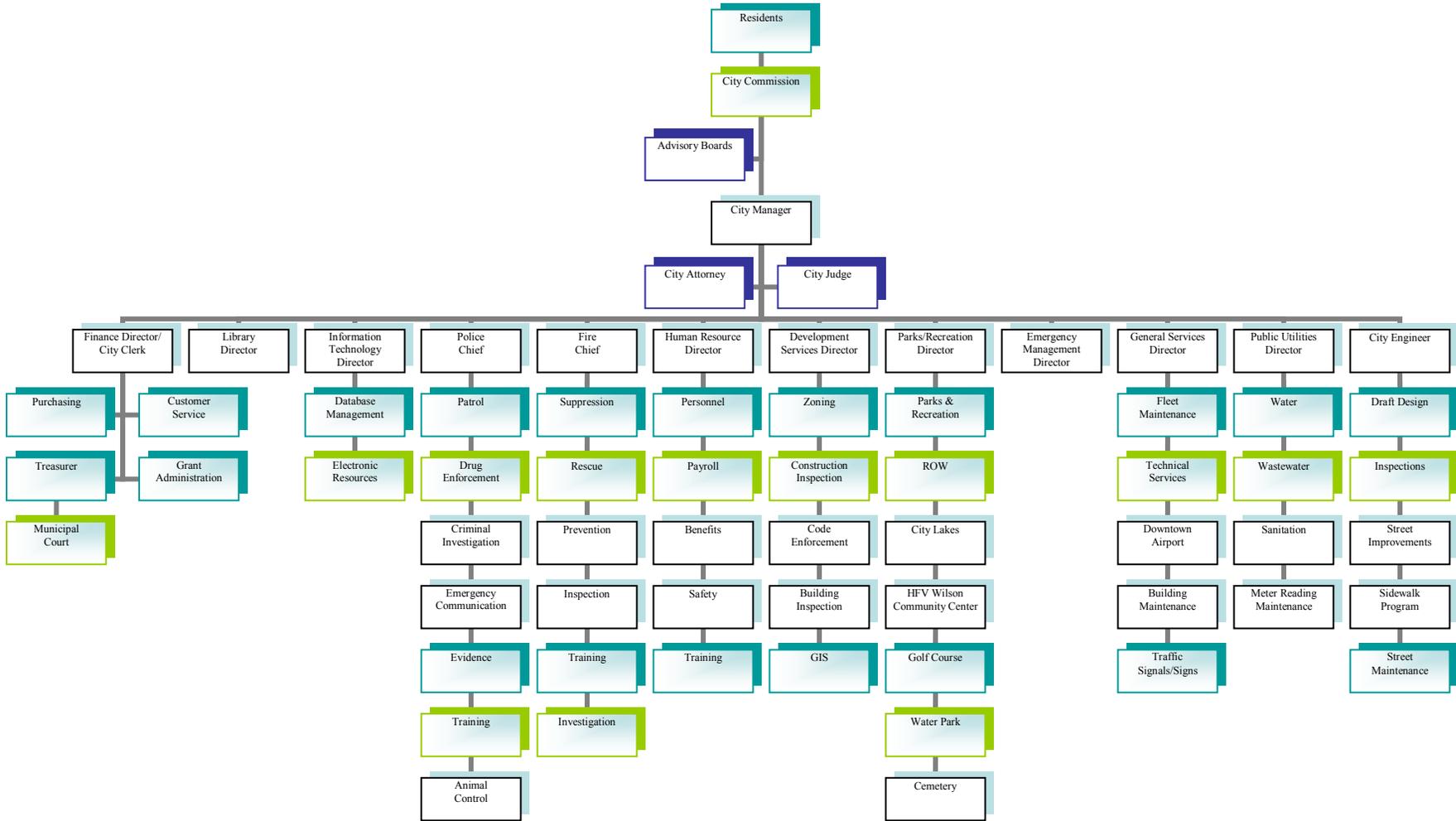
Sandy Doughty, City Treasurer



Ken Campbell, City Clerk



# City of Ardmore Organizational Chart



**City of Ardmore, Oklahoma  
List of Elected and Appointed Officials  
June 30, 2011**

***ELECTED OFFICIALS***

Mayor	John Moore
Vice-Mayor	Keith King
Commissioner	Martin Dyer
Commissioner	Sheryl Ellis
Commissioner	Bob Geurin

***APPOINTED OFFICIALS***

City Manager	J.D. Spohn
Finance Director	Ken Campbell
City Treasurer	Sandy Doughty
Attorney	Ted Pasley
Human Resources Director	Barbara Hill
Police Chief	Keith Mann
Fire Chief	Cary Williamson
Development Services Director	Laura McElhanon
City Engineer	Wayne Busma
Municipal Court Judge	David Blankenship
Parks and Recreation Director	Kevin Boatright
Public Utilities Director	Shawn Geurin
Library Director	Daniel Gibbs

***FINANCIAL SECTION***





## ***INDEPENDENT AUDITOR'S REPORT***

Members of the City Commission  
City of Ardmore  
23 S. Washington  
Ardmore, OK 73401

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ardmore, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Ardmore, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Ardmore, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hardy Murphy Coliseum Authority, which represent 4 percent, 5 percent and 5 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for Hardy Murphy Coliseum Authority, is based on the report of the other auditors.

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

Because of inadequacies in the City's accounting records, we were unable to form an opinion regarding the amount of Business Type Activities charges for services revenues in the accompanying Government-Wide Statement of Activities and Statement of Revenues, Expenses and Changes in Fund Net Assets-Proprietary Funds (stated at \$12,442,059).

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As discussed in Note I(C), some of the discretely presented component units prepare their financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variance between the modified cash basis and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements of the discretely presented component units identified in Note I(C), do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component units identified in Note I(C) as of June 30, 2011, the changes in their financial position or where applicable, the cash flows for the year then ended.

In our opinion, the financial statements referred to in the previous paragraph present fairly, in all material respects, the financial position - modified cash basis of the discretely presented component units identified in Note I(C) as of June 30, 2011, and the changes in financial position – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I(C).

In addition, in our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had charges for services revenues been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial positions of the governmental activities, the business-type activities, each major fund, Ardmore Main Street Authority, Hardy Murphy Coliseum Authority, and the aggregate remaining fund information of City of Ardmore, Oklahoma, as of and for the year ended June 30, 2011 in conformity with the accounting principles generally accepted in the United State of America.

As discussed in Note XV to the financial statements, certain errors resulting in the (overstatement) understatement of previously reported fund balance/net assets as of June 30, 2010, were discovered by management during the current year. Accordingly, adjustments have been made to fund balance/net assets for various funds as of July 1, 2010 to correct the errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012, on our consideration of the City of Ardmore, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15 through 23 and 71 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ardmore, Oklahoma's financial statements as a whole. The introductory section, and combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
September 26, 2012

**City of Ardmore, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2011**

As management of the City of Ardmore, we offer readers of the City of Ardmore's financial statements this narrative overview and analysis of the financial activities of the City of Ardmore for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. The financial statements include government-wide financial statements and fund financial statements. For a further understanding of the difference between these financial statements, a detailed discussion is provided on in Note II of the notes to the financial statements.

**Financial Highlights**

With respect to the government-wide financial statements:

- The assets of the City of Ardmore exceeded its liabilities at the close of the most recent fiscal year by \$75,507,863 (net assets). Of this amount, \$12,428,635 (unrestricted net assets) may be used to meet the governments' ongoing obligations to citizens and creditors.

•

With respect to the fund financial statements:

- As of the close of the current fiscal year, the City of Ardmore's governmental funds reported combined ending fund balances of \$20,328,200, an increase of \$2,441,020 from the prior year. Of this amount, there was an increase in fund balances in the General Fund of \$1,594,148; an increase in the Street Improvement Fund of \$535,585; an increase in the Community Enhancement Fund of \$203,204; while all other funds showed an increase in their fund balances of \$108,083.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,674,787, or 22.37 percent of the total general fund expenditures for the year.

**Overview of the Financial Statements**

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

**Government-wide financial statements.** The *government-wide financial statements* include the statement of net assets and the statement of activities and are designed to provide readers with a broad overview of the City of Ardmore's finances, in a manner similar to a private-sector business.

**City of Ardmore, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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

The *statement of activities* presents information showing how the government's net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., sales taxes earned but not collected at June 30, 2011 and earned but unused vacation leave).

Both of the government wide financial statements distinguish functions of the City of Ardmore between those functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Ardmore include general government, public safety, legal, transportation, public health and welfare, cemetery, urban development and housing, economic development and culture and recreation. The business-type activities of the City of Ardmore include water, wastewater sanitation and golf.

The government-wide financial statements include not only the City itself (known as the primary government), but also component units: Ardmore Main Street Authority and Hardy Murphy Coliseum Authority, Modified Cash Basis component units: Ardmore Development Authority, Ardmore Animal Care Authority, Ardmore Regional Park Authority, Ardmore Tourism Authority. Financial information for the component units is reported separately from the financial information presented in the primary government. Complete financial statements for each component unit are available from the City's finance director upon request.

The government-wide financial statements can be found on pages 24-25 of this report.

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial

**City of Ardmore, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2011**

statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

The City of Ardmore maintains over forty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Improvement Fund and the Community Enhancement Fund, which are considered to be major funds. Data from the other governmental funds are combined into an aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Ardmore adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and all major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-28 of this report.

**Proprietary funds.** The City of Ardmore maintains four different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Ardmore uses enterprise funds to account for its water, wastewater, sanitation and golf. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Ardmore's various functions. The City of Ardmore uses internal service funds to account for its fleet maintenance of vehicles and for its self-insured health care. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

**City of Ardmore, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2011**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, sanitation and golf of which are considered to be major funds of the City of Ardmore. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 29-32 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-69 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found on pages 71-76 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 77-93 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Ardmore, assets exceeded liabilities by \$75,507,863 at the close of the most recent fiscal year.

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

**City of Ardmore, Oklahoma  
Management's Discussion and Analysis  
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**CITY OF ARDMORE'S NET ASSETS**

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2011	2010	2011	2010	2011	2010
Current and other assets	23,089,795	24,444,394	19,043,299	8,653,836	42,133,094	33,098,230
Capital assets	29,948,482	32,792,361	56,180,619	56,918,653	86,129,101	89,711,014
Total assets	53,038,277	57,236,755	75,223,918	65,572,489	128,262,195	122,809,244
Long-term liabilities	3,609,623	14,902,264	46,190,000	32,336,471	49,799,623	47,238,735
Other liabilities	1,436,326	3,870,364	1,518,383	3,623,947	2,954,709	7,494,311
Total liabilities	5,045,949	18,772,628	47,708,383	35,960,418	52,754,332	54,733,046
Net assets:	47,992,328	38,464,127	27,515,535	29,612,071	75,507,863	68,076,198
Invested in capital assets, net of related debt	27,501,656	17,030,281	22,424,972	24,668,637	49,926,628	41,698,918
Restricted	8,839,310		380,148		9,219,458	
Restricted for Capital Projects	2,096,059	19,503			2,096,059	19,503
Restricted for G.O. and Revenue Bonds, Debt Svc	662,577	701,388	1,238,902		1,901,479	701,388
Restricted for Inventory and Land for Resale	25,243	26,871	289,944	354,902	315,187	381,773
Unrestricted	8,867,483	20,686,084	3,181,569	4,588,532	12,049,052	25,274,616
Total net assets	47,992,328	38,464,127	27,515,535	29,612,071	75,507,863	68,076,198

An additional portion of the City of Ardmore's net assets represents resources that are subject to external restriction on how they may be used. The remaining balance of *unrestricted net assets*, \$12,049,052 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Ardmore is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**CITY OF ARDMORE**

**Change in Net Assets**

	Governmental activities	Governmental activities	Business-type activities	Business-type activities	Total	Total
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	1,829,031	2,165,542	12,411,789	12,286,432	14,240,820	14,451,974
Operating grants and contributions	1,195,797	563,966	48,483		1,244,280	563,966
Capital grants and contributions	97,780	709,127	83,030		180,810	709,127

**City of Ardmore, Oklahoma**  
**Management's Discussion and Analysis**  
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General revenues:						
Sales taxes	19,410,411	15,125,277		2,326,966	19,410,411	17,452,243
Franchise taxes	1,798,936	1,775,623			1,798,936	1,775,623
Use taxes	1,810,344	1,542,155			1,810,344	1,542,155
Hotel taxes	769,585	540,653			769,585	540,653
Property Tax	251,508		1,810,572		2,062,080	
Other taxes	577,490	1,056,177	30,270		607,760	1,056,177
Gain (loss) on disposal of						
Interest	161,964	216,482	161,964	34,607	442,043	251,089
Rent	60,054				60,054	
Oil & gas royalties	773,140				773,140	
Other revenue	22,720				22,720	
Total revenues	28,758,760	23,695,002	14,678,386	14,672,232	43,437,146	38,367,234
Expenses:						
General government	6,038,735	6,382,767			6,038,735	6,382,767
Public safety	8,657,541	9,444,751			8,657,541	9,444,751
Streets/transportation	5,390,681	5,451,510			5,390,681	5,451,510
Education	1,235,483	260,878	163,055		1,398,538	260,878
Airport	290,388				290,388	
Sanitation			1,941,430	1,878,611	1,941,430	1,878,611
Cemetery and parks	353,513	325,174			353,513	325,174
Public health and welfare	18,725	135,000			18,725	135,000
Legal and judicial	204,176	192,441			204,176	192,441
Economic development	1,875,042	883,681	1,256,998		3,132,040	883,681
Culture and recreation	2,724,890	2,856,087			2,724,890	2,856,087
Interest and other costs of						
Water			6,424,461	6,024,952	6,424,461	6,024,952
Wastewater			3,835,172	4,223,870	3,835,172	4,223,870
Golf			590,612	580,632	590,612	580,632
Total expenses	26,902,593	26,400,771	14,211,728	12,708,065	41,114,321	39,108,836
Increase (decrease) in net						
Transfers	(1,454,781 )	(2,227,582)	1,454,781	(2,563,033)	0	(4,790,615)
Increase (decrease) in net assets	401,386	(4,933,351)	1,921,439	(598,866)	2,322,825	(5,532,217)
Adjustment to Beginning Net Assets	9,126,815	600,000	(4,017,975)		5,108,840	600,000
Net assets – Beginning	38,464,127	42,797,478	29,612,071	30,210,937	68,076,198	73,008,415
Net assets - Ending	47,992,328	38,464,127	27,515,535	29,612,071	75,507,863	68,076,198

**City of Ardmore, Oklahoma**  
**Management's Discussion and Analysis**  
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**Government-wide Financial Analysis** - continued

**Governmental activities.** Governmental activities increased the City of Ardmore's net assets by \$401,386. Key elements of this increase are shown on the previous page.

**Business-type activities.** Business-type activities increased the City of Ardmore's net assets by \$1,921,439.

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Ardmore's governmental funds reported combined ending fund balances of \$20,328,200, an increase of \$2,441,020 in comparison with the prior year. Approximately 18% of this total amount, \$3,674,201, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted* (\$10,689,766), *committed* (\$5,455,126), and *assigned* (\$509,107) to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City of Ardmore. At the end of the current fiscal year, total fund balance of the general fund was \$4,185,125.

The fund balance of the General Fund increased \$1,594,148 during the current fiscal year. The key factor of this increase was the amount of cash and revenue receivable.

The debt service fund has a total fund balance of \$684,823, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$16,565.

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

**City of Ardmore, Oklahoma  
Management's Discussion and Analysis  
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**Financial Analysis of the Government's Funds - continued**

Unrestricted net assets of the sanitation enterprise fund at the end of the year amounted to \$2,174,731, the water enterprise fund amounted to \$3,697,048, and the wastewater enterprise fund amounted to \$2,722,730. The total changes in net assets for these funds were \$778,360, \$785,276 and (\$180,515) respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Ardmore's business-type activities.

**General Fund Budgetary Highlights**

The comparison of original budget to final budget of the General Fund for FY 10-11 was: no change. The actual revenues received, excluding transfers, were \$555,446 more than final budgeted revenues; and the actual expenses were \$937,833 less than the final budgeted expenses. The actual revenue transfers into the General Fund were \$92,383 less than final budget. The transfers out of the General Fund were only \$100 less than the final budgeted amount.

**Capital Assets and Debt Administration**

**Capital assets.** The City of Ardmore's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to \$86,129,101 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads highways, and bridges. The total change in the City of Ardmore's investment in capital assets for the current fiscal year was a \$2,843,879 decrease for governmental activities and \$738,034 decrease for business-type activities.

**City of Ardmore's Capital Assets  
(net of depreciation)**

	Governmental activities	Business-type activities	
Land	4,166,094	502,495	4,668,589
Buildings and system	12,415,498	48,757,995	61,173,496
Computers/electronics	8,019,791	252,262	8,272,053
Furniture and fixtures	760,707	62,737	823,444
Machinery and equipment	3,442,287	3,043,923	6,486,210
Infrastructure	54,844,817	91,939,752	146,784,569
Vehicles	3,703,520	4,008,457	7,711,977
Total assets	87,352,714	148,567,621	235,920,335
Accumulated depreciation	(57,404,232)	(92,387,002)	(149,791,234)
Net fixed assets	29,948,482	56,180,619	86,129,101

**City of Ardmore, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

Additional information on the City of Ardmore's capital assets can be found in note VI on page 51 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Ardmore has total debt outstanding of \$49,073,512. Of this amount, \$3,073,445 comprises debt of governmental activities; and \$46,000,067 for business-type activities.

**City of Ardmore's Outstanding Debt**

General Obligation and Revenue Bonds

	Governmental activities	Business-type activities	Total
General Obligation Bonds	1,324,448		1,324,448
Capital Leases	1,122,377	2,590,061	3,712,438
Revenue Bond Payable		11,890,000	11,890,000
Compensated Absences	626,620	189,650	816,270
Notes Payable		31,330,356	31,330,356
Total	3,073,445	46,000,067	49,073,512

The City of Ardmore's total debt for governmental activities decreased by \$391,898 during the current fiscal year and the debt for business-type activities decreased by \$1,962,634. The business-type decrease was due mainly to the reduction in capital leases and revenue bonds payable while the decrease in governmental activities was due to the reduction in G.O. bonds and capital leases.

Additional information on the City of Ardmore's long-term debt can be found in note X on page 55 of this report.

**Requests for information**

This financial report is designed to provide a general overview of the City of Ardmore's finances for all those with an interest in the governments' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Ardmore, Oklahoma 73401.

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

	Primary Government			Component Units		
	Governmental	Business-Type	Total	Modified Cash	Ardmore Main	Hardy Murphy
	Activities	Activities		Basis Component	Street Authority	Coliseum Authority
			Units			
<b>Assets</b>						
Cash	\$ 14,921,860	\$ 12,137,724	\$ 27,059,584	\$ 4,227,618	\$ 142,772	\$ 86,621
Investments	3,799,367	-	3,799,367	-	-	-
Receivables (net)	4,273,745	6,205,655	10,479,400	-	4,531	14,650
Interfund Balances	(20,440)	20,440	-	-	-	-
Inventories	25,243	289,944	315,187	-	-	-
Prepaid Expenses	90,020	-	90,020	-	-	-
Land Held for Resale	-	-	-	1,178,528	-	-
Bond Finance Cost, Net	-	389,536	389,536	-	-	-
Capital Assets						
Land and Land Improvements	4,166,094	502,495	4,668,589	2,193,068	58,583	-
Other Capital Assets, net of depreciation	<u>25,782,388</u>	<u>55,678,124</u>	<u>81,460,512</u>	<u>50,196,120</u>	<u>1,098,207</u>	<u>2,320,387</u>
Total Capital Assets	<u>29,948,482</u>	<u>56,180,619</u>	<u>86,129,101</u>	<u>52,389,188</u>	<u>1,156,790</u>	<u>2,320,387</u>
Total Assets	<u>53,038,277</u>	<u>75,223,918</u>	<u>128,262,195</u>	<u>57,795,334</u>	<u>1,304,093</u>	<u>2,421,658</u>
<b>Liabilities</b>						
Accounts Payable and Accrued Expenses	1,436,326	1,130,082	2,566,408	11,638	12,688	45,805
Deferred Revenue	-	388,301	388,301	-	8,000	-
Long-Liabilities						
Due within one year	370,482	3,489,705	3,860,187	2,109,219	-	18,745
Due in more than one year	<u>3,239,141</u>	<u>42,700,295</u>	<u>45,939,436</u>	<u>12,549,657</u>	<u>-</u>	<u>39,165</u>
Total Liabilities	<u>5,045,949</u>	<u>47,708,383</u>	<u>52,754,332</u>	<u>14,670,514</u>	<u>20,688</u>	<u>103,715</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	27,501,656	22,424,972	49,926,628	37,730,313	1,156,790	2,262,477
Restricted for Capital Projects	2,096,059	-	2,096,059	-	-	250
Restricted for Debt Service	662,577	1,238,902	1,901,479	1,922,541	-	-
Restricted for Inventory and Land for Resale	25,243	289,944	315,187	1,178,528	-	-
Restricted for Economic Development	190,647	-	190,647	-	-	-
Restricted for Airport	23,520	-	23,520	-	-	-
Restricted for Public Safety	100,700	-	100,700	-	-	-
Restricted for Community Enhancement	1,006,906	380,148	1,387,054	-	-	-
Restricted for Library	3,939,723	-	3,939,723	-	-	-
Restricted for Streets	3,577,814	-	3,577,814	-	-	-
Unrestricted	<u>8,867,483</u>	<u>3,181,569</u>	<u>12,049,052</u>	<u>2,293,438</u>	<u>126,615</u>	<u>55,216</u>
Total Net Assets	<u>\$ 47,992,328</u>	<u>\$ 27,515,535</u>	<u>\$ 75,507,863</u>	<u>\$ 43,124,820</u>	<u>\$ 1,283,405</u>	<u>\$ 2,317,943</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Modified Cash Basis Component Units	Ardmore Main Street Authority	Hardy Murphy Coliseum Authority
								Units	Authority	Authority
<b>Primary Government</b>										
<b>Governmental Activities</b>										
General Government	\$ 6,038,735	\$ 806,428	\$ 347,511	\$ -	\$ (4,884,796)	\$ -	\$ (4,884,796)			
Public Safety	8,657,541	254,473	736,892	26,111	(7,640,065)	-	(7,640,065)			
Legal and Judicial	204,176	248,960	-	-	44,784	-	44,784			
Streets	5,390,681	-	-	-	(5,390,681)	-	(5,390,681)			
Culture and Recreation	2,724,890	177,408	111,394	-	(2,436,088)	-	(2,436,088)			
Public Health and Welfare	18,725	-	-	-	(18,725)	-	(18,725)			
Education	1,235,483	-	-	-	(1,235,483)	-	(1,235,483)			
Airport	290,388	276,952	-	71,669	58,233	-	58,233			
Cemetery	353,513	64,810	-	-	(288,703)	-	(288,703)			
Economic Development	1,875,042	-	-	-	(1,875,042)	-	(1,875,042)			
Interest and Other Cost of Debt	113,419	-	-	-	(113,419)	-	(113,419)			
Total Governmental Activities	<u>26,902,593</u>	<u>1,829,031</u>	<u>1,195,797</u>	<u>97,780</u>	<u>(23,779,985)</u>	<u>-</u>	<u>(23,779,985)</u>			
<b>Business-Type Activities</b>										
Sanitation	1,941,430	3,052,750	-	-	-	1,111,320	1,111,320			
Water	6,424,461	6,304,216	48,483	-	-	(71,762)	(71,762)			
Wastewater	3,835,172	2,564,958	-	83,030	-	(1,187,184)	(1,187,184)			
Golf Course	590,612	489,865	-	-	-	(100,747)	(100,747)			
Education	163,055	-	-	-	-	(163,055)	(163,055)			
Economic Development	1,256,998	-	-	-	-	(1,256,998)	(1,256,998)			
Total Business-Type Activities	<u>14,211,728</u>	<u>12,411,789</u>	<u>48,483</u>	<u>83,030</u>	<u>-</u>	<u>(1,668,426)</u>	<u>(1,668,426)</u>			
Total Primary Government	<u>\$ 41,114,321</u>	<u>\$ 14,240,820</u>	<u>\$ 1,244,280</u>	<u>\$ 180,810</u>	<u>\$ (23,779,985)</u>	<u>\$ (1,668,426)</u>	<u>\$ (25,448,411)</u>			
<b>Ardmore Main Street Authority</b>										
Culture and Recreation	\$ 286,239	\$ 28,470	\$ 186,134	\$ -				\$ (71,635)		
<b>Hardy Murphy Coliseum Authority</b>										
Culture and Recreation	856,933	300,280	229,124	-					(327,529)	
<b>Other Component Units</b>										
Culture and Recreation	313,238	31,732	75,900	-				(205,606)		
Public Health and Welfare	147,110	-	125,000	-				(22,110)		
Tourism	933,357	213,796	689,346	-				(30,215)		
Economic Development	3,662,379	1,973,576	2,486,423	-				797,620		
Interest and Other Cost of Debt	870,215	-	-	-				(870,215)		
Total Component Units	<u>\$ 7,069,471</u>	<u>\$ 2,547,854</u>	<u>\$ 3,791,927</u>	<u>\$ -</u>				<u>(330,526)</u>	<u>(71,635)</u>	<u>(327,529)</u>
<b>General Revenues</b>										
Taxes					24,618,274	1,840,842	26,459,116	-	-	-
Interest					161,964	280,079	442,043	19,228	629	-
Gain (Loss) on Disposal of Assets					-	14,163	14,163	-	-	-
Rent					60,054	-	60,054	-	-	-
Oil and Gas Royalties					773,140	-	773,140	497,098	-	-
Miscellaneous					22,720	-	22,720	184,300	2,656	175,041
Transfers					(1,454,781)	1,454,781	-	-	-	-
Total General Revenues and Transfers					<u>24,181,371</u>	<u>3,589,865</u>	<u>27,771,236</u>	<u>700,626</u>	<u>3,285</u>	<u>175,041</u>
Change in Net Assets					401,386	1,921,439	2,322,825	370,100	(68,350)	(152,488)
Net Assets - Beginning as restated					47,590,942	25,594,096	73,185,038	42,754,720	1,351,755	2,470,431
Net Assets - Ending					<u>\$ 47,992,328</u>	<u>\$ 27,515,535</u>	<u>\$ 75,507,863</u>	<u>\$ 43,124,820</u>	<u>\$ 1,283,405</u>	<u>\$ 2,317,943</u>

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

City of Ardmore, Oklahoma  
Balance Sheet – Governmental Funds  
June 30, 2011

	Community				Total
	General	Enhancement	Street Improvement	Other Governmental Funds	
<b>Assets</b>					
Cash	\$ 3,174,115	\$ 619,032	\$ 3,171,607	\$ 7,046,648	\$ 14,011,402
Investments	-	-	-	3,799,367	3,799,367
Revenue Receivable	1,639,300	436,635	436,635	1,139,725	3,652,295
Prepaid Expense	-	-	-	90,020	90,020
Due From Other Funds	58,851	-	-	-	58,851
<b>Total Assets</b>	<b>\$ 4,872,266</b>	<b>\$ 1,055,667</b>	<b>\$ 3,608,242</b>	<b>\$ 12,075,760</b>	<b>\$ 21,611,935</b>
<b>Liabilities</b>					
Due to Other Funds	\$ -	\$ -	\$ -	\$ 90,020	\$ 90,020
Bonds Pending Court	4,520	-	-	-	4,520
Accounts Payable	232,586	46,174	4,890	224,734	508,384
Deferred Revenue	-	-	-	11,373	11,373
Accrued Expenses	450,035	-	-	219,403	669,438
<b>Total Liabilities</b>	<b>687,141</b>	<b>46,174</b>	<b>4,890</b>	<b>545,530</b>	<b>1,283,735</b>
<b>Fund Balances</b>					
Restricted	-	1,006,669	3,577,814	6,105,283	10,689,766
Committed	205,262	-	-	5,249,864	5,455,126
Assigned	305,076	2,824	25,538	175,669	509,107
Unassigned	3,674,787	-	-	(586)	3,674,201
<b>Total Fund Balances</b>	<b>4,185,125</b>	<b>1,009,493</b>	<b>3,603,352</b>	<b>11,530,230</b>	<b>20,328,200</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,872,266</b>	<b>\$ 1,055,667</b>	<b>\$ 3,608,242</b>	<b>\$ 12,075,760</b>	

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 in the funds.	29,948,482
Notes receivable are not due and receivable in the current period, and therefore are not reported in the funds.	621,450
Liabilities for earned but deferred revenues in fund statements.	11,373
Internal service funds are used by management to charge the costs of fleet management and self insured health costs to individual funds. The assets and liabilities of the internal service funds are included in governmental statement of net assets	726,065
Long-term liabilities, including bonds payable and applicable interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,643,242)
Net assets of governmental activities	<u>\$ 47,992,328</u>

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

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

	General	Community Enhancement	Street Improvement	Other Governmental Funds	Total
<b>Revenues</b>					
Taxes	\$ 12,541,722	\$ 2,595,085	\$ 2,595,085	\$ 7,115,932	\$ 24,847,824
License and Permits	139,588	-	-	-	139,588
Fines and Forfeitures	258,364	-	-	-	258,364
Charges for Services	63,748	-	-	-	63,748
Use of Money and Property	264,193	-	-	247,585	511,778
Interest	35,508	2,824	14,016	103,821	156,169
Other Revenue	138,121	-	242	731,038	869,401
Intergovernmental	667,314	-	-	586,944	1,254,258
Reimbursement	224,801	-	91,140	69,542	385,483
Total Revenues	<u>14,333,359</u>	<u>2,597,909</u>	<u>2,700,483</u>	<u>8,854,862</u>	<u>28,486,613</u>
<b>Expenditures</b>					
<b>Current</b>					
General Government	4,492,879	518,505	-	259,158	5,270,542
Public Safety	8,250,282	-	-	90,700	8,340,982
Legal and Judicial	177,630	-	-	-	177,630
Streets	1,534,702	-	57,500	374,706	1,966,908
Culture and Recreation	2,049,881	-	-	476,253	2,526,134
Public Health and Welfare	-	-	-	-	-
Education	-	-	-	1,262,063	1,262,063
Cemetery and Parks	291,326	-	-	900	292,226
Economic Development	-	-	-	1,875,042	1,875,042
Capital Outlay	-	-	-	-	-
General Government	99,715	-	-	1,976,556	2,076,271
Public Safety	58,976	-	-	71,481	130,457
Streets	495	-	1,392,678	-	1,393,173
Culture and Recreation	79,780	-	-	202,505	282,285
Cemetery and Parks	-	-	-	8,535	8,535
Debt Service	-	-	-	-	-
Principal Payments	21,363	163,150	-	273,834	458,347
Interest and Fees	1,360	58,650	-	62,732	122,742
Total Expenditures	<u>17,058,389</u>	<u>740,305</u>	<u>1,450,178</u>	<u>6,934,465</u>	<u>26,183,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,725,030)</u>	<u>1,857,604</u>	<u>1,250,305</u>	<u>1,920,397</u>	<u>2,303,276</u>
<b>Other Financing Sources (Uses)</b>					
Capital Lease Proceeds	-	-	-	-	-
Loss on Investments	-	-	-	-	-
Sale of City Property	-	-	-	-	-
Transfers In	7,323,437	-	11,280	420,684	7,755,401
Transfers Out	<u>(3,004,259)</u>	<u>(1,654,400)</u>	<u>(726,000)</u>	<u>(2,232,998)</u>	<u>(7,617,657)</u>
Total Other Financing Sources (Uses)	4,319,178	(1,654,400)	(714,720)	(1,812,314)	137,744
Net Change in Fund Balances	1,594,148	203,204	535,585	108,083	2,441,020
Fund Balances - Beginning, as restated	2,590,977	806,289	3,067,767	11,422,147	17,887,180
Fund Balances - Ending	<u>\$ 4,185,125</u>	<u>\$ 1,009,493</u>	<u>\$ 3,603,352</u>	<u>\$ 11,530,230</u>	<u>\$ 20,328,200</u>

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

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

Net change in fund balances - total governmental funds \$ 2,441,020

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount by which depreciation expense exceeded capital outlays in the current period. (2,853,024)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals) is to decrease net assets. (4,812)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 379,211

Lending transactions (e.g. notes receivable) consume current financial resources of governmental funds, while repayment of the principal provides current financial resources to governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of lending transactions. (34,698)

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. (226,440)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 252

Internal service funds are used by management to charge the costs of fleet management and self insured health costs to individual funds. The net gain of certain activities of internal service funds is reported with governmental activities. 699,877

Change in net assets of governmental activities. \$ 401,386

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

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

	Ardmore Solid							
	Waste Authority		Ardmore Public Works Authority			Other Proprietary Funds	Total Proprietary Funds	Internal Service Funds
	Sanitation Enterprise	Wastewater Enterprise	Water Enterprise	TIF 2	Funds			
<b>Assets</b>								
<b>Current Assets</b>								
Cash and Cash Equivalents	\$ 912,931	\$ 1,585,142	\$ 1,790,436	\$ -	\$ 61,895	\$ 4,350,404	\$ 910,458	
Cash Investments	1,000,000	899,000	1,100,000	-	-	2,999,000	-	
<b>Restricted Assets</b>								
Cash and Cash Equivalents			200,464	2,807,235	1,780,621	4,788,320	-	
Revenue Receivables	363,667	602,552	1,096,136	-	-	2,062,355	-	
Notes Receivable	-	-	-	-	685,000	685,000	-	
Due From Other Funds	-	-	-	-	-	-	40,448	
Inventory	-	-	289,944	-	-	289,944	25,243	
<b>Total Current Assets</b>	<b>\$ 2,276,598</b>	<b>\$ 3,086,694</b>	<b>\$ 4,476,980</b>	<b>\$ 2,807,235</b>	<b>\$ 2,527,516</b>	<b>\$ 15,175,023</b>	<b>\$ 976,149</b>	
<b>Noncurrent Assets</b>								
Note Receivable	-	-	-	-	3,458,300	3,458,300	-	
Bond Issue Costs	-	87,626	77,144	180,133	44,633	389,536	-	
<b>Capital Assets:</b>								
Land	-	180,733	61,762	-	260,000	502,495	-	
Buildings	8,033	21,350,593	26,823,862	-	575,507	48,757,995	-	
Machinery and Equipment	562,147	1,620,703	566,291	-	294,782	3,043,923	-	
Furniture and Fixtures	-	16,376	20,614	-	25,747	62,737	-	
Computers and Electronics	5,258	87,096	152,929	-	6,979	252,262	-	
Vehicles	2,639,664	914,539	454,254	-	-	4,008,457	-	
Infrastructure	-	21,889,128	69,686,589	-	364,035	91,939,752	-	
Accumulated Depreciation	(2,569,115)	(22,685,417)	(66,306,217)	-	(826,253)	(92,387,002)	-	
<b>Total Noncurrent Assets</b>	<b>\$ 645,987</b>	<b>\$ 23,461,377</b>	<b>\$ 31,537,228</b>	<b>\$ 180,133</b>	<b>\$ 4,203,730</b>	<b>\$ 60,028,455</b>	<b>-</b>	
<b>Total Assets</b>	<b>\$ 2,922,585</b>	<b>\$ 26,548,071</b>	<b>\$ 36,014,208</b>	<b>\$ 2,987,368</b>	<b>\$ 6,731,246</b>	<b>\$ 75,203,478</b>	<b>\$ 976,149</b>	
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts Payable	5,764	163,276	208,119	-	(1,000)	376,159	11,263	
Accrued Payroll	28,712	37,131	62,303	-	-	128,146	209,102	
Accrued Interest Payable	-	87,882	181,925	107,336	63,366	440,509	-	
Due to Other Funds	2,289	2,119	4,870	-	-	9,278	-	
Refundable Meter Deposits	-	-	185,268	-	-	185,268	-	
Capital Leases	69,178	172,712	437,753	-	-	679,643	-	
Notes Payable	-	877,545	789,527	-	-	1,667,072	-	
Revenue Bonds Payable	-	-	-	455,000	685,000	1,140,000	-	
Unearned Revenue	-	-	-	-	388,301	388,301	-	
<b>Total Current Liabilities</b>	<b>105,943</b>	<b>1,340,665</b>	<b>1,869,765</b>	<b>562,336</b>	<b>1,135,667</b>	<b>5,014,376</b>	<b>220,365</b>	
<b>Noncurrent Liabilities</b>								
Capital Leases	84,040	260,465	1,565,913	-	-	1,910,418	-	
Vested Compensated Absences	44,354	47,619	97,677	-	-	189,650	-	
Net OPEB Obligation	43,987	57,973	87,973	-	-	189,933	-	
Notes Payable	-	13,102,286	16,560,998	-	-	29,663,284	-	
Revenue Bonds Payable	-	-	-	7,680,000	3,070,000	10,750,000	-	
<b>Total Noncurrent Liabilities</b>	<b>172,381</b>	<b>13,468,343</b>	<b>18,312,561</b>	<b>7,680,000</b>	<b>3,070,000</b>	<b>42,703,285</b>	<b>-</b>	
<b>Total Liabilities</b>	<b>278,324</b>	<b>14,809,008</b>	<b>20,182,326</b>	<b>8,242,336</b>	<b>4,205,667</b>	<b>47,717,661</b>	<b>220,365</b>	
<b>Net Assets</b>								
Invested in Capital Assets, net of capital leases	492,769	9,048,369	12,183,037	-	700,797	22,424,972	-	
Restricted for Debt Service	-	-	-	-	1,238,902	1,238,902	-	
Restricted for Community Enhancement	-	-	-	-	380,148	380,148	-	
Unrestricted	2,151,492	2,690,694	3,648,845	(5,254,968)	205,732	3,441,795	755,784	
<b>Total Net Assets</b>	<b>\$ 2,644,261</b>	<b>\$ 11,739,063</b>	<b>\$ 15,831,882</b>	<b>\$ (5,254,968)</b>	<b>\$ 2,525,579</b>	<b>\$ 27,485,817</b>	<b>\$ 755,784</b>	

Internal service funds are used by management to charge the costs of fleet management and self insured health costs to individual funds. This is the amount of the internal service included in business-type statement of net assets

29,718  
\$ 27,515,535

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

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

	Ardmore Solid							
	Waste Authority	Ardmore Public Works Authority			Other			
	Sanitation Enterprise	Wastewater Enterprise	Water Enterprise	TIF 2	Proprietary Funds	Total Proprietary Funds	Internal Service Funds	
Operating Revenues								
Charges for Services	\$ 3,083,020	\$ 3,226,494	\$ 5,641,094	\$ -	\$ 491,451	\$ 12,442,059	\$ 3,895,555	
Other Revenues	-	83,030	48,483	-	-	131,513	-	
Reimbursements	-	5,371	1,841	-	-	7,212	-	
Total Operating Revenues	<u>3,083,020</u>	<u>3,314,895</u>	<u>5,691,418</u>	<u>-</u>	<u>491,451</u>	<u>12,580,784</u>	<u>3,895,555</u>	
Operating Expenses								
Personnel Services	880,993	1,118,671	1,854,220	-	-	3,853,884	3,119,548	
Materials and Supplies	145,157	106,696	282,400	-	-	534,253	34,648	
Other Charges and Services	732,361	854,072	901,256	943,263	560,265	3,991,217	294,378	
Depreciation	129,395	1,772,763	2,334,277	-	58,222	4,294,657	8,180	
Amortization Expense	-	5,437	5,143	35,497	-	46,077	-	
Total Operating Expenses	<u>1,887,906</u>	<u>3,857,639</u>	<u>5,377,296</u>	<u>978,760</u>	<u>618,487</u>	<u>12,720,088</u>	<u>3,456,754</u>	
Operating Income (Loss)	<u>1,195,114</u>	<u>(542,744)</u>	<u>314,122</u>	<u>(978,760)</u>	<u>(127,036)</u>	<u>(139,304)</u>	<u>438,801</u>	
Nonoperating Revenues (Expenses)								
Sale of City Property	5,903	-	1,048	-	-	6,951	-	
TIF Tax Receipts	-	-	-	1,810,572	-	1,810,572	-	
Interest Revenue	7,231	10,245	14,383	260	247,960	280,079	5,795	
Interest Expense	(6,585)	(398,126)	(703,229)	(278,238)	(135,180)	(1,521,358)	-	
Total Nonoperating Revenues (Expenses)	<u>6,549</u>	<u>(387,881)</u>	<u>(687,798)</u>	<u>1,532,594</u>	<u>112,780</u>	<u>576,244</u>	<u>5,795</u>	
Income (Loss) Before Contributions and Transfers	1,201,663	(930,625)	(373,676)	553,834	(14,256)	436,940	444,596	
Capital Contributions	457,202	60,756	1,359,566	-	-	1,877,524	-	
Other Financing Sources (Uses)								
Transfers	(903,744)	657,318	(248,817)	-	72,500	(422,743)	285,000	
Change in Net Assets	755,121	(212,551)	737,073	553,834	58,244	1,891,721	729,596	
Net Assets - Beginning, as restated	<u>1,889,140</u>	<u>11,951,614</u>	<u>15,094,809</u>	<u>(5,808,802)</u>	<u>2,467,335</u>	<u>25,594,096</u>	<u>26,188</u>	
Net Assets - Ending	<u>\$ 2,644,261</u>	<u>\$ 11,739,063</u>	<u>\$ 15,831,882</u>	<u>\$ (5,254,968)</u>	<u>\$ 2,525,579</u>	<u>\$ 27,485,817</u>	<u>\$ 755,784</u>	

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

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

	Ardmore Solid						
	Waste						
	Authority	Ardmore Public Works Authority					
	Sanitation	Wastewater			Other Proprietary	Total Proprietary	Internal Service
	Enterprise	Enterprise	Water Enterprise	TIF 2	Funds	Funds	Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Operating Revenues Received	\$ 3,066,835	\$ 3,228,816	\$ 5,343,873	\$ -	\$ 493,221	\$ 12,132,745	\$ 3,895,555
Employee Expenses Paid	(873,462)	(1,096,576)	(1,834,723)	-	-	(3,804,761)	(3,333,099)
Vendors and Others Paid	(882,675)	(933,817)	(816,161)	(943,263)	(534,034)	(4,109,950)	(336,781)
Net Cash Provided (Used) by Operating Activities	<u>1,310,698</u>	<u>1,198,423</u>	<u>2,692,989</u>	<u>(943,263)</u>	<u>(40,813)</u>	<u>4,218,034</u>	<u>225,675</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers, Net	(903,744)	657,318	(248,817)	-	72,500	(422,743)	285,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(903,744)</u>	<u>657,318</u>	<u>(248,817)</u>	<u>-</u>	<u>72,500</u>	<u>(422,743)</u>	<u>285,000</u>
<b>CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES</b>							
Payment of Capital Debt	(77,239)	(1,413,517)	(2,140,706)	(676,452)	-	(4,307,914)	-
Issuance of Debt	-	649,362	944,607	-	-	1,593,969	-
Cash Received from Taxes Levied for Capital Purposes	-	-	-	1,810,572	-	1,810,572	-
Transfers for Capital Debt Service	457,202	60,756	1,359,566	-	-	1,877,524	-
Sale or Disposal of Capital Assets	5,903	-	1,048	-	-	6,951	-
Purchase of Capital Assets	(453,425)	(810,477)	(2,412,379)	-	(24,185)	(3,700,466)	-
Net Cash Used by Capital Financing and Related Financing Activities	<u>(67,559)</u>	<u>(1,513,876)</u>	<u>(2,247,864)</u>	<u>1,134,120</u>	<u>(24,185)</u>	<u>(2,719,364)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of Investments	(500,000)	-	-	-	-	(500,000)	-
Sale of Investments	-	100,000	795,000	-	-	895,000	-
Payments on Non-Capital Debt	-	-	-	-	(782,838)	(782,838)	-
Cash Receipts from Loans	-	-	-	-	850,576	850,576	-
Interest Income	7,231	10,245	14,383	260	37,385	69,504	5,795
Net Cash Provided (Used) by Investing Activities	<u>(492,769)</u>	<u>110,245</u>	<u>809,383</u>	<u>260</u>	<u>105,123</u>	<u>532,242</u>	<u>5,795</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(153,374)	452,110	1,005,691	191,117	112,625	1,608,169	516,470
Cash and Cash Equivalents, Beginning of Year	<u>1,066,305</u>	<u>1,133,032</u>	<u>985,209</u>	<u>2,616,118</u>	<u>1,729,891</u>	<u>7,530,555</u>	<u>393,988</u>
Cash and Cash Equivalents, End of Year	<u>\$ 912,931</u>	<u>\$ 1,585,142</u>	<u>\$ 1,990,900</u>	<u>\$ 2,807,235</u>	<u>\$ 1,842,516</u>	<u>\$ 9,138,724</u>	<u>\$ 910,458</u>

*The notes to the financial statements are an integral part of this statement*

City of Ardmore, Oklahoma  
Statement of Cash Flows – Proprietary Funds (continued)  
For the Year Ended June 30, 2011

	Sanitation Enterprise	Wastewater Enterprise	Water Enterprise	TIF 2	Other Proprietary Funds	Total Proprietary Funds	Internal Service Funds
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>							
Operating Income	\$ 1,195,114	\$ (542,744)	\$ 314,122	\$ (978,760)	\$ (127,036)	\$ (139,304)	\$ 438,801
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:							
Depreciation	129,395	1,772,763	2,334,277	-	58,222	4,294,657	-
Amortization	-	5,437	5,143	35,497	24,120	70,197	-
Loss on Disposal	-	-	143,843	-	-	143,843	-
(Increase) Decrease in Accounts Receivable	(16,186)	(86,079)	(347,545)	-	1,770	(448,040)	-
(Increase) Decrease in Inventory	-	-	64,958	-	-	64,958	1,628
Increase (Decrease) in Accounts Payable and Accrued Expenses	(21,036)	16,971	129,742	-	(640)	125,037	(217,027)
(Increase) Decrease in OPEB Liability	23,239	32,036	48,203	-	-	103,478	-
(Increase) Decrease in Due From Others	172	39	246	-	2,751	3,208	2,273
Total Adjustments	<u>115,584</u>	<u>1,741,167</u>	<u>2,378,867</u>	<u>35,497</u>	<u>86,223</u>	<u>4,357,338</u>	<u>(213,126)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,310,698</u>	<u>\$ 1,198,423</u>	<u>\$ 2,692,989</u>	<u>\$ (943,263)</u>	<u>\$ (40,813)</u>	<u>\$ 4,218,034</u>	<u>\$ 225,675</u>
Supplement Disclosures:							
Cash and Cash Equivalents	\$ 912,931	\$ 1,585,142	\$ 1,790,436	\$ -	\$ 61,895	\$ 4,350,404	\$ 910,458
Restricted Cash and Cash Equivalents	-	-	200,464	2,807,235	1,780,621	4,788,320	-
	<u>\$ 912,931</u>	<u>\$ 1,585,142</u>	<u>\$ 1,990,900</u>	<u>\$ 2,807,235</u>	<u>\$ 1,842,516</u>	<u>\$ 9,138,724</u>	<u>\$ 910,458</u>

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

City of Ardmore, Oklahoma  
Discretely Presented Component Units  
Government-Wide Statement of Assets,  
Liabilities and Net Assets – Modified Cash Basis  
June 30, 2011

<i>Assets</i>	Ardmore Development Authority	Nonmajor Component Units	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash	\$ 3,961,511	\$ 266,107	\$ 4,227,618
Land Held for Resale	1,178,528	-	1,178,528
<i>Capital Assets</i>			
Land and Land Improvements	432,456	1,760,612	2,193,068
Other Capital Assets, net of depreciation	<u>40,570,871</u>	<u>9,625,249</u>	<u>50,196,120</u>
Total Capital Assets	<u>41,003,327</u>	<u>11,385,861</u>	<u>52,389,188</u>
Total Assets	<u>46,143,366</u>	<u>11,651,968</u>	<u>57,795,334</u>
 <i>Liabilities</i>			
Accounts Payable and Accrued Expenses	320	11,318	11,638
<i>Long-Liabilities</i>			
Due within one year	2,018,220	90,999	2,109,219
Due in more than one year	<u>11,482,408</u>	<u>1,067,249</u>	<u>12,549,657</u>
Total Liabilities	<u>13,500,948</u>	<u>1,169,566</u>	<u>14,670,514</u>
 <i>Net Assets</i>			
Invested in Capital Assets, Net of Related Debt	27,502,699	10,227,614	37,730,313
Restricted for debt service	1,922,541	-	1,922,541
Restricted for Inventory and Land for Resale	1,178,528	-	1,178,528
Unrestricted	<u>2,038,650</u>	<u>254,788</u>	<u>2,293,438</u>
Total Net Assets	<u>\$ 32,642,418</u>	<u>\$ 10,482,402</u>	<u>\$ 43,124,820</u>

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

City of Ardmore, Oklahoma  
Discretely Presented Component Units  
Government-Wide Statement of Revenues,  
Expenses and Changes in Net Assets – Modified Cash Basis  
For the Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Ardmore Development Authority	Nonmajor Components	Total
<b>Functions/Programs</b>							
<b>Ardmore Development Authority</b>							
Economic Development	\$ 3,662,379	\$ 1,973,576	\$ 2,486,423	\$ -	\$ 797,620	\$ -	\$ 797,620
Interest and Other Cost of Debt	839,044	-	-	-	(839,044)	-	(839,044)
Total Ardmore Development Authority	<u>4,501,423</u>	<u>1,973,576</u>	<u>2,486,423</u>	<u>-</u>	<u>(41,424)</u>	<u>-</u>	<u>(41,424)</u>
<b>Nonmajor Components</b>							
Public Health and Welfare	147,110	-	125,000	-	-	(22,110)	(22,110)
Culture and Recreation	313,238	31,732	75,900	-	-	(205,606)	(205,606)
Tourism	933,357	213,796	689,346	-	-	(30,215)	(30,215)
Interest and Other Cost of Debt	31,171	-	-	-	-	(31,171)	(31,171)
Total Nonmajor Component Units	<u>1,424,876</u>	<u>245,528</u>	<u>890,246</u>	<u>-</u>	<u>-</u>	<u>(289,102)</u>	<u>(289,102)</u>
Total Primary Government	<u>\$ 5,926,299</u>	<u>\$ 2,219,104</u>	<u>\$ 3,376,669</u>	<u>\$ -</u>	<u>(41,424)</u>	<u>(289,102)</u>	<u>(330,526)</u>
<b>General Revenues</b>							
Interest					18,831	397	19,228
Oil and Gas Royalties					497,098	-	497,098
Miscellaneous					112,836	71,464	184,300
Total General Revenues					<u>628,765</u>	<u>71,861</u>	<u>700,626</u>
Change in Net Assets					587,341	(217,241)	370,100
Net Assets - Beginning					<u>32,055,077</u>	<u>10,699,643</u>	<u>42,754,720</u>
Net Assets - Ending					<u>\$ 32,642,418</u>	<u>\$ 10,482,402</u>	<u>\$ 43,124,820</u>

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ***A. The Reporting Entity***

The City of Ardmore, Oklahoma, is a charter city operating under a Commission-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the City is the Commission comprised of five elected members who designate one member to serve as mayor. The appointed City Manager is the administrative head of the City.

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

***Blended component units.*** The Ardmore Public Works Authority, Ardmore Solid Waste Authority and Ardmore Community Facilities Authority were created due to restrictions of the State Constitution relating to municipal debt. The Authorities are utilized as financing vehicles for revenue bonds and other non-general obligation financing as well as multi-year contracting. They are governed by a board comprised of the City Commissioners. Their revenue bond issues require approval by the City Commission.

***Discretely presented component units.*** Discretely presented component units of the City issue separately audited Component Unit Financial Statements. Copies of those financial statements may be obtained from the City's accounting department.

*Ardmore Animal Care Authority* - operates for the benefit of the Ardmore Animal Shelter. The City subsidizes the operations of the animal care authority.

*Ardmore Regional Park Authority* - established for the development and operation of a regional park facility. The City provides significant funding of operations for the park authority.

*Hardy Murphy Coliseum Authority* - operates the activities of the Hardy Murphy Coliseum. The City provides significant funding for capital improvements and operations.

*Ardmore Tourism Authority* - established for the development of tourism in the Ardmore area. The City receives and transfers to this Authority a hotel/motel tax of 5 percent.

*Ardmore Development Authority* - established to promote industrial development in the Ardmore area. The City receives and transfers to this Authority a dedicated sales tax of 1/4 percent.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**A. *The Reporting Entity – (continued)***

*Ardmore Main Street Authority* - established to preserve and improve the historical value of the downtown Ardmore area.

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between the primary government and its discretely presented component units are reported as external transactions – that is, as revenues and expenses. Resource flows between the primary government and blended component units are classified as inter fund transactions in the financial statements. The purpose of the payments to the component units can be located in the description of the component units noted above.

**B. *Government-wide and Fund Financial Statements***

*Government-wide Financial Statements*

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

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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

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

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – (continued)***

*Community Enhancement Fund* – is a special revenue fund accounting for Police protection, fire safety, auditorium renovation, coliseum renovation, industrial growth, parks and recreations.

*Street Improvement Fund* – is a capital projects fund accounting for street improvements for the City of Ardmore.

The following discretely presented component units prepare their financial statements on the modified cash basis of accounting: Ardmore Development Authority, Ardmore Tourism Authority, Ardmore Animal Care Authority, and Ardmore Regional Park Authority. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenses at the date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.

The government reports the following major proprietary funds: Sanitation Enterprise Fund; Wastewater Enterprise Funds, Water Enterprise Fund and TIF 2 Fund.

Non major proprietary funds are Golf Course and Ardmore Community Facilities Authority.

Additionally, the government reports the following fund types:

*Special revenue funds:* Street and Alley, GAPS Tax City, GAPS Tax School, Drug Enforcement; Library State Grant; Hazard Mitigation; Downtown Executive Airport; Historical Grant; Emergency 911; Mayor’s Anti Crime; ADA Revolving; Phase II Trails Grant; Homeland Security Grant; Reserve Management; LLEB Grant; CDBG; Convention Tourism; ADA Industrial; FAA Grant, Tree Grant and Emergency Shelter Grant.

*Capital Project Funds:* Greenbriar, Timber Grove, Main Streetscape, Champion Station, Streetscape II, Valley Ranch Road, Capital Improvement, Cemetery, Library Capital Improvement.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – (continued)***

*Internal service funds* account for self insured health costs and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. These funds are reported with governmental activities in the government-wide statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

***D. Assets, Liabilities, and Net Assets or Equity – (continued)***

*Deposits and investments*

For purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City has a written investment policy that limits its investment choices to the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trust bonds whose beneficiary is a county, municipality or school district, except industrial development bonds; direct obligations of the United States; and certificates of deposit. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture and investment policy .

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months, mutual funds and government sponsored agencies. The non-negotiable certificates of deposit are carried at cost. Marketable investments are carried at fair value.

*Receivables and payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. All trade receivables are shown net of an allowance for uncollectible accounts.

*Inventories*

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

***D. Assets, Liabilities, and Net Assets or Equity – (continued)***

*Restricted assets*

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Fund 49 debt service fund accounts for resources accumulated for debt service payment of general obligation bonds and judgments. The Ardmore Community Facilities fund accounts for resources accumulated for debt service payment of the Ardmore Community Facilities Revenue Bonds.

*Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements including interest are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	5
Office and Computer Equipment	5
Machinery and Equipment	10

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

***D. Assets, Liabilities, and Net Assets or Equity – (continued)***

*Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government buys back accumulations of over 720 hours at a discounted rate before the end of the fiscal year. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental activities.

*Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Estimates*

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

*Fund equity*

Beginning July 1, 2010, the City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. Changes to the fund presentation have been made to comply with this Statement.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by City of Ardmore, Oklahoma’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to the manager through the budgetary process.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

*Fund equity*

As of June 30, 2011, fund balances are composed of the following:

	General Fund	Community Enhancement Fund	Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
Restricted					
Airport	\$ -	\$ -	\$ -	\$ 23,520	\$ 23,520
Cemetery	-	-	-	-	-
Capital Projects	-	-	-	947,315	947,315
Community Enhancement	-	1,006,669	-	218,318	1,224,987
Debt Service	-	-	-	684,823	684,823
Economic Development	-	-	-	190,647	190,647
Library	-	-	-	3,939,960	3,939,960
Public Safety	-	-	-	100,700	100,700
Street and Alley	-	-	3,577,814	-	3,577,814
Committed					
Capital Projects	205,262	-	-	5,110,509	5,315,771
Economic Development	-	-	-	139,355	139,355
Assigned					
Airport	-	-	-	22,799	22,799
Capital Projects	-	2,824	-	38,762	41,586
Economic Development	-	-	-	1,262	1,262
Fire Capital Improvements	28,415	-	-	-	28,415
Library	54,782	-	-	71,090	125,872
Parks & Recreation	126,466	-	-	-	126,466
Public Safety	-	-	-	862	862
Street and Alley	-	-	25,538	40,894	66,432
Other Purposes	95,413	-	-	-	95,413
Unassigned	3,674,787	-	-	(586)	3,674,201
	<u>\$4,185,125</u>	<u>\$ 1,009,493</u>	<u>\$ 3,603,352</u>	<u>\$ 11,530,230</u>	<u>\$ 20,328,200</u>

The City would typically use restricted fund balances first, followed by committed resources and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

***A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets***

The governmental fund balance sheet includes a reconciliation of the \$27,664,128 difference between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets.

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

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (continued)**

***A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets – (continued)***

The first element of that reconciliation explains that capital assets used in governmental activities that are not financial resources and therefore, are not reported in the funds.

Capital Assets	\$ 87,352,714
Accumulated Depreciation	<u>(57,404,232)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 29,948,482</u></u>

The last element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

Bonds Payable - General Obligation	\$ 1,324,448
Capital Leases	1,122,378
OPEB Liability	536,177
Accrued Interest	33,619
Vested Compensated Absences	<u>626,620</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 3,643,242</u></u>

***B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities***

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$2,039,634 difference between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

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

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (continued)**

***B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities – (continued)***

Capital Outlay	\$ 1,945,673
Depreciation Expense	<u>(4,798,697)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (2,853,024)</u>

Another element of that reconciliation explains that “the net effect of various miscellaneous transactions involving capital assets is to decrease net assets.”

Loss on Disposal of Assets	<u>\$ (4,812)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (4,812)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

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

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (continued)**

***B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities – (continued)***

Another element of that reconciliation explains that repayment of principal on notes receivable provides current financial resources to governmental funds, but has no effect on net asset.

***Principal Repayments:***

Bonds Payable - General Obligation	\$ 131,647
Capital Leases	247,564
	_____
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 379,211
	_____

One element of that reconciliation explains that “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.” The details of this difference are as follows:

Compensated Absences	\$ 26,642
Accrued Interest	9,321
OPEB Liability	(262,403)
	_____
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (226,440)
	_____

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***A. Budgetary Information***

The city manager submits an annual budget to the City Commission in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Commission adopts annual fiscal year appropriated budgets for all city funds.

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

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Commission approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

**IV. Deposits and Investments**

As of June 30, 2011, the primary government held the following deposits and investments:

	Credit Rating	Carrying Value	Maturity		
			Less than 1 Year	1-5 Years	5-10 years
Deposits					
Demand Deposits		\$ 18,060,585			
Certificates of Deposit		8,999,000			
Investment					
Government Sponsored Agencies	Aaa	3,666,241		1,264,731	2,401,510
Benchmark Government Mutual Fund	Aaa	133,000	133,000		
Mineral Interests		125			
		<u>\$ 30,858,951</u>			
Reconciliation to Statement of Net Assets					
Cash		\$ 27,059,584			
Investments		<u>3,799,367</u>			
		<u>\$ 30,858,951</u>			

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The City's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral pledged by multiple financial institutions. As of June 30, 2011, the City was not exposed to custodial credit risk as defined above.

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

**IV. Deposits and Investments**

*Investment Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy limits investment choices. Permissible investments include full faith and credit, direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan association and bank and trust companies.

*Concentration of Investment Credit Risk* – The City places no limit on the amount it may invest in one issuer. At June 30, 2011, the City held government sponsored agencies that accounted for twenty-eight percent of total investments.

*Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest changes. The City does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

**V. Receivables**

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

	Receivables					
	Taxes	Accounts	Loan Proceeds	Notes	Less: Allowance for Uncollectible	Net Total Receivable
<b>Governmental Activities</b>						
General	\$ 1,561,541	\$ 77,759	\$ -	\$ 621,450	\$ -	\$ 2,260,750
Community Enhancement	436,635	-	-	-	-	436,635
Street Improvement	436,635	-	-	-	-	436,635
Other Governmental Funds	1,141,795	-	-	-	(2,070)	1,139,725
Total Governmental Activities:	3,576,606	77,759	-	621,450	(2,070)	4,273,745
<b>Business Type Activities</b>						
Sanitation Enterprise Fund	-	433,785	-	-	(70,118)	363,667
Wastewater Enterprise Fund	218,318	459,546	-	-	(75,312)	602,552
Water Enterprise Fund	218,318	846,274	145,811	-	(114,267)	1,096,136
Other Proprietary Funds	-	-	-	4,143,300	-	4,143,300
Total Business Type Activities:	436,636	1,739,605	145,811	4,143,300	(259,697)	6,205,655
<b>Total Primary Government</b>	<b>4,013,242</b>	<b>1,817,364</b>	<b>145,811</b>	<b>4,764,750</b>	<b>(261,767)</b>	<b>10,479,400</b>
<b>Component Units:</b>						
Ardmore Main Street Authority	-	4,531	-	-	-	4,531
Hardy Murphy Coliseum	-	14,650	-	-	-	14,650

City of Ardmore, Oklahoma  
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**V. Receivables**

*Notes Receivable - Primary Government*

The City loans money to the Ardmore Development Authority through Community Development Block Grants. The Authority uses the money to provide loans to companies to finance facility development and working capital. Of the \$621,450 balance of the note receivable at June 30, 2011 \$21,450 is the current portion.

The City loaned money to Ardmore School District No. 19 (District) through the Ardmore Community Facilities Authority (ACFA) through the issuance of sales tax revenue bonds. The voters of the City of Ardmore approved a ¼% sales tax for a period of ten years of which 71% is dedicated to the District for educational facilities and equipment. The District has assigned its rights to the sales tax revenue to the ACFA to fund the debt service on the bonds. The following summarizes the payments to be received from this loan:

	Year Ending	
	2012	\$ 811,731
	2013	850,125
	2014	874,644
	2015	<u>1,606,800</u>
Total Minimum Lease Payments Receivable		\$4,143,300
		<u>Less Unearned Income (388,300)</u>
		<u>Net Investment in Note \$3,755,000</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the components of *deferred revenue* in the governmental funds were as follows:

Delinquent Property Taxes Receivable (debt service fund)	<u>\$ 11,373</u>
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City of Ardmore, Oklahoma  
Notes to Financial Statements  
June 30, 2011

**VI. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning			
	Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,077,949	\$ 88,145	\$ -	\$ 4,166,094
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>4,077,949</u>	<u>88,145</u>	<u>-</u>	<u>4,166,094</u>
 <i>Capital assets, being depreciated:</i>				
Buildings	12,316,930	98,568	-	12,415,498
Computers	7,894,340	137,770	12,319	8,019,791
Furniture and fixtures	744,717	18,607	2,617	760,707
Vehicles	3,628,794	74,726	-	3,703,520
Machinery and equipment	3,357,867	84,420	-	3,442,287
Infrastructure	53,451,452	1,393,365	-	54,844,817
Total capital assets being depreciated	81,394,100	1,807,456	14,936	83,186,620
 <i>Less accumulated depreciation:</i>				
Total accumulated depreciation	<u>(52,679,688)</u>	<u>(4,798,697)</u>	<u>74,153</u>	<u>(57,404,232)</u>
Total capital assets being depreciated, net	<u>28,714,412</u>	<u>(2,991,241)</u>	<u>89,089</u>	<u>25,782,388</u>
 Governmental activities capital assets, net	 <u>\$32,792,361</u>	 <u>\$ (2,903,096)</u>	 <u>\$ 89,089</u>	 <u>\$ 29,948,482</u>
	Beginning			
	Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 502,495	\$ -	\$ -	\$ 502,495
Construction in progress	140,903	-	140,903	-
Total capital assets, not being depreciated	<u>643,398</u>	<u>-</u>	<u>140,903</u>	<u>502,495</u>
 <i>Capital assets, being depreciated:</i>				
Buildings and system	47,674,776	1,083,219	-	48,757,995
Computers	242,502	9,760	-	252,262
Furniture and fixtures	62,737	-	-	62,737
Vehicles	3,330,779	677,678	-	4,008,457
Machinery and equipment	2,873,380	170,543	-	3,043,923
Infrastructure	89,915,569	2,024,183	-	91,939,752
Total capital assets being depreciated	144,099,743	3,965,383	-	148,065,126
 <i>Less accumulated depreciation:</i>				
Total accumulated depreciation	<u>(87,824,488)</u>	<u>(4,294,657)</u>	<u>(267,857)</u>	<u>(92,387,002)</u>
Total capital assets being depreciated, net	<u>56,275,255</u>	<u>(329,274)</u>	<u>(267,857)</u>	<u>55,678,124</u>
 Business-type activities capital assets, net	 <u>\$56,918,653</u>	 <u>\$ (329,274)</u>	 <u>\$ (126,954)</u>	 <u>\$ 56,180,619</u>

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

**VI. Capital Assets (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

<i><b>Governmental Activities</b></i>	
General Government	\$ 613,897
Public Safety	335,735
Streets, including depreciation on general infrastructure assets	3,397,203
Public Health and Welfare	11,425
Cemetery	62,637
Culture and Recreation	<u>377,800</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 4,798,697</u>
 <i><b>Business-type Activities</b></i>	
Sanitation	\$ 129,395
Wastewater	1,772,763
Water	2,334,277
Golf	<u>58,222</u>
 Total Depreciation Expense - Business-type Activities	 <u>\$ 4,294,657</u>

Capital asset activity for component units for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><b>Component Units:</b></i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,345,662	\$ -	\$ -	\$ 1,345,662
Construction in progress	<u>62,695</u>	<u>843,294</u>	<u>-</u>	<u>905,989</u>
Total capital assets, not being depreciated	<u>1,408,357</u>	<u>843,294</u>	<u>-</u>	<u>2,251,651</u>
 <i>Capital assets, being depreciated:</i>				
Buildings and system	35,825,085	160,994	-	35,986,079
Land Improvements	36,633,995	74,423	-	36,708,418
Vehicles	347,956	12,000	15,387	344,569
Machinery and equipment	1,471,623	700,075	19,000	2,152,698
Infrastructure	<u>113,324</u>	<u>14,576</u>	<u>-</u>	<u>127,900</u>
Total capital assets being depreciated	74,391,983	962,068	34,387	75,319,664
 <i>Less accumulated depreciation:</i>				
Total accumulated depreciation	<u>(19,038,049)</u>	<u>(2,684,426)</u>	<u>(17,525)</u>	<u>(21,704,950)</u>
Total capital assets being depreciated, net	<u>55,353,934</u>	<u>(1,722,358)</u>	<u>16,862</u>	<u>53,614,714</u>
 Component unit capital assets, net	 <u>\$55,416,629</u>	 <u>\$ (879,064)</u>	 <u>\$ 16,862</u>	 <u>\$ 55,866,365</u>

City of Ardmore, Oklahoma  
Notes to Financial Statements  
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**VII. Interfund Receivables, Payables and Transfers**

<i>Interfund Transfers:</i>	<b>Transfers Out</b>					
	<b>Transfers In</b>	<b>General Fund</b>	<b>TIF 2</b>	<b>Enterprise Funds</b>	<b>Nonmajor and Other Funds</b>	<b>Component Units</b>
General Fund	\$ -	\$ -	\$ 2,893,915	\$ 4,186,540	\$ -	\$ 7,080,455
TIF 2	-	-	-	-	616,162	616,162
Enterprise Funds	117,382	-	-	348,134	-	465,516
Nonmajor Governmental Funds	88,689	-	74,634	1,058,401	-	1,221,724
Internal Service Funds	206,115	-	60,000	-	-	266,115
Component Units	25,500	3,297,767	-	2,084,931	-	5,408,198
<b>Total</b>	<b>\$ 437,686</b>	<b>\$ 3,297,767</b>	<b>\$ 3,028,549</b>	<b>\$ 7,678,006</b>	<b>\$ 616,162</b>	<b>\$ 15,058,170</b>

**Purposes:**

- (1) Budgeted transfer to General fund to fund operations
- (2) Ad Valorem tax transfer from Component Unit
- (3) Transfer of assets by other funds, and transfer of debt service payments
- (4) Various budgeted operating transfers
- (5) Transfers for payment of health care and fleet maintenance costs
- (6) Annual budgeted operational support of component units

**VIII. Payables**

Payables at June 30, 2011, were as follows:

	<b>Payables</b>				
	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Accrued Interest</b>	<b>Other</b>	<b>Total Payables</b>
<b>Governmental Activities</b>					
General	\$ 232,586	\$ 294,781	\$ 33,619	\$ 159,774	\$ 720,760
Community Enhancement	46,174	-	-	-	46,174
Street Improvement	4,890	-	-	-	4,890
Other Governmental Funds	235,997	428,505	-	-	664,502
Total Governmental Activities:	519,647	723,286	33,619	159,774	1,436,326
<b>Business Type Activities</b>					
Sanitation Enterprise Fund	5,764	28,712	-	-	34,476
Wastewater Enterprise Fund	163,276	37,131	87,882	-	288,289
Water Enterprise Fund	208,119	62,303	181,925	185,268	637,615
TIF 2	-	-	107,336	-	107,336
Other Proprietary Funds	(1,000)	-	63,366	-	62,366
Total Business Type Activities:	376,159	128,146	440,509	185,268	1,130,082
<b>Total Primary Government</b>	<b>895,806</b>	<b>851,432</b>	<b>474,128</b>	<b>345,042</b>	<b>2,566,408</b>
<b>Component Units:</b>					
Ardmore Main Street Authority	3,432	1,456	-	7,800	12,688
Hardy Murphy Coliseum	45,805	-	-	-	45,805
Other Component Units	11,638	-	-	-	11,638

City of Ardmore, Oklahoma  
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June 30, 2011

**IX. Leases**

The government has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Interest rates range from 2.95% to 5.09%.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Enterprise Funds</u>	<u>Governmental Funds</u>
Computers and Electronics	\$ -	\$ 1,723,000
Machinery and Equipment	-	-
Vehicles	208,967	223,289
Infrastructure	<u>4,294,270</u>	<u>250,000</u>
Total Assets	4,503,237	2,196,289
Less: Accumulated Depreciation	<u>(1,650,583)</u>	<u>(1,334,307)</u>
Net Book Value	<u>\$ 2,852,654</u>	<u>\$ 861,982</u>

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

<u>Year Ended June 30,</u>	<u>Enterprise Funds</u>	<u>Governmental Funds</u>
2012	\$ 769,022	\$ 273,253
2013	784,346	234,127
2014	637,090	223,469
2015	597,449	221,800
2016	-	221,800
2017 - 2021	<u>-</u>	<u>108,360</u>
Total Minimum Lease Payments	2,787,907	1,282,809
Less: Amount Representing Interest	<u>(197,847)</u>	<u>(160,432)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,590,060</u>	<u>\$ 1,122,377</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

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

**X. Long Term Debt**

*Changes in long-term liabilities*

Long term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<i>Governmental Activities:</i>					
General Obligation Bonds	\$ 1,456,095	\$ -	\$ 131,647	\$ 1,324,448	\$ 138,657
Capital Leases	1,355,985	13,957	247,565	1,122,377	221,815
OPEB Liability	273,775	262,403	-	536,178	-
Compensated Absences	653,263	2,381,277	2,407,920	626,620	10,010
Long Term Liabilities - Governmental Activities	<u>3,739,118</u>	<u>2,657,637</u>	<u>2,787,132</u>	<u>3,609,623</u>	<u>370,482</u>
<i>Business-type Activities:</i>					
Notes Payable	\$31,577,049	\$ 1,593,970	\$ 1,840,663	\$ 31,330,356	\$ 1,667,072
Capital Leases	3,233,154	-	643,093	2,590,061	679,643
Revenue Bonds	12,950,000	-	1,060,000	11,890,000	1,140,000
OPEB Liability	86,455	103,478	-	189,933	-
Compensated Absences	202,498	711,291	724,139	189,650	2,990
Long Term Liabilities - Business-type Activities	<u>48,049,156</u>	<u>2,408,739</u>	<u>4,267,895</u>	<u>46,190,000</u>	<u>3,489,705</u>
Total Long Term Liabilities - Primary Government	<u>\$51,788,274</u>	<u>\$ 5,066,376</u>	<u>\$ 7,055,027</u>	<u>\$ 49,799,623</u>	<u>\$ 3,860,187</u>
<i>Component Units:</i>					
General Obligation Bonds	\$ 420,000	\$ -	\$ 210,000	\$ 210,000	\$ 210,000
Tax Apportionment Bonds	4,965,000	-	230,000	4,735,000	620,000
Capital Lease Payable	-	83,223	25,313	57,910	18,745
Notes Payable	10,181,140	749,653	1,216,917	9,713,876	1,279,219
Total Long Term Liabilities - Component Units	<u>\$15,566,140</u>	<u>\$ 832,876</u>	<u>\$ 1,682,230</u>	<u>\$ 14,716,786</u>	<u>\$ 2,127,964</u>

Internal service funds predominantly serve the governmental funds. Accordingly, any long-term liabilities for them are included as part of the above totals for governmental activities. At year end internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

*Long-term Notes Payable*

OWRB 2004	\$ 1,633,600
OWRB 2007	13,304,946
OWRB 2008	15,716,925
OWRB 2009	674,885
	<u>\$ 31,330,356</u>

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

**X. Long Term Debt (continued)**

*Oklahoma Water Resources Board series 2004 Promissory Note*

During 2004-2005, the Ardmore Public Works Authority entered into a \$2,042,000, 20 year, 3.50% (3.00% interest and 0.50% administration fee) promissory note with the Oklahoma Water Resources Board. Principal and interest are payable semi-annually on March 15 and September 15. Repayment of the funds began September 15, 2007. Total interest paid to Oklahoma Water Resource Board for the year ended June 30, 2011 was \$44,819 related to this note. At June 30, 2011 the principal balance was \$1,633,600. Principal Maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin Fee</u>
2012	\$ 102,100	\$ 48,506	\$ 5,965
2013	102,100	45,813	5,529
2014	102,100	42,712	4,997
2015	102,100	39,606	4,480
2016	102,100	36,501	3,962
2017-2021	510,500	136,065	22,678
2022-2026	612,600	60,621	10,103
	<u>\$ 1,633,600</u>	<u>\$ 409,824</u>	<u>\$ 57,714</u>

*Debt Covenants:* This loan is secured by utility system revenues. The City must maintain net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service.

*Oklahoma Water Resources Board series 2007 Promissory Note*

During 2004-2005, the Ardmore Public Works Authority entered into a \$17,000,000, 20 year, 3.1% (2.60% interest and 0.50% administration fee) promissory note with the Oklahoma Water Resources Board. Principal and interest are payable semi-annually on March 15 and September 15. Repayment of the funds began September 15, 2007. Total interest paid to Oklahoma Water Resource Board for the year ended June 30, 2011 was \$411,314 related to this note. At June 30, 2011 the principal balance was \$13,304,946. Principal Maturities are as follows:

City of Ardmore, Oklahoma  
Notes to Financial Statements  
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**X. Long Term Debt (continued)**

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin Fee</u>
2012	\$ 850,000	\$ 342,264	\$ 66,559
2013	850,000	322,771	62,071
2014	850,000	300,364	57,762
2015	850,000	277,957	53,453
2016	850,000	256,234	49,276
2017-2021	4,250,000	942,083	181,170
2022-2026	4,250,000	381,664	73,397
2027-2031	554,946	9,073	1,745
	<u>\$ 13,304,946</u>	<u>\$ 2,832,410</u>	<u>\$ 545,433</u>

*Debt Covenants:* This loan is secured by utility system revenues. The City must maintain net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service.

During 2006-2008, the Ardmore Public Works Authority entered into an \$18,490,500, 20-year, 3.55% (3.05% interest and 0.50% administration fee) promissory note with the Oklahoma Water Resources Board. Principal and interest are payable semi-annually on March 15 and September 15. Repayment of funds began September 15, 2008. Principal drawdowns during year end June 30, 2011 were \$424,154. Total interest paid to Oklahoma Water Resource Board for the year ended June 30, 2011 was \$573,330 related to this note. At June 30, 2011 the principal balance is \$15,716,925. Principal maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin Fee</u>
2012	\$ 687,427	\$ 473,756	\$ 78,148
2013	712,048	452,562	74,721
2014	737,550	430,660	71,121
2015	763,965	407,976	67,390
2016	791,327	384,309	63,695
2017-2021	4,402,609	2,048,737	254,690
2022-2026	5,249,540	812,476	134,640
2027-2031	2,372,459	80,267	15,130
	<u>\$ 15,716,925</u>	<u>\$ 5,090,744</u>	<u>\$ 759,534</u>

City of Ardmore, Oklahoma  
Notes to Financial Statements  
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**X. Long Term Debt (continued)**

*Debt Covenants:* This loan is secured by utility system revenues. The City must maintain net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service.

*Oklahoma Water Resources Board series 2009 Promissory Note*

During 2009-2010, the Ardmore Public Works Authority entered into a \$1,090,000, 20 year, 2.67% (2.17% interest and 0.50% administration fee) promissory note with the Oklahoma Water Resources Board. Principal and interest are payable semi-annually on March 15 and September 15. Repayment of the funds is to begin September 15, 2012. As part of the American Recovery and Reinvestment Act (ARRA) of 2009, Ardmore Public Works Authority qualifies for \$336,592 of this loan balance to be forgiven. Principal drawdowns during 2010-2011 totaled \$649,362. An amount of \$83,031 was forgiven as part of the ARRA funding. The amount of loan forgiveness is reported as federal grant income and included on the Schedule of Expenditures of Federal Awards. Total interest paid to Oklahoma Water Resource Board for the year ended June 30, 2011 was \$3,623 related to this note. At June 30, 2011 the principal balance is \$674,885. Principal maturities based on current drawdowns are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin Fee</u>
2012	\$ 27,545	\$ 11,038	\$ 2,544
2013	28,344	14,090	3,246
2014	29,117	13,461	3,102
2015	29,910	12,816	2,954
2016	162,158	53,839	12,405
2017-2021	185,549	34,829	802
2022-2026	212,262	13,115	3,023
	<u>\$ 674,885</u>	<u>\$ 153,188</u>	<u>\$ 28,076</u>

*Debt Covenants:* This loan is secured by utility system revenues. The City must maintain net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service.

*Debt Service Coverage Requirement*

The Oklahoma Water Resource Board Notes Payables are secured by utility system revenues. The City must maintain net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service. Calculation of that compliance with those requirements is as follows:

City of Ardmore, Oklahoma  
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**X. Long Term Debt (continued)**

<i>Net Revenue Available for Debt Service:</i>	
Operating Revenue	\$12,543,302
Less: Sanitation	(3,052,750)
Less: Golf Course	(480,208)
Less: Golf Course Building Fund	<u>(11,243)</u>
Total Operating Revenue	8,999,101
Operating Expenses	11,713,452
Less: Sanitation	(1,941,430)
Less: Golf Course	(584,368)
Less: Golf Course Building Fund	(6,244)
Less: Depreciation Expense	(4,294,657)
Less: Amortization Expense	<u>(10,580)</u>
Total Operating Expenses	<u>4,876,173</u>
Operating Income (Loss)	4,122,928
Net Revenues Available for Debt Service	<u>\$ 4,122,928</u>
<i>Maximum Debt Service Requirements</i>	
ORF-04-0011-DW	\$ 156,571
ORF-04-0006-CW	1,258,823
ORF-05-0005-CW	1,239,331
ORF-09-0018-CW	<u>41,127</u>
Total Debt Service Requirement	<u>\$ 2,695,852</u>
Total Debt Service Requirement at 125%	<u>\$ 3,369,815</u>
Actual Coverage	153%
Required Coverage	125%

*Arbuckle Water Contract*

In July, 1971, the City entered into a contract with the Arbuckle Master Conservancy District for the creation of a municipal water supply. This was a joint project of several communities to develop Lake of the Arbuckles. The City of Ardmore was to receive 57.8% of the water supply and bear 57.8% of the costs. The City's allocation of the construction costs as of September 1, 1980, was \$3,170,906. In addition, \$7,300 is added to the required payment each year throughout the entire payment period for payment of the City's additional share of unallocated water. The interest rate is 3.046 percent.

Following is a detail of the payment schedule:

City of Ardmore, Oklahoma  
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**X. Long Term Debt (continued)**

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Additional Required Payment</u>
2012	\$ 138,657	\$ 40,343	\$ 7,300
2013	145,881	36,119	7,300
2014	153,324	31,676	7,300
2015	160,995	27,005	7,300
2016	168,898	22,102	7,300
2017-2021	556,693	34,436	7,300
	<u>\$ 1,324,448</u>	<u>\$ 191,681</u>	<u>\$ 43,800</u>

Total interest paid to Arbuckle Master Conservancy District for the year ended June 30, 2011 was \$44,353.

*Long-term Revenue Bonds*

TIF Revenue Note Tax Exempt Series 2010A	\$ 6,960,000
TIF Revenue Note Tax Exempt Series 2010B	1,175,000
Sales Tax Revenue Bonds Ardmore Schools Project 2005	<u>3,755,000</u>
	<u>\$ 11,890,000</u>

*Ardmore Community Facilities - Sales Tax Revenue Bonds*

During 2004-2005, the Ardmore Community Facilities Authority issued \$7,000,000 Sales Tax Revenue Bonds. Interest is payable semi-annually in January and July at rates from 3.0% to 4.0%. Principal is due annually in January. Interest for the year ended June 30, 2011 was \$135,180.

*Pledged Revenues:* The bonds are secured by assignment of the Sales Tax agreement of the dedicated sales tax in the GAPS Tax Schools Fund.

Principal and interest maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 685,000	\$ 126,731
2013	735,000	115,125
2014	790,000	84,644
2015	<u>1,545,000</u>	<u>61,800</u>
	<u>\$ 3,755,000</u>	<u>\$ 388,300</u>

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

**X. Long Term Debt (continued)**

*Tax Increment Revenue Note – Tax Exempt Series 2010A*

During 2009-2010, The Ardmore Public Works Authority issued \$6,960,000 Tax Exempt Revenue Bonds. Principal and interest are payable semi-annually in March and September. The interest rate on the bonds is fixed at 4%. Principal Payments will start March 2014. Interest paid for year ended June 30, 2011 was \$211,893.

*Pledged Revenues:* The bonds are secured by assignment of the ad valorem taxes generated from Tax Increment Financing District #2.

Principal and interest maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 278,400
2013	-	278,400
2014	230,000	278,400
2015	500,000	267,911
2016	520,000	248,096
2017-2021	2,920,000	901,327
2022-2026	2,790,000	260,759
	<u>\$ 6,960,000</u>	<u>\$ 2,513,293</u>

*Tax Increment Revenue Note – Tax Exempt Series 2010B*

During 2009-2010, The Ardmore Public Works Authority issued \$1,595,000 Tax Exempt Revenue Bonds. Principal and interest are payable semi-annually in March and September. The interest rate on the bonds is fixed at 4%. Interest paid for year ended June 30, 2011 was \$44,559.

*Pledged Revenues:* The bonds are secured by assignment of the ad valorem taxes generated from Tax Increment Financing District #2.

Principal and interest maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 455,000	\$ 43,233
2013	465,000	24,574
2014	255,000	5,213
	<u>\$ 1,175,000</u>	<u>\$ 73,020</u>

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

**XI. Pension Plans**

The City contributes to pension plans on behalf of all full time employees including the police and fire departments. Following is a discussion of each plan, and the summary financial data:

*Policemen's Retirement Plan*

Police department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements. A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equals 2.5% of the average compensation of the highest 30 consecutive months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2011. Participating members are required to contribute 8%.

Three Year Trend Information:

Year Ended June 30,	Covered Payroll	City Contribution	Employee Contribution	On Behalf Payments
2011	\$ 2,095,283	\$ 272,387	\$ 167,622	\$ 211,359
2010	2,180,200	283,426	172,405	191,858
2009	2,209,505	287,236	173,075	298,000

Additional information can be obtained by writing Oklahoma Police Pension and Retirement Board, 1001 N.W. 63rd, Suite 305, Oklahoma City, OK, 73116.

*Firefighters' Retirement Plan*

Fire department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Firefighters' Pension Fund, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

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

**XI. Pension Plans (continued)**

A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equal to 2.5% of the average compensation of the highest 30 months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% per the year June 30, 2011. Participating members are required to contribute 8%.

Three Year Trend Information:

Year Ended June 30,	Covered Payroll	City Contribution	Employee Contribution	On Behalf Payments
2011	\$ 1,699,485	\$ 220,933	\$ 140,236	\$ 418,073
2010	1,706,916	221,899	136,553	372,108
2009	1,707,201	221,937	140,510	393,000

Additional information can be obtained by writing Oklahoma Firefighters Pension and Retirement Board, 4545 N. Lincoln Blvd., Suite 165, Oklahoma City, OK, 73105.

*Municipal Retirement Plan*

In May 2004 the City of Ardmore changed retirement plans to the Oklahoma Municipal Retirement Fund. All regular full-time employees, except those covered under another retirement system are eligible immediately.

The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained by requesting a copy at City Hall.

Funding Policy: The contribution requirements of City of Ardmore and employees are established and may be amended by the OMRF board. Employees are required to contribute 4.0 percent of their annual covered salary. City of Ardmore is required to contribute at an actuarially determined rate; the rate at June 30, 2011 is 26.56% of covered payroll.

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

**XI. Pension Plans (continued)**

Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 17,589,213
Actuarial value of plan assets	12,484,073
Unfunded actuarial accrued liability (UAAL)	\$ 5,105,140
Funded Ratio (actuarial value of plan assets/AAL)	71.0%
Annual covered payroll	7,526,857
UALL as a percentage of covered payroll	67.8%

Annual Pension Cost: For 2011, City of Ardmore’s annual pension cost of \$1,655,190 was equal to the required and actual contributions. The required contribution was determined as part of the March 10, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 percent investment rate of return, (II) projected salary increases due to inflation of 3 percent, compounded annually, and (III) projected salary increases due to age/seniority, compounded annually.

Trend Information:

Year Ended June 30,	Contribution Rate	City Cost (APC)	Percent Contributed
2011	26.56%	\$ 1,655,190	100%
2010	20.47%	\$ 1,570,175	100%
2009	20.01%	1,516,533	100%

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

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

City Manager Retirement Plan

City of Ardmore participates in the Oklahoma Municipal Retirement Funds City Manager Retirement Plan. The City is required to contribute the maximum annual amount for the year ended June 30, 2011. The City Manager is not required to contribute.

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

**XI. Pension Plans**

*Oklahoma Municipal Retirement Fund 457 Plan*

The OMRF 457 Plan is a voluntary retirement plan City employees can participate in. The City is not required to match funds contributed to the plan. The City contributes to the Oklahoma Municipal Retirement Fund 457 Plan for certain members of the executive staff. The employees are not required to contribute to the plan. Contribution amounts vary by employee, no set percentage is required.

The City's contributions for the year ended June 30, 2011 were \$106,634.

**XII. Risk Management**

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

*General Liability, Physical Property and Automobile Liability/ Physical Damage* - general liability, physical property and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group risk entity pool. Deductibles range from \$0 to \$5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by OMAG.

*Internal Service*

The City's risk management activities are recorded in the Internal Service Funds. The purpose of the fund is to administer employee life and health insurance programs of the City on a cost-reimbursement basis. This fund accounts for the risk financing of the City but does not constitute a transfer of risk from the City. The City maintains a stop-loss policy for the indemnity health plan to limit risk associated with that plan. The City records an estimated liability for indemnity health care. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and estimate for claims incurred but not reported based on historical experience.

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

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

**XII. Risk Management**

The following represents the changes in approximate aggregate health care liabilities for the City from July 1, 2007, to June 30, 2011:

Liability Balance June 30, 2007	\$ 336,965
Claims and Change in Estimates	2,850,777
Claims Payments	(2,816,142)
Liability Balance June 30, 2008	371,600
Claims and Change in Estimates	2,767,992
Claims Payments	(2,909,100)
Liability Balance June 30, 2009	230,492
Claims and Change in Estimates	3,360,947
Claims Payments	(3,175,184)
Liability Balance June 30, 2010	416,255
Claims and Change in Estimates	2,772,888
Claims Payments	<u>(2,987,671)</u>
Liability Balance June 30, 2011	<u>\$ 201,472</u>
Assets Available to Pay Claims at June 30, 2011	<u>\$ 844,081</u>

**XIII. Contingencies**

*Federal Programs*

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The final acceptance of the audits of these programs including the year ended June 30, 2011, has not been given. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

*Litigation*

The City is involved in certain legal actions, none of which, in the opinion of the City, would have material effect on the City. In the event that the City is held liable for damage in any of these matters, the resulting judgments to the extent not covered by insurance will be paid from ad valorem tax monies to be received over a three year period.

*Special Assessments*

The City entered into agreements with the property owners of the Greenbriar Addition and Timbergrove Addition to repair and augment utility lines and rehabilitate certain streets and also with the Ardmore Streetscape to repair curbs, gutters and sidewalks on Main Street. The costs will be shared 60% by the City and 40% by the property owners. The City will recover the property owners' portion by special assessment over a ten year period after completion of each project, including interest.

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

**XIV. Other Post Employment Benefits**

*Healthcare Plan*

Plan Description: The City of Ardmore Postretirement Medical Plan is a single employer defined benefit healthcare plan administered by the City of Ardmore. The Plan provides medical, dental and prescription drug benefits to eligible retirees and their dependents who elect to make the required contributions. The contribution requirements of the City and plan members are established and may be amended by the City Commission. These contributions are neither guaranteed nor mandatory. The City has retained the right to unilaterally modify its payments toward retiree health care benefits. Retirees receiving benefits contribute a percentage of the monthly insurance premium.

The City elected to prospectively implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in the current fiscal year.

Funding Policy: The contribution requirements of plan members and the City of Ardmore are established and may be amended by the Board or Commissioners of City of Ardmore. The required contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the City of Ardmore Postretirement Medical Plan:

Annual Required Contribution (ARC)	\$ 541,101
Interest on Net OPEB Obligation	16,210
Adjustment to Annual Required Contribution	(12,008)
Annual OPEB Cost (Expense)	545,303
Contributions Made	(180,872)
Increase in Net OPEB Obligation	364,431
Net OPEB Obligation - Beginning of Year	360,229
Net OPEB Obligation - End of Year	<u>\$ 724,660</u>

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

**XIV. Other Post Employment Benefits (continued)**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 545,303	33.17%	\$ 724,660
2010	541,101	33.43%	360,229
2009	-	-	-

**Funded Status and Funding Progress:** As of December 8, 2010, the most recent actuarial valuation date, the plan is funded on the pay-as-you-go basis, resulting in no plan assets. The actuarial accrued liability for benefits was \$3,745,587, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,745,587.

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

**Actuarial Methods and Assumptions:** Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 8, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, and a health care cost trend graded from 7.0 percent in 2010 reduced by decrements to 5.0 percent in 2013, with the same trend applied to retiree contributions. Both rates include a 4.5 percent inflation assumption. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized over a 30 year period by level dollar amounts as allowed by GASB 45. The remaining amortization period at December 8, 2010, was 29 years.

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

**XV. Prior Period Adjustments**

	General Fund	Community Facilities Authority	TIF 2	Wastewater Enterprise	Water Enterprise	Governmental Activities	Business-Type Activities
Beginning fund balance/net assets as previously reported	\$ 1,986,629	\$ 1,679,543	\$ 2,616,118	\$ 11,913,139	\$ 15,019,729	\$ 38,464,127	\$ 29,612,071
Correction of errors:							
Understatement of prepaid judgment	157,113					157,113	
Overstatement of revenue receivable	(21,241)					(21,241)	
(Over) Understatement of Bond finance costs		68,753	215,630	38,475	75,080	(68,753)	397,938
Missclassification of fund at government wide			(8,555,000)			8,654,342	(4,572,487)
Overstatement of Judgments						302,454	
Over (Understatement) of Interest Payable		(71,024)	(85,550)			102,900	156,574
Beginning fund balance/net asset as restated	\$ 2,122,501	\$ 1,677,272	\$ (5,808,802)	\$ 11,951,614	\$ 15,094,809	\$ 47,590,942	\$ 25,594,096

**XVI. Subsequent events**

In October 2011, the Ardmore Public Works Authority a blended component unit of the City incurred \$4,640,000 indebtedness for sewer basin repair and refinancing of the automated meter capital lease which at June 30, 2011 had a balance of \$2,003,666 and was included in the Enterprise Funds capital lease related to infrastructure.

In December 2011, the Commission passed a resolution creating the Ardmore Educational Facilities Authority. This Authority is a blended component unit of the City and is governed by the City of Commissioners. This Authority is to assist in the new construction of a Nursing building for the Higher Ed (branch campus) and the new community recreation facility (YMCA). As of the date of the report no activity related to this Authority has been started.

Since June 30, 2011 there have been approximately \$630,000 of judgments against the City. The judgments will be levied by the City through the debt service fund and will be collected over three year period.

***REQUIRED SUPPLEMENTARY  
INFORMATION***

City of Ardmore, Oklahoma  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual – General Fund  
For the Year Ended June 30, 2011  
(Unaudited)

	<u>Budget Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balances - Beginning	\$ 1,988,323	\$ 1,988,323	\$ 1,988,323	\$ -
<b>Resources (inflows)</b>				
Taxes	9,169,893	9,169,893	9,562,578	392,685
License and Permits	132,000	132,000	127,671	(4,329)
Fines and Forfeitures	163,500	163,500	234,461	70,961
Charges for Services	57,000	57,000	58,748	1,748
Use of Money and Property	177,000	177,000	212,431	35,431
Interest	7,500	7,500	16,869	9,369
Other Revenue	31,000	31,000	25,403	(5,597)
Intergovernmental	-	-	2,756	2,756
Reimbursement	135,050	135,050	187,472	52,422
Transfers In	<u>7,343,252</u>	<u>7,343,252</u>	<u>7,250,869</u>	<u>(92,383)</u>
Amounts available for appropriation	<u>19,204,518</u>	<u>19,204,518</u>	<u>19,667,581</u>	<u>463,063</u>
<b>Charges to appropriations (outflows)</b>				
Current				
General Government	5,024,867	5,024,867	4,640,344	384,523
Public Safety	7,897,723	7,897,723	7,619,550	278,173
Legal and Judicial	226,700	205,221	179,676	25,545
Streets	1,604,360	1,625,839	1,535,146	90,693
Culture and Recreation	2,067,965	2,067,965	1,940,896	127,069
Cemetery and Parks	324,179	324,179	293,575	30,604
Debt Service	5,969	5,969	4,743	1,226
Transfers Out	<u>406,500</u>	<u>406,500</u>	<u>406,400</u>	<u>(100)</u>
Total charges to appropriations	<u>17,558,263</u>	<u>17,558,263</u>	<u>16,620,330</u>	<u>937,733</u>
 Budgetary fund balance, June 30	 <u>\$ 1,646,255</u>	 <u>\$ 1,646,255</u>	 <u>\$ 3,047,251</u>	 <u>\$ 1,400,796</u>

See Accompanying Notes to Budgetary Comparison Schedules

City of Ardmore, Oklahoma  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual – Community Enhancement Fund  
For the Year Ended June 30, 2011  
(Unaudited)

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Budgetary Fund Balance - Beginning	\$ 806,289	\$ 806,289	\$ 806,289	\$ -
<b>Resources (inflows):</b>				
Taxes	2,358,830	2,358,830	2,470,965	112,135
Interest	2,200	2,200	2,824	624
Amounts available for appropriation	<u>3,167,319</u>	<u>3,167,319</u>	<u>3,280,078</u>	<u>112,759</u>
<b>Charges to appropriations (outflows):</b>				
General Government	708,924	740,924	740,534	390
Transfers Out	1,654,400	1,654,400	1,654,400	-
Total charges to appropriations	<u>2,363,324</u>	<u>2,395,324</u>	<u>2,394,934</u>	<u>390</u>
Budgetary Fund Balances - Ending	<u>\$ 803,995</u>	<u>\$ 771,995</u>	<u>\$ 885,144</u>	<u>\$ 113,149</u>

See Accompanying Notes to Budgetary Comparison Schedules

City of Ardmore, Oklahoma  
Notes to Budgetary Comparison Schedules  
For the Year Ended June 30, 2011  
(Unaudited)

Note A Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	General Fund	Community Enhancement Fund
I. Sources/inflows of resources:		
Actual amounts (budget basis) available for appropriation from the budgetary comparison schedule	\$ 19,667,581	\$ 3,280,078
Differences – budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not current year revenue for financial reporting	(1,988,323)	(806,289)
Transfers from other funds are inflows for budgetary resources but are not <i>revenues</i> for financial reporting	(7,250,869)	-
Funds included based on GASB 54 criteria for financial reporting but not for budget purposes	266,082	-
On-behalf payments to Police and Fire Retirement System	629,432	-
Short-term accounts receivable is considered a current year budgetary revenue.	3,009,456	124,120
	<u>\$ 14,333,359</u>	<u>\$ 2,597,909</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.		
II. Uses/outflows of resources:		
Actual amounts (budget basis) total charges to appropriations from the	\$ 16,620,330	\$ 2,394,934
Differences – budget to GAAP:		
On-behalf payments to Police and Fire Retirement System	629,432	-
Transfers to other funds are outflows for budgetary resources but are not <i>expenditures</i> for financial reporting	(406,400)	-
Funds included based on GASB 54 criteria but not for budget purposes	376,820	-
Short-term accruals are considered current year budgetary expenditures	(161,794)	(229)
	<u>\$ 17,058,388</u>	<u>\$ 2,394,705</u>
Total expenditures as reported on the statement of revenues, expenditures, and		

Note B Budgetary Basis of Accounting

Under the budgetary basis of accounting, revenues are recognized when they are received rather than earned. Purchases of materials, outside services and capital outlays are recognized as expenditures when the commitment to purchase is made (encumbered).

City of Ardmore, Oklahoma  
Schedule of Funding Progress  
OMRF Agent Multiple Employer Defined Benefit Pension Plan  
For the Year Ended June 30, 2011  
(Unaudited)

Actuarial Valuation		Actuarial				UAAL as a
Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
1/1/2005	3,005,892	3,986,858	980,966	75.4%	5,798,942	16.9%
1/1/2006	4,079,324	4,918,406	839,082	82.9%	5,975,213	14.0%
1/1/2007	5,417,663	6,212,718	795,055	87.2%	6,434,428	12.4%
1/1/2008	6,971,159	10,503,727	3,532,568	66.4%	7,032,998	50.2%
1/1/2009	8,440,628	12,499,353	4,058,725	67.5%	7,274,284	55.8%
1/1/2010	10,264,324	15,209,309	4,944,985	67.5%	7,373,669	67.1%
1/1/2011	12,484,074	17,589,213	5,105,139	71.0%	7,526,857	67.8%

City of Ardmore, Oklahoma  
 Schedule of Funding Progress  
 Post Retirement Medical Plan  
 For the Year Ended June 30, 2011  
 (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
12/8/2010	-	1,611,344	1,611,344	0.0%

***OTHER SUPPLEMENTARY  
INFORMATION***

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

	Total Special Revenue	Total Capital Projects	Debt Service Fund	Total Nonmajor Governmental Funds
Cash and Cash Equivalents	\$ 4,476,936	\$ 1,888,160	\$ 681,552	\$ 7,046,648
Investments	3,799,367	-	-	3,799,367
Revenue Receivable	1,125,081	-	14,644	1,139,725
Prepaid Expense	-	-	90,020	90,020
Total Assets	<u>9,401,384</u>	<u>1,888,160</u>	<u>786,216</u>	<u>12,075,760</u>
 Liabilities				
Due to Other Funds	\$ -	\$ -	\$ 90,020	\$ 90,020
Accounts Payable	215,400	9,334	-	224,734
Deferred Revenue	-	-	11,373	11,373
Accrued Expenses	218,318	1,085	-	219,403
Total Liabilities	<u>433,718</u>	<u>10,419</u>	<u>101,393</u>	<u>545,530</u>
 Fund Balances				
Restricted	4,473,145	947,315	684,823	6,105,283
Committed	4,337,532	912,332	-	5,249,864
Assigned	157,575	18,094	-	175,669
Unassigned	(586)	-	-	(586)
Total Fund Balances	<u>8,967,666</u>	<u>1,877,741</u>	<u>684,823</u>	<u>11,530,230</u>
 Total Liabilities and Fund Balances				
	<u>\$ 9,401,384</u>	<u>\$ 1,888,160</u>	<u>\$ 786,216</u>	<u>\$ 12,075,760</u>

City of Ardmore, Oklahoma  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2011

	Total Special	Total Capital	Debt Service	Total Non major
	Revenue	Projects	Fund	Governmental
	<u>Revenue</u>	<u>Projects</u>	<u>Fund</u>	<u>Funds</u>
Revenues				
Taxes	\$ 6,864,676	\$ -	\$ 251,256	\$ 7,115,932
Use of Money and Property	231,382	16,203	-	247,585
Interest	94,169	9,652	-	103,821
Other Revenue	263,813	467,225	-	731,038
Intergovernmental	586,944	-	-	586,944
Reimbursement	46,693	22,849	-	69,542
Total Revenues	<u>8,087,677</u>	<u>515,929</u>	<u>251,256</u>	<u>8,854,862</u>
Expenditures				
Current				
General Government	257,443	-	1,715	259,158
Public Safety	90,700	-	-	90,700
Streets	374,290	416	-	374,706
Culture and Recreation	334,669	141,584	-	476,253
Education	1,262,063	-	-	1,262,063
Cemetery and Parks	-	900	-	900
Economic Development	1,875,042	-	-	1,875,042
Capital Outlay				
General Government	1,976,556	-	-	1,976,556
Public Safety	71,481	-	-	71,481
Culture and Recreation	80,881	121,624	-	202,505
Cemetery	-	8,535	-	8,535
Debt Service				
Principal Payments	67,794	-	206,040	273,834
Interest and Fees	2,666	-	60,066	62,732
Total Expenditures	<u>6,393,585</u>	<u>273,059</u>	<u>267,821</u>	<u>6,934,465</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>1,694,092</u>	<u>242,870</u>	<u>(16,565)</u>	<u>1,920,397</u>
Other Financing Sources (Uses)				
Transfers In	420,684	-	-	420,684
Transfers Out	<u>(1,971,718)</u>	<u>(261,280)</u>	<u>-</u>	<u>(2,232,998)</u>
Total Other				
Financing Sources (Uses)	<u>(1,551,034)</u>	<u>(261,280)</u>	<u>-</u>	<u>(1,812,314)</u>
Net Change in Fund Balances	143,058	(18,410)	(16,565)	108,083
Fund Balances - Beginning	<u>8,824,608</u>	<u>1,896,151</u>	<u>701,388</u>	<u>11,422,147</u>
Fund Balances - Ending	<u>\$ 8,967,666</u>	<u>\$ 1,877,741</u>	<u>\$ 684,823</u>	<u>\$ 11,530,230</u>

City of Ardmore, Oklahoma  
Combining Balance Sheet  
Nonmajor Governmental Funds – Special Revenue Funds  
June 30, 2011

	GAPS Tax City	GAPS Tax Schools	Library Trust Fund	Drug Enforcement	Library State Grant	Downtown Executive Airport
<b>Assets</b>						
Cash	\$ 2,111,297	\$ -	\$ 183,224	\$ 32,704	\$ 32,987	\$ 46,769
Investments	-	-	3,799,367	-	-	-
Revenue Receivable	218,318	218,318	-	-	-	-
Due From Other Funds	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 2,329,615</u>	<u>\$ 218,318</u>	<u>\$ 3,982,591</u>	<u>\$ 32,704</u>	<u>\$ 32,987</u>	<u>\$ 46,769</u>
<b>Liabilities</b>						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	161,377	-	-	-	4,765	450
Accrued Expenses	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>161,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,765</u>	<u>450</u>
<b>Fund Balances</b>						
Restricted	-	218,318	3,911,684	32,462	28,039	23,520
Committed	2,154,584	-	-	-	-	-
Assigned	13,654	-	70,907	242	183	22,799
Unassigned	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>2,168,238</u>	<u>218,318</u>	<u>3,982,591</u>	<u>32,704</u>	<u>28,222</u>	<u>46,319</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,329,615</u>	<u>\$ 218,318</u>	<u>\$ 3,982,591</u>	<u>\$ 32,704</u>	<u>\$ 32,987</u>	<u>\$ 46,769</u>

City of Ardmore, Oklahoma  
Combining Balance Sheet  
Nonmajor Governmental Funds – Special Revenue Funds  
June 30, 2011

	Historical Grant	Street and Alley	Mayor's Anti Crime	ADA Revolving	Reserve Management	CDBG	Convention Tourism
<b>Assets</b>							
Cash	\$ -	\$ 452	\$ 83,052	\$ 191,909	\$ 1,760,277	\$ 7,258	\$ -
Investments	-	-	-	-	-	-	-
Revenue Receivable	-	40,442	-	-	290,330	-	139,355
Due From Other Funds	-	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 40,894</u>	<u>\$ 83,052</u>	<u>\$ 191,909</u>	<u>\$ 2,050,607</u>	<u>\$ 7,258</u>	<u>\$ 139,355</u>
<b>Liabilities</b>							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	586	-	14,194	-	-	7,258	-
Accrued Expenses	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>586</u>	<u>-</u>	<u>14,194</u>	<u>-</u>	<u>-</u>	<u>7,258</u>	<u>-</u>
<b>Fund Balances</b>							
Restricted	-	-	68,238	190,647	-	-	-
Committed	-	-	-	-	2,043,593	-	139,355
Assigned	-	40,894	620	1,262	7,014	-	-
Unassigned	(586)	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>(586)</u>	<u>40,894</u>	<u>68,858</u>	<u>191,909</u>	<u>2,050,607</u>	<u>-</u>	<u>139,355</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 40,894</u>	<u>\$ 83,052</u>	<u>\$ 191,909</u>	<u>\$ 2,050,607</u>	<u>\$ 7,258</u>	<u>\$ 139,355</u>

City of Ardmore, Oklahoma  
Combining Balance Sheet  
Nonmajor Governmental Funds – Special Revenue Funds  
June 30, 2011

	ADA		Tree Grant	Hester K	
	Industrial	FAA Grant		Horn	Total
<b>Assets</b>					
Cash	\$ -	\$ 3,000	\$ 23,648	\$ 359	\$ 4,476,936
Investments	-	-	-	-	3,799,367
Revenue Receivable	218,318	-	-	-	1,125,081
Due From Other Funds	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 218,318</u>	<u>\$ 3,000</u>	<u>\$ 23,648</u>	<u>\$ 359</u>	<u>\$ 9,401,384</u>
<b>Liabilities</b>					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	3,000	23,648	122	215,400
Accrued Expenses	218,318	-	-	-	218,318
<b>Total Liabilities</b>	<u>218,318</u>	<u>3,000</u>	<u>23,648</u>	<u>122</u>	<u>433,718</u>
<b>Fund Balances</b>					
Restricted	-	-	-	237	\$ 4,473,145
Committed	-	-	-	-	4,337,532
Assigned	-	-	-	-	157,575
Unassigned	-	-	-	-	(586)
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237</u>	<u>8,967,666</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 218,318</u>	<u>\$ 3,000</u>	<u>\$ 23,648</u>	<u>\$ 359</u>	<u>\$ 9,401,384</u>

City of Ardmore, Oklahoma  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds – Special Revenue Funds  
For The Year June 30, 2011

	GAPS Tax City	GAPS Tax Schools	Library Trust Fund	Drug Enforcement	Library State Grant	Downtown Executive Airport
Revenues						
Taxes	\$ 1,297,543	\$ 1,297,543	\$ -	\$ -	\$ -	\$ -
Use of Money and Property	-	-	-	-	-	20,139
Interest	13,654	-	70,907	242	183	265
Other Revenue	-	-	261,618	-	-	2,015
Intergovernmental	-	-	-	-	33,236	71,669
Reimbursement	-	-	7	17,397	-	-
Total Revenues	<u>1,311,197</u>	<u>1,297,543</u>	<u>332,532</u>	<u>17,639</u>	<u>33,419</u>	<u>94,088</u>
Expenditures						
Current						
General Government	(114)	-	-	-	-	-
Public Safety	-	-	-	15,535	-	-
Streets	-	-	-	-	-	-
Culture and Recreation	-	-	13,923	-	17,503	9,469
Education	-	1,235,483	-	-	-	-
Economic Development	-	-	-	-	-	-
Capital Outlay						
General Government	1,854,836	-	-	-	-	-
Public Safety	-	-	-	24,825	-	-
Culture and Recreation	-	-	-	-	2,920	76,790
Debt Service						
Principal Payments	3,931	-	-	-	-	-
Interest and Fees	218	-	-	-	-	-
Total Expenditures	<u>1,858,871</u>	<u>1,235,483</u>	<u>13,923</u>	<u>40,360</u>	<u>20,423</u>	<u>86,259</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures						
	<u>(547,674)</u>	<u>62,060</u>	<u>318,609</u>	<u>(22,721)</u>	<u>12,996</u>	<u>7,829</u>
Other Financing Sources (Uses)						
Capital Lease Proceeds	-	-	-	-	-	-
Loss on Investments	-	-	-	-	-	-
Sale of City Property	-	-	-	-	-	-
Transfers In	-	-	-	-	-	380
Transfers Out	-	-	-	-	-	-
Total Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>380</u>
Net Change in Fund Balances						
	(547,674)	62,060	318,609	(22,721)	12,996	8,209
Fund Balances - Beginning						
	2,715,912	156,258	3,663,982	55,425	15,226	38,110
Fund Balances - Ending						
	<u>\$ 2,168,238</u>	<u>\$ 218,318</u>	<u>\$ 3,982,591</u>	<u>\$ 32,704</u>	<u>\$ 28,222</u>	<u>\$ 46,319</u>

City of Ardmore, Oklahoma  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds – Special Revenue Funds  
For The Year June 30, 2011

	Historical Grant	Street and Alley	Mayor's Anti Crime	ADA Revolving	Reserve Management
<b>Revenues</b>					
Taxes	\$ -	\$ 215,047	\$ -	\$ -	\$ 1,810,344
Use of Money and Property	-	-	211,243	-	-
Interest	-	7	620	1,262	7,014
Other Revenue	180	-	-	-	-
Intergovernmental	7,003	-	-	-	-
Reimbursement	90	-	-	-	-
<b>Total Revenues</b>	<u>7,273</u>	<u>215,054</u>	<u>211,863</u>	<u>1,262</u>	<u>1,817,358</u>
<b>Expenditures</b>					
<b>Current</b>					
General Government	-	-	-	-	21,223
Public Safety	-	-	254	-	-
Streets	-	374,290	-	-	-
Culture and Recreation	14,110	-	-	-	-
Education	-	-	26,580	-	-
Economic Development	-	-	-	-	-
<b>Capital Outlay</b>					
General Government	-	-	-	-	121,720
Public Safety	-	-	20,545	-	-
Culture and Recreation	-	-	-	-	-
<b>Debt Service</b>					
Principal Payments	-	36,001	-	-	-
Interest and Fees	-	1,280	-	-	-
<b>Total Expenditures</b>	<u>14,110</u>	<u>411,571</u>	<u>47,379</u>	<u>-</u>	<u>142,943</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(6,837)</u>	<u>(196,517)</u>	<u>164,484</u>	<u>1,262</u>	<u>1,674,415</u>
<b>Other Financing Sources (Uses)</b>					
Capital Lease Proceeds	-	-	-	-	-
Loss on Investments	-	-	-	-	-
Sale of City Property	-	-	-	-	-
Transfers In	3,615	276,000	-	-	-
Transfers Out	-	(46,474)	(205,916)	(3,000)	(1,485,638)
<b>Total Other Financing Sources (Uses)</b>	<u>3,615</u>	<u>229,526</u>	<u>(205,916)</u>	<u>(3,000)</u>	<u>(1,485,638)</u>
<b>Net Change in Fund Balances</b>	<u>(3,222)</u>	<u>33,009</u>	<u>(41,432)</u>	<u>(1,738)</u>	<u>188,777</u>
<b>Fund Balances - Beginning</b>	<u>2,636</u>	<u>7,885</u>	<u>110,290</u>	<u>193,647</u>	<u>1,861,830</u>
<b>Fund Balances - Ending</b>	<u>\$ (586)</u>	<u>\$ 40,894</u>	<u>\$ 68,858</u>	<u>\$ 191,909</u>	<u>\$ 2,050,607</u>

City of Ardmore, Oklahoma  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds – Special Revenue Funds  
For The Year June 30, 2011

	Hester K	
	Hom	Total
Revenues		
Taxes	-	\$ 6,864,676
Use of Money and Property	-	231,382
Interest	7	94,169
Other Revenue	-	263,813
Intergovernmental	-	586,944
Reimbursement	-	46,693
Total Revenues	7	8,087,677
Expenditures		
Current		
General Government	-	257,443
Public Safety	-	90,700
Streets	-	374,290
Culture and Recreation	-	334,669
Education	-	1,262,063
Economic Development	-	1,875,042
Capital Outlay		
General Government	-	1,976,556
Public Safety	-	71,481
Culture and Recreation	1,171	80,881
Debt Service		
Principal Payments	-	67,794
Interest and Fees	-	2,666
Total Expenditures	1,171	6,393,585
Excess (Deficiency) of Revenues Over (Under) Expenditures		
	(1,164)	1,694,092
Other Financing Sources (Uses)		
Capital Lease Proceeds	-	-
Loss on Investments	-	-
Sale of City Property	-	-
Transfers In	-	420,684
Transfers Out	-	(1,971,718)
Total Other Financing Sources (Uses)	-	(1,551,034)
Net Change in Fund Balances	(1,164)	143,058
Fund Balances - Beginning	1,401	8,824,608
Fund Balances - Ending	\$ 237	\$ 8,967,666

City of Ardmore, Oklahoma  
Combining Balance Sheet  
Nonmajor Governmental Funds - Capital Project Funds  
June 30, 2011

	Greenbriar	Timber Grove	Main Street	Champion Station	Street Scape
<b>Assets</b>					
Cash	\$ 55	\$ 96	\$ 293	\$ 814	\$ 9,111
<b>Total Assets</b>	<u>\$ 55</u>	<u>\$ 96</u>	<u>\$ 293</u>	<u>\$ 814</u>	<u>\$ 9,111</u>
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Expenses	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Restricted	-	-	-	-	-
Committed	55	96	293	814	9,111
Assigned	-	-	-	-	-
<b>Total Fund Balances</b>	<u>55</u>	<u>96</u>	<u>293</u>	<u>814</u>	<u>9,111</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 55</u>	<u>\$ 96</u>	<u>\$ 293</u>	<u>\$ 814</u>	<u>\$ 9,111</u>

City of Ardmore, Oklahoma  
Combining Balance Sheet  
Nonmajor Governmental Funds - Capital Project Funds  
June 30, 2011

	Valley Ranch Road	Capital Improvement	Cemetery	Library Capital Improvement	Total
<b>Assets</b>					
Cash	\$ 40,828	\$ 865,829	\$ 123,032	\$ 848,102	\$ 1,888,160
Total Assets	<u>\$ 40,828</u>	<u>\$ 865,829</u>	<u>\$ 123,032</u>	<u>\$ 848,102</u>	<u>\$ 1,888,160</u>
<b>Liabilities</b>					
Accounts Payable	\$ 13	\$ -	\$ -	\$ 9,321	\$ 9,334
Accrued Expenses	-	-	-	1,085	1,085
Total Liabilities	<u>13</u>	<u>-</u>	<u>-</u>	<u>10,406</u>	<u>10,419</u>
<b>Fund Balances</b>					
Restricted	-	-	113,477	833,838	947,315
Committed	40,815	861,148	-	-	912,332
Assigned	-	4,681	9,555	3,858	18,094
Total Fund Balances	<u>40,815</u>	<u>865,829</u>	<u>123,032</u>	<u>837,696</u>	<u>1,877,741</u>
Total Liabilities and Fund Balances	<u>\$ 40,828</u>	<u>\$ 865,829</u>	<u>\$ 123,032</u>	<u>\$ 848,102</u>	<u>\$ 1,888,160</u>

City of Ardmore, Oklahoma  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds –Capital Project Funds  
For the Year Ended June 30, 2011

	Greenbriar	Timber Grove	Main Street	Champion Station	Street Scope
Revenues					
Use of Money and Property	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	23	6	7	86
Other Revenue	-	-	-	-	-
Reimbursement	-	-	-	242	3,911
Total Revenues	<u>-</u>	<u>23</u>	<u>6</u>	<u>249</u>	<u>3,997</u>
Expenditures					
Current					
Streets	-	-	-	13	-
Culture and Recreation	-	-	-	-	-
Cemetery and Parks	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Cemetery	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>23</u>	<u>6</u>	<u>236</u>	<u>3,997</u>
Other Financing Sources (Uses)					
Transfers Out	<u>-</u>	<u>(3,400)</u>	<u>(500)</u>	<u>(380)</u>	<u>(7,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3,400)</u>	<u>(500)</u>	<u>(380)</u>	<u>(7,000)</u>
Net Change in Fund Balances	-	(3,377)	(494)	(144)	(3,003)
Fund Balances - Beginning	<u>55</u>	<u>3,473</u>	<u>787</u>	<u>958</u>	<u>12,114</u>
Fund Balances - Ending	<u>\$ 55</u>	<u>\$ 96</u>	<u>\$ 293</u>	<u>\$ 814</u>	<u>\$ 9,111</u>

City of Ardmore, Oklahoma  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds –Capital Project Funds  
For the Year Ended June 30, 2011

	Valley Ranch Road	Capital Improvement	Cemetery	Library Capital Improvement	Total
<b>Revenues</b>					
Use of Money and Property	\$ -	\$ -	\$ 16,203	\$ -	\$ 16,203
Interest	199	4,681	792	3,858	9,652
Other Revenue	-	467,225	-	-	467,225
Reimbursement	<u>18,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,849</u>
Total Revenues	<u>18,895</u>	<u>471,906</u>	<u>16,995</u>	<u>3,858</u>	<u>515,929</u>
<b>Expenditures</b>					
<b>Current</b>					
Streets	403	-	-	-	416
Culture and Recreation	-	-	-	141,584	141,584
Cemetery and Parks	-	-	900	-	900
Culture and Recreation	-	-	-	121,624	121,624
Cemetery	<u>-</u>	<u>-</u>	<u>8,535</u>	<u>-</u>	<u>8,535</u>
Total Expenditures	<u>403</u>	<u>-</u>	<u>9,435</u>	<u>263,208</u>	<u>273,059</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,492</u>	<u>471,906</u>	<u>7,560</u>	<u>(259,350)</u>	<u>242,870</u>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(261,280)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(261,280)</u>
Net Change in Fund Balances	18,492	221,906	7,560	(259,350)	(18,410)
Fund Balances - Beginning	<u>22,323</u>	<u>643,923</u>	<u>115,472</u>	<u>1,097,046</u>	<u>1,896,151</u>
Fund Balances - Ending	<u>\$ 40,815</u>	<u>\$ 865,829</u>	<u>\$ 123,032</u>	<u>\$ 837,696</u>	<u>\$ 1,877,741</u>

City of Ardmore, Oklahoma  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2011

	<u>Garage Fund</u>	<u>Employee Benefit</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	66,377	\$ 844,081	\$ 910,458
Due from Other Funds	-	40,448	40,448
Investments		300,000	300,000
Inventory	<u>25,243</u>	<u>-</u>	<u>25,243</u>
Total Assets	<u>\$ 91,620</u>	<u>\$ 1,184,529</u>	<u>\$ 1,276,149</u>
<b>Liabilities</b>			
Accounts Payable	\$ 9,839	\$ 1,424	\$ 11,263
Accrued Expenses	<u>7,630</u>	<u>201,472</u>	<u>209,102</u>
Total Liabilities	<u>17,469</u>	<u>202,896</u>	<u>220,365</u>
<b>Fund Balances</b>			
Unrestricted	<u>74,151</u>	<u>681,633</u>	<u>755,784</u>
Total Fund Balances	<u>74,151</u>	<u>681,633</u>	<u>755,784</u>
<b>Total Liabilities</b>			

City of Ardmore, Oklahoma  
Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2011

	<u>Garage Fund</u>	<u>Employee Benefit</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 451,181	3,444,374	\$ 3,895,555
Total Operating Revenue	<u>451,181</u>	<u>3,444,374</u>	<u>3,895,555</u>
Operating Expenses:			
Personnel Services	349,621	2,769,927	3,119,548
Materials and Supplies	34,648	-	34,648
Other Charges & Services	294,323	55	294,378
Capital Outlay	8,180	-	8,180
Total Operating Expense	<u>686,772</u>	<u>2,769,982</u>	<u>3,456,754</u>
Operating Income (Loss)	(235,591)	674,392	438,801
Nonoperating Revenues (Expenses)			
Interest Revenue	6	5,789	5,795
Total Nonoperating Revenue (Expenses)	<u>6</u>	<u>5,789</u>	<u>5,795</u>
Income (Loss) before contributions and transfers	(235,585)	680,181	444,596
Other Financing Sources (Uses)			
Transfers In	285,000	-	285,000
Total Other Financing Sources (Uses)	<u>285,000</u>	<u>-</u>	<u>285,000</u>
Change in Net Assets	49,415	680,181	729,596
Net Assets - Beginning	24,736	1,452	26,188
Net Assets - Ending	<u>\$ 74,151</u>	<u>\$ 681,633</u>	<u>\$ 755,784</u>

City of Ardmore, Oklahoma  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2011

	Garage Fund	Employee Benefit	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating revenues received	\$ 451,181	\$ 3,444,374	\$ 3,895,555
Employee expenses paid	(348,389)	(2,984,710)	(3,333,099)
Vendors and others paid	(332,821)	(3,960)	(336,781)
Net cash provided (used) by operating activities	(230,029)	455,704	225,675
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers, net	285,000	-	285,000
Net cash provided (used) by noncapital financing activities	285,000	-	285,000
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in investment	-	-	-
Other revenues	-	-	-
Interest Income	6	5,789	5,795
Net cash provided (used) by investing activities	6	5,789	5,795
Net increase in cash and cash equivalents	54,977	461,493	516,470
Cash and cash equivalents, Beginning of Year	11,400	382,588	393,988
Cash and cash equivalents, End of Year	\$ 66,377	\$ 844,081	\$ 910,458

**Reconciliation of operating income to net cash provided (used) by operating activities:**

Operating income	\$ (235,591)	\$ 674,392	\$ 438,801
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Decrease (Increase) in Inventory	1,628	-	1,628
Increase (Decrease) in Accounts Payable and Accrued Expenses	(1,300)	(215,727)	(217,027)
Increase (Decrease) in Interfund	5,234	(2,961)	2,273
Total Adjustments	5,562	(218,688)	(213,126)
Net cash provided by operating activities	\$ (230,029)	\$ 455,704	\$ 225,675

City of Ardmore, Oklahoma  
Combining Statement of Net Assets  
Nonmajor Proprietary Funds  
June 30, 2011

	Lakeview Golf Course	Golf Course Building	Admore Community Facilities Authority	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 25,684	\$ 36,211	\$ -	\$ 61,895
Investments	-	-	-	-
<b>Restricted Assets</b>				
Cash and Cash Equivalents	-	-	1,780,621	1,780,621
Revenue Receivable	-	-	-	-
Notes Receivable	-	-	685,000	685,000
Due From Other Funds	-	-	-	-
Total Current Assets	<u>25,684</u>	<u>36,211</u>	<u>2,465,621</u>	<u>2,527,516</u>
<b>Noncurrent Assets</b>				
Notes Receivable- Long Term	-	-	3,458,300	3,458,300
Land	260,000	-	-	260,000
Buildings	575,507	-	-	575,507
Machinery and Equipment	294,782	-	-	294,782
Furniture and Fixtures	25,747	-	-	25,747
Computers and Electronics	6,979	-	-	6,979
Infrastructure	364,035	-	-	364,035
Accumulated Depreciation	(826,253)	-	-	(826,253)
Total Noncurrent Assets	<u>700,797</u>	<u>-</u>	<u>3,458,300</u>	<u>4,159,097</u>
<b>Other Assets</b>				
Bond Issue Costs, net	-	-	44,633	44,633
Total Assets	<u>726,481</u>	<u>36,211</u>	<u>5,968,554</u>	<u>6,731,246</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	(1,000)	-	-	(1,000)
Accrued Interest Payable	-	-	63,366	63,366
Revenue Bonds Payable	-	-	685,000	685,000
Unearned Revenue	-	-	388,301	388,301
Total Current Liabilities	<u>(1,000)</u>	<u>-</u>	<u>1,136,667</u>	<u>1,135,667</u>
<b>Noncurrent Liabilities</b>				
Revenue Bonds Payable	-	-	3,070,000	3,070,000
Total Liabilities	<u>(1,000)</u>	<u>-</u>	<u>4,206,667</u>	<u>4,205,667</u>
<b>Net Assets</b>				
Invested in Capital Assets, net of capital leases	700,797	-	-	700,797
Restricted for Debt Service	-	-	1,238,902	1,238,902
Restricted for Community Enhancement	-	-	380,148	380,148
Unrestricted	26,684	36,211	142,837	205,732
Total Net Assets	<u>\$ 727,481</u>	<u>\$ 36,211</u>	<u>\$ 1,761,887</u>	<u>\$ 2,525,579</u>

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

	Lakeview Golf Course	Golf Course Building	Admore Community Facilities Authority	Total
Operating Revenues				
Charges for Services	\$ 480,208	\$ 11,243	\$ -	\$ 491,451
Reimbursements	-	-	-	-
Total Operating Revenues	<u>480,208</u>	<u>11,243</u>	<u>-</u>	<u>491,451</u>
Operating Expenses				
Personnel Services	-	-	-	-
Other Charges and Services	526,146	6,244	27,875	560,265
Depreciation	<u>58,222</u>	<u>-</u>	<u>-</u>	<u>58,222</u>
Total Operating Expenses	<u>584,368</u>	<u>6,244</u>	<u>27,875</u>	<u>618,487</u>
Operating Income (Loss)	(104,160)	4,999	(27,875)	(127,036)
Nonoperating Revenues (Expenses)				
Interest Revenue	60	229	247,671	247,960
Interest Expense	<u>-</u>	<u>-</u>	<u>(135,180)</u>	<u>(135,180)</u>
Total Nonoperating Revenues (Expenses)	<u>60</u>	<u>229</u>	<u>112,491</u>	<u>112,780</u>
Income (Loss) Before Transfers	(104,100)	5,228	84,616	(14,256)
Other Financing Sources (Uses)				
Transfers In	72,500	-	-	72,500
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>72,500</u>	<u>-</u>	<u>-</u>	<u>72,500</u>
Change in Net Assets	(31,600)	5,228	84,616	58,244
Net Assets - Beginning	<u>759,081</u>	<u>30,983</u>	<u>1,677,271</u>	<u>2,467,335</u>
Net Assets - Ending	<u>\$ 727,481</u>	<u>\$ 36,211</u>	<u>\$ 1,761,887</u>	<u>\$ 2,525,579</u>

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

	Lakeview Golf Course	Golf Course Building	Admore Community Facilities Authority	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating Revenues Received	\$ 481,978	\$ 11,243	\$ -	\$ 493,221
Vendors and Others Paid	(523,395)	(6,884)	(3,755)	(534,034)
Net Cash Provided (Used) by Operating Activities	(41,417)	4,359	(3,755)	(40,813)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers, Net	72,500	-	-	72,500
Net Cash Provided (Used) by Noncapital Financing Activities	72,500	-	-	72,500
<b>CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES</b>				
Purchase of Capital Assets	(24,185)	-	-	(24,185)
Net Cash Used by Capital Financing and Related Financing Activities	(24,185)	-	-	(24,185)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash receipt from loans	-	-	850,576	850,576
Payment of Debt	-	-	(782,838)	(782,838)
Interest Income	60	229	37,096	37,385
Net Cash Provided (Used) by Investing Activities	60	229	104,834	105,123
Net Increase (Decrease) in Cash and Cash Equivalents	6,958	4,588	101,079	112,625
Cash and Cash Equivalents, Beginning of Year	18,726	31,623	1,679,542	1,729,891
Cash and Cash Equivalents, End of Year	<u>\$ 25,684</u>	<u>\$ 36,211</u>	<u>\$ 1,780,621</u>	<u>\$ 1,842,516</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income	\$ (104,160)	\$ 4,999	\$ (27,875)	\$ (127,036)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	58,222	-	-	58,222
Amortization of Bond Issuance Costs	-	-	24,120	24,120
(Increase) Decrease in Accounts Receivable	1,770	-	-	1,770
Increase (Decrease) in Accounts Payable	-	(640)	-	(640)
(Increase) Decrease in Due From Others	2,751	-	-	2,751
Total Adjustments	62,743	(640)	24,120	86,223
Net Cash Provided (Used) by Operating Activities	<u>\$ (41,417)</u>	<u>\$ 4,359</u>	<u>\$ (3,755)</u>	<u>\$ (40,813)</u>

City of Ardmore, Oklahoma  
Combining Statement of Assets, Liabilities and Net Assets  
Nonmajor Modified Cash Basis Component Units  
June 30, 2011

	Component Units			
	Ardmore Regional			Total
	Ardmore Animal Care Trust	Park Trust Authority	Ardmore Tourism Authority	
<b><i>Assets</i></b>				
Cash	\$ 172	\$ 50,560	\$ 215,375	\$ 266,107
Capital Assets				
Land and Land Improvements	-	-	1,760,612	1,760,612
Other Capital Assets, net of depreciation	<u>477,841</u>	<u>2,441,922</u>	<u>6,705,486</u>	<u>9,625,249</u>
Total Capital Assets	<u>477,841</u>	<u>2,441,922</u>	<u>8,466,098</u>	<u>11,385,861</u>
Total Assets	<u>478,013</u>	<u>2,492,482</u>	<u>8,681,473</u>	<u>11,651,968</u>
<b><i>Liabilities</i></b>				
Accounts Payable and Accrued Expenses	-	-	11,318	11,318
Long-Liabilities				
Due within one year	-	-	90,999	90,999
Due in more than one year	<u>-</u>	<u>-</u>	<u>1,067,249</u>	<u>1,067,249</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,169,566</u>	<u>1,169,566</u>
<b><i>Net Assets</i></b>				
Invested in Capital Assets, Net of Related Debt	477,841	2,441,922	7,307,851	10,227,614
Unrestricted	<u>172</u>	<u>50,560</u>	<u>204,056</u>	<u>254,788</u>
Total Net Assets	<u>\$ 478,013</u>	<u>\$ 2,492,482</u>	<u>\$ 7,511,907</u>	<u>\$ 10,482,402</u>

City of Ardmore, Oklahoma  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Nonmajor Modified Cash Basis Component Units  
For the Year Ended June 30, 2011

<i>Functions/Programs</i>	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Assets			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Ardmore Animal Care</u>	<u>Ardmore Regional Park Trust Authority</u>	<u>Ardmore Tourism Authority</u>	<u>Total</u>
<b>Ardmore Animal Care Trust Authority</b>								
Public Health and Welfare	\$ 147,110	\$ -	\$ 125,000	\$ -	\$ (22,110)			\$ (22,110)
<b>Ardmore Regional Park Trust Authority</b>								
Culture and Recreation	313,238	31,732	75,900	-		(205,606)		(205,606)
<b>Ardmore Tourism Authority</b>								
Tourism	933,357	213,796	689,346	-			(30,215)	(30,215)
Interest and Other Cost of Debt	31,171	-	-	-			(31,171)	(31,171)
	<u>964,528</u>	<u>213,796</u>	<u>689,346</u>	<u>-</u>	<u>-</u>		<u>(61,386)</u>	<u>(61,386)</u>
Total Nonmajor Component Units	<u>\$ 1,424,876</u>	<u>\$ 245,528</u>	<u>\$ 890,246</u>	<u>-</u>	<u>\$ (22,110)</u>	<u>\$ (205,606)</u>	<u>\$ (61,386)</u>	<u>\$ (289,102)</u>
<b>General Revenues</b>								
Interest					-	88	309	397
Miscellaneous					-	-	71,464	71,464
Total General Revenues and Transfers					<u>-</u>	<u>88</u>	<u>71,773</u>	<u>71,861</u>
Change in Net Assets					(22,110)	(205,518)	10,387	(217,241)
Net Assets - Beginning as restated					<u>500,123</u>	<u>2,698,000</u>	<u>7,501,520</u>	<u>10,699,643</u>
Net Assets - Ending					<u>\$ 478,013</u>	<u>\$ 2,492,482</u>	<u>\$ 7,511,907</u>	<u>\$ 10,482,402</u>

***REPORTS ON COMPLIANCE  
AND INTERNAL CONTROL***



**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 Commission  
City of Ardmore  
23 S Washington  
Ardmore, Oklahoma 73401

We have audited the financial statements of the governmental activities, the business-type activities, the major and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ardmore, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise City of Ardmore's basic financial statements and have issued our report thereon dated September 26, 2012. Our report includes a reference to other auditors. Our report on the discretely presented component units identified in Note I(C), disclosed that as described in Note I(C) to the financial statements, these entities prepare their financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Our report on business type activities and major proprietary funds charges for service revenue was qualified because of inadequacies in the City's accounting records. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Hardy Murphy Coliseum Authority, a discretely presented component unit of the City of Ardmore, as described in our report on City of Ardmore's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors.

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### ***Internal Control Over Financial Reporting***

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

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 on a timely basis. We consider the deficiencies 2011-01, 2011-02 & 2011-03 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies 2011-04 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

### ***Compliance and Other Matters***

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

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

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

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
September 26, 2012



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

City Commission  
City of Ardmore  
23 S. Washington  
Ardmore, Oklahoma 73401

***COMPLIANCE***

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

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

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

### ***INTERNAL CONTROL OVER COMPLIANCE***

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

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

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

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

*Rakhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
September 26, 2012

City of Ardmore, Oklahoma  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2011

	Federal CFDA No. Number	Grant ID Number	Balance 6/30/2010	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2011
<b>Department of Justice</b>						
Direct Program						
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1265	\$ -	\$ 34,136	\$ 34,136	\$ -
ARRA-Recovery Act- Edwardy Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	2009-SB-B9-1363	-	19,355	19,355	-
<b>Total Department of Justice Direct Programs</b>			<u>-</u>	<u>53,491</u>	<u>53,491</u>	<u>-</u>
<b>Department of Housing and Urban Development</b>						
Pass -Through Program from Oklahoma Department of Commerce						
Community Development Block Grants/Entitlement Grants	14.218	13895-CDBG-2009	-	75,991	75,991	-
Emergency Shelter Grants Program	14.231	14198 ESG 10	-	19,500	19,500	-
<b>Total Department of Housing and Urban Development</b>			<u>-</u>	<u>95,491</u>	<u>95,491</u>	<u>-</u>
<b>Department of Transportation</b>						
Direct Program						
Airport Improvement Grant	20.106	3-40-0005-012-2010	-	276,952	276,952	-
Airport Improvement Grant	20.106	3-40-0006-010-2010	-	35,824	35,824	-
Airport Improvement Grant	20.106	3-40-0006-009-2009	-	35,845	35,845	-
<b>Total of Airport Improvement Grant</b>			<u>-</u>	<u>348,621</u>	<u>348,621</u>	<u>-</u>
Pass -Through Program from Oklahoma Department of Agriculture, Food and Forestry						
ARRA-Highway Planning and Construction	20.205	Safeteau 08-21	-	23,648	23,648	-
<b>Total Department of Transportation</b>			<u>-</u>	<u>372,269</u>	<u>372,269</u>	<u>-</u>
<b>Department of Homeland Security</b>						
Pass -Through Program from Oklahoma Homeland Security						
Homeland Security-related Science, Technology, Engineering and Mathematics (HS STEM) Career Development	97.104	EMW-2008-FO-09669	-	24,955	24,955	-
<b>Total Department of Homeland Security</b>			<u>-</u>	<u>24,955</u>	<u>24,955</u>	<u>-</u>
<b>Department of Interior</b>						
Pass -Through Program from Oklahoma Historical Society						
Historic Preservation Fund Grants-In-Aid	15.904	10-613	-	103	7,790	(7,687)
<b>Total Department of Interior</b>			<u>-</u>	<u>103</u>	<u>7,790</u>	<u>(7,687)</u>
<b>United States Environmental Protection Agency</b>						
Pass -Through Program from Oklahoma Water Resource Board						
Capitalization Grants for Clean Water State Revolving Funds	66.458	ORF-09-0018-CW	-	247,911	247,911	-
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	ORF-09-0018-CW	-	83,031	83,031	-
<b>Total United States Environmental Protection Agency</b>			<u>-</u>	<u>330,942</u>	<u>330,942</u>	<u>-</u>
<b>National Endowment for the Humanities</b>						
Pass -Through Program from the State of Oklahoma						
Grants to States	45.310	Library State Grant	-	20,422	20,422	-
<b>Total National Endowment for the Humanities</b>			<u>-</u>	<u>20,422</u>	<u>20,422</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			\$ -	<u>\$ 897,673</u>	<u>\$ 905,360</u>	<u>\$ (7,687)</u>

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Ardmore, Oklahoma and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

City of Ardmore, Oklahoma  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2011

*The following transactions related to the American Recovery and Reinvestment Act:*

	<b>Federal CFDA No. Number</b>	<b>Pass Through Grantor's Project Number</b>	<b>Balance 6/30/2010</b>	<b>Federal Grant Receipts</b>	<b>Federal Grant Expenditures</b>	<b>Balance 6/30/2011</b>
ARRA-Recovery Act- Edwardy Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	2009-SB-B9-1363	-	19,355	19,355	-
ARRA-Highway Planning and Construction	20.205	Safeteau 08-21	-	23,648	23,648	-
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	ORF-09-0018-CW	-	83,031	83,031	-
			<u>\$ -</u>	<u>\$ 106,679</u>	<u>\$ 106,679</u>	<u>\$ -</u>

City of Ardmore, Oklahoma  
 Schedule of Findings and Responses  
 For the Year Ended June 30, 2011

**Section I – Summary of Auditor’s Results**

**Financial Statement:**

Type of audit report:	Qualified Opinion	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>  X  </u> Yes	<u>          </u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	<u>  X  </u> Yes	<u>          </u> No
Noncompliance material to financial statement	<u>          </u> Yes	<u>  X  </u> No

**Federal Awards:**

Internal control over major program:		
Material weakness(es) identified?	<u>          </u> Yes	<u>  X  </u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	<u>          </u> Yes	<u>  X  </u> No
Type of auditors' report issued on compliance for major programs:	Unqualified Opinion	
Any audit findings disclosed that are required to be	<u>          </u> Yes	<u>  X  </u> No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clear Water State Revolving Funds
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type	\$ 300,000
Auditee qualified as a low-risk auditee?	<u>          </u> Yes <u>  X  </u> No

City of Ardmore, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2011

***Section II – Financial Statement Findings***

2011-01 ***Financial Reporting***

***Condition*** – Material adjustments were necessary to prepare the financial statements. In addition, the City does not have a financial reporting system in place to ensure that all relevant financial information is disclosed and in accordance with Generally Accepted Accounting Principles (GAAP).

***Criteria*** – Effective internal controls over financial reporting includes the identification and analysis of the risk of material misstatements in the financial statements. The responsibility of the financial statements remains with the management even when the preparation of the financial statements is transferred to a service provider. An individual with sufficient awareness of or experience in accounting principles and disclosure requirements should be designated to oversee the preparation of the financial statements.

***Context*** – Material adjustments were necessary at fund level and government wide level that were related to debt and related activity, capital assets and proper classification of funds in opinion units in the current year as well as prior period adjustments that were required.

***Effect*** – Material adjustment were necessary that were identified as part of the audit process.

***Cause*** – The internal control structure of the city focuses primarily on daily operations. The city currently does not have a control system in place to determine all the appropriate financial statement year end close entries and disclosures in accordance with GAAP.

***Recommendation*** – We recommend that the City evaluate the cost of engaging a third party or designating and training an employee with sufficient awareness of or experience in accounting principles related to municipalities to ensure that all journal entries are recorded and that supporting financial records agree with the general ledger for all accounts. In addition, this person would be responsible for determining year-end financial disclosures are adequate.

***Management Response*** – Management concurs and will be looking at engaging a third party accountant to handle the year-end close process.

City of Ardmore, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2011

2011-02 ***Segregation of Duties***

***Condition*** – Daily receipts could not be reconciled to bank deposits. Lack of segregation of duties related to daily cash collections through the Utility Department and lack of segregation of duties over the billings and collections of Bulk Water Sales not tracked in the system.

***Criteria*** – Accounting policies and procedures should specify the appropriate segregation of duties over cash receipts. There should be adequate segregation of duties among those who: open mail and collect cash, prepare deposits, deposit cash receipts, post cash receipts to customer accounts, authorized adjustments and process customer complaints. Individual cashiers should be assigned their own cash drawers and should close out and balance their drawers daily. Cash receipts should be deposited intact and promptly and reconciled to daily receipt summary reports as to cash and checks received.

***Context*** – During testing of daily cash collections, it was determined that 26 of 28 deposits tested the cash and checks per the deposit slip did not agree with the daily cash collections reports. Also during testing it was determined that Bulk water sales were not being billed out of the system and only one individual was billing and receiving the funds.

***Effect*** – Completeness of revenue transactions cannot be determined.

***Cause*** – Lack of proper internal controls to separate incompatible duties and controls over daily cash receipts and bulk water sales.

***Recommendation*** – We recommend the following.

1. All cashiers need to be assigned separate cash draws. Multiple individuals should not use the same cash drawer.
2. Each cashier needs to issue pre-numbered receipts for each transaction and maintain documentation of the receipt sequence issued, accounting for any voided receipts with the daily deposit.
3. Each cashier needs to reconcile their drawer at the end of each day to the receipt report for their transactions and account for the receipt sequence used.
4. Mail receipts need to be opened and posted by someone other than a cashier if possible. Otherwise, the mail needs to be opened by a non-cashier and a tape or other listing of items received prepared. The mail receipts can then given to a cashier to post. Those postings need to be compared to the listing of items received by someone other than the cashier.
5. Daily cash receipts need to be reconciled to general ledger postings daily by a non-cashier.
6. Bulk water sales need to be tracked within the utility system.

City of Ardmore, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2011

7. Billing of bulk water sales should be separated from the collections of bulk water monies.

**Management Response** – Management concurs and have already implemented these recommendations

2011-03 **Inventory**

**Condition** – Lack of control related to the perpetual inventory system and unlimited access to inventory.

**Criteria** – An effective internal control structure should be in place to provide adequate controls over the control and usage of inventory.

**Context** – During inventory observation it was noted that access to inventory is open and unlimited and the accountability for parts is not enforced.

**Effect** – Risk of Misappropriations of assets and possible misstatement of inventory.

**Cause** – Lack of proper internal controls over inventory and perpetual inventory system was not working properly.

**Recommendation** – We recommend that the City implement proper controls to adequately monitor inventory activity and secure inventory.

**Management Response** – Management concurs and will implement tighter controls over inventory.

2011-04 **Utility Rates**

**Condition** – Incorrect calculation of garbage bill for customers.

**Criteria** – Code of Ordinances Chapter 11 Article I Section 11-1 states specific garbage rates and charges.

**Context** – During testing of utility customer billings it was determined that 2 out of 25 accounts garbage bill was not computed correctly.

**Effect** – Risk of overbilling or underbilling customers.

City of Ardmore, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2011

***Cause*** – Lack of monitoring of the system, when current rate changes in accordance with city ordinance.

***Recommendation*** – We recommend that the City implement proper controls to adequately monitor when rates are changed in the system and periodic review throughout the year to ensure bills are properly being calculated in the system.

***Management Response*** – Management concurs and additional testing will be performed to ensure that rate increases have been entered into the computer system correctly.

***Section III – Federal Awards Findings and Questioned Costs***

None.

City of Ardmore, Oklahoma  
Prior Year Findings and Responses  
For the Year Ended June 30, 2011

None