

City of  
**Henryetta, Oklahoma**



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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**THE CITY OF HENRYETTA,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CITY OF HENRYETTA, OKLAHOMA  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2012**

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CITY OF HENRYETTA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Henryetta, Oklahoma, (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As also discussed in Note 1, the City has elected to exclude the financial activities of the Henryetta Hospital Authority, which should be included as a discretely presented component unit in the City's financial statements. The amount by which this omission would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units is not determinable.

In our opinion, because of the omission of the Henryetta Hospital Authority, as discussed above, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the financial position of the aggregate discretely presented component units as of June 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position – modified cash basis and, where applicable, cash flows – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2013, on our consideration of the City'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 the 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements and debt service coverage information are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
April 10, 2013

**CITY OF HENRYETTA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

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The management of the City of Henryetta is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2012. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net assets increased by \$338,458, and the assets of the City exceed its liabilities at June 30, 2012, by \$16,916,008 (net assets). Of this amount, \$1486,957 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2012, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$3,553,372.
- At the end of fiscal year 2012, unassigned fund balance on a modified cash basis for the General Fund was \$625,328 or 27.7% of General Fund revenues.

### **ABOUT THE CITY**

The City of Henryetta is an incorporated municipality with a population of approximately 6,096 located in east central Oklahoma. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government:

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

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, wastewater, and sanitation.

#### ***The City's Financial Reporting Entity***

This annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the primary government and the component units as follows:

- **The City of Henryetta** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities

- **The City of Henryetta Municipal Authority** – that operates the water, wastewater, sanitation, transfer sanitation and EMS activities of the City
  
- **The Henryetta Economic Development Authority** – that operates to finance, develop and promote economic development activities of the City. – *reported as a discretely-presented component unit*

**The Henryetta Hospital Authority** is also a component unit of the City that issues a separate financial statement report, but is not included in this financial statement report. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting the Hospital administration at 918-650-1301.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements of the primary government presented herein include all of the activities of the City of Henryetta (the “City”) and the Henryetta Municipal Authority (the “Authority”). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, in addition to a separate presentation for the discretely presented component unit.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus as applicable to the modified cash basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), resulting from modified cash basis transactions. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

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

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

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

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

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

### ***Fund Financial Statements***

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

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

*Proprietary funds* - When the City, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary fund is the Henryetta Municipal Authority that accounts for the operation of the water, sewer, and sanitation activities.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-46 of this report.

**CITY OF HENRYETTA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, combining financial statements and schedules, and debt service coverage and reserve schedules.

**THE CITY AS A WHOLE**

For the year ended June 30, 2012, net assets on a modified cash basis for the governmental and business-type activities increased \$338,458. Following is a summary of net assets reported on a modified cash basis for the City of Henryetta primary government.

**Net Assets (Modified Cash Basis)**  
**June 30, 2012**  
**(In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Current assets	\$ 3,556	\$ 3,907	-9%	\$ 944	\$ 979	-4%	\$ 4,500	\$ 4,886	-8%
Capital assets, net	4,072	3,714	10%	18,652	17,784	5%	22,724	21,498	6%
Other non-current assets	-	-	0%	352	378	-7%	352	378	-7%
<b>Total assets</b>	<b>7,628</b>	<b>7,621</b>	<b>0%</b>	<b>19,948</b>	<b>19,141</b>	<b>4%</b>	<b>27,576</b>	<b>26,762</b>	<b>3%</b>
Current liabilities	113	57	98%	974	974	0%	1,087	1,031	5%
Non-current liabilities	660	271	144%	8,913	8,883	0%	9,573	9,154	5%
<b>Total liabilities</b>	<b>773</b>	<b>328</b>	<b>136%</b>	<b>9,887</b>	<b>9,857</b>	<b>0%</b>	<b>10,660</b>	<b>10,185</b>	<b>5%</b>
Net assets									
Invested in capital assets, net of related debt	3,302	3,388	-3%	9,030	8,189	10%	12,332	11,577	7%
Restricted	2,457	2,673	-8%	640	680	-6%	3,097	3,353	-8%
Unrestricted	1,096	1,232	-11%	391	415	-6%	1,487	1,647	-10%
<b>Total net assets</b>	<b>\$ 6,855</b>	<b>\$ 7,293</b>	<b>-6%</b>	<b>\$ 10,061</b>	<b>\$ 9,284</b>	<b>8%</b>	<b>\$ 16,916</b>	<b>\$ 16,577</b>	<b>2%</b>

Current and non-current liabilities increased for the governmental activities due to a capital lease of \$498,918 for the purchase of a fire truck.

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the investment in capital assets, net of related debt, amounted to \$12,332,068.

Although the City'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.

A portion of the City's net assets, \$3,096,983, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,486,957, may be used to meet the government's ongoing needs.

**CITY OF HENRYETTA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

**Changes in Net Assets (Modified Cash Basis)**  
**Year Ended June 30, 2012**  
**(In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
<b>Revenues</b>									
Charges for service	\$ 243	\$ 223	9%	\$ 3,015	\$ 2,956	2%	\$ 3,258	\$ 3,179	2%
Operating grants and contributions	84	139	-40%	-	-	-	84	139	-40%
Capital grants and contributions	-	615	-100%	9	522	-98%	9	1,137	-99%
Sales and use tax	2,587	2,542	2%	-	-	-	2,587	2,542	2%
Other taxes	232	240	-3%	-	-	-	232	240	-3%
Other general revenues	231	209	11%	5	8	-38%	236	217	9%
<b>Total revenues</b>	<b>3,377</b>	<b>3,968</b>	<b>-15%</b>	<b>3,029</b>	<b>3,486</b>	<b>-13%</b>	<b>6,406</b>	<b>7,454</b>	<b>-14%</b>
<b>Expenses</b>									
General government	682	661	3%	-	-	-	682	661	3%
Public safety	1,940	1,952	-1%	-	-	-	1,940	1,952	-1%
Streets and Highways	428	421	2%	-	-	-	428	421	2%
Culture and recreation	169	173	-2%	-	-	-	169	173	-2%
Cemetery	109	117	-7%	-	-	-	109	117	-7%
Airport	80	75	7%	-	-	-	80	75	7%
Interest on long-term debt	12	15	-20%	-	-	-	12	15	-20%
Payment to component unit	104	102	2%	-	-	-	104	102	2%
Water	-	-	-	1,356	1,154	18%	1,356	1,154	18%
Sewer	-	-	-	688	613	12%	688	613	12%
Sanitation	-	-	-	407	405	0%	407	405	0%
EMS	-	-	-	92	93	-1%	92	93	-1%
<b>Total expenses</b>	<b>3,524</b>	<b>3,516</b>	<b>0%</b>	<b>2,543</b>	<b>2,265</b>	<b>12%</b>	<b>6,067</b>	<b>5,781</b>	<b>5%</b>
Excess (deficiency) before transfers	(147)	452	133%	486	1,221	-60%	339	1,673	-80%
Transfers	(291)	(270)	8%	291	270	-8%	-	-	-
<b>Change in net assets</b>	<b>(438)</b>	<b>182</b>	<b>-341%</b>	<b>777</b>	<b>1,491</b>	<b>-48%</b>	<b>339</b>	<b>1,673</b>	<b>-80%</b>
Beginning net assets	7,293	7,111	3%	9,284	7,793	19%	16,577	14,904	11%
Ending net assets	<u>\$ 6,855</u>	<u>\$ 7,293</u>	<b>-6%</b>	<u>\$ 10,061</u>	<u>\$ 9,284</u>	<b>8%</b>	<u>\$ 16,916</u>	<u>\$ 16,577</u>	<b>2%</b>

**Governmental Activities**

The City's governmental activities had a decrease in net assets of \$438,228. The decrease is due primarily to a reduction in both operating and capital grant awards received, which resulted in a decrease in revenue related to operating and capital grants of \$670,061.

**CITY OF HENRYETTA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

**Net Revenue/Expense Governmental Activities (Modified Cash Basis)**  
**(In Thousands)**

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2012	2011		2012	2011	
		\$		\$	\$	
General government	682	661	3%	(664)	(54)	-1130%
Public safety	1,940	1,952	-1%	(1,740)	(1,766)	1%
Highways and streets	428	421	2%	(377)	(341)	-11%
Culture and recreation	169	173	-2%	(158)	(110)	-44%
Cemetery	109	117	-7%	(101)	(110)	8%
Airport	80	75	7%	(42)	(41)	-2%
Interest on long-term debt	12	15	-20%	(12)	(15)	20%
Total expenses	<u>3,420</u>	<u>3,414</u>		<u>(3,094)</u>	<u>(2,437)</u>	
Payment to component unit	<u>104</u>	<u>102</u>	2%	<u>(104)</u>	<u>(102)</u>	-2%
<b>Total</b>	<b><u>\$ 3,524</u></b>	<b><u>\$ 3,516</u></b>	<b>0%</b>	<b><u>\$(3,198)</u></b>	<b><u>\$ (2,539)</u></b>	<b>-26%</b>

**Business-type Activities**

The business-type activities had an increase in net assets of \$776,686. The increase is due in part to charges for services revenue exceeding the expense of services provided by \$480,417.

**Net Revenue/Expense Business-type Activities (Modified Cash Basis)**  
**(In Thousands)**

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2012	2011		2012	2011	
		\$		\$	\$	
Water	1,356	1,154	18%	71	377	-81%
Sewer	688	613	12%	141	565	-75%
Sanitation	407	405	0%	268	271	-1%
EMS	<u>92</u>	<u>93</u>	-1%	<u>-</u>	<u>-</u>	0%
<b>Total</b>	<b><u>\$ 2,543</u></b>	<b><u>\$ 2,265</u></b>	<b>12%</b>	<b><u>\$ 480</u></b>	<b><u>\$ 1,213</u></b>	<b>-60%</b>

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

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$3,553,372. For the year ended June 30, 2012, the General Fund's total fund balance decreased by \$130,542 to \$1,093,745 or 48.4% of annual revenues.

**CITY OF HENRYETTA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

**Budgetary Highlights**

For the year ended June 30, 2012, the General Fund reported actual budgetary basis revenues under final estimates by \$41,238 or a 1.15% negative variance. General Fund actual expenditures were under final appropriations by \$269,077 or a 6.8% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2012, the City had approximately \$22.7 million invested in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery, furniture, equipment, and park facilities. This represents a net increase of \$1,225,580 from last year. Below are details regarding the change in the City's capital assets for the year ended June 30, 2012.<sup>1</sup>

**Capital Assets**  
**Net of Accumulated Depreciation**  
**(In Thousands)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 119	\$ 119	\$ 399	\$ 399	\$ 518	\$ 518
Buildings	509	528	65	68	574	596
Imp. other than buildings	238	240	-	-	238	240
Machinery, furniture and equipment	1,501	1,095	705	722	2,206	1,817
Infrastructure	1,612	1,640	-	-	1,612	1,640
Utility property	-	-	6,995	4,240	6,995	4,240
Construction in progress	92	92	10,488	12,355	10,580	12,447
<b>Totals</b>	<b>\$ 4,071</b>	<b>\$ 3,714</b>	<b>\$ 18,652</b>	<b>\$ 17,784</b>	<b>\$ 22,723</b>	<b>\$ 21,498</b>

This year's more significant capital asset additions include the following:

- 2009 Fire Truck - \$498,898
- Water and Sewer Improvements - \$1,063,270

**Debt Administration**

At year-end, the City had \$10,423,019 in long-term debt outstanding, reported on a modified cash basis, which represents an increase of \$459,743 from the prior year, resulting from normal debt retirements and the issuance of \$498,918 of new capital leases and draw downs of \$901,433 OWRB notes payable in 2012<sup>2</sup>.

<sup>1</sup> For more detailed information on capital asset activity please refer to pages 35, Note 3. Capital Assets and Depreciation

<sup>2</sup> For more detailed information on long-term debt please refer to page 36, Note 4. Long-Term Debt and Debt Service Requirements

**CITY OF HENRYETTA, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2012**

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**Long-term Debt**  
**(In Thousands)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
Notes payable	\$ -	\$ -	\$ 9,549	\$ 9,467	\$ 9,549	\$ 9,467	0.9%
Capital leases	<u>770</u>	<u>325</u>	<u>104</u>	<u>171</u>	<u>874</u>	<u>496</u>	76.2%
<b>Totals</b>	<u>\$ 770</u>	<u>\$ 325</u>	<u>\$ 9,653</u>	<u>\$ 9,638</u>	<u>\$ 10,423</u>	<u>\$ 9,963</u>	4.6%

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

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

- The FY 2012 budget is consistent to prior years.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 115 S. 4<sup>th</sup> Street, Henryetta, Oklahoma 74437 or phone (918) 652-3348.

**CITY OF HENRYETTA, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF HENRYETTA, OKLAHOMA  
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**Statement of Net Assets (Modified Cash Basis) – June 30, 2012**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Henryetta Economic Development Authority</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,106,068	\$ 587,289	\$ 3,693,357	\$ 52,132
Investments	452,897	355,059	807,956	1,011,490
Internal balances	(2,053)	2,053	-	-
Unamortized bond issuance costs	-	351,507	351,507	-
Capital assets:				
Land and construction in progress	211,312	10,887,403	11,098,715	208,847
Other capital assets, net of depreciation	<u>3,860,254</u>	<u>7,764,614</u>	<u>11,624,868</u>	<u>-</u>
Total assets	<u>7,628,478</u>	<u>19,947,925</u>	<u>27,576,403</u>	<u>1,272,469</u>
<b>LIABILITIES</b>				
Due to depositors	3,540	265,335	268,875	-
Long-term liabilities				
Due within one year	109,244	708,284	817,528	7,100
Due in more than one year	<u>660,442</u>	<u>8,913,550</u>	<u>9,573,992</u>	<u>88,750</u>
Total liabilities	<u>773,226</u>	<u>9,887,169</u>	<u>10,660,395</u>	<u>95,850</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,301,880	9,030,188	12,332,068	-
Restricted for:				
Capital & Debt Service	2,124,685		2,124,685	-
Debt Service		639,733	639,733	-
E-911	205,623	-	205,623	-
Cemetery	94,232	-	94,232	-
Public Safety	27,328	-	27,328	-
Culture & Recreation	5,382	-	5,382	-
Unrestricted	<u>1,096,122</u>	<u>390,835</u>	<u>1,486,957</u>	<u>1,176,619</u>
Total net assets	<u>\$ 6,855,252</u>	<u>\$ 10,060,756</u>	<u>\$ 16,916,008</u>	<u>\$ 1,176,619</u>

See accompanying notes to the basic financial statements.

**CITY OF HENRYETTA, OKLAHOMA**  
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**Statement of Activities (Modified Cash Basis)– For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Component Unit Henryetta Economic Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities:								
General government	\$ 682,176	\$ 15,997	\$ 2,454	\$ -	\$ (663,725)	\$ -	\$ (663,725)	\$ -
Public safety	1,939,769	176,764	23,405	-	(1,739,600)	-	(1,739,600)	-
Highways and streets	428,498	15	51,749	-	(376,734)	-	(376,734)	-
Culture and recreation	169,716	4,522	6,548	-	(158,646)	-	(158,646)	-
Cemetery	108,886	7,722	-	-	(101,164)	-	(101,164)	-
Airport	80,329	37,932	-	-	(42,397)	-	(42,397)	-
Interest on long-term debt	11,904	-	-	-	(11,904)	-	(11,904)	-
HEDA (payments to component unit)	103,696	-	-	-	(103,696)	-	(103,696)	-
Total governmental activities	<u>3,524,974</u>	<u>242,952</u>	<u>84,156</u>	<u>-</u>	<u>(3,197,866)</u>	<u>-</u>	<u>(3,197,866)</u>	<u>-</u>
Business-type activities:								
Water	1,356,223	1,418,320	-	9,261	-	71,358	71,358	-
Sewer	688,453	829,681	-	-	-	141,228	141,228	-
Sanitation	407,456	675,132	-	-	-	267,676	267,676	-
EMS	91,588	91,743	-	-	-	155	155	-
Total business-type activities	<u>2,543,720</u>	<u>3,014,876</u>	<u>-</u>	<u>9,261</u>	<u>-</u>	<u>480,417</u>	<u>480,417</u>	<u>-</u>
Total primary government	<u>\$ 6,068,694</u>	<u>\$ 3,257,828</u>	<u>\$ 84,156</u>	<u>\$ 9,261</u>	<u>(3,197,866)</u>	<u>480,417</u>	<u>(2,717,449)</u>	<u>-</u>
<b>Component Units:</b>								
Henryetta Economic Development Authority	<u>\$ 39,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,117)</u>
<b>General revenues:</b>								
<b>Taxes:</b>								
Sales and use taxes					2,587,418	-	2,587,418	-
Franchise taxes and public service taxes					232,108	-	232,108	-
Intergovernmental revenue not restricted to specific programs					66,886	-	66,886	-
Unrestricted investment earnings					5,983	5,346	11,329	13,875
Miscellaneous					158,166	-	158,166	-
Payment from primary government					-	-	-	103,696
Transfers					(290,923)	290,923	-	-
Total general revenues and transfers					<u>2,759,638</u>	<u>296,269</u>	<u>3,055,907</u>	<u>117,571</u>
Change in net assets					<u>(438,228)</u>	<u>776,686</u>	<u>338,458</u>	<u>78,454</u>
Net assets - beginning					<u>7,293,480</u>	<u>9,284,070</u>	<u>16,577,550</u>	<u>1,098,165</u>
Net assets - ending					<u>\$ 6,855,252</u>	<u>\$ 10,060,756</u>	<u>\$ 16,916,008</u>	<u>\$ 1,176,619</u>

See accompanying notes to the basic financial statements.

**CITY OF HENRYETTA, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF HENRYETTA, OKLAHOMA  
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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2012**

	<u>General Fund</u>	<u>Restricted Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 646,437	\$ 2,141,870	\$ 317,761	\$ 3,106,068
Investments	452,897	-	-	452,897
Due from other funds	60,009	-	-	60,009
Total assets	<u>\$ 1,159,343</u>	<u>\$ 2,141,870</u>	<u>\$ 317,761</u>	<u>\$ 3,618,974</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 62,058	\$ -	\$ 4	\$ 62,062
Due to depositors	3,540	-	-	3,540
Total liabilities	<u>65,598</u>	<u>-</u>	<u>4</u>	<u>65,602</u>
 Fund balances:				
Restricted	20,428	2,124,685	314,591	2,459,704
Assigned	447,989	17,185	3,166	468,340
Unassigned	625,328	-	-	625,328
Total fund balances	<u>1,093,745</u>	<u>2,141,870</u>	<u>317,757</u>	<u>3,553,372</u>
Total liabilities and fund balances	<u>\$ 1,159,343</u>	<u>\$ 2,141,870</u>	<u>\$ 317,761</u>	<u>\$ 3,618,974</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – For the Fiscal Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Restricted Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,719,810	\$ 1,036,957	\$ -	\$ 2,756,767
Intergovernmental	151,042	-	-	151,042
Charges for services	45,634	-	69,173	114,807
Fines and forfeitures	180,994	-	-	180,994
Licenses and permits	9,910	-	-	9,910
Investment income	3,947	1,119	917	5,983
Miscellaneous	148,869	14,700	651	164,220
Total revenues	<u>2,260,206</u>	<u>1,052,776</u>	<u>70,741</u>	<u>3,383,723</u>
<b>EXPENDITURES</b>				
Current:				
General government	603,165	-	-	603,165
Public Safety	1,705,464	-	48,538	1,754,002
Highway and streets	327,984	-	-	327,984
Culture and recreation	163,663	-	-	163,663
Cemetery	106,558	-	-	106,558
Airport	65,057	-	-	65,057
Capital Outlay	18,873	1,068,666	698	1,088,237
Debt Service:				
Principal	-	54,009	-	54,009
Interest and other charges	-	11,904	-	11,904
Total expenditures	<u>2,990,764</u>	<u>1,134,579</u>	<u>49,236</u>	<u>4,174,579</u>
Excess (deficiency) of revenues over expenditures	<u>(730,558)</u>	<u>(81,803)</u>	<u>21,505</u>	<u>(790,856)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	498,918	-	498,918
Sales tax payment to HEDA	(103,696)	-	-	(103,696)
Transfers in	1,332,657	-	-	1,332,657
Transfers out	(628,945)	(659,142)	-	(1,288,087)
Total other financing sources and (uses)	<u>600,016</u>	<u>(160,224)</u>	<u>-</u>	<u>439,792</u>
Net change in fund balances	(130,542)	(242,027)	21,505	(351,064)
Fund balances - beginning	1,224,287	2,383,897	296,252	3,904,436
Fund balances - ending	<u>\$ 1,093,745</u>	<u>\$ 2,141,870</u>	<u>\$ 317,757</u>	<u>\$ 3,553,372</u>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Assets Reconciliation:**

Total fund balance, governmental funds	\$	3,553,372
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		4,071,566
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		(769,686)
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$</u>	<u>6,855,252</u>

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

Net change in fund balances - total governmental funds:	\$	(351,064)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		720,641
Depreciation expense		(356,843)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		
Book value of disposed capital assets		(6,053)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Proceeds of long-term debt		(498,918)
Principal payments on long-term debt		54,009
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(438,228)</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

**CITY OF HENRYETTA, OKLAHOMA**  
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**Proprietary Fund Statement of Net Assets (Modified Cash Basis) – June 30, 2012**

	<b><u>Henryetta Municipal Authority</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 37,309
Restricted:	
Restricted cash and cash equivalents	549,980
Restricted investments	355,059
Due from other funds	2,989
Total current assets	945,337
Non-current assets:	
Capital assets:	
Land and construction in progress	10,887,403
Other capital assets, net of accumulated depreciation	7,764,614
Unamortized note issue costs	351,507
Total non-current assets	19,003,524
Total assets	19,948,861
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	936
Deposits subject to refund	265,335
Capital lease obligation	68,961
Notes payable	639,323
Total current liabilities	974,555
Non-current liabilities:	
Capital lease obligation	35,484
Notes payable	8,878,066
Total non-current liabilities	8,913,550
Total liabilities	9,888,105
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	9,030,188
Restricted for debt service	639,733
Unrestricted	390,835
Total net assets	\$ 10,060,756

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – For the Fiscal Year Ended June 30, 2012**

	<b><u>Henryetta Municipal Authority</u></b>
<b>OPERATING REVENUES</b>	
Water charges	\$ 1,374,646
Water taps	500
Sewer charges	820,591
Sewer taps	-
Sanitation charges	655,272
Transfer station fees	4,543
EMS assessment	91,743
Penalty charges	31,577
Miscellaneous	35,987
Total Operating Revenues	3,014,859
<b>OPERATING EXPENSES</b>	
Water	274,960
Utility office operations	207,313
Water treatment plant operations	591,437
Sewer operations	90,494
Sewer treatment plant operations	211,619
Sanitation	142,717
Transfer station operations	160,978
EMS contract	91,588
Depreciation	452,781
Total Operating Expenses	2,223,887
Operating income	790,972
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	5,346
Amortization of bond issue costs	(25,992)
Interest expense	(293,841)
Total non-operating revenue (expenses)	(314,470)
Income before contributions and transfers	476,502
Capital contributions	344,754
Transfers in	1,288,087
Transfers out	(1,332,657)
Change in net assets	776,686
Total net assets - beginning	9,284,070
Total net assets - ending	\$ 10,060,756

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2012**

	<b>Henryetta Municipal Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 3,014,876
Payments to suppliers	(925,315)
Payments to employees	(845,791)
Interfund receipts (payments)	2
Receipts of customer meter deposits	58,613
Refunds of customer meter deposits	(52,162)
<b>Net cash provided by operating activities</b>	<b><u>1,250,223</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	(1,332,657)
Transfers to other funds	1,288,087
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>(44,570)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital contribution	9,261
Purchases of capital assets	(985,125)
Proceeds from note	901,433
Principal paid on debt	(886,600)
Interest and fiscal agent fees paid on debt	(284,619)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>(1,245,650)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(2,553)
Interest	5,346
<b>Net cash provided by investing activities</b>	<b><u>2,793</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(37,204)</b>
<b>Balances - beginning of year</b>	<b><u>624,493</u></b>
<b>Balances - end of year</b>	<b><u>\$ 587,289</u></b>
<b>Reconciliation to Statement of Net Assets:</b>	
Cash and cash equivalents	\$ 37,309
Restricted cash and cash equivalents - current	549,980
<b>Total cash and cash equivalents, end of year</b>	<b><u>\$ 587,289</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 790,972
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	452,781
Miscellaneous revenue	17
Change in assets and liabilities:	
Due from other funds	(592)
Due to other funds	594
Due from others	-
Deposits subject to refund	6,451
<b>Net cash provided by operating activities</b>	<b><u>\$ 1,250,223</u></b>
<b>Noncash Items:</b>	
Transfer of capital from governmental funds	<b><u>\$ 335,493</u></b>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

## **1. Summary of Significant Accounting Policies**

### **A. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Henryetta) and discretely-presented component unit as follows:

- **The City of Henryetta** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Henryetta Municipal Authority** – that operates the water, wastewater, sanitation, transfer sanitation and EMS activities of the City - *considered part of the primary government presentation for reporting purposes*
- **The Henryetta Economic Development Authority** – that operates to finance, develop and promote economic development activities of the City – *reported as a discretely presented component unit*

**The Henryetta Hospital Authority** is also a component unit of the City that issues a separate financial statement report, but is not included in this financial statement report. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting the Hospital administration at 918-650-1301.

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

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

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

#### *Government-Wide Financial Statements:*

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

- capital assets and the depreciation of those assets, where applicable

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- bond issue costs and related amortization, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- utility deposit liabilities

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

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

- General government: License and permits, rents and royalties
- Public safety: Fine revenue, operating and capital grants
- Highways and Streets: Gas excise taxes, commercial vehicle taxes and cemetery lot sales
- Culture and recreation: Operating and capital grants
- Cemetery: Cemetery lot fee and stone setting fees
- Airport: Hangar rent and gasoline revenue

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

*Governmental Funds:*

**General Fund** – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

**Special Revenue Funds** – are used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**Capital Project Funds** – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

*Proprietary Fund:*

**Enterprise Fund** – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Henryetta Municipal Authority enterprise fund. This fund accounts for activities of the public trust in providing, water, EMS, wastewater, and sanitation services to the public.

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

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds. For financial statement reporting purposes the General Fund contains the following combining accounts: Library Fund, Airport Fund, Street Improvement Fund, and Police Special Response Fund.
- Restricted Sales Tax – a capital project fund that accounts for one and two-thirds cent sales tax restricted for capital expenditures

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

Special Revenue Funds:

- E-911 Fund – accounts for the City's share of E-911 customer assessment that is restricted for public safety use

Capital Project Funds:

- Police Equipment – accounts for the donation revenue received to be used for police equipment
- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenue restricted for cemetery capital improvements

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

*Proprietary Fund:*

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

*Enterprise Fund:*

- Henryetta Municipal Authority – that operates the water, sewer, EMS, and sanitation services of the City

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

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

**C. Cash, Cash Equivalents, and Investments**

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

**D. Receivables**

Due to the use of the modified cash basis of accounting, the City only reports receivables that are a result of a cash transaction.

**E. Capital Assets and Depreciation**

Reported capital assets are limited to those acquired with cash and cash equivalents consistent with the modified cash basis of accounting. The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery, furniture, and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are reported at actual or estimated historical cost, if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1992. Prior to July 1, 1992, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 1992 are recorded at cost.

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

- Buildings 50 years
- Improvements other than buildings 20-30 years
- Machinery, furniture and equipment 3-24 years
- Utility property and improvements 15-50 years
- Infrastructure 15-50 years

**F. Long-Term Debt**

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting. Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash

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transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

### **G. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 11.

### **H. Fund Balances and Net Assets**

#### *Fund Balances:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. More information is provided in Note 5. These classifications are defined as:

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

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

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*Net Assets:*

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

**I. Internal and Interfund Balances and Transfers**

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

**J. Use of Estimates**

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

**2. Deposits and Investments**

For the year ended June 30, 2012, the City recognized \$11,329 of investment income. Due to the minimal rates of return on allowable investments in the current environment, all of the City’s deposits are in demand and short-term time deposits.

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At June 30, 2012, the primary government held the following deposits and investments:

Type	Carrying Value
<b>Primary Government</b>	
<b>Deposits:</b>	
Petty Cash	629
Demand Deposits	3,692,728
Time deposit - certificates of deposit	807,956
	\$ 4,501,313
 <b>Reconciliation to Statement of Net Assets:</b>	
Cash and cash equivalents	\$ 3,693,357
Investments	807,956
	\$ 4,501,313
 <b>Component Units</b>	
<b>Henryetta Economic Development Authority:</b>	
Demand Deposits	\$ 52,132
Time deposit - certificates of deposit	1,011,490
	1,063,622
 <b>Reconciliation to Statement of Net Assets:</b>	
Cash and cash equivalents	\$ 52,132
Investments	1,011,490
	\$ 1,063,622

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2012, the City was not exposed to custodial credit risk as defined above.

***Investment Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

At June 30, 2012, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

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*Investment Credit Risk*

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and (5) government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2012, the City was not exposed to investment credit risk as defined above.

*Concentration of Investment Credit Risk*

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

At June 30, 2012, the City had no concentration of credit risk as defined above.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the proprietary fund statement of net assets are comprised of amounts restricted for meter deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2012 are as follows:

<u>Type of Restricted Assets</u>	Current	
	Cash and cash equivalents	Investments
Utility Deposits	\$ 111,632	\$ 153,618
Bond and Note Indenture Accounts:		
Sales Tax Account	4,052	201,441
Notes Accounts	434,296	-
Total Bond and Note Indenture Accounts	438,348	201,441
Total Proprietary Fund	\$ 549,980	\$ 355,059

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**3. Capital Assets and Depreciation**

For the year ended June 30, 2012, capital assets balances changed as follows:

	Balance at July 01, 2011	Additions	Disposals	Balance at June 30, 2012
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 118,955	\$ -	\$ -	\$ 118,955
Construction in progress	92,357	-	-	92,357
Total capital assets not being depreciated	<u>211,312</u>	<u>-</u>	<u>-</u>	<u>211,312</u>
Other capital assets:				
Buildings	1,260,288	22,965	-	1,283,253
Improvements	584,252	15,890	-	600,142
Infrastructure	1,816,136	42,209	-	1,858,345
Machinery, furniture and equipment	3,772,987	639,577	21,367	4,391,197
Total other capital assets at historical cost	<u>7,433,663</u>	<u>720,641</u>	<u>21,367</u>	<u>8,132,937</u>
Less accumulated depreciation for:				
Buildings	732,503	41,330	-	773,833
Improvements	344,806	18,382	-	363,188
Infrastructure	175,716	70,223	-	245,939
Machinery, furniture and equipment	2,678,128	226,908	15,313	2,889,723
Total accumulated depreciation	<u>3,931,153</u>	<u>356,843</u>	<u>15,313</u>	<u>4,272,683</u>
Other capital assets, net	3,502,510	363,798	6,054	3,860,254
Governmental activities capital assets, net	<u>\$ 3,713,822</u>	<u>\$ 363,798</u>	<u>\$ 6,054</u>	<u>\$ 4,071,566</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 399,327	\$ -	\$ -	\$ 399,327
Construction in progress	12,354,819	1,063,270	2,930,013	10,488,076
Total capital assets not being depreciated	<u>12,754,146</u>	<u>1,063,270</u>	<u>2,930,013</u>	<u>10,887,403</u>
Other capital assets:				
Buildings	205,554	2,916	-	208,470
Machinery, furniture and equipment	2,107,299	108,890	-	2,216,189
Utility property improvements	31,045,050	3,075,555	-	34,120,605
Total other capital assets at historical cost	<u>33,357,903</u>	<u>3,187,361</u>	<u>-</u>	<u>36,545,264</u>
Less accumulated depreciation for:				
Buildings	137,363	5,755	-	143,118
Machinery, furniture and equipment	1,385,777	125,663	-	1,511,440
Utility property improvements	26,804,728	321,364	-	27,126,092
Total accumulated depreciation	<u>28,327,868</u>	<u>452,782</u>	<u>-</u>	<u>28,780,650</u>
Other capital assets, net	5,030,035	2,734,579	-	7,764,614
Business-type activities capital assets, net	<u>\$ 17,784,181</u>	<u>\$ 3,797,849</u>	<u>\$ 2,930,013</u>	<u>\$ 18,652,017</u>

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*Component Unit:*

<i>Component Unit:</i>	Balance at July 01, 2011	Additions	Disposals	Balance at June 30, 2012
Capital assets not being depreciated:				
Land	\$ 100,000	\$ 105,137	\$ -	\$ 205,137
Construction in progress	3,710	-	-	3,710
Total capital assets not being depreciated	<u>103,710</u>	<u>105,137</u>	<u>-</u>	<u>208,847</u>
Component unit capital assets, net	<u>\$ 103,710</u>	<u>\$ 105,137</u>	<u>\$ -</u>	<u>\$ 208,847</u>

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

Governmental Activities:

General government	\$ 50,883
Public safety	168,937
Highways and streets	105,486
Culture and recreation	12,845
Cemetery	3,420
Airport	15,272
	<u>\$ 356,843</u>

Business-Type Activities:

Water	\$ 167,351
Sewer	235,024
Sanitation	50,407
	<u>\$ 452,782</u>

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

For the year ended June 30, 2012, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 01, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital lease payable	\$ 324,777	\$ 498,919	\$ 54,010	\$ 769,686	\$ 109,244
Total Governmental Activities	<u>\$ 324,777</u>	<u>\$ 498,919</u>	<u>\$ 54,010</u>	<u>\$ 769,686</u>	<u>\$ 109,244</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 9,467,873	\$ 901,433	\$ 820,417	\$ 9,548,889	\$ 639,323
Capital lease payable	170,627	-	66,182	104,445	68,961
Total Business-Type Activities	<u>9,638,500</u>	<u>901,433</u>	<u>886,599</u>	<u>9,653,334</u>	<u>708,284</u>
Total Long-Term Debt	<u>\$ 9,963,277</u>	<u>\$ 1,400,352</u>	<u>\$ 940,609</u>	<u>\$ 10,423,020</u>	<u>\$ 817,528</u>
<b>Component Unit:</b>					
<b>HEDA:</b>					
Notes Payable	\$ 102,950	\$ -	\$ 7,100	\$ 95,850	\$ 7,100
Total Component Unit	<u>\$ 102,950</u>	<u>\$ -</u>	<u>\$ 7,100</u>	<u>\$ 95,850</u>	<u>\$ 7,100</u>

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*Governmental activities* long-term debt payable from taxes and other general revenues at June 30, 2012 include the following:

*Capital Lease Payable:*

Capital lease payable to American Exchange Bank for a fire truck, original amount of \$309,005, payable in 60 monthly installments, interest rate at 4.0%, final payment due August 10, 2014.	\$ 229,479
\$120,467 lease obligation for the purchase of INCODE software, payable in 58 monthly installments of \$2,364 with an annual interest rate of 6.58%, final payment due January 2014	41,289
Capital lease payable to American Exchange Bank for a fire truck, original amount of \$498,918, payable in 96 monthly installments, interest rate at 3.4%, final payment due June 1, 2020.	498,918
<b>Total Capital Leases Payable</b>	<b>\$ 769,686</b>
Current portion	\$ 109,244
Noncurrent portion	660,442
<b>Total Capital Leases Payable</b>	<b>\$ 769,686</b>

*Business-type activities* long-term debt payable from net revenues generated by the utility revenue and pledged sales tax include the following:

*Notes Payable:*

OWRB Promissory Note dated September 29, 2009, original amount \$9,500,000, \$719,059 available to be drawn, payable in semi-annual installments each March 15 and September 15 beginning March 2011, final installment due September 15, 2030 with a 3.07% interest rate and an administration fee of .5% payable semi-annually based on the principal outstanding.	\$ 6,548,731
OWRB Promissory Note dated December 21, 2009, original amount \$3,650,000, \$1,032,336 available to be drawn, payable in semi-annual installments each March 15 and September 15 beginning September 2011, final installment due March 15, 2031 with a 2.73% interest rate and an administration fee of .5% payable semi-annually based on the principal outstanding.	1,908,186
OWRB Promissory Note dated March 28, 2000, original amount \$1,991,463, payable in semi-annual installments each February 15 and August 15 beginning August 2000, final installment due August 15, 2015 with a 0% interest rate and an administration fee of .5% payable semi-annually based on the principal outstanding.	376,763
Oklahoma Department of Commerce note dated March 16, 1998, authorized amount of \$125,000, payable in monthly installments of \$521, including principal with a 0% interest rate, with final payment due October 2018.	55,209
OWRB Promissory Note dated May 27, 2004, original amount \$1,955,000, payable in semi-annual installments each March 15 and September 15, beginning March 2004, final installment due September 15, 2015 with an annual interest rate of 2.12% and an administration fee of .5% payable semi-annually based on the principal outstanding.	660,000
<b>Total Notes Payable</b>	9,548,889
Less: Unamortized Charge on Refunding	(31,500)
<b>Total Notes Payable</b>	<b>\$ 9,517,389</b>
Current portion	\$ 639,323
Noncurrent portion	8,878,066
<b>Total Notes Payable</b>	<b>\$ 9,517,389</b>

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*Capital Lease Payable:*

\$162,207 lease obligation for the purchase of a sanitation truck, payable in monthly installments of \$2,993 with an annual interest rate of 4%, final payment due January 2014	\$	52,195
\$162,277 lease obligation for the purchase of a sanitation truck, payable in monthly installments of \$2,997 with an annual interest rate of 4%, final payment due January 2014		52,250
<b>Total Capital Leases Payable</b>	<b>\$</b>	<b><u>104,445</u></b>
Current portion	\$	68,961
Noncurrent portion		<u>35,484</u>
<b>Total Capital Leases Payable</b>	<b>\$</b>	<b><u>104,445</u></b>

*Component unit - HEDA:*

Oklahoma Department of Commerce note dated March 17, 2005, authorized amount of \$142,000, payable in monthly installments of \$592, including principal with a 0% interest rate, with a final payment due December 2025.	\$	95,850
<b>Total Notes Payable</b>	<b>\$</b>	<b><u>95,850</u></b>
Current portion	\$	7,100
Noncurrent portion		<u>88,750</u>
<b>Total Notes Payable</b>	<b>\$</b>	<b><u>95,850</u></b>

Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Capital Lease obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 109,244	\$ 28,329
2014	101,461	26,659
2015	229,938	13,425
2016	61,587	10,074
2017	63,545	8,116
2018-2020	<u>203,911</u>	<u>11,047</u>
<b>Totals</b>	<b><u>\$ 769,686</u></b>	<b><u>\$ 97,650</u></b>

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<u>Year Ending June 30,</u>	Business Type Activities			
	Capital Lease Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2013	\$ 68,961	\$ 2,921	\$ 639,323	\$ 268,699
2014	35,484	457	659,741	252,882
2015	-	-	670,473	236,557
2016	-	-	537,705	219,841
2017	-	-	395,275	206,975
2018-2022	-	-	2,152,372	851,586
2023-2027	-	-	2,469,531	510,469
2028-2031	-	-	2,024,469	126,223
<b>Totals</b>	<b>\$ 104,445</b>	<b>\$ 3,378</b>	<b>\$ 9,548,889</b>	<b>\$ 2,673,232</b>

<u>Year Ending June 30,</u>	Component Unit Activities	
	Notes Payable	
	Principal	Interest
2013	\$ 7,100	\$ -
2014	\$ 7,100	-
2015	\$ 7,100	-
2016	\$ 7,100	-
2017	\$ 7,100	-
2018-2022	35,500	-
2023-2026	24,850	-
<b>Totals</b>	<b>\$ 95,850</b>	<b>\$ -</b>

**Capital Lease Property**

The following is an analysis of the governmental fund leased property under capital leases by major classes:

Machinery & Equipment	\$928,371
Less Accumulated Depreciation	<u>(429,473)</u>
Net Machinery and Equipment under Capital Leases	<u>\$498,898</u>

The following is an analysis of the proprietary fund leased property under capital leases by major classes:

Machinery & Equipment	\$324,484
Less Accumulated Depreciation	<u>(77,516)</u>
Net Machinery and Equipment under Capital Leases	<u>\$246,968</u>

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**Pledge of Future Revenues**

*Sales Tax and Net Utility Revenues Pledge* - The City has pledged two cents (or 50%) of future sales tax revenues and net utility revenues to repay the \$1,991,463, \$1,955,000, \$3,650,000, and \$9,500,000 1997 OWRB SRF, OWRB CWSRF, 2009 OWRB CWSRF, and 2009 OWRB DWSRF notes payable, respectively. Proceeds from the notes provided financing for capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2031. The total principal and interest payable for the remainder of the life of these notes is \$12,166,913. Pledged sales taxes received in the current year were \$1,244,348 and net utility revenues were \$1,243,754. Debt service payments of \$1,092,569 for the current fiscal year were 44% of both pledged sales taxes and utility revenues of \$2,488,102.

**5. Fund Balance and Net Assets**

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54 and Proprietary Fund Statement of Net Assets:

	Major Capital Project Fund		Other Governmental Funds	TOTAL
	General Fund	Restricted Sales Tax		
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Capital and/or capital debt service	\$ -	\$ 2,124,685	\$ -	\$ 2,124,685
Cemetery	-	-	94,232	94,232
E-911	-	-	205,623	205,623
Public Safety	12,592	-	14,736	27,328
Culture and Recreation	5,382	-	-	5,382
General Government	2,454	-	-	2,454
Sub-total Restricted	<u>20,428</u>	<u>2,124,685</u>	<u>314,591</u>	<u>2,459,704</u>
<b>Assigned to:</b>				
Balance Subsequent Years Budget	331,128	-	-	331,128
Capital and/or capital debt service	-	17,185	-	17,185
Cemetery	-	-	85	85
E911	53	-	3,081	3,134
Public Safety	-	-	-	-
Culture and Recreation	49,566	-	-	49,566
Highway and streets	67,242	-	-	67,242
Sub-total Assigned	<u>447,989</u>	<u>17,185</u>	<u>3,166</u>	<u>468,340</u>
<b>Unassigned:</b>	625,328	-	-	625,328
<b>TOTAL FUND BALANCES</b>	<u>1,093,745</u>	<u>2,141,870</u>	<u>317,757</u>	<u>3,553,372</u>

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<b>Enterprise Fund:</b>	
Restricted for Debt Service:	
Cash and investments	<u>\$ 639,733</u>
 Total Enterprise Fund Restricted for debt service	 <u><u>\$ 639,733</u></u>

**Restricted Net Assets – Governmental Activities**

Of the Governmental Activities \$2,457,250 of restricted net assets, \$205,623 are restricted by enabling legislation.

**6. Sales Tax Revenue**

Sales tax revenue represents a 4 cents tax on each dollar of taxable sales of which is recorded as follows:

- 2 1/3 cents is recorded in the General Fund of which 1 cent is pledged and transferred to the HMA to assist in HMA debt service coverage requirements per Ordinance No. 623; 1/6 of one cent is transferred to the Henryetta Economic Development Authority, and 1 1/6 cent is retained by the General Fund
- 1 2/3 cent is recorded in the Restricted Sales Tax Fund with one cent pledged toward HMA debt in accordance with Ordinance No. 1001 effective November 2007 and 2/3 cent restricted for the purchase of capital assets or debt related to the purchase of capital assets with Ordinance No. 987.

**7. Property Tax Levy**

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

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**8. Internal and Interfund Balances and Transfers**

*Balances:*

Interfund balances between activities at June 30, 2012, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	HMA	\$ 67	Reclassification of transaction
General Fund	HMA	1,991	Reclassification of transaction
Airport	General Fund	60,000	Reclassification of transaction
Cemetery Care Fund	General Fund	4	Reclassification of transaction
Meter Deposit Fund	HMA	931	Meter deposit refunds
HMA	General Fund	5	Meter deposit refunds
Total		<u>\$ 62,998</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 60,009	\$ (62,062)	\$ (2,053)
Proprietary Funds	2,989	(936)	2,053
Total	<u>\$ 62,998</u>	<u>\$ (62,998)</u>	<u>\$ -</u>

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2012, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
HMA	General Fund	\$ 1,332,657	Operating subsidy
General Fund	HMA	622,174	Sales tax transfer
General Fund	HMA	6,771	Debt service payments
Restricted Sales Tax Fund	HMA	659,142	Debt service payments
Total		<u>\$ 2,620,744</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,332,657	\$ (1,288,087)	\$ 44,570
Proprietary Funds	1,288,087	(1,332,657)	(44,570)
	<u>\$ 2,620,744</u>	<u>\$ (2,620,744)</u>	<u>\$ -</u>

**Reconciliation to Statement of Activities:**

Governmental funds net transfers	\$ 44,570
Transfer of capital outlay	(335,493)
	<u>\$ (290,923)</u>

**9. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

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**10. Pension Plan Participation**

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

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

*OFPRS:*

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

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

*Funding Policy.* OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. OFPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

Fiscal Year	Required Contributions	Amount Contributed
2010	\$ 63,943	\$ 63,943
2011	\$ 58,136	\$ 58,136
2012	\$ 58,025	\$ 58,025

*OPPRS:*

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

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The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS  
1001 N.W. 63<sup>rd</sup> St., Suite 605  
Oklahoma City, OK 73116-7335

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

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Amount Contributed</u>
2010	\$ 51,560	\$ 51,560
2011	\$ 51,174	\$ 51,174
2012	\$ 52,691	\$ 52,691

*OMRF Defined Benefit Plan:*

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

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**Eligibility Factors, Contribution Methods and Benefit Provisions**

<b>Provision</b>	<b>OMRF Plan</b>
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	7.97% of covered payroll
-Employee Rate	0.65% of earnings
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement with 10 years of service -Marital death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	1.875% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

For the year ended June 30, 2012, the City's employer contribution to the plan was \$99,310 which was equal to the actuarial required contribution.

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.

*OMRF Defined Contribution Plan:*

*Plan Summary Information.* The City has provided a defined contribution plan and trust available to the City Manager. The trust is in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to immediately upon being hired.

*Funding Policy.* Employees participating in the Plan are required to contribute at least 3%. By City ordinance, the City, as employer, is required to make contributions to the plan, at a current rate of 7% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's

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account) are vested 100% upon participations in the plan. The authority to establish and amend the provisions of the plan rests with the City Council. Currently all eligible employees have opted not to participate in the plan for fiscal year 2012.

## **11. Commitments and Contingencies**

### *Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and compensation leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2012, is summarized as follows:

- Governmental activities \$259,257
- Business-type activities \$38,664

### *Litigation:*

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

### *Federal and State Award Programs:*

The City of Henryetta participates in various federal or state grant/loan programs from year to year. In 2012, the City's involvement in federal and state award programs was significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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**OTHER SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2012**

	General Fund			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 1,325,896	\$ 1,325,896	\$ 1,136,369	\$ (189,527)
<b>Resources (Inflows):</b>				
Taxes	1,695,000	1,695,000	1,719,810	24,810
Intergovernmental	124,500	124,500	144,494	19,994
Charges for services	6,800	6,800	7,702	902
Fines and forfeitures	223,700	223,700	180,994	(42,706)
Licenses and Permits	10,525	10,525	9,910	(615)
Investment Income	4,500	4,500	3,897	(603)
Miscellaneous	211,340	211,340	145,263	(66,077)
Other Financing Sources - Transfers In	1,309,600	1,309,600	1,332,657	23,057
<b>Total Resources</b>	<u>3,585,965</u>	<u>3,585,965</u>	<u>3,544,727</u>	<u>(41,238)</u>
<b>Amount available for appropriation</b>	<u>4,911,861</u>	<u>4,911,861</u>	<u>4,681,096</u>	<u>(230,765)</u>
<b>Charges to Appropriations (Outflows):</b>				
Departmental:				
General Government:				
General government	768,296	722,296	603,165	119,131
Public Safety	1,832,108	1,807,108	1,724,337	82,771
Street	317,895	340,895	327,984	12,911
Culture and Recreation:	180,170	195,170	159,997	35,173
Cemetery	124,694	124,694	106,558	18,136
Airport	34,347	35,347	34,939	408
Economic Development	101,563	-	-	-
Transfers to Other Funds	615,625	733,188	732,641	547
<b>Total Charges to Appropriations</b>	<u>3,974,698</u>	<u>3,958,698</u>	<u>3,689,621</u>	<u>269,077</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 937,163</u>	<u>\$ 953,163</u>	<u>\$ 991,475</u>	<u>\$ 38,312</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Library Fund Balance			54,948	
Airport Fund Balance			(19,973)	
Street Improvement Fund Balance			67,242	
Police Special Response Fund Balance			53	
<b>Total General Fund Fund Balance</b>			<u>\$ 1,093,745</u>	

**Footnotes to Budgetary Comparison Schedule:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

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**Non-Major Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2012**

	<u>Special Revenue</u>	<u>Capital Project</u>		
	<u>E911 Fund</u>	<u>Cemetery Care Fund</u>	<u>Police Equipment Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 208,704	\$ 94,321	\$ 14,736	\$ 317,761
Total assets	<u>\$ 208,704</u>	<u>\$ 94,321</u>	<u>\$ 14,736</u>	<u>\$ 317,761</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ -	\$ 4	\$ -	\$ 4
Total liabilities	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
 Fund balances:				
Restricted	205,623	94,232	14,736	314,591
Assigned	3,081	85	-	3,166
Total fund balances	<u>208,704</u>	<u>94,317</u>	<u>14,736</u>	<u>317,757</u>
Total liabilities and fund balances	<u>\$ 208,704</u>	<u>\$ 94,321</u>	<u>\$ 14,736</u>	<u>\$ 317,761</u>

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**Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2012**

	<u>Special Revenue</u>	<u>Capital Project</u>		
	<u>E911 Fund</u>	<u>Cemetery Care Fund</u>	<u>Police Equipment Fund</u>	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	62,759	6,414	-	69,173
Investment earnings	871	46	-	917
Miscellaneous	-	-	651	651
<b>Total revenues</b>	<b>63,630</b>	<b>6,460</b>	<b>651</b>	<b>70,741</b>
<b>EXPENDITURES</b>				
Current:				
Public Safety	48,538	-	-	48,538
Capital Outlay	-	698	-	698
<b>Total Expenditures</b>	<b>48,538</b>	<b>698</b>	<b>-</b>	<b>49,236</b>
Excess (deficiency) of revenues over expenditures	15,092	5,762	651	21,505
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	15,092	5,762	651	21,505
Fund balances - beginning	193,612	88,555	14,085	296,252
<b>Fund balances - ending</b>	<b>\$ 208,704</b>	<b>\$ 94,317</b>	<b>\$ 14,736</b>	<b>\$ 317,757</b>

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**Combining Balance Sheet Schedule (Modified Cash Basis) – Henryetta General Fund Accounts -  
June 30, 2012**

	General Fund	Library Fund	Airport Fund	Street Improvement Fund	Police Special Response Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 486,667	\$ 52,448	\$ 40,027	\$ 67,242	\$ 53	\$ 646,437
Investments	450,397	2,500	-	-	-	452,897
Due from other funds	60,009	-	-	-	-	60,009
Total assets	<u>\$ 997,073</u>	<u>\$ 54,948</u>	<u>\$ 40,027</u>	<u>\$ 67,242</u>	<u>\$ 53</u>	<u>\$ 1,159,343</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ 2,058	\$ -	\$ 60,000	\$ -	\$ -	\$ 62,058
Due to depositors	3,540	-	-	-	-	3,540
Total liabilities	<u>5,598</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>65,598</u>
Fund balances:						
Unspendable	-	-	-	-	-	-
Restricted	15,046	5,382	-	-	-	20,428
Committed	-	-	-	-	-	-
Assigned	331,128	49,566	-	67,242	53	447,989
Unassigned	645,301	-	(19,973)	-	-	625,328
Total fund balances	<u>991,475</u>	<u>54,948</u>	<u>(19,973)</u>	<u>67,242</u>	<u>53</u>	<u>1,093,745</u>
Total liabilities and fund balances	<u>\$ 997,073</u>	<u>\$ 54,948</u>	<u>\$ 40,027</u>	<u>\$ 67,242</u>	<u>\$ 53</u>	<u>\$ 1,159,343</u>

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**Combining Schedule of Revenues, Expenses, and Changes in Fund Balance (Modified Cash Basis)**  
**- Henryetta General Fund Accounts - Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Airport Fund</u>	<u>Street Improvement Fund</u>	<u>Police Special Response Fund</u>	<u>Total</u>
<b>REVENUES</b>						
Taxes	\$ 1,719,810	\$ -	\$ -	\$ -	\$ -	\$ 1,719,810
Intergovernmental	144,494	6,548	-	-	-	151,042
Charges for services	7,702	-	37,932	-	-	45,634
Fines and forfeitures	180,994	-	-	-	-	180,994
Licenses and permits	9,910	-	-	-	-	9,910
Investment earnings	3,897	-	16	34	-	3,947
Miscellaneous	145,263	3,606	-	-	-	148,869
Total revenues	<u>2,212,070</u>	<u>10,154</u>	<u>37,948</u>	<u>34</u>	<u>-</u>	<u>2,260,206</u>
<b>EXPENDITURES</b>						
Current:						
General government	603,165	-	-	-	-	603,165
Public Safety	1,705,464	-	-	-	-	1,705,464
Highways and streets	327,984	-	-	-	-	327,984
Culture and recreation	159,997	3,666	-	-	-	163,663
Cemetery	106,558	-	-	-	-	106,558
Airport	34,939	-	30,118	-	-	65,057
Capital Outlay	18,873	-	-	-	-	18,873
Total Expenditures	<u>2,956,980</u>	<u>3,666</u>	<u>30,118</u>	<u>-</u>	<u>-</u>	<u>2,990,764</u>
Excess (deficiency) of revenues over expenditures	<u>(744,910)</u>	<u>6,488</u>	<u>7,830</u>	<u>34</u>	<u>-</u>	<u>(730,558)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sales tax payment to HEDA	(103,696)	-	-	-	-	(103,696)
Transfers in	1,332,657	-	-	-	-	1,332,657
Transfers out	(628,945)	-	-	-	-	(628,945)
Total other financing sources and uses	<u>600,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,016</u>
Net change in fund balances	(144,894)	6,488	7,830	34	-	(130,542)
Fund balances - beginning	1,136,369	48,460	(27,803)	67,208	53	1,224,287
Fund balances - ending	<u>\$ 991,475</u>	<u>\$ 54,948</u>	<u>\$ (19,973)</u>	<u>\$ 67,242</u>	<u>\$ 53</u>	<u>\$ 1,093,745</u>

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**Combining Schedule of Net Assets (Modified Cash Basis) – Henryetta Municipal Authority**  
**Enterprise Fund Accounts - June 30, 2012**

	HMA	Meter Deposit	Sewer Depreciation	87 Bond (Sales Tax)	OWRB FAP Loan	CDBG Water Project	2009 CWSRF	2009 DWSRF	TOTALS
<b>ASSETS</b>									
<b>Current assets:</b>									
Cash and cash equivalents	\$ (45)	\$ 37,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,309
Restricted cash and cash equivalents	-	111,632	434,290	4,052	-	1	5	-	549,980
Restricted investments	-	153,618	-	201,441	-	-	-	-	355,059
Due from other funds	998	-	-	1,991	-	-	-	-	2,989
<b>Total current assets</b>	<b>953</b>	<b>302,604</b>	<b>434,290</b>	<b>207,484</b>	<b>-</b>	<b>1</b>	<b>5</b>	<b>-</b>	<b>945,337</b>
<b>Non-current assets:</b>									
<b>Restricted:</b>									
Land and construction in progress	10,887,403	-	-	-	-	-	-	-	10,887,403
Other capital assets, net of accumulated depreciation	7,764,614	-	-	-	-	-	-	-	7,764,614
Unamortized note issue costs	-	-	19,083	-	26,463	-	85,422	220,539	351,507
<b>Total non-current assets</b>	<b>18,652,017</b>	<b>-</b>	<b>19,083</b>	<b>-</b>	<b>26,463</b>	<b>-</b>	<b>85,422</b>	<b>220,539</b>	<b>19,003,524</b>
<b>Total assets</b>	<b>18,652,970</b>	<b>302,604</b>	<b>453,373</b>	<b>207,484</b>	<b>26,463</b>	<b>1</b>	<b>85,427</b>	<b>220,539</b>	<b>19,948,861</b>
<b>LIABILITIES</b>									
<b>Current Liabilities:</b>									
Due to other funds	5	931	-	-	-	-	-	-	936
Meter deposit liability	-	265,335	-	-	-	-	-	-	265,335
Capital lease obligation	68,961	-	-	-	-	-	-	-	68,961
Notes payable	-	-	287,647	-	-	6,250	77,822	267,604	639,323
<b>Total current liabilities</b>	<b>68,966</b>	<b>266,266</b>	<b>287,647</b>	<b>-</b>	<b>-</b>	<b>6,250</b>	<b>77,822</b>	<b>267,604</b>	<b>974,555</b>
<b>Non-current liabilities:</b>									
Capital lease obligation	35,484	-	-	-	-	-	-	-	35,484
Notes payable	-	-	717,616	-	-	48,959	1,830,364	6,281,127	8,878,066
<b>Total non-current liabilities</b>	<b>35,484</b>	<b>-</b>	<b>717,616</b>	<b>-</b>	<b>-</b>	<b>48,959</b>	<b>1,830,364</b>	<b>6,281,127</b>	<b>8,913,550</b>
<b>Total liabilities</b>	<b>104,450</b>	<b>266,266</b>	<b>1,005,263</b>	<b>-</b>	<b>-</b>	<b>55,209</b>	<b>1,908,186</b>	<b>6,548,731</b>	<b>9,888,105</b>
<b>NET ASSETS</b>									
Invested in capital assets, net of related debt	18,547,572	-	(1,005,263)	-	-	(55,209)	(1,908,181)	(6,548,731)	9,030,188
Restricted for debt service	-	-	434,240	205,493	-	-	-	-	639,733
Unrestricted	948	36,338	19,133	1,991	26,463	1	85,422	220,539	390,835
<b>Total net assets (deficit)</b>	<b>\$ 18,548,520</b>	<b>\$ 36,338</b>	<b>\$ (551,890)</b>	<b>\$ 207,484</b>	<b>\$ 26,463</b>	<b>\$ (55,208)</b>	<b>\$ (1,822,759)</b>	<b>\$ (6,328,192)</b>	<b>\$ 10,060,756</b>

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**Combining Schedule of Revenues, Expenses, and Changes in Net Assets (Modified Cash Basis) –**  
**Henryetta Municipal Authority Enterprise Fund Accounts - Year Ended June 30, 2012**

	HMA	Meter Deposit	Sewer Depreciation	87 Bond (Sales Tax)	OWRB FAP Loan	CDBG Water Project	2009 CWSRF	2009 DWSRF	Total
<b>Operating Revenues:</b>									
Water charges	\$ 1,374,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,374,646
Water taps	500	-	-	-	-	-	-	-	500
Sewer charges	820,591	-	-	-	-	-	-	-	820,591
Sewer taps	-	-	-	-	-	-	-	-	-
Sanitation charges	655,272	-	-	-	-	-	-	-	655,272
Transfer station fees	4,543	-	-	-	-	-	-	-	4,543
EMS Assessments	91,743	-	-	-	-	-	-	-	91,743
Penalty charges	31,577	-	-	-	-	-	-	-	31,577
Miscellaneous	35,987	-	-	-	-	-	-	-	35,987
<b>Total operating revenues</b>	<b>3,014,859</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,014,859</b>
<b>OPERATING EXPENSES</b>									
Water operations	263,425	43	-	2,220	-	9,261	-	11	274,960
Utility office operations	207,313	-	-	-	-	-	-	-	207,313
Water treatment plant operations	591,437	-	-	-	-	-	-	-	591,437
Sewer operations	90,494	-	-	-	-	-	-	-	90,494
Sewer treatment plant operations	211,619	-	-	-	-	-	-	-	211,619
Sanitation operations	142,717	-	-	-	-	-	-	-	142,717
Transfer station operations	160,978	-	-	-	-	-	-	-	160,978
EMS contract	91,588	-	-	-	-	-	-	-	91,588
Depreciation	452,781	-	-	-	-	-	-	-	452,781
<b>Total Operating Expenses</b>	<b>2,212,352</b>	<b>43</b>	<b>-</b>	<b>2,220</b>	<b>-</b>	<b>9,261</b>	<b>-</b>	<b>11</b>	<b>2,223,887</b>
<b>Operating income (loss)</b>	<b>802,507</b>	<b>(43)</b>	<b>-</b>	<b>(2,220)</b>	<b>-</b>	<b>(9,261)</b>	<b>-</b>	<b>(11)</b>	<b>790,972</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>									
Interest and investment revenue	596	1,783	1,716	1,251	-	-	-	-	5,346
Amortization of bond issue costs	-	-	(5,878)	-	(2,571)	-	(4,881)	(12,662)	(25,992)
Interest expense	(5,700)	-	(32,221)	-	-	-	(48,660)	(207,260)	(293,841)
Miscellaneous revenue	-	-	-	-	-	-	6	11	17
<b>Total non-operating revenue (expenses)</b>	<b>(5,104)</b>	<b>1,783</b>	<b>(36,383)</b>	<b>1,251</b>	<b>(2,571)</b>	<b>-</b>	<b>(53,535)</b>	<b>(219,911)</b>	<b>(314,470)</b>
Income (loss) before transfers	797,403	1,740	(36,383)	(969)	(2,571)	(9,261)	(53,535)	(219,922)	476,502
Capital contributions	335,493	-	-	-	-	9,261	-	-	344,754
Interaccount transfers in	946,996	-	507,430	-	-	-	194,660	-	1,649,086
Interaccount transfers out	(507,430)	-	(237,389)	-	-	-	(565,096)	(339,171)	(1,649,086)
Transfers in	694,056	-	-	-	-	6,771	-	587,260	1,288,087
Transfers out	(1,332,657)	-	-	-	-	-	-	-	(1,332,657)
Change in net assets	933,861	1,740	233,658	(969)	(2,571)	6,771	(423,971)	28,167	776,686
Total net assets (deficit) - beginning	17,614,659	34,598	(785,548)	208,453	29,034	(61,979)	(1,398,788)	(6,356,359)	9,284,070
<b>Total net assets (deficit) - ending</b>	<b>\$ 18,548,520</b>	<b>\$ 36,338</b>	<b>\$ (551,890)</b>	<b>\$ 207,484</b>	<b>\$ 26,463</b>	<b>\$ (55,208)</b>	<b>\$ (1,822,759)</b>	<b>\$ (6,328,192)</b>	<b>\$ 10,060,756</b>

**CITY OF HENRYETTA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2012**

Gross Revenue Available for Debt Service:

Operating revenues of leased systems (1)	\$	2,923,272
Sales tax pledged		1,244,348
 Total Gross Revenues Available		 4,167,620
 System Operating Expenses (1)		 1,679,518
 Net Revenues Available for Debt Service	 \$	 2,488,102

Debt Service Requirements:

Maximum annual debt service - OWRB promissory note - SRF	\$	117,059
Maximum annual debt service - OWRB promissory note - CWSRF		203,042
Maximum annual debt service - OWRB promissory note - 2009 CWSRF		191,407
Maximum annual debt service - OWRB promissory note - 2009 DWSRF		510,261
 Total Debt Service Requirements	 \$	 1,021,769

Coverage		244%
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Coverage Requirement		125%
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(1) Leased systems include water, sewer, sanitation and administration thereof.

**CITY OF HENRYETTA, OKLAHOMA  
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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Henryetta, Oklahoma (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 10, 2013. The report on the aggregate discretely presented component units was an adverse opinion due to the omission of the Henryetta Hospital Authority. In addition our report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
April 10, 2013