CITY OF HARRAH, OKLAHOMA

Report on Audit of Financial Statements

June 30, 2011

CONTENTS

	Page Number
BASIC FINANCIAL STATEMENTS:	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Government-Wide Financial Statements:	
Statement of Fiduciary Net Assets	12
Statement of Activities	13-14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Assets - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Net Assets - Agency Funds	21
Notes to Basic Financial Statements	22-44
REQUIRED SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	45
OTHER SUPPLEMENTAL INFORMATION:	
Combining Financial Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets	47
Report on Internal Control Over Financial Reporting Based and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	48-49
Schedule of Expenditures of Federal Awards	50

INDEPENDENT AUDITOR'S REPORT

DILLON & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
1401 S. DOUGLAS BLVD., SUITE A
MIDWEST CITY, OK 73110

ROBERT S. DILLON, CPA
bobdilloncpa@gmail.com

Phone: (405) 732-1800
Fax : (405) 737-7446

Independent Auditor's Report

City Council
City of Harrah
Harrah, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrah, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Harrah's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Harrah's management. Our responsibility is to express an opinion 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the City of Harrah's internal control over financial reporting and 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 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.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrah's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basis financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us, in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Harrah
Management's Discussion and Analysis
June 30, 2011

The following discussion and analysis of the City of Harrah's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 12.

Financial Highlights

- The assets of the City of Harrah exceeded its liabilities at the close of the most recent fiscal year by $9,705,810 (net assets), an increase of $342,029 or 3.7% from the prior year.

- During the year, the City's expenses for governmental activities were $2,231,889 and were funded by program revenues of $847,796 and further funded with taxes and other general revenues, grants and net transfers that totaled $1,639,393.

- In the business-type activities, which are primarily utilities, had program expenses of $1,324,900 and were funded by program revenues and other general revenues and net transfers that totaled $1,411,629.

- Sales and use taxes increased by $111,099 or 6.2% over the prior fiscal year.

- At June 30, 2011, the General Fund reported an unreserved, undesignated fund balance of $400,041, an increase of $32,761 from the prior year.

- The City's total debt increased by $43,809 during the current fiscal year. The key factors were loan issuances related to the new City Hall, draw downs on the OWRB wastewater treatment note and principal payments made on OWRB revenue notes.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Harrah that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Harrah include general government, public safety, and public works. The business-type activities of the City of Harrah are comprised of the Harrah Public Works Authority which operates the City's water and wastewater operations.

The government-wide financial statements include the City of Harrah and the Harrah Public Works Authority. Although the Harrah Public Works Authority is legally a separate entity, it functions for all practical purposes as departments of the City of Harrah, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-14 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 15-17 of this report.

Proprietary funds. The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public works authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Harrah Public Works Authority, which is considered to be major fund of the City.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

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

The City has two fiduciary funds-the meter deposit fund and the municipal court fund, which are agency funds.

The fiduciary fund financial statements can be found on page 21 of the report.

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

The notes to the financial statements can be found on pages 22-44 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on page 45 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the general fund. Combining and individual fund statements and schedules can be found on pages 46-47 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $9,705,810 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (80.58%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted 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.

Table 1
Net Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 1,107	1,299	898	920	2,005	2,219
Capital assets	2,414	1,775	9,766	9,792	12,180	11,567
Total assets	3,521	3,074	10,664	10,712	14,185	13,786
Long-term debt outstanding	187	-	4,171	4,315	4,358	4,315
Other liabilities	44	38	78	69	122	107
Total liabilities	231	38	4,249	4,384	4,480	4,422
Net assets:						
Invested in capital assets, net of debt	2,227	1,775	5,594	5,477	7,821	7,252
Restricted	702	932	517	517	1,219	1,449
Unrestricted	361	329	304	334	665	663
Total net assets	$ 3,290	3,036	6,415	6,328	9,705	9,364

A portion of the City's net assets (15.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of $665,066 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by $342,029 during the current fiscal year. This increase represents the overall excess of revenues over expenses, including depreciation of $551,515.

Governmental activities. Governmental activities increased the City's net assets by $255,300. The increase included a non-cash charge for depreciation on capital assets of $218,375.

Business-type activities. Business-type activities increased the City's net assets by $86,729. The increase in net assets included a non-cash charge for depreciation on capital assets of $338,140.

Table 2
Changes in Net Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services $	478	434	817	696	1,295	1,130
Operating grants	4	15	-	-	4	15
Capital grants	276	226	-	596	276	822
General revenues						
Sales and use taxes	1,428	1,231	453	463	1,881	1,694
Franchise tax (fees)	217	219	-	-	217	219
Other taxes	83	224	-	-	83	224
Fines/forfeitures	90	66	-	-	90	66
Investment income	2	7	-	-	2	7
Other	31	59	19	15	50	74
Total revenues	2,609	2,481	1,289	1,770	3,898	4,251
Expenses:						
General government	1,019	745	-	-	1,019	745
Public safety	1,071	1,042	-	-	1,071	1,042
Public works	-	134	-	-	-	134
Cultural & recreation	142	164	-	-	142	164
Water/wastewater	-	-	1,325	1,167	1,325	1,167
Sanitation	-	357	-	-	-	357
Total expenses	2,232	2,442	1,325	1,167	3,557	3,609
Increase in net assets before transfers	377	39	(36)	603	341	642
Transfers	(123)	(30)	123	30	-	-
Change in net assets	254	9	87	633	341	642
Begininng net assets	3,036	3,027	6,328	5,695	9,364	8,722
Prior period adjust.	-	-	-	-	-	-
Ending net assets $	3,290	3,036	6,415	6,328	9,705	9,364

Governmental activities. Governmental activities increased the City's net assets by $255,300. The key element of this increase is an overall increase in revenues.

For the most part, increases in expenses resulted from the charging of depreciation expense on capital assets to various functional areas.

Business-type activities. Business-type activities increased the City's net assets by $86,729. The key element in this increase is an increase in utility revenues.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $1,102,507, a decrease of $196,459, in comparison with the prior year. Approximately 39.6% of this total amount, $436,391 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital improvements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was $400,041. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 22.25% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by $32,761 during the current fiscal year.

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

Unrestricted net assets of the Harrah Public Works Authority at the end of the year amounted to $303,641. Net assets increased by $86,729 compared to the prior year.

- Operating revenues increased by $120,589 from the prior year, mainly to water and sewer revenue.

- Operating expenses (excluding depreciation) increased by $127,307 over the prior year, mainly in the water and sewer departments.

General Fund Budgetary Highlights

There were differences between the original budget and the final budget for the general fund. Overall, actual revenues on the budgetary basis of $1,819,006 were $821,774 less than the estimated revenues in the budget of $2,640,780. Actual expenditures of $1,838,910 were $112,895 less than the $1,951,805 approved in budget appropriations. After transfers in of $52,665 to other governmental funds, the City increased its carryforward funds by $32,761. The amount of carryover funds budget for expenditure was $400,041.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to $12,180,105 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

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

- Purchase and renovation of the new City Hall.
- Construction of waste water treatment plant.

Table 3
Capital Assets
(In Thousands)

	Governmental Activities 2011	Business-type Activities 2011	Total 2011
Land	$ 102	1,827	1,929
Building and improvements	903	468	1,371
Machinery and equipment	968	845	1,813
Vehicles	1,442	-	1,442
Infrastructure	1,546	13,544	15,090
	4,961	16,684	21,645
Less : Accumulated depreciation	2,547	6,918	9,465
Net capital assets	$ 2,414	9,766	12,180

	Governmental Activities 2010	Business-type Activities 2010	Total 2010
Land	$ 102	1,639	1,741
Building and improvements	503	468	971
Machinery and equipment	906	723	1,629
Vehicles	1,405	-	1,405
Infrastructure	1,187	13,542	14,729
	4,103	16,372	20,475
Less : Accumulated depreciation	2,328	6,580	8,908
Net capital assets	$ 1,775	9,792	11,567

Additional information of the City's capital assets can be found in Note 3.D. On pages 34-35 of this report.

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of $4,359,085. This represents debt secured solely by specified revenue sources (i.e., revenue notes) and real estate.

Table 4
Outstanding Debt
(In Thousands)

	Governmental Activities 2011	Business-type Activities 2011	Total 2011
Notes payable	$ 187	4,172	4,359
Other	-	-	-
Net long-term debt	$ 187	4,172	4,359

	Governmental Activities 2010	Business-type Activities 2010	Total 2010
Notes payable	$ -	4,315	4,315
Other	-	-	-
Net long-term debt	$ -	4,315	4,315

The City's total debt increased by $43,809 during the current fiscal year. The key factors were loan issuances related to the new City Hall, draw downs on the OWRB wastewater treatment note and principal payments made on OWRB revenue notes.

Additional information on the City's long-term debt can be found in Notes 3.F. and V.G. on pages 36-37 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011-2012 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. A potential downturn of the national economy is expected to have limited effect on the local economy for the coming year. Employment costs are stable and sales tax revenues continue to increase over previous periods. Utility revenues are expected to continue to increase at a moderate rate.

These indicators were taken into account when adopting the general fund budget for 2011-2012.

❖ Revenues and expenses for the City's general fund are expected to increase slightly over the actual amounts received and expended in the fiscal year ended June 30, 2011.

❖ As for the City's proprietary fund activities, we expect growth in the revenues and expenses over those received in 2011 due to a water and sewer rate increase.

All of these factors were considered in preparing the City's budget for the 2011-2012 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to $400,041. The City has this amount available for spending in the 2011-2012 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2011-2012 fiscal year.

Requests for Information

This financial report is designed to provide our citizens, funding agencies, investors, 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 of Harrah, P.O. Box 636, Harrah, Oklahoma 73045.

Earl Burson
City Manager

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	$ 723,148	175,424	898,572
Receivables (net of allowance for uncollectibles)	71,396	24,626	96,022
Internal balances	30,248	(24,419)	5,829
Receivables from other governments	282,177	39,461	321,638
Bond issue cost (net of accumulated amortization)	-	166,342	166,342
Restricted assets:			
Restricted cash and investments	-	517,260	517,260
Capital assets:			
Land, improvements, and construction in progress	101,528	1,827,377	1,928,905
Other capital assets, net of depreciation	2,312,865	7,938,333	10,251,198
Total assets	3,521,362	10,664,404	14,185,766
LIABILITIES			
Accounts payable and accrued expenses	4,462	-	4,462
Compensated absences payable	38,616	31,716	70,332
Notes payable, current	9,440	247,420	256,860
Liabilities payable from restricted assets	-	46,077	46,077
Notes payable, non-current	178,009	3,924,216	4,102,225
Total liabilities	230,527	4,249,429	4,479,956
NET ASSETS			
Invested in capital assets, net of related debt	2,226,944	5,594,074	7,821,018
Restricted for:			
Special revenue projects	36,350	-	36,350
Capital projects	666,116	456,943	1,123,059
Debt service	-	60,317	60,317
Unrestricted (deficit)	361,425	303,641	665,066
Total net assets	$ 3,290,835	6,414,975	9,705,810

See accompanying notes to the basic financial statement.

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

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
General government	$ 1,018,799	42,359	-	-	(976,440)
Public safety:					
Police	716,752	89,892	2,423	10,000	(614,437)
Fire	354,148	-	-	-	(354,148)
Public works	-	435,843	-	-	435,843
Culture and recreation	142,190	-	1,975	265,304	125,089
Total government activities	2,231,889	568,094	4,398	275,304	(1,384,093)
Business-type activities:					
Water and sewer	1,324,900	816,824	-	-	(508,076)
Total business-type activities	1,324,900	816,824	-	-	(508,076)
Total primary government	3,556,789	1,384,918	4,398	275,304	(1,892,169)

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

		Primary Government		
		Governmental Activities	Business-type Activities	Total
Change in net assets:				
Net (expense) revenue	$	(1,384,093)	(508,076)	(1,892,169)
General revenues:				
Taxes:				
Sales taxes		1,354,283	452,662	1,806,945
Use taxes		73,941	-	73,941
Franchise taxes (fees)		216,662	-	216,662
Other taxes		83,357	-	83,357
Unrestricted investment income		2,202	310	2,512
Miscellaneous		31,892	18,889	50,781
Transfers		(122,944)	122,944	-
Total general revenues and transfers		1,639,393	594,805	2,234,198
Change in net assets		255,300	86,729	342,029
Net assets - beginning		3,035,535	6,328,246	9,363,781
Net assets - ending	$	3,290,835	6,414,975	9,705,810

See accompanying notes to the basic financial statement.

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

		General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$	195,296	399,476	128,376	723,148
Receivables - Accounts, net		71,396	-	-	71,396
Receivable - Grant		-	133,014	-	133,014
Receivables - Taxes		105,851	39,461	3,851	149,163
Due from other funds		30,248	94,165	-	124,413
Total assets		402,791	666,116	132,227	1,201,134
LIABILITIES AND FUND BALANCES					
Liabilities:					
Customer deposits		2,750	-	1,712	4,462
Due to other funds		-	-	94,165	94,165
Total liabilities (Note 2)		2,750	-	95,877	98,627
Fund balances:					
Reserved for:					
Capital outlay/improvements		-	666,116	-	666,116
Unreserved, reported in:					
General fund		400,041	-	-	400,041
Special revenue funds		-	-	36,350	36,350
Total fund balances		400,041	666,116	36,350	1,102,507
Total liabilities and fund balances	$	402,791	666,116	132,227	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.		2,414,393
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		(187,449)
Accrued compensated absences		(38,616)
Net assets of governmental activities	$	3,290,835

See accompanying notes to the basic financial statement.

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

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 1,226,669	452,662	48,912	1,728,243
Intergovernmental	4,398	275,304	-	279,702
Licenses and permits	42,359	-	-	42,359
Charge for services	423,296	-	12,547	435,843
Fines and forfeitures	89,892	-	-	89,892
Interest	515	1,633	54	2,202
Miscellaneous	31,877	-	15	31,892
Total revenues	1,819,006	729,599	61,528	2,610,133
EXPENDITURES				
Current:				
General government	589,078	635,743	89,837	1,314,658
Managerial	67,082	-	-	67,082
Office	201,934	-	-	201,934
Police	587,838	84,662	-	672,500
Fire	299,260	3,285	-	302,545
Senior citizens center	52,665	6,577	-	59,242
Parks	-	8,453	-	8,453
Public works	-	57,234	-	57,234
Total expenditures	1,797,857	795,954	89,837	2,683,648
Excess (deficiency) of revenues over expenditures	21,149	(66,355)	(28,309)	(73,515)
OTHER FINANCING SOURCES (USES)				
Transfers in	52,665	-	41,053	93,718
Transfers out	(41,053)	(175,609)	-	(216,662)
Total other financing sources and use	11,612	(175,609)	41,053	(122,944)
Net change in fund balances	32,761	(241,964)	12,744	(196,459)
Fund balances-beginning	367,280	908,080	23,606	1,298,966
Fund balances-ending	$ 400,041	666,116	36,350	1,102,507

See accompanying notes to the basic financial statement.

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

Net change in fund balances - total governmental funds	$	(196,459)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.		
Capital outlay expenditures, net of retirements		857,873
Depreciation expense		(218,379)
		639,494
The increase of long-term debt provides current financial resources to governmental funds, while the repayment or reductions in of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets		
Proceeds from long-term debt issuance		(195,000)
Repayment of long-term debt		7,551
Change in accrued compensated absences		(286)
		(187,735)
Change in net assets of governmental activities.	$	255,300

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

	Harrah Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	$ 175,424
Receivables	
Accounts, net of allowance for uncollectibles	24,626
Taxes	39,461
Due from other funds	2,739
Restricted assets - cash and investments	517,260
Total current assets	759,510
Non-current assets:	
Bond issuance costs, net of accumulated amortization	166,342
Capital assets, net of accumulated depreciation	9,765,710
Total non-current assets	9,932,052
Total assets	10,691,562
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	-
Accrued interest payable	46,077
Due to other funds	27,158
Current portion of long-term obligations	247,420
Total current liabilities	320,655
Non-current liabilities:	
Notes payable	3,924,216
Accrued compensated absences	31,716
Total non-current liabilities	3,955,932
Total liabilities	4,276,587
NET ASSETS	
Invested in capital assets, net of related debt	5,594,074
Restricted:	
Debt service	60,317
Construction	456,943
Unrestricted	303,641
Total net assets	$ 6,414,975

See accompanying notes to the basic financial statement.

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

	Harrah Public Works Authority
OPERATING REVENUES:	
Charges for services	
Water	$ 438,693
Wastewater	313,186
Other	64,945
Total operating revenues	816,824
OPERATING EXPENSES:	
Personal services	570,774
Maintenance and operations	218,729
Bad debt expense	36,506
Depreciation and amortization	347,415
Total operating expenses	1,173,424
Operating income (loss)	(356,600)
NONOPERATING REVENUES (EXPENSES):	
Miscellaneous revenues	18,889
Sales tax	452,662
Interest income	310
Interest expense and fiscal charges	(151,476)
Total nonoperating revenues (expenses)	320,385
OPERATING TRANSFERS	
Transfers in	122,944
Transfers out	-
Total operating transfers	122,944
Change in net assets	86,729
Net assets - beginning	6,328,246
Net assets-ending	$ 6,414,975

See accompanying notes to the basic financial statement.

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

	Harrah Public Works Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 870,304
Payments to suppliers	(442,835)
Payments to employees	(367,436)
Net cash provided (used) by operating activities	60,033
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous revenues	18,889
Operating transfers in (out)	122,944
Net cash provided (used) by noncapital financing activities	141,833
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from long-term financing	188,603
Principal paid on long-term debt	(332,244)
Interest expense and fiscal charges	(151,476)
Sales tax income	452,662
(Increase) decrease in restricted assets	41
(Acquisition) disposition of capital assets	(311,547)
Net cash provided (used) by capital and related financing activities	(153,961)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	310
Net cash provided (used) by investing activities	310
Net increase (decrease) in cash and cash equivalents	48,215
Cash and cash equivalents, beginning of the year	127,209
Cash and cash equivalents, end of the year	175,424
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	(356,600)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	347,415
Change in assets and liabilities:	
(Increase) decrease in receivables	55,314
(Increase) decrease in due from other funds	4,386
Increase (decrease) in accounts payable and accrued expenses	9,518
Total adjustments	416,633
Net cash provided by (used in) operating activities	$ 60,033

See accompanying notes to the basic financial statement.

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

	Agency Funds	
	Municipal Court Fund	Meter Deposit Fund
ASSETS		
Cash and cash equivalents	$ 3,090	66,779
Total assets	3,090	66,779
LIABILITIES		
Customer deposits	-	64,040
Due to bondholders	-	-
Due to other funds	3,090	2,739
Total liabilities	3,090	66,779
NET ASSETS	$ -	-

See accompanying notes to the basic financial statement.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement Nos. 20, 34, and 39, for its governmental and business-type activities, enterprise funds the City has elected to apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

1.A. – REPORTING ENTITY

The City of Harrah, Oklahoma (the City) was organized as a town on May 12, 1908, and became a city on September 16, 1992. The City operates under a council-manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), public works (streets and highways), culture and recreation, general government and administration, along with utility services to include water, wastewater, and sanitation.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement Nos. 14, 34, and 39, and includes all component units of which the City is fiscally accountable.

Each of these 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-government 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 of 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.

The Harrah Public Works Authority (HPWA) operated the City's municipal utilities, including long-term financing and capital development. Council members serve as trustees and the City Manager is General Manager. The Authority is reported as a proprietary fund.

The Harrah Industrial and Economic Development Trust (HIEDT) purpose is to finance and promote industrial development and economic growth. The mayor and vice mayor members serve as trustees and the City Manager is General Manager. The Authority is reported as a governmental fund.

Separate financial statements have not been prepared for this component unit.

1.B. – BASIC FINANCIAL STATEMENTS

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

1.C. - BASIS OF PRESENTATION

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GASB 34 sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City selectively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

General Fund
This is the City's primary operating fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are sales tax, licenses and permits, state and county shared revenues and fines and forfeitures. Primary expenditures are for general government, public safety and community development.

Capital Projects Fund
Capital Projects Funds account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Business or Proprietary Funds).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the City reports non-major funds within the governmental fund type.

Harrah Industrial and Economic Development Trust
Accounts for the financing and development of industrial projects and promote economic growth.

Debt Service Fund
Accounts for the accumulation of resources and payment of principal and interest on general obligation bonds and judgments.

The City reports each of its proprietary fund as a major fund. This fund are used to account for the acquisition, operation, and maintenance of water and sewer assets. These funds are entirely or predominantly self-supported through user charges to customers. The City reports the following proprietary fund:

Harrah Public Works Authority Fund
Accounts for the operation, and maintenance of water and sewer systems.

1.D. – MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The Government-wide Financial Statements and the Proprietary Funds Financial Statements are presented on a *full accrual* basis of accounting with an *economic resource* measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental Funds and Permanent Fund Financial Statements are presented on a *modified accrual* basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

A deferred revenue liability arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. In the government-wide Statement of Net Assets, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable deferred revenue is eliminated. Note that deferred revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

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

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

1.E. – ASSETS, LIABILITIES AND EQUITY

Cash and Investments
Cash and cash equivalents include cash on hand, demand deposits, short-term investments with original or remaining maturities of three months or less when purchased, and cash and investments in the City-wide investment pool. Investments, including equity in pooled cash and investments, are stated at fair value.

Restricted Assets
Assets whose use is restricted for construction, debt service or by other agreement are segregated on the Government-wide Statement of Net Assets and the Proprietary Fund Statement of Net Assets.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables of the enterprise funds are recognized as revenue when earned. Receivables in governmental and enterprise funds are stated net of an allowance for uncollectibles.

Inventories
Inventories of materials and supplies in the enterprise funds are stated at cost on a first-in, first-out basis and charged to expenses as used.

Capital Assets
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, pathways, street lights, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of $1,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

ASSET	YEARS
Buildings and improvements	35-60
Furniture and fixtures	5-10
Machinery and equipment	5-20
Vehicles	5-10
Utility systems	25-99
Infrastructure	25-99

One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

Accrued Compensated Absences and Sick Pay
The City's policies regarding vacation, compensatory, holiday time and sick leave permit employees to accumulate varying amounts as determined by management and contracts with employee groups. Accumulated vested vacation pay is accrued as it is earned. For governmental funds, the non-current portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Only the current portion is reported in the governmental funds, and is calculated based on historical trends. In business-type/enterprise funds, both the current and long-term liabilities are recorded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Full-time employees earn vacation at the following rate:

Number of Years of Service	Hours Earned
One to five years	84
Six to ten years	96
Greater than eleven years	120

In accordance with the guidelines set forth by Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences,* a provision has been made for accumulated vacation, compensatory time, and holiday pay.

The Fraternal Order of Police accrue sick leave at eight hours per month, with the maximum limit of 800 hours. All other employees accrue eight hours of sick leave per month with a maximum limit of 800 hours. Sick leave is not recorded until paid. Employees who retire meeting the City's retirement requirements, shall be paid one-half (1/2) of their accrued sick leave up to a maximum of four hundred (400) hours.

Long-Term Debt
In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity
Tentative plans for utilization of fund balances in future periods are recorded as designations of fund balance in the fund-level financial statements. Planned expenditures include future capital projects, debt service, equipment reserves and other commitments for which fund balances have not been appropriated or specifically segregated.

Use of Estimates
In preparing the City of Harrah's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events
Subsequent events have been evaluated through September 30, 2011, which is the date the financial statements were issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2.A. Deficit Fund Balances or Net Assets

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2011, the City reported no individual fund deficits.

2.B. BUDGETARY INFORMATION

2.B.1. Budget Policy and Practice

The City Manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. By June, the City Council adopts the annual fiscal year budgets for City operating funds. The City's financial statement presents budget and actual financial statements for the following funds approved in the budget: General, Capital Projects, Debt Service and Harrah Public Works Authority. In addition, the City Council approves budgets for other operations, in part or in whole, not presented in the financial statements. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies.

2.B.2. Basis of Budgeting

Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, material and supplies, other services and charges, capital outlays, transfers and debt service. Budget revisions at this level are managed administratively and reported to the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without approval. Revisions to the budget are made throughout the year.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditure/encumbrance basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

2.C. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with State Law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), the financial institutions pledging collateral to the City must do so with a written collateral agreement approved by the board of directors or loan committee.

Investments of the City (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by State Law to the following:

a. Direct obligations of the U.S. Government, its agencies and instrumentalities.

b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

c. Negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized with investments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.

d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Public trusts created under Title 60 of the Oklahoma Statutes, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the City and its included component unit complied, in all material respects, with the above noted investment restrictions.

2.D. REVENUE RESTRICTIONS

Certain restrictions are placed over certain revenue sources due to state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	Debt service on Revenue Notes
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
Grant Revenues	Grant Agreement Specified Uses
Water and Sewer	Debt service on Revenue Notes and Bonds

For the year ended June 30, 2011, the City complied, in all material respects, with these revenue restrictions.

Other Long-Term Debt
As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

Enterprise Fund Debt
The bond indenture relating to debt issuance of the Harrah Public Works Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2011.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Requirement

a. Flow of Funds -

1. 2004 OWRB Note Payable - Revenue Account and Project Account.	The Authority maintained all required accounts and made all required payments into such accounts.
2. 2008 Utility Revenue Note Payable- Revenue Account, Bond Account, Project Account, Sinking Fund.	The Authority maintained all required accounts and made all required payments into such accounts.
3. 2009 OWRB Note Payable - Revenue Account and Project Account.	The Authority maintained all required accounts and made all required payments into such accounts.

b. Debt Service Coverage Requirements -

1. 2004 OWRB Note Payable - Net operating revenue plus pledged sales tax must equal 125% the maximum annual debt service on all obligations payable from the revenue.	Net revenues, including sales tax transferred, amounts to $1,343,247. The maximum annual debt service amounted to $324,547. Actual coverage was 4.14 times debt service.
2. 2008 Utility Revenue Note Payable - Net operating revenue plus pledged sales tax must equal 125% the maximum annual debt service on all obligations payable from the revenue.	Net revenues, including sales tax transferred, amounts to $1,343,247. The maximum annual debt service amounted to $324,547. Actual coverage was 4.14 times debt service.
3. 2009 OWRB Note Payable - Net operating revenue plus pledged sales tax must equal 125% the maximum annual debt service on all obligations payable from the revenue.	Net revenues, including sales tax transferred, amounts to $1,343,247. The maximum annual debt service amounted to $324,547. Actual coverage was 4.14 times debt service.

2.E. FUND EQUITY RESTRICTIONS

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. For the year ended June 30, 2011, the City had not incurred any fund balance deficit.

Fund Balance Required Reserves
The only required reserves of fund equity relate to restricted revenue accounted for within the General Fund. The only significant restricted revenue of the General Fund is the restricted sales tax (as described in Note 1) And gasoline excise/commercial vehicle tax (as described in Note 2). As of June 30, 2011, all such restricted revenue had been used in accordance with their specified purposes, therefore, no such fund balance reserves are necessary.

Retained Earnings Required Reserves
The required reserves of retained earnings relate to net assets held to meet revenue bond and note indenture requirements (as described in Note 2). Details on these reserves at June 30, 2011, are at Note 3.

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, net assets/fund balances, revenues and expenditures/expenses.

3.A. - Deposits and Investment Risks:

		Carrying Value
Deposits		
Demand deposits	$	898,572

		Fair Value	Credit Rating	Maturity Date
Investments				
Investments held with Bond Trustees:				
JP Morgan US Treasury Money Mkt Fd		517,260	AA+	N/A
Total Deposits and Investments	$	1,415,832		

Reconciliation to Statement of Net Assets		
Cash	$	898,572
Investments		517,260
	$	1,415,832

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS – Continued

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties and school districts in the state of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The bank balances of the City's deposits totaled $1,104,586 at June 30, 2011. At June 30, 2011, the City was not exposed to custodial credit risk as defined above.

Investment Credit Risk - The City's investment policy limits investments to those allowed in state law applicable to municipalities. These investment limitations are described in Note 2.C. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations - rating agencies - as of the year end. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investments above, at June 30, 2011, all of the City's investments in debt securities were rated either AA+ by Standard and Poor's or Aaa by Moody's Investor Service.

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 discloses its exposure to interest rate risk by disclosing the maturity dates of its investments.

As noted in the schedule of deposits and investments above, at June 30, 2011, the investments held by the City had no stated maturity dates.

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 concentration. At June 30, 2011, the City had no concentration of credit risk as defined above.

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.B. - Receivables

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

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Harrah Public Works Authority
Receivables:				
Taxes	$ 105,851	39,461	-	39,461
Accounts	71,396	-	-	156,366
Due from other governments	30,248	133,014	3,851	-
Gross receivables	207,495	172,475	3,851	195,827
Less: Allowance for uncollectibles	-	-	-	131,740
Net total receivables	$ 207,495	172,475	3,851	64,087

3.C. - Restricted assets

The Harrah Public Works Authority has issued Utility System and Sales Tax Revenue Notes, Series 2008 which include restricted cash and investments for unexpended construction funds, debt service funds for repayment of the principal and interest when due. All funds are on deposit with trustee banks.

Utility Sales Tax Revenue Bonds, Series 2008 :	
Project account	$ 456,943
Debt service	60,317
Total restricted assets	$ 517,260

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.D. - Capital assets

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

Governmental activities					
Capital assets not being depreciated :					
Land	$	101,528	-	-	101,528
Total capital assets not being depreciated		101,528	-	-	101,528
Capital assets being depreciated :					
Buildings and improvements		502,665	400,278	-	902,943
Machinery and equipment		906,715	61,636	-	968,351
Vehicles		1,404,726	37,034	-	1,441,760
Infrastructure		1,187,130	358,924	-	1,546,054
Total capital assets being depreciated		4,001,236	857,872	-	4,859,108
Less accumulated depreciation for :					
Buildings and improvements		(239,084)	(23,631)	-	(262,715)
Machinery and equipment		(627,104)	(56,882)	-	(683,986)
Vehicles		(992,626)	(69,945)	-	(1,062,571)
Infrastructure		(469,051)	(67,917)	-	(536,968)
Total accumulated depreciation		(2,327,865)	(218,375)	-	(2,546,240)
Total capital assets being depreciated, net		1,673,371	639,497	-	2,312,868
Governmental activities capital assets, net	$	1,774,899	639,497	-	2,414,396

Business-type activities					
Capital assets not being depreciated :					
Construction in progress	$	1,638,773	188,603	-	1,827,376
Total capital assets not being depreciated		1,638,773	188,603	-	1,827,376
Capital assets being depreciated :					
Buildings and improvements		467,891	-	-	467,891
Equipment and vehicles		722,743	122,944	-	845,687
Water and sewer infrastructure		12,937,969	-	-	12,937,969
Industrial Park		398,926	-		398,926
Fire station		205,853	-	-	205,853
Total capital assets being depreciated		14,733,382	122,944	-	14,856,326
Less accumulated depreciation for :					
Buildings and improvements		(248,108)	(11,697)	-	(259,805)
Equipment and vehicles		(587,837)	(28,113)	-	(615,950)
Water and sewer infrastructure		(5,512,046)	(283,211)	-	(5,795,257)
Industrial Park		(129,969)	(9,973)	-	(139,942)
Fire station		(101,893)	(5,146)	-	(107,039)
Total accumulated depreciation		(6,579,853)	(338,140)	-	(6,917,993)
Total capital assets being depreciated, net		8,153,529	(215,196)	-	7,938,333
Business-type activities capital assets, net	$	9,792,302	(26,593)	-	9,765,709

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS – Continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	$	48,026
Fire department		51,603
Police department		44,251
Park department		74,495
Total depreciation expense - governmental activities		218,375
Business-type activities:		
Water and sewer		332,994
Fire station		5,146
Total depreciation expense - business-type activities	$	338,140

3.E. - Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2011, cash and investments included $66,779 available for refund of customer deposits, while the liability to customers was $64,040.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2011, $0 was being held that was subject to refund.

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.F. - Long-term debt

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

Governmental activities:		
$195,000 note from a local bank, dated August 18, 2010, payable in monthly installments of $1,524, with a final payment due August 18, 2025, inclusive interest at 4.75%, secured by real estate.	$	187,449
Accrued compensated absences		38,615
Total governmental activities		226,064
Business-type activities:		
Revenue notes payable:		
$2,220,000 promissory note, Series 2004, to the Oklahoma Water Resources Board, dated December 16, 2004, payable in semi-annual installments over 20 years plus interest at 2.60% payable semi-annually, secured by pledged sales taxes, water and sewer revenues.		1,755,043
$1,470,000 Utilities System and Sales Tax Revenue Note, Series 2008, payable in semi-annual installments ranging from $35,000 to $70,000 over 13 years plus interest due at 3.73% secured by pledged sales taxes, water and sewer revenues.		1,200,000
$1,930,000 promissory note, Series 2009, to the Oklahoma Water Resources Board, dated May 29, 2009, payable in semi-annual installments over 20 years plus interest at 2.85% payable semi-annually, secured by pledged sales taxes, water and sewer revenues.		1,216,593
Total net revenue bonds and notes payable		4,171,636
Accrued compensated absences		31,716
Total business-type activities	$	4,203,352

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Note payable	$ -	195,000	7,551	187,449	9,440
Accrued compensated absences	40,836	-	2,219	38,617	-
Total governmental activities	40,836	195,000	9,770	226,066	9,440
Business-type activities					
Notes payable:					
OWRB Series 1995	59,610	-	59,610	-	-
OWRB Series 2004	1,850,477	-	95,434	1,755,043	98,377
OWRB Series 2009	1,105,189	188,604	77,200	1,216,593	49,043
Revenue note - Series 2008	1,300,000	-	100,000	1,200,000	100,000
Accrued compensated absences	27,294	4,422	-	31,716	-
Total business-type activitie	$ 4,342,570	193,026	332,244	4,203,352	247,420

Annual Debt Service Requirements
The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, with interest rates applicable at June 30, 2011 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
Year Ending June 30,				
2012	$ 9,440	8,845	247,420	129,939
2013	9,929	8,356	251,901	121,728
2014	10,419	7,867	266,519	113,101
2015	10,931	7,355	271,277	104,240
2016	11,451	6,835	286,180	94,955
2017-2021	66,377	25,051	1,569,828	324,413
2022-2026	68,902	7,288	965,440	120,385
2027-2031	-	-	313,070	20,407
Totals	$ 187,449	71,597	4,171,635	1,029,168

3.G. - Debt issuance costs

Debt issuance costs of $196,062 have been capitalized and are being amortized on the straight line basis over the term of the relevant note issues. During the year ended June 30, 2011, $9,275 in debt issuance costs was amortized, leaving an unamortized balance of $166,342.

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.H. - Interfund receivables, payables, and transfers

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

Due to/from other funds:

Receivable Fund	Payable Fund		Amount
Municipal Court Fund - Agency	General Fund	$	3,090
Harrah Public Works Authority	Meter Deposit Fund		2,739
		$	5,829

Interfund transactions:

	Transfers In		
Transfer out:	General Fund	Nonmajor Governmental	Harrah Public Works Authority
General fund	$ -	41,053	-
Nonmajor governmental	52,665	-	122,944
Harrah Public Works Authority	-	-	-
Totals	$ 52,665	41,053	122,944

NOTE 4 - OTHER NOTES

4.A. - Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The city has insurance for the major risks such as property, general liability, workers' compensation, and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to City buildings and mobile equipment.

4.B. - Contingent liabilities

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

The City is party to legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE 4 - OTHER NOTES - Continued

4.C. - Employee retirement systems and pension plans

The City participates in three employee pension systems as follows:

Name of Plan/System	Type of Plan
City of Harrah 457 Defined Benefit Plan	Single Employer-Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement System Employee Retirement System of Harrah	Cost Sharing Multiple Employer - Defined Benefit Plan

Deferred Compensation Plan
City employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in case of an unforeseeable emergency.

The City makes no contributions to the Deferred Compensation Plan which the employees may contribute up to a maximum of 25% of compensation of $16,500 annually, whichever is less. Vesting in such contributions is 100% immediately. For the year ended June 30, 2011, elective employee contributions totaled $3,454.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the City's opinion that it has no liability for losses under the plan but does have the duty of due care that would be required on an ordinary prudent investor. The City believes that it is unlikely that it will use the assets of the plan to satisfy the claims of general creditors in the future.

Oklahoma Police and Firefighter's Pension and Retirement Systems
The City of Harrah, as the employer, participates in two statewide cost-sharing multiple employer defined benefit plans on behalf of the police officers and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

NOTE 4 - OTHER NOTES - Continued

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63rd St., Suite 605 Oklahoma City, OK 73116-7335	Firefighter's Pension &Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered Payroll)	8%	8%
State obligation	State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years	10 years
Eligibility and benefits distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credited service equal to $7.24 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with additional option to participate in Louisiana Plan.	Yes, 20 years credited service with continued service for a maximum of 30 or more years.
Provisions for: Cost of living adjustments (normal retirement	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

NOTE 4 - OTHER NOTES – Continued

B. Trend Information

Contributions required by State statute and made:

Fiscal Year	Oklahoma Police Pension and Retirement System: Required Contribution	Oklahoma Firefighter's Pension and Retirement System: Required Contribution
2009	$ 40,047	$ 17,777
2010	40,756	19,981
2011	35,277	19,772
	Percentage Contributed	Percentage Contributed
	100%	100%
	100%	100%
	100%	100%

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

C. Related Party Investments

As of June 30, 2011, the Systems held no related-party investments of the City or of its related entities.

Oklahoma Municipal Retirement Fund Employee Retirement System

Plan Description - The Oklahoma Municipal Retirement Fund Employee Retirement System, (the Plan) is a defined benefit retirement plan covering City employees not covered by other plans. The Plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). The OMRF board of trustees retains Bank One as custodian to hold the Plan assets which are invested by various professional managers. All regular, full-time City employees not covered by other plans are required to participate in the Plan. Benefits vest after five years of service. Effective July 1, 1999, employees who retire at age 65 or completion of five years of service, if later, are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.625% of final average compensation multiplied by the number of years of credited service.

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

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

NOTE 4 - OTHER NOTES - Continued

Employee contributions are returned with interest if their employment is terminated prior to completion of five years of service. A death benefit is payable after five years of service based on 50.0% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse. For a vested single participant, 50.0% of the accrued benefit is payable for 60 months certain.

Funding Policy - The following amount shown as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the Plan.

The actuarial accrued liability was computed as part of an actuarial valuation dated March 31, 2011. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.50% compounded annually, and 2) future salary increases of 5.25% per year.

Net assets available for benefits at actuarial value were less than the total actuarial liability (entry age normal) by $1,145,406 at January 1, 2011, (the most recent information available) as follows:

Actuarial liability:		
Retirees, survivors, and deferred vested	$	546,254
Active employees		1,089,293
Total		1,635,547
Net assets available for benefits (actuarial value)		1,145,406
Unfunded actuarial liability	$	(490,141)

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

For the year ended June 30, 2011, the City's payroll for all employees and the City's total covered payroll were $929,782 and $597,275, respectively. Covered payroll refers to all compensation paid by the City of Harrah to active employees covered by the Plan on which contributions are based.

For the year ended June 30, 2011, employees were required to contribute 5.25% of annual compensation, while the City contributed the remaining amounts necessary to fund the pension plan, using an actuarial basis. The City's contribution rate for the year ended June 30, 2011, was 13.02%. Contributions to the Plan for payroll for the year ended June 30, 2011, for employees and employer were $31,357 and $77,765, respectively.

NOTE 4 - OTHER NOTES - Continued

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

The schedule of funding progress for the Plan for the past ten years (only information available) is as follows:

Actuarial Valuation Date	Value of Assets Available For Benefits	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percentage Funded	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/11	$ 1,145,406	1,635,546	490,140	70.00%	599,045	81.80%
01/01/10	1,049,192	1,506,623	457,431	69.60%	589,111	77.60%
01/01/09	972,998	1,324,279	351,281	73.50%	560,144	62.70%
01/01/08	979,806	1,306,628	326,823	75.00%	501,262	65.20%
01/01/07	860,483	1,209,241	348,757	71.20%	525,339	66.40%
01/01/06	746,898	914,504	167,606	81.70%	443,631	37.80%
01/01/05	667,117	911,455	244,339	73.20%	452,879	54.00%
01/01/04	576,303	835,434	259,132	69.00%	443,315	58.50%
01/01/03	503,062	808,773	305,711	62.20%	379,684	80.50%
01/01/02	491,674	619,075	127,401	79.40%	353,607	36.00%

The amounts shown for valuation prior to January 1, 1998, are the pension benefit obligation (PBO) as defined in GASB Statement No. 5, *Accounting for Contingencies.* GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, which replaced GASB Statement No. 5, requires that the actuarial accrued liability used to fund the Plan be used to measure funding progress.

NOTE 4 - OTHER NOTES – Continued

4.D. Compliance with bond indenture

The note indentures require the Authority to maintain the net revenue available for debt service of at least 1.25 times the maximum annual amount to be paid into the Sinking Fund. The amount available is computed as follows:

Gross revenue available for debt service :		
Pledged sales tax	$	1,352,432
System-wide Gross Revenues - Water & Wastewater		816,824
System-wide Operating Expense - Exclusive of capital improvements, debt service and depreciation		
Water and wastewater		(826,009)
Net revenues available for debt service	$	1,343,247
Annual amount to be paid into Sinking Fund	$	324,547
Coverage		4.14
Coverage requirement		1.25

4.E. Harrah Tax Increment Finance Authority

On November 17, 2009, the City created the Harrah Tax Increment Finance Authority and approved the Harrah Town Center Economic Development Project Plan. By virtue of the TIF ordinance, the City created Tax Increment Finance District #1 pursuant to the Local Development Act. The Authority is authorized to issue revenue notes in the amount of $15,760,000. As of September 30, 2011 there has not been any activity within the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budget			Variance with Final Budget Over
	Original	Final	Actual	(Under)
REVENUES				
Taxes	$ 2,066,949	2,064,949	1,226,669	(838,280)
Intergovernmental	5,500	5,500	4,398	(1,102)
Licenses and permits	63,680	63,680	42,359	(21,321)
Charge for services	395,922	395,922	423,296	27,374
Fines and forfeitures	80,000	80,000	89,892	9,892
Interest	1,600	1,600	515	(1,085)
Miscellaneous	27,128	29,129	31,877	2,748
Total revenues	2,640,779	2,640,780	1,819,006	(821,774)
EXPENDITURES				
General government:				
General government	475,323	538,182	503,492	34,690
Managerial	94,366	67,089	67,082	7
Office	205,340	205,717	201,934	3,783
Code enforcement	68,105	65,005	62,588	2,417
Legal	23,665	23,665	22,998	667
Public safety:				
Police	663,619	651,764	587,838	63,926
Fire	350,361	343,383	299,260	44,123
Culture and recreation:				
Senior citizen center	51,600	57,000	52,665	4,335
Total expenditures	1,932,379	1,951,805	1,797,857	153,948
Excess (deficiency) of revenues over (under) expenditures	708,400	688,975	21,149	(667,826)
OTHER FINANCING SOURCES (USES)				
Transfers	(808,400)	(844,622)	11,612	856,234
Net change in fund balances	(100,000)	(155,647)	32,761	188,408
Fund balances - beginning	100,000	155,647	367,280	211,633
Fund balances - ending	$ -	-	400,041	400,041

See accompanying notes to the basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue				Total
	Street & Alley	Harrah Ind. Econ. Dev. Trust	Park Funds	Debt Service Fund	Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 100,002	4,568	14,874	8,932	128,376
Receivables, net	3,851	-	-	-	3,851
TOTAL	103,853	4,568	14,874	8,932	132,227
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deposits	-	-	1,712	-	1,712
Due to other funds		94,165	-		94,165
Total Liabilities	-	94,165	1,712	-	95,877
Fund balances:					
Unreserved:					
Designated	103,853	(89,597)	13,162	8,932	36,350
Total Fund Balances	103,853	(89,597)	13,162	8,932	36,350
TOTAL	$ 103,853	4,568	14,874	8,932	132,227

See accompanying notes to the basic financial statement.

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

	Special Revenue				Total
	Street & Alley	Harrah Ind. Econ. Dev. Trust	Park Funds	Debt Service Fund	Nonmajor Governmental Funds
REVENUES					
Taxes	$ 43,440	-	-	5,472	48,912
Charge for services	-	-	12,547	-	12,547
Interest	-	7	33	14	54
Miscellaneous	-	-	15	-	15
Total revenues	43,440	7	12,595	5,486	61,528
EXPENDITURES					
Maintenance & operations	35,446	749	53,642	-	89,837
Capital outlay	-	-	-	-	-
Total expenditures	35,446	749	53,642	-	89,837
Excess (deficiency) of revenues over expenditures	7,994	(742)	(41,047)	5,486	(28,309)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	41,053	-	41,053
Transfers out	-	-	-	-	-
Total other financing sources and uses	-	-	41,053	-	41,053
Net change in fund balances	7,994	(742)	6	5,486	12,744
Fund balances-beginning	95,859	(88,855)	13,156	3,446	23,606
Fund balances-ending	$ 103,853	(89,597)	13,162	8,932	36,350

See accompanying notes to the basic financial statement.

DILLON & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
1401 S. DOUGLAS BLVD., SUITE A
MIDWEST CITY, OK 73130

ROBERT S. DILLON, CPA
bobdilloncpa@gmail.com

Phone: (405) 732-1800
Fax : (405) 737-7446

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

Honorable Mayor and City Council Members
City of Harrah, Oklahoma

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the following paragraph that we consider to be significant deficiencies in internal control over financial reporting. Finding 2011-1 is considered a significant deficiency. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Finding 2011-1 Presentation of Financial Statements

In accordance with accounting standard SAS 115, should management choose to allow the auditors to prepare the City's financial statements, including full footnote disclose, instead of preparing the statements themselves, this is considered an internal control deficiency. While it is common practice for the auditors to prepare the financial statements for many organizations, the standard requires us to communicate to those charged with governance this choice to have the auditors prepare the financial statements as a significant deficiency or material weakness. This is to ensure that you understand that the auditors, not management, have prepared the financial statements and allow those charged with governance the ability to determine whether the cost of implementing an appropriate control to prepare the financial statements outweighs the benefit that could be gained. An appropriate control could be hiring additional staff with knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

Management Response

In accordance with the Statement of Auditing Standards (SAS) No. 115, it is the responsibility of the City of Harrah to prepare the City's financial statements. The City of Harrah chose to allow the independent auditor to prepare the financial statements for the reporting period, as has been standard practice for previous audits. It is important to note that this practice is not precluded under the guideline, but rather is listed as a significant deficiency under published standards.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Harrah, Oklahoma'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*.

We noted certain matters that we reported to management of the City of Harrah, Oklahoma in a separate letter dated September 30, 2011.

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

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 30, 2011

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

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
U.S. Department of Justice				
Passed through Oklahoma District Attorney Council:				
JAG-LLE Equipment Grant	16-803	JR09-062	$ 10,000	10,000
Total U.S. Department of Justice			10,000	10,000
U.S. Department of Transportation				
Passed through Oklahoma Department of Transportation:				
Trails Grant	20.205	STP-155E(360)EH	297,504	265,304
Total U.S. Department of Transportation			297,504	265,304
Total Federal Assistance			$ 307,504	275,304
STATE PROGRAMS				
State of Oklahoma				
Oklahoma Department of Agriculture				
Rural Fire Program			$ 4,398	4,398
Oklahoma State Arts Council				
Small Grant Support		09-4212	1,975	1,975
Total State of Oklahoma			6,373	6,373
Total Federal and State Assistance			$ 313,877	281,677

Notes to Schedule of Expenditures of Federal Awards

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