

**BASIC FINANCIAL STATEMENTS  
AND  
AUDIT REPORT**

for the

***CITY OF PAWHUSKA***

**FOR THE YEAR ENDED JUNE 30, 2011**

**AUDITED BY**

**Alan Chapman CPA**

**401 S. Water**

**TAHLEQUAH, OKLAHOMA**

# ***CITY OF PAWHUSKA***

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Pawhuska, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pawhuska, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pawhuska's management. My responsibility is to express opinions on these financial statements based on my audit.

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

The basic financial statements referred to above do not include financial data of the Pawhuska Hospital Incorporated, which should be included in order to conform with the accounting principals generally accepted in the united States of America. If the omitted component unit had been included, the user's conclusion about the overall financial position of the City may have been affected.

The City has not maintained a record of general fixed assets, and accordingly, a statement of general fixed assets, as required by accounting principles generally accepted in the United States of America is not included in the financial statements. Also, detail records of property and equipment in the Enterprise Funds are not maintained, and no depreciation has been recorded in current and prior years. The amount that should be recorded in the general fixed asset account group is not know.

In my opinion, except for the matters mentioned in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, the business-type activities, and the aggregate discretely presented component units. In my opinion the financial statements referred to above

**Independent Auditor's Report (continued)**

present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the City of Pawhuska, Oklahoma, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2011, on my consideration of the City of Pawhuska's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

The City has not presented the management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of the financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pawhuska, Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 budgetary comparison information on pages 22 through 24 and the notes on page 25 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

November 10, 2011



Alan Chapman CPA

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**MODIFIED CASH BASIS**  
**JUNE 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,708,433	\$ 1,349,200	\$ 4,057,633	\$ -
Investments	427,671		427,671	-
Escrow	-		-	50,396
Origination Fees	-		-	22,524
Accounts Receivable	84,111		84,111	-
Total Assets	<u>3,220,215</u>	<u>1,349,200</u>	<u>4,569,415</u>	<u>72,920</u>
<b>LIABILITIES</b>				
Bad Check Payable	(180)		(180)	-
Accounts Payable	713		713	-
Sales Tax Revenue Note	-		-	500,000
Total Liabilities	<u>533</u>	<u>-</u>	<u>533</u>	<u>500,000</u>
<b>NET ASSETS</b>				
Restricted		-	-	(427,080)
Unrestricted	3,219,682	1,349,200	4,568,882	-
Total Net Assets	<u>\$ 3,219,682</u>	<u>\$ 1,349,200</u>	<u>\$ 4,568,882</u>	<u>\$ (427,080)</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

CITY OF PAWHUSKA, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		Governmental Activities		Business-Type Activities		Total	Component Units
	Expenses											
<b>Primary Government:</b>												
General Government	\$ 1,431,468	\$ 33,273	\$ -	\$ 38,927	\$ (1,359,268)	\$ -	\$ (1,359,268)	\$ -	\$ (1,359,268)	\$ -	\$ -	\$ -
Public Safety	777,871	55,945	-	4,398	(717,528)	-	(717,528)	-	(717,528)	-	(717,528)	-
Cemetery	184,330	37,280	-	-	(147,050)	-	(147,050)	-	(147,050)	-	(147,050)	-
Streets	163,656	-	-	-	(163,656)	-	(163,656)	-	(163,656)	-	(163,656)	-
Airport	3,379	2,680	-	-	(699)	-	(699)	-	(699)	-	(699)	-
Culture and Recreation	178,619	98,759	-	13,586	(66,274)	-	(66,274)	-	(66,274)	-	(66,274)	-
<b>Total Governmental Activities</b>	<b>2,739,323</b>	<b>227,937</b>	<b>-</b>	<b>56,911</b>	<b>(2,454,475)</b>	<b>-</b>	<b>(2,454,475)</b>	<b>-</b>	<b>(2,454,475)</b>	<b>-</b>	<b>(2,454,475)</b>	<b>-</b>
<b>Business Type Activities:</b>												
Electric	3,142,480	104,731	-	-	-	-	-	(3,037,749)	(3,037,749)	-	(3,037,749)	-
Water and Sewer	631,606	992,752	-	-	-	-	-	361,146	361,146	-	361,146	-
Solid Waste	540,188	409,466	-	-	-	-	-	(130,722)	(130,722)	-	(130,722)	-
<b>Total Business-Type Activities</b>	<b>4,314,274</b>	<b>1,506,949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,807,325)</b>	<b>(2,807,325)</b>	<b>-</b>	<b>(2,807,325)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>7,053,597</b>	<b>1,734,886</b>	<b>-</b>	<b>56,911</b>	<b>(2,454,475)</b>	<b>-</b>	<b>(2,454,475)</b>	<b>(2,807,325)</b>	<b>(5,261,800)</b>	<b>-</b>	<b>(5,261,800)</b>	<b>-</b>
<b>Component Units</b>	<b>25,863</b>	<b>3,962,416</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,936,553</b>	<b>-</b>
<b>General Revenues:</b>												
<b>Taxes:</b>												
Tax Revenue					1,128,388						1,128,388	
Franchise and Public Services Taxes					74,440						74,440	
Intergovernmental Revenue					343,180						343,180	
Investment Income					57,615						57,615	
Miscellaneous					46,481						46,481	
Transfers - Internal Activity					941,833						941,833	
<b>Total General Revenues and Transfers</b>					<b>2,591,937</b>						<b>2,591,937</b>	
Change in Net Assets					137,462						137,462	98,142
Net Assets - Beginning					3,082,220						3,082,220	328,938
Net Assets - Ending					\$ 3,219,682						\$ 3,219,682	\$ 427,080

The accompanying notes and auditor's report are an integral part of these financial statements.

CITY OF PAWHUSKA, OKLAHOMA  
 BALANCE SHEET - MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	General Fund	1999 Sales Tax Improv Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,066,439	\$ 571,425	\$ 206,804	\$ 863,765	2,708,433
Investments	-	-	-	427,671	427,671
Accounts Receivable	56,354	21,028	-	6,729	84,111
Total Assets	<u>1,122,793</u>	<u>592,453</u>	<u>206,804</u>	<u>1,298,165</u>	<u>3,220,215</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Bad Checks Payable	(180)	-	-	-	(180)
Accounts Payable	-	-	-	713	713
Deposits Payable	-	-	-	-	-
Due to General Fund	-	-	-	-	-
Total Liabilities	<u>(180)</u>	<u>-</u>	<u>-</u>	<u>713</u>	<u>533</u>
Fund Balances:					
Unreserved	<u>1,122,973</u>	<u>592,453</u>	<u>206,804</u>	<u>1,297,452</u>	<u>3,219,682</u>
Total Fund Balances					-
Total Liabilities and Fund Balances	<u>\$ 1,122,793</u>	<u>\$ 592,453</u>	<u>\$ 206,804</u>	<u>\$ 1,298,165</u>	<u>\$ 3,220,215</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

CITY OF PAWHUSKA, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	1999 Sales Tax Improv. Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 846,715	\$ 264,999	\$ -	\$ 91,114	\$ 1,202,828
Police Fines	39,099	-	-	1,208	40,307
Charges for Services	143,912	-	-	9,081	152,993
Licenses and Permits	8,675	-	-	25,962	34,637
Investment Income	-	6,001	-	51,614	57,615
Insurance Refunds	20,822	-	-	-	20,822
Billing Charge	229,303	-	-	-	229,303
Donations	25,000	-	-	302	25,302
Miscellaneous	25,659	-	-	-	25,659
Intergovernmental Grants	113,877	-	-	-	113,877
Total Revenues	<u>1,453,062</u>	<u>271,000</u>	<u>-</u>	<u>210,890</u>	<u>1,934,952</u>
<b>Expenditures:</b>					
General Government:					
Managerial	79,861	-	-	-	79,861
Municipal Court	40,047	-	-	-	40,047
City Clerk	106,797	-	-	-	106,797
Attorney	28,082	-	-	-	28,082
General	681,424	-	-	-	681,424
Economic Development	-	-	-	3,450	3,450
Public Safety:					
Police	473,425	-	-	-	473,425
Fire	304,446	-	-	-	304,446
Cemetery:					
Parks and Cemetery	184,330	-	-	-	184,330
Streets:					
Streets	147,477	-	-	16,179	163,656
Airport:					
Airport	3,379	-	-	-	3,379
Culture and Recreation:					
Library	89,384	-	-	35,627	125,011
Lakes	53,608	-	-	-	53,608
Capital Outlay	272,879	56,632	-	162,296	491,807
Total Expenditures	<u>2,465,139</u>	<u>56,632</u>	<u>-</u>	<u>217,552</u>	<u>2,739,323</u>
Excess (deficiency) of Revenues Over Expenditures	(1,012,077)	214,368	-	(6,662)	(804,371)
<b>Other Financing Sources (Uses)</b>					
Transfers In	946,833	-	24,000	26,000	996,833
Transfers Out	-	-	-	(55,000)	(55,000)
Total Other Financing Sources (Uses)	<u>946,833</u>	<u>-</u>	<u>24,000</u>	<u>(29,000)</u>	<u>941,833</u>
Net Change in Fund Balance	<u>(65,244)</u>	<u>214,368</u>	<u>24,000</u>	<u>(35,662)</u>	<u>137,462</u>
Fund Balances - Beginning	<u>1,188,217</u>	<u>378,085</u>	<u>182,804</u>	<u>1,333,114</u>	<u>3,082,220</u>
Fund Balances - Ending	<u>\$ 1,122,973</u>	<u>\$ 592,453</u>	<u>\$ 206,804</u>	<u>\$ 1,297,452</u>	<u>\$ 3,219,682</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

CITY OF PAWHUSKA, OKLAHOMA  
STATEMENT OF NET ASSETS-MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,349,200
Total Current Assets	<u>1,349,200</u>
Noncurrent Assets	
Land and construction in progress	-
Other capital assets, net of accumulated depreciation	-
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>1,349,200</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	-
Total Current Liabilities	<u>-</u>
<b>NONCURRENT LIABILITIES</b>	
Total Noncurrent Liabilities	-
Total Liabilities	<u>-</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	-
Restricted for debt reserve	-
Unrestricted	1,349,200
Total net Assets	<u>\$ 1,349,200</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

CITY OF PAWHUSKA, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUND  
JUNE 30, 2011

	Enterprise Fund
OPERATING REVENUES	
Charges for services:	
Electric Utility	\$ 165
Water and Sewer	930,043
Solid Waste	396,879
Penalties	179,863
Total Operating Revenues	1,506,950
OPERATING EXPENSES	
Electric Production	2,456,323
Electric Distribution	317,396
Water Production	320,840
Water Distribution	147,679
Disposal Plant	107,397
Sewer Collection	39,746
Solid Waste	380,400
Administration/General	544,494
Total Operating Expenses	4,314,274
OPERATING INCOME	(2,807,324)
NON OPERATING REVENUES (EXPENSES)	
Miscellaneous revenue	21,401
Total Non-Operating Revenues (Expenses)	21,401
Net Income (Loss) Before Transfers	(2,785,923)
TRANSFERS	
Transfers in	3,814,411
Transfers out	(972,834)
CHANGES IN NET ASSETS	55,654
TOTAL NET ASSETS - BEGINNING	1,293,546
TOTAL NET ASSETS - ENDING	\$ 1,349,200

The accompanying notes and auditor's report are an integral part of these financial statements.

CITY OF PAWHUSKA, OKLAHOMA  
 STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 1,506,949
Other	21,401
Personel Services	(936,012)
Maintenance and Operations	(3,185,362)
Net Cash Provided by Operating Activities	<u>(2,593,023)</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds	(972,833)
Transfers from Other Funds	3,814,411
Net Cash Provided by Noncapital Financing Activities	<u>2,841,578</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	(192,901)
Net Cash Used by Capital and Related Financing Activities	<u>(192,901)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Cash Provided by Investing Activities	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVELANTS</b>	<u>55,654</u>
<b>BALANCE - BEGINNING OF THE YEAR</b>	<u>1,293,546</u>
<b>BALANCE - END OF THE YEAR</b>	<u>\$ 1,349,200</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Pawhuska, Oklahoma (oversight unit) conform to generally accepted accounting principles for state and local governments except for the following:

The City of Pawhuska does not maintain accounting records for general fixed assets; and therefore, a general fixed assets group is not included in the financial statements as required by accounting principles generally accepted in the United States of America.

**NOTE B - THE REPORTING ENTITY**

The City Council, an elected five member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to the City of Pawhuska within the jurisdiction of the City. The City receives funding from local, state, and federal government sources; and must comply with the requirements of these funding source entities. However, the City of Pawhuska is not included in any governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The City of Pawhuska provides various services, and consists of many different activities and smaller accounting entities. These include a community hospital, a police force, a firefighting and prevention force, a sewage treatment plant, a water treatment plant, a storm water drainage system, a traffic control system, street lighting, a street maintenance force (including construction, repair, and snow and ice removal), a parks and recreation system, a rubbish collection, and a staff to provide the necessary support to these service providers.

**Criteria**

The funds maintained by the City of Pawhuska do not include all activities or services provided to the citizens of the City by various public trusts or 501c(3) non-profits, that are considered to be "Separate Legal Entities." Such entities have been established to provide certain enterprise activities that otherwise would be provided by the City of Pawhuska. In evaluating how to define the City of Pawhuska for financial reporting purposes, management has considered all potential component units. The decision to include a potential component in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection governing authority, the designation of

CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2011

**NOTE B - THE REPORTING ENTITY (continued)**

**Criteria (continued)**

management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has excluded the following component unit for which the City has oversight responsibility.

**Pawhuska Hospital Authority**

The Pawhuska Hospital Authority is a 501c(3) non-profit created to provide medical facilities for the Pawhuska area. Audited financial statements for this component unit can be obtained at its general offices.

**COMPONENT UNITS INCLUDED:**

**Pawhuska Public Works Authority**

The Pawhuska Public Works Authority is a public trust created to assist the beneficiary, governmental agencies and private enterprises in making the most efficient use of their resources and powers in providing, expanding, improving, and operating and maintaining utility service. An operational and procedural agreement between the city of Pawhuska and the Pawhuska Public Works Authority provides that under a lease agreement between the two parties all funds of the Public Works Authority be transferred to the City.

**Pawhuska Municipal Industrial Development Trust Authority**

The Pawhuska Municipal Industrial Development Trust Authority is a public trust created on May 6, 1996, to promote and develop industry within and without the City of Pawhuska's territorial boundaries.

**Pawhuska Municipal Trust Authority**

The Pawhuska Municipal Trust Authority is a public trust created on October 1, 1986, to establish, provide, maintain, construct, set apart, promote, and conduct parks, play grounds, golf courses, recreational centers, social and community centers, and other recreational facilities within and near the territorial limits of the City of Pawhuska.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE C - BASIS OF PRESENTATION - FUND ACCOUNTING**

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." The City utilizes three fund categories and six fund types.

**GOVERNMENTAL FUND CATEGORY**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

**General Fund** - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state sales taxes and charges for services (i.e. refuse revenues). Expenditures include all costs associated with the daily operations of the City except for programs specially funded for building repairs and maintenance and construction.

**Special Revenue Fund** - Special Revenue Funds are used to account for the proceeds of specific revenue sources or grants (other than special assessments or expendable trusts) that are legally restricted to expenditures for special purposes.

**Capital Project Fund** - Capital Project Funds are used to account for the acquisition of capital facilities being financed from intergovernmental revenues or transfers from funds other than those recorded in proprietary funds.

**PROPRIETARY FUND CATEGORY**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds). The City has one **enterprise fund** in this fiscal year, and does not have any internal service funds.

CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2011

**NOTE C - BASIS OF PRESENTATION - FUND ACCOUNTING (continued)**

**FIDUCIARY FUND CATEGORY**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the City is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent and do not involve measurement of results of operations.

**Expendable Trust Funds** - These funds account for assets received and expended by the City as trustee in essentially the same manner as governmental funds. These funds include:

Cemetery Care - A trust established to account for the portion of cemetery lot sales designated for perpetual care and capital improvements of the cemetery.

**Agency Funds** - These funds are used to account for assets held by the City as a custodial trustee, and do not involve measurement of results of operations. These funds include the Municipal Court Bonds.

**ACCOUNT GROUPS**

Account groups are not funds, and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

**General Long-Term Debt Account Group** - This account group was established to account for all long-term debt of the City, which would be offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for capital leases, and vested amounts of compensated absences. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**General Fixed Asset Account Group** - This account group is used to account for property, plant, and equipment. The City does not maintain a record of its generally fixed assets, and accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition, and are not recorded as assets for financial statement purposes. The City does not have the information necessary to include this group in the financial statements. GASB Statement No. #34 will require this information, and the City is working to meet the requirement in the near future.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE C - BASIS OF PRESENTATION - FUND ACCOUNTING (continued)**

**MEMORANDUM ONLY - TOTAL COLUMN**

The total column on the financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE D - BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounting for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Tax payer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments; and are recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current period or soon enough thereafter to be used to pay obligations of the current period): taxes, services, investment earnings, and fines and forfeitures. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance.

Other revenues, including licenses and permits, charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are measurable, and are recorded when the related fund liability is incurred.

**Reservations of Fund Equity**

Fund balances are reserved for encumbrances as further explained in Note F.

CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2011

**NOTE D - BASIS OF ACCOUNTING (continued)**

**Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources has not been reported as an expenditure or a fund liability of the governmental fund that will pay it. Rights to receive sick pay benefits have not been reported in the general long-term debt account group. This practice differs from accounting principles generally accepted in the United States of America. In accordance with provisions of the Statement of Financial Accounting Standards No. #43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The amount of vacation and compensatory time susceptible to accrual in accordance with SFAS No. #43, has been reflected in the general long-term debt account group.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as revenues, expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Accordingly, actual results could differ from those estimates.

**NOTE E - BUDGETS AND BUDGETARY ACCOUNTING**

Under state law, the Mayor submits an annual budget to the Council for consideration and approval no later than June 30. Such budget is based on expected cash expenditures by program within a fund and estimated cash receipts by source for all funds. The City prepares its budget on the same basis as the accounting records are maintained. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

\* A proposed operating budget is submitted to the City Council for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE E - BUDGETS AND BUDGETARY ACCOUNTING ( continued)**

- \* Public hearings are conducted to obtain taxpayer comments.
- \* Prior to July 1, the budget is legally enacted by the City Council through passage of an ordinance.
- \* Any revisions that alter the total expenditures of any department generally must be approved by the City Council. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations ordinance.
- \* The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, Special Revenue, and Capital Improvement Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The only entries necessary to reconcile this statement with the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types would be the accrual entries for taxes receivable that are made at the end of each year to conform to the modified accrual method of accounting.

**NOTE F - ENCUMBRANCES**

Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed purchase orders in process are completed. Encumbrances accounting, under which purchase orders, contract, and other commitments for expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in the governmental funds. Unencumbered appropriations lapse at the end of the fiscal year. Encumbrances outstanding at year end are carried forward to the new fiscal year. Such encumbrances constitute the equivalent of expenditures for budgetary purposes, and accordingly, the accompanying financial statements present comparisons of actual results to the budgets of governmental funds on the same basis of accounting that the financial statements are presented. The unencumbered balance of each appropriation lapse at year end reverts to the respective fund from which it was appropriated, and becomes available for future appropriations.

**Requirements for All Budgeted Funds**

For day to day management control, expenditures plus encumbrances may not exceed budget at the expenditure type level of each cost center. The Council may transfer unencumbered appropriations within programs within funds. Appropriation control is by program within a fund. Council may, by ordinance, transfer amounts among programs within and between funds.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE G - ASSETS, LIABILITIES, AND FUND EQUITY**

**Cash and Investments**

Pooled cash and Investments a "pooled cash" concept is used in maintaining the cash and investment account in the accounting records. Under this method all cash is pooled for investment purposes, and each fund has an equity in the pooled amount.

**Cash and Cash Equivalents**

The City considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

**Inventories**

Inventories for all funds generally consist of expendable supplies and items held for consumption which are expenses at the time of purchase.

**Reporting and Accounting**

Total columns presented in the Combined Financial Statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not represent financial position, results of operation, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Fund Balance**

Fund Balance represents the fund not encumbered by purchase order, legal contracts, and outstanding warrants. Restricted fund balances are legally or financially restrained from current appropriations. Unrestricted fund balances can be used for current approved appropriations.

**NOTE H - RETIREMENT PLANS**

**Employees and Plans**

Each qualified employee is included in one of the three retirement plans in which the City of Pawhuska participates. These are the Oklahoma Municipal Retirement Fund, the Oklahoma Firefighters' Pension and Retirement System, and the Oklahoma Police Pension and Retirement System. The City does not maintain the accounting records, hold the investments, or administer the retirement funds. The retirement plans are statewide systems administered by the State of Oklahoma.

Summary of significant data for each of the retirement plans follows:

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE H - RETIREMENT PLANS (continued)**

**Oklahoma Municipal Retirement Fund**

The plan covers qualified city employees and provides certain retirement, death, and disability benefits. The City contributes 6% of the total wages paid to covered employees. Contributions by the City of Pawhuska amounted to \$70,941.27, for the fiscal year ended June 30, 2011. Each covered employee contributes 3% of individual compensation. The plan provided for retirement benefits upon reaching normal retirement age. Employees become vested after ten (10) years of service.

**Oklahoma Firefighters Pension and Retirement System**

Members of the City's Fire Department participate in the Oklahoma Firefighters Pension and Retirement System, a system administered by the State of Oklahoma. In conformity with state law, the plan covers all full time firemen of the City of Pawhuska and provides certain retirement, death, and disability benefits. In conformity with the state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are established by the State, and the City is required to contribute 13% of total compensation paid to the firefighters. The firefighters contribute 8% of their compensation to the plan. Contributions by the City to the system for the fiscal year ended June 30, 2011, amounted to \$28,057.37 paid primarily by the general fund.

**Oklahoma Police Pension and Retirement System**

Members of the City's Police Department participate in the Oklahoma Police Pension and Retirement System, a system administered by the State of Oklahoma. The plan covers full-time police officers of the City, and provides retirement, death, and disability benefits. In conformity with state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are established by the State, and the City is required to contribute 13% of total compensation paid to the police officers. The police officers contribute 8% of their compensation to the plan. Contributions by the City to the system for the fiscal year ended June 30, 2011, amounted to \$28,110.32, paid primarily by the General Fund.

**NOTE I - REVENUE EXPENSE AND LIABILITIES**

**Compensated Absences**

In accordance with the provisions of the Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits or vacation leave. Vested accumulated rights to receive sick pay or vacation leave would be reported in the general long-term debt account group.

**CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE I - REVENUE EXPENSE AND LIABILITIES (continued)**

**Compensated Absences (continued)**

Vacation leave is granted to all regular employees. The maximum amount of vacation leave that may be accumulated in one calendar year is ten days. This liability reflects amounts attributable to employee services already rendered cumulative probably for payment and reasonably estimated.

Sick leave earned approximately ten days a year per employee and a maximum of 400 hours can be accumulated. Sick leave is nonvesting, and the City does not record a liability for the cost of these unused absences.

**NOTE J - LONG TERM DEBT**

State statutes prohibit the City from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval of the City voters. The general long term debt of the City consisted of a Note Payable

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2011:

	Bonds	
	Payable	Total
Balance, July 1, 2010	\$ 600,000.00	\$ 600,000.00
Additions	\$ 0.00	\$ 0.00
Retirements	\$ (100,000.00)	\$ (100,000.00)
Balance, June 30, 2011	<u>\$ 500,000.00</u>	<u>\$ 500,000.00</u>

Pawhuska Public Works Authority Sales Tax Revenue Note,  
Series 2005, original issue \$1,000,000.00 interest rate of  
4.15%, due in semi-annual installments of \$40,000.00 to  
\$60,000.00, final payment of \$60,000.00 due August 1, 2015

Amount  
Outstanding  
\$500,000.00

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Long Term Debt (continued)**

The annual debt service requirements for retirements of note principal and payment of interest are as follows:

Year ending June 30	Principal	Interest	Total
2012	\$ 100,000.00	\$ 19,712.50	\$ 119,712.50
2013	\$ 110,000.00	\$ 15,458.75	\$ 125,458.75
2014	\$ 110,000.00	\$ 10,893.75	\$ 120,893.75
2015	\$ 120,000.00	\$ 6,225.00	\$ 126,225.00
2016	\$ 60,000.00	\$ 1,245.00	\$ 61,245.00
Total	\$ 500,000.00	\$ 53,535.00	\$ 553,535.00

**NOTE K - CONTINGENT LIABILITIES**

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

**NOTE L - SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE**

<b>Grantor/Contract Program Title</b>	<b>Award Amount</b>	<b>Revenue Recognized</b>	<b>Expenditures</b>
Library Grants	\$ 13,586	\$ 13,586	\$ 13,586
Fire Department Grants	4,398	4,398	4,398
CDBG #14258	13,625	13,625	13,625
CDBG #14319	49,655	-	49,655
Dept. Of Commerce, Economic Develop. Econ. Adj/Disaster Approp. Program	750,000	-	-
Totals	<u>\$ 831,264</u>	<u>\$ 31,609</u>	<u>\$ 81,264</u>

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE M - OMITTED COMPONENT UNIT**

The general purpose financial statements do not include financial data of the Pawhuska Hospital, Incorporated, which should be included in order to conform with accounting principles generally accepted in the United States of America. Audited financial statements were not available at the date of this report.

**NOTE N - INTERFUND TRANSFERS AND BALANCES**

Transfers between funds of the primary government and between the primary government and discretely presented component units for the year ended June 30, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>MAJOR FUNDS:</b>		
General Fund	\$ 801,167	\$ 0
Total Major Funds	<u>\$ 801,167</u>	<u>\$ 0</u>
<b>ENTERPRISE FUNDS:</b>		
Electric Utility Fund	\$ 3,550,583	\$ 595,834
Solid Waste Administration Fund	\$ 0	\$ 22,000
Water and Sewer Fund	\$ 22,000	\$ 205,333
Total Major Funds	<u>\$ 3,572,583</u>	<u>\$ 823,167</u>
<b>NONMAJOR FUNDS:</b>		
Economic Development Fund	\$ 0	\$ 55,000
Permanent Improvement fun	\$ 22,000	\$ 0
Total Nonmajor Funds	<u>\$ 22,000</u>	<u>\$ 55,000</u>
<b>COMPONENT UNITS:</b>		
Pawhuska Public Works Fund	\$ 0	\$ 3,572,583
Pawhuska Municipal Trust Auth. Fund	\$ 55,000	\$ 0
Total Component Units	<u>\$ 55,000</u>	<u>\$ 3,572,583</u>
<b>TOTAL</b>	<u><u>\$ 4,450,750</u></u>	<u><u>\$ 4,450,750</u></u>

CITY OF PAWHUSKA, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 FOR YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:				
<b>Resources (Inflows):</b>				
Taxes:				
Sales tax	\$ 590,000	\$ 590,000	\$ 693,861	\$ 103,861
Franchise tax	80,000	80,000	74,440	(5,560)
Total Taxes	<u>670,000</u>	<u>670,000</u>	<u>768,300</u>	<u>98,300</u>
Intergovernmental:				
Alcoholic Beverage Tax	65,000	65,000	78,416	13,416
Utility Billing Charge	230,000	230,000	229,303	(697)
Hospital Surchafe Fee	112,000	112,000	113,877	1,877
Total Intergovernmental	<u>407,000</u>	<u>407,000</u>	<u>421,596</u>	<u>14,596</u>
Fines and Forfeitures:				
Police Fines	50,000	50,000	39,099	(10,901)
Parking Fines	-	-	-	-
Juvenile Court	-	-	-	-
Dog Pound	5,000	5,000	5,965	965
Total Fines and Forfeitures	<u>55,000</u>	<u>55,000</u>	<u>45,063</u>	<u>(9,937)</u>
Licenses and Permits	<u>6,000</u>	<u>6,000</u>	<u>8,675</u>	<u>2,675</u>
Charges for Services:				
Cemetery lot sales	5,000	5,000	12,994	7,994
Cemetery open/closings	14,000	14,000	14,200	200
Cemetery Monuments	1,500	1,500	2,005	505
Library	2,800	2,800	2,851	51
Swimming Pool	4,500	4,500	6,095	1,595
Health Center	15,000	15,000	19,860	4,860
Lake Fees	4,500	4,500	6,745	2,245
Community Center Rental	2,600	2,600	2,158	(442)
Airport	1,200	1,200	2,680	1,480
Total Charges for Services	<u>51,100</u>	<u>51,100</u>	<u>69,588</u>	<u>18,488</u>
Miscellaneous:				
Miscellaneous	10,000	10,000	19,013	9,013
Rental Income	64,000	64,000	68,360	4,360
Cash Short/Over	-	-	5	5
Donations	-	-	25,000	25,000
Grants	-	-	-	-
Return Check Charge	-	-	-	-
In Lieu of Taxes	5,500	5,500	6,641	1,141
Insurance Refunds	5,000	5,000	20,822	15,822
Total Miscellaneous	<u>84,500</u>	<u>84,500</u>	<u>139,840</u>	<u>55,340</u>
Other Financing Sources:				
Transfers From Other Funds	<u>874,000</u>	<u>874,000</u>	<u>946,833</u>	<u>72,833</u>
Total Other Financing Sources	<u>874,000</u>	<u>874,000</u>	<u>946,833</u>	<u>72,833</u>
Amounts Available for Appropriation	<u>\$ 2,147,600</u>	<u>\$ 2,147,600</u>	<u>\$ 2,399,895</u>	<u>\$ 252,295</u>

(Continued)

CITY OF PAWHUSKA, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 FOR YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Final Budget Positive(Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
Clerk/Treasurer:				
Personal Services	111,900	111,900	103,095	(8,805)
Materials and Supplies	7,700	7,700	330	(7,370)
Other Services and Charges	2,800	2,800	3,373	573
Capital Outlay	-	-	-	-
Total Clerk/Treasurer	<u>122,400</u>	<u>122,400</u>	<u>106,797</u>	<u>(15,603)</u>
Attorney:				
Personal Services	31,100	31,100	27,909	(3,191)
Other Services and Charges	1,800	1,800	173	(1,627)
Total Attorney	<u>32,900</u>	<u>32,900</u>	<u>28,082</u>	<u>(4,818)</u>
Municipal Court:				
Personal Services	38,400	38,400	38,189	(211)
Materials and Supplies	1,400	1,400	1,392	(8)
Other Services and Charges	600	600	465	(135)
Total Municipal Court	<u>40,400</u>	<u>40,400</u>	<u>40,047</u>	<u>(353)</u>
Police:				
Personal Services	442,000	442,000	447,786	5,786
Materials and Supplies	6,200	6,200	6,101	(99)
Other Services and Charges	26,650	26,650	19,538	(7,112)
Capital Outlay	-	-	-	-
Total Police	<u>474,850</u>	<u>474,850</u>	<u>473,425</u>	<u>(1,425)</u>
Fire:				
Personal Services	289,900	289,900	294,546	4,646
Materials and Supplies	2,050	2,050	1,785	(265)
Other Services and Charges	13,000	13,000	8,115	(4,885)
Total Fire	<u>304,950</u>	<u>304,950</u>	<u>304,446</u>	<u>(504)</u>
Street:				
Personal Services	155,300	155,300	126,727	(28,573)
Materials and Supplies	2,500	2,500	2,707	207
Other Services and Charges	22,550	22,550	18,043	(4,507)
Capital Outlay	-	-	-	-
Total Street	<u>180,350</u>	<u>180,350</u>	<u>147,477</u>	<u>(32,873)</u>
Parks and Cemetery:				
Personal Services	173,100	173,100	169,800	(3,300)
Materials and Supplies	5,750	5,750	6,122	372
Other Services and Charges	9,600	9,600	8,408	(1,192)
Capital Outlay	-	-	-	-
Total Parks and Cemetery	<u>188,450</u>	<u>188,450</u>	<u>184,330</u>	<u>(4,120)</u>

(Continued)

**CITY OF PAWHUSKA, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive(Negative)</u>
General Government:				
Personal Services	\$ 253,000	\$ 253,000	\$ 238,629	\$ (14,371)
Materials and Supplies	44,500	44,500	45,155	655
Other Services and Charges	416,450	416,450	397,637	(18,813)
Capital Outlay	242,000	242,000	272,881	30,881
Total General Government	<u>955,950</u>	<u>955,950</u>	<u>954,303</u>	<u>(1,647)</u>
Library:				
Personal Services	99,250	99,250	83,922	(15,328)
Materials and Supplies	350	350	350	-
Other Services and Charges	6,000	6,000	5,111	(889)
Total Library	<u>105,600</u>	<u>105,600</u>	<u>89,384</u>	<u>(16,216)</u>
Airport				
Personal Services	-	-	-	-
Materials and Supplies	-	-	-	-
Other Services and Charges	5,050	5,050	3,379	(1,671)
Capital Outlay	-	-	-	-
Total Airport	<u>5,050</u>	<u>5,050</u>	<u>3,379</u>	<u>(1,671)</u>
Lakes:				
Personal Services	44,300	44,300	41,528	(2,772)
Materials and Supplies	1,500	1,500	826	(674)
Other Services and Charges	12,000	12,000	11,255	(745)
Capital Outlay	-	-	-	-
Total Lakes	<u>57,800</u>	<u>57,800</u>	<u>53,608</u>	<u>(4,192)</u>
Administrative:				
Personal Services	77,250	77,250	78,663	1,413
Materials and Supplies	100	100	83	(18)
Other Services and Charges	2,750	2,750	1,116	(1,634)
Total Administrative	<u>80,100</u>	<u>80,100</u>	<u>79,861</u>	<u>(239)</u>
Total Charges to Appropriations	<u>2,548,800</u>	<u>2,548,800</u>	<u>2,465,140</u>	<u>(83,660)</u>
Ending Budgetary Fund Balance	<u>\$ (401,200)</u>	<u>\$ (401,200)</u>	<u>\$ (65,245)</u>	<u>\$ 335,955</u>

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2011**

Budget Law

Under state law the Mayor submits an annual budget to the Council for consideration and approval no later than June 30. Such budget is based on expected cash expenditures by program within a fund and estimated cash receipts by source for all funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- A proposed operating budget is submitted to the City Council for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted by the City Council through passage of an ordinance.
- Any revisions that alter the total expenditures of any department, generally must be approved by the City Council. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations ordinance.
- The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, Special Revenue, and Capital Improvement Fund Types are presented on the budgetary basis to provide a comparison of actual results with the budget. The only entries necessary to reconcile this statement with the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types would be the accrual entries for taxes receivable that are made at the end of each year to conform to the modified accrual method of accounting.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

COMBINING FINANCIAL STATEMENTS

CITY OF PAWBUKSA, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	SPECIAL REVENUE FUNDS											CAPITAL PROJECTS FUNDS									
	Street and Alley	Library	Gerald Lathrop	Economic Development	CDRC	Javade	Cart & Virginia	County	County	County	County	BEFA	Capital Improvement	Police	Fire Dept	Leisure	Sturdy Park	Water and Sewer Reserve	Nonmajor Governmental		
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund		
ASSETS																					
Cash and cash equivalents	\$ 78,241	\$ 4,819	\$ 12,292	\$ 32,149	\$ (9,659)	\$ -	\$ 1,213	\$ 8,123	\$ 58,023	\$ 713	\$ 1,200	\$ 6,180	\$ 441,996	\$ 6,219	\$ 26,800	\$ 1,981	\$ 186,019	\$ 683,269			
Investments		\$ 118,519	\$ 85,463	\$ 4,728			\$ 150,794	\$ 16,351										\$ 477,071			
Accounts receivable																					
Total Assets	\$ 78,241	\$ 123,364	\$ 118,277	\$ 78,288	\$ (9,659)	\$ 1,213	\$ 159,096	\$ 18,258	\$ 713	\$ 1,200	\$ 6,180	\$ 441,996	\$ 6,219	\$ 26,800	\$ 1,981	\$ 186,019	\$ 1,260,350	\$ 1,160,340			
LIABILITIES AND FUND BALANCES																					
LIABILITIES																					
Accounts payable																					
Deposits payable																					
Total Liabilities																					
FUND BALANCES																					
Unreserved, special revenue																					
special revenue/capital projects funds																					
Total Liabilities and Fund Balances	\$ 78,241	\$ 123,364	\$ 118,277	\$ 78,288	\$ (9,659)	\$ 1,213	\$ 159,096	\$ 18,258	\$ 713	\$ 1,200	\$ 6,180	\$ 441,996	\$ 6,219	\$ 26,800	\$ 1,981	\$ 186,019	\$ 1,260,350	\$ 1,160,340			

CITY OF FAIRBANKS, ALASKA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 MAINTENANCE FUND  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

REVENUES	SPECIAL REVENUE FUNDS										CAPITAL PROJECTS FUNDS						Nonmajor Governmental Funds	
	Street and Alley Fund	Library Fund	General Ledger Fund	Economic Development Fund	CDMG 14019 Fund	CDMG 14024 Fund	Juniata Court Fund	Carl A. Virginia Street Fund	Conover City Fund	Municipal Court Fund	Imperial Fund	FEFA Trust Fund	Capital Improvements Fund	Police Dept. Fund	Permanents Imp. Fund	Fire Dept. Permanent Imp. Fund		Locks Scales Park Fund
Grants																		
Transfers In																		
Transfers Out																		
Total Other Primary Sources/Uses																		
Net Change in Fund Balances	15,896	(23,347)	(2,704)	2,310	(49,653)		1,866	366				(5,402)	(1,249)	993	993	(712)	(6,087)	(10,902)
Fund Balances - Beginning	63,243	(18,541)	(20,961)	(1,875)			2,223	17,278	142,289	1,200	6,160	653,392	3,202	22,877	22,877	3,694	146,992	1,233,114
Fund Balances - Ending	\$ 79,139	\$ (41,888)	\$ (23,665)	\$ (1,565)	\$ (49,653)	\$	\$ 4,089	\$ 17,644	\$ 142,655	\$ 1,200	\$ 6,160	\$ 647,990	\$ 1,952	\$ 23,870	\$ 23,870	\$ 3,082	\$ 140,905	\$ 1,222,212

EXPENDITURES

EXPENDITURES	SPECIAL REVENUE FUNDS										CAPITAL PROJECTS FUNDS						Nonmajor Governmental Funds	
	Street and Alley Fund	Library Fund	General Ledger Fund	Economic Development Fund	CDMG 14019 Fund	CDMG 14024 Fund	Juniata Court Fund	Carl A. Virginia Street Fund	Conover City Fund	Municipal Court Fund	Imperial Fund	FEFA Trust Fund	Capital Improvements Fund	Police Dept. Fund	Permanents Imp. Fund	Fire Dept. Permanent Imp. Fund		Locks Scales Park Fund
Salaries																		
Benefits																		
Travel																		
Printing																		
Telephone																		
Utilities																		
Supplies																		
Equipment																		
Construction																		
Debt Service																		
Other																		
Total	16,179	46,629	4,104			11,625						6,127	1,271	5,395		4,435		
Transfers In																		
Transfers Out																		
Total Other Primary Sources/Uses																		
Net Change in Fund Balances	16,179	46,629	4,104			11,625						6,127	1,271	5,395		4,435		
Fund Balances - Beginning	16,179	46,629	4,104			11,625						6,127	1,271	5,395		4,435		
Fund Balances - Ending	32,358	93,258	8,208			23,250						12,254	2,542	10,790		8,870		

**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 Members of the City Council  
City of Pawhuska, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pawhuska, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Pawhuska, Oklahoma's basic financial statements and have issued my report thereon dated November 17, 2010. Except for the omission of the financial data of the Pawhuska Hospital Inc. and the omission of the general fixed assets in the government wide and business type activities, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Pawhuska, Oklahoma's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Pawhuska, Oklahoma's financial statements that is more than inconsequential will not be prevented or detected by the City of Pawhuska, Oklahoma's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Pawhuska, Oklahoma's internal control.

My 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

### Compliance and Other Matters

deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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

I noted certain matters that I reported to management of City of Pawhuska, Oklahoma, in a separate letter dated November 10, 2011.

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

November 10, 2011

  
Alan Chapman, CPA