



THE CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Piedmont, 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 City of Piedmont, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Piedmont, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Piedmont, Oklahoma, as of June 30, 2012, 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*, we have also issued our report dated March 7, 2013, on our consideration of the City of Piedmont, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

HBC CPAs & Advisors

Yukon, Oklahoma
March 7, 2013

As Management of the City of Piedmont, we offer readers this narrative overview and analysis of the financial activities of the City of Piedmont for the fiscal year ended June 30, 2012. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by \$1,172,521 and the assets of the City continued to exceed its liabilities at June 30, 2012, by \$10,564,731 (net assets). Of this amount, \$637,509 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2012, the City's governmental funds reported combined ending fund balances of \$2,342,891. Of that amount \$359,960 is available for spending at the government's discretion (unassigned fund balance) of the General Fund.
- At the end of fiscal year 2012, unassigned fund balance for the General Fund was 21% of General Fund total revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Piedmont (the "City") and the Piedmont Municipal Authority (the "Authority"). Included in this report are government-wide statements for each of two categories of activities – governmental and business-type.

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

Reporting the City as a Whole - Statements of Net Assets and Activities

This discussion and analysis is intended to serve as an introduction to the City of Piedmont's basic financial statements. One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

(Unaudited. See accompanying auditor's report.)

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

These two statements report the City's net assets and changes in net assets from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities are divided into two types of activities:

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state grants finance most of these activities.
- **Business-type activities** – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

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

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City of Piedmont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Piedmont can be divided into two categories: governmental funds and proprietary funds.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, sewer and sanitation services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
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Notes to the Financial Statements

The notes provide additional information that is essential to gain understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23-40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets exceeded liabilities by \$10,564,731 at the close of the most recent fiscal year.

TABLE 1
NET ASSETS (in Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Current assets	\$ 2,782	\$ 2,691	3%	\$ 195	\$ 629	-69%	\$ 2,977	\$ 3,320	-10%
Capital assets, net	5,146	3,677	40%	10,492	10,647	-1%	15,638	14,324	9%
Other non-current assets	-	-	-	344	301	14%	344	301	14%
Total assets	7,928	6,368	24%	11,031	11,577	-5%	18,959	17,945	6%
Current liabilities	351	205	71%	719	902	-20%	1,070	1,107	-3%
Non-current liabilities	208	238	-13%	7,116	7,208	-1%	7,324	7,446	-2%
Total liabilities	559	443	26%	7,835	8,110	-3%	8,394	8,553	-2%
Net assets									
Invested in capital assets, net of related debt	4,963	3,464	43%	3,099	3,025	2%	8,062	6,489	24%
Restricted	1,839	1,538	20%	26	44	-41%	1,865	1,582	18%
Unrestricted	567	923	-39%	71	398	-82%	638	1,321	-52%
Total net assets	\$ 7,369	\$ 5,925	24%	\$ 3,196	\$ 3,467	-8%	\$ 10,565	\$ 9,392	12%

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. This year the investment in capital assets, net of related debt, amounted to \$8 million. 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.

The governmental activities had an increase in capital assets as a result of the construction of the new police department totaling \$1,554,951. This also resulted in an increase to Invested in capital assets, net of related debt of \$1,499,200.

(Unaudited. See accompanying auditor's report.)

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

The governmental activities had an increase in current liabilities of \$147,220 mainly due to accounts payable increasing from the construction of the police department building.

The business-type activities had a decrease in current assets as a result of a transfer out to the General fund in the amount of \$320,723 to pay for a portion of the new police building. The decrease in current assets also resulted in the decrease in unrestricted net assets.

The business-type activities had a decrease in current liabilities by 20% due to the revenue bonds being paid off in the current year. This also resulted in the decrease of restricted net assets.

Changes in Net Assets

For the year ended June 30, 2012, net assets of the primary government changed as follows:

A portion of the City's net assets, \$1.9 million, represents resources that are subject to internal and external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$637,509, may be used to meet the government's ongoing obligations to citizens and creditors. The City's business-type activities had \$70,830 of unrestricted net assets.

TABLE 2
CHANGES IN NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues									
Charges for service	\$ 390	\$ 331	18%	\$ 2,051	\$ 2,154	-5%	\$ 2,441	\$ 2,485	-2%
Operating grants and contributions	209	441	-53%	-	-	0%	209	441	-53%
Capital grants and contributions	1,150	107	975%	-	-	0%	1,150	107	975%
Taxes	2,060	1,856	11%	-	-	0%	2,060	1,856	11%
Intergovernmental revenue	48	37	30%	-	1	-100%	48	38	26%
Investment income	1	1	0%	-	-	0%	1	1	0%
Miscellaneous	92	122	-25%	45	46	-2%	137	168	-18%
Total revenues	3,950	2,895	36%	2,096	2,201	-5%	6,046	5,096	19%
Expenses									
General government	1,310	1,274	3%	-	-	-	1,310	1,274	3%
Public safety	1,312	1,246	5%	-	-	-	1,312	1,246	5%
Streets	490	291	68%	-	-	-	490	291	68%
Culture, parks and recreation	102	86	19%	-	-	-	102	86	19%
Interest on long-term debt	2	5	-60%	-	-	-	2	5	-60%
Water	-	-	-	1,065	1,009	6%	1,065	1,009	6%
Wastewater	-	-	-	215	203	6%	215	203	6%
Sanitation	-	-	-	365	346	5%	365	346	5%
Governmental Interest	-	-	-	12	17	-29%	12	17	-29%
Total expenses	3,216	2,902	11%	1,657	1,575	5%	4,873	4,477	9%
Excess (deficiency) before transfers	734	(7)	-10586%	439	626	-30%	1,173	619	89%
Transfers	710	609	17%	(710)	(609)	-17%	-	-	-
Increase in net assets	\$ 1,444	\$ 602	140%	\$ (271)	\$ 17	-1694%	\$ 1,173	\$ 619	89%

The decrease in governmental operating grants and contributions is due to the FEMA money the City received in the prior year for the May tornados. The increase in governmental capital grants and contributions is due to the City receiving a \$1,000,000 HUD grant for the new police station. The increase in Streets of 68% was related debris removal related to the tornado.

(Unaudited. See accompanying auditor's report.)

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

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2012	2011		2012	2011	
General government	\$1,310	\$1,274	3%	(\$1,087)	(\$792)	37%
Public safety	1,312	1,246	5%	(11)	(924)	-99%
Streets	490	291	68%	(301)	(254)	19%
Culture, parks and recreation	102	86	19%	(65)	(49)	33%
Interest on long-term debt	2	5	-60%	(2)	(5)	-60%
Total	\$3,216	\$2,902	11%	(\$1,466)	(\$2,024)	-28%

In the prior year the City received a FEMA grant related to the tornados in 2011. This resulted in an increase in net expense for the general government activities in the current year.

The City received a \$1,000,000 grant for the construction of the new police building resulting in a decrease of net expenses for the public safety activities.

Business-type Activities

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2012	2011		2012	2011	
Water	\$ 1,065	\$ 1,009	6%	\$ 179	\$ 304	-41%
Wastewater	216	203	6%	(14)	(9)	56%
Sanitation	365	346	5%	240	301	-20%
Governmental Interest	12	17	-29%	(12)	(17)	-29%
Total	\$ 1,658	\$ 1,575	5%	\$ 393	\$ 579	-32%

(Unaudited. See accompanying auditor's report.)

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

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$2.3 million, or a 9.1% increase from the prior year. The enterprise fund reported net assets of \$3.2 million, or a 7.8% decrease from the prior year.

Other fund highlights include:

- For the year ended June 30, 2012, the General Fund's total fund balance decreased by \$121,373, or 17.9%, while the Capital Improvement's total fund balance increased by \$106,994 or 11%.
- The Piedmont Municipal Authority reported an decrease in net assets, after transfers, of \$271,176 for the year.

General Fund Budgetary Highlights

For the year ended June 30, 2012, the General Fund reported actual revenues over final estimates by \$4,862 or a .2% positive variance. General Fund actual expenditures were under final appropriations by \$8,992 or a .4% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had approximately \$15.6 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of \$1,313,688 from last year.

TABLE 5
Primary Government Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 58	\$ 58	\$ 791	\$ 212	\$ 849	\$ 270
Buildings and Improvements	727	756	3	4	730	760
Machinery, furniture and equipment	901	1,041	92	102	993	1,143
Infrastructure	1,590	1,348	9,551	7,372	11,141	8,720
Intangible water rights	-	-	33	33	33	33
Construction in progress	1,870	474	22	2,924	1,892	3,398
Totals	\$ 5,146	\$ 3,677	\$ 10,492	\$ 10,647	\$ 15,638	\$ 14,324

Major capital asset additions include:

Police Department Building (CIP)	\$1,554,951
OKC Sewer Line Easements	\$579,277
Safe Routes to School – Sidewalk (CIP)	\$128,951

(Unaudited. See accompanying auditor's report.)

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

Long-Term Debt

At year-end, the City had \$7,810,540 in long-term debt outstanding, which represents a \$274,983 decrease from the prior year.

TABLE 6
Primary Government Long-Term Debt
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Accrued absences	\$ 57	\$ 84	\$ 29	\$ 28	\$ 86	\$ 92	-7%
Revenue bonds	-	-	-	200	-	200	-100%
Notes payable	143	156	7,308	7,290	7,451	7,446	0%
Capital leases	39	57	235	291	274	348	-21%
Totals	\$ 239	\$ 277	\$ 7,572	\$ 7,809	\$ 7,811	\$ 8,086	-3%

The Upcoming Year

The City of Piedmont is considering calling a Bond Issue for approximately Five (5) Million Dollars to do major repairs on some of its section line roads. The City is also considering borrowing some funds to construct a building for Public Works.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 314 Edmond Rd NW, Piedmont Oklahoma 73078 or phone at (405) 373-2621.

(Unaudited. See accompanying auditor's report.)

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

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Net Assets— June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 280,882	\$ 49,539	\$ 330,421
Restricted cash and equivalents	1,879,327	1	1,879,328
Receivables:			
Accounts receivable, net of allowance		244,180	244,180
Due from other governments	427,950	-	427,950
Court fine receivable, net	95,036	-	95,036
Internal Balances	98,829	(98,829)	-
Total current assets	<u>2,782,024</u>	<u>194,891</u>	<u>2,976,915</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents		194,414	194,414
Capital Assets:			
Land, improvements and construction in progress	1,927,800	845,838	2,773,638
Other Capital Assets, net of depreciation	3,217,827	9,645,980	12,863,807
Unamortized debt issue costs	-	149,438	149,438
Total noncurrent assets	<u>5,145,627</u>	<u>10,835,670</u>	<u>15,981,297</u>
Total assets	<u>7,927,651</u>	<u>11,030,561</u>	<u>18,958,212</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	307,473	55,188	362,661
Accrued interest		52,951	52,951
Due to other governmental agencies	1,692	-	1,692
Due to depositors	10,196	155,441	165,637
Long-term liabilities:			
Due within one year:			
Notes payable	15,370	389,014	404,384
Capital leases payable	10,264	63,187	73,451
Compensated absences	5,674	2,881	8,555
Total current liabilities	<u>350,669</u>	<u>718,662</u>	<u>1,069,331</u>
Non-current Liabilities:			
Due in more than one year:			
Notes payable	128,176	6,918,750	7,046,926
Capital leases payable	28,890	171,338	200,228
Compensated absences	51,069	25,927	76,996
Total noncurrent liabilities	<u>208,135</u>	<u>7,116,015</u>	<u>7,324,150</u>
Total liabilities	<u>558,804</u>	<u>7,834,677</u>	<u>8,393,481</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,962,927	3,098,967	8,061,894
Restricted by:			
External Groups and Contracts	1,729,628	26,087	1,755,715
Enabling legislation	109,613	-	109,613
Unrestricted	566,679	70,830	637,509
Total net assets	<u>\$ 7,368,847</u>	<u>\$ 3,195,884</u>	<u>\$ 10,564,731</u>

See accompanying notes to the financial statements.

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

Statement of Activities – For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 1,309,876	\$ 186,694	\$ 23,746	\$ 12,480	\$ (1,086,956)	\$ -	\$ (1,086,956)
Public Safety	1,311,566	202,138	97,832	1,000,000	(11,596)	-	(11,596)
Highways and Streets	490,314	-	53,062	136,546	(300,706)	-	(300,706)
Culture and Recreation	101,452	981	34,949	500	(65,022)	-	(65,022)
Interest on Long-term debt	2,073	-	-	-	(2,073)	-	(2,073)
Total governmental activities	<u>3,215,281</u>	<u>389,813</u>	<u>209,589</u>	<u>1,149,526</u>	<u>(1,466,353)</u>	<u>-</u>	<u>(1,466,353)</u>
Business-type activities:							
Water	1,064,886	1,244,256	-	-	-	179,370	179,370
Sewer	215,672	201,364	-	-	-	(14,308)	(14,308)
Sanitation	365,475	605,754	-	-	-	240,279	240,279
Governmental Interest	12,055	-	-	-	-	(12,055)	(12,055)
Total business-type activities	<u>1,658,088</u>	<u>2,051,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,286</u>	<u>393,286</u>
Total primary government	<u>\$ 4,873,369</u>	<u>\$ 2,441,187</u>	<u>\$ 209,589</u>	<u>\$ 1,149,526</u>	<u>\$ (1,466,353)</u>	<u>\$ 393,286</u>	<u>\$ (1,073,067)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 1,890,772	\$ -	\$ 1,890,772
Franchise taxes					168,857	-	168,857
Grants and contributions not restricted to specific programs					47,879	-	47,879
Unrestricted investment earnings					1,148	321	1,469
Miscellaneous					91,857	44,754	136,611
Transfers					709,537	(709,537)	-
Total general revenues and transfers					<u>2,910,050</u>	<u>(664,462)</u>	<u>2,245,588</u>
Change in net assets					1,443,697	(271,176)	1,172,521
Net assets - beginning					5,925,150	3,467,060	9,392,210
Net assets - ending					<u>\$ 7,368,847</u>	<u>\$ 3,195,884</u>	<u>\$ 10,564,731</u>

See accompanying notes to the financial statements.

**CITY OF PIEDMONT, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF PIEDMONT, OKLAHOMA
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Governmental Funds Balance Sheet – June 30, 2012

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>HUD Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 350,089	\$ 1,211,364	\$ -	\$ 598,756	\$ 2,160,209
Due from other funds	103,556	-	-	28,844	132,400
Court fines receivable	95,036	-	-	-	95,036
Due from other governments	260,065	88,874	-	79,011	427,950
Total assets	<u>808,746</u>	<u>1,300,238</u>	<u>-</u>	<u>706,611</u>	<u>2,815,595</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	102,947	171,989	-	17,758	292,694
Due to other funds	28,844	-	-	4,727	33,571
Deposits held for others	14,779	-	-	-	14,779
Deferred revenue	103,268	26,700	-	-	129,968
Other payables	1,692	-	-	-	1,692
Total liabilities	<u>251,530</u>	<u>198,689</u>	<u>-</u>	<u>22,485</u>	<u>472,704</u>
Fund balances:					
Restricted for:					
Streets	-	-	-	285,597	285,597
Capital Projects	-	1,076,344	-	-	1,076,344
Fire	-	-	-	219,480	219,480
General Government	-	-	-	11,350	11,350
Economic Development	-	-	-	60,000	60,000
Municipal Court	76,857	-	-	-	76,857
Capital Projects and Debt related to water, wastewater, and roadways	109,613	-	-	-	109,613
Assigned to:					
Streets	-	-	-	107,614	107,614
Capital Projects	-	25,205	-	-	25,205
Fire	-	-	-	85	85
Municipal Court	10,786	-	-	-	10,786
Unassigned	359,960	-	-	-	359,960
Total fund balances	<u>557,216</u>	<u>1,101,549</u>	<u>-</u>	<u>684,126</u>	<u>2,342,891</u>
Total liabilities and fund balances	<u>\$ 808,746</u>	<u>\$ 1,300,238</u>	<u>\$ -</u>	<u>\$ 706,611</u>	<u>\$ 2,815,595</u>

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2012

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>HUD Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,095,847	\$ 496,490	\$ -	\$ 496,490	\$ 2,088,827
Fines and forfeitures	215,534	-	-	-	215,534
Licenses and permits	186,694	-	-	-	186,694
Intergovernmental	170,736	282,631	1,000,000	116,924	1,570,291
Charges for services	2,201	-	-	-	2,201
Investment earnings	421	523	-	204	1,148
Miscellaneous	75,555	-	-	54,783	130,338
Total revenues	<u>1,746,988</u>	<u>779,644</u>	<u>1,000,000</u>	<u>668,401</u>	<u>4,195,033</u>
EXPENDITURES					
Current:					
General government	683,848	-	-	-	683,848
Administrative	356,834	-	-	-	356,834
Police	800,794	-	-	-	800,794
Municipal court	74,954	-	-	-	74,954
Emergency management	5,111	-	-	-	5,111
Community development	228,336	-	-	-	228,336
Fire	-	-	-	301,721	301,721
Library	76,171	-	-	-	76,171
Streets	-	239,728	-	145,428	385,156
Parks	4,668	-	-	-	4,668
Debt Service:					
Principal	-	18,050	-	18,550	36,600
Interest and other charges	-	2,073	-	-	2,073
Capital Outlay	16,459	362,799	1,320,723	52,850	1,752,831
Total Expenditures	<u>2,247,175</u>	<u>622,650</u>	<u>1,320,723</u>	<u>518,549</u>	<u>4,709,097</u>
Excess (deficiency) of revenues over expenditures	<u>(500,187)</u>	<u>156,994</u>	<u>(320,723)</u>	<u>149,852</u>	<u>(514,064)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	648,917	-	320,723	60,000	1,029,640
Transfers out	(270,103)	(50,000)	-	-	(320,103)
Total other financing sources and uses	<u>378,814</u>	<u>(50,000)</u>	<u>320,723</u>	<u>60,000</u>	<u>709,537</u>
Net change in fund balances	(121,373)	106,994	-	209,852	195,473
Fund balances - beginning	678,589	994,555	-	474,274	2,147,418
Fund balances - ending	<u>\$ 557,216</u>	<u>\$ 1,101,549</u>	<u>\$ -</u>	<u>\$ 684,126</u>	<u>\$ 2,342,891</u>

See accompanying notes to the financial statements

**CITY OF PIEDMONT, OKLAHOMA
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Reconciliation of Governmental Fund and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Total fund balance, governmental funds	\$	2,342,891
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,137,336		5,145,627
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:		
Deferred revenue		119,772
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Capital leases payable		(39,154)
Notes payable		(143,546)
Accrued compensated absences		(56,743)
 Net Assets of Governmental Activities in the Statement of Net Assets		 <u><u>7,368,847</u></u>

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds:	\$	195,473
 Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets		
Capital asset purchases capitalized		1,746,557
Depreciation expense		<u>(277,664)</u>
		<u>1,468,893</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in deferred revenue		<u>(258,072)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in accrued interest payable		(6,291)
Principal paid on debt		36,600
Change in accrued compensated absences		<u>7,094</u>
		<u>37,403</u>
 Change in net assets of governmental activities		 <u><u>\$ 1,443,697</u></u>

See accompanying notes to the financial statements

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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF PIEDMONT, OKLAHOMA
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Proprietary Funds Statement of Net Assets – June 30, 2012

	<u>Piedmont Municipal Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 62,426
Restricted cash and cash equivalents	26,087
Accounts receivable, net	244,180
Total current assets	332,693
Non-current assets:	
Restricted cash and cash equivalents	155,441
Capital assets:	
Land and improvements	845,838
Infrastructure	9,645,980
Unamortized debt issue costs	149,438
Total non-current assets	10,796,697
Total assets	11,129,390
LIABILITIES	
Current liabilities:	
Accounts payable	55,188
Accrued interest payable	52,951
Due to other funds	98,829
Due to depositors	155,441
Compensated absences	2,881
Capital lease obligation	63,187
Notes payable	389,014
Total current liabilities	817,491
Non-current liabilities:	
Compensated absences	25,927
Capital lease obligation	171,338
Notes payable	6,918,750
Total non-current liabilities	7,116,015
Total liabilities	7,933,506
NET ASSETS	
Invested in capital assets, net of related debt	3,098,967
Restricted for debt service	26,087
Unrestricted	70,830
Total net assets	\$ 3,195,884

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets – Year Ended June 30, 2012

	Piedmont Municipal Authority
REVENUES	
Charges for services:	
Water charges	\$ 1,204,690
Sewer charges	194,961
Sanitation charges	586,492
Penalties	48,449
Miscellaneous	16,782
Total operating revenues	2,051,374
OPERATING EXPENSES	
Administrative	263,997
Public works	939,479
Depreciation	218,093
Total operating expenses	1,421,569
Operating income	629,805
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	321
Miscellaneous revenue	44,754
Interest expense	(236,519)
Total non-operating revenue (expenses)	(191,444)
Income before transfers	438,361
Transfers in	210,103
Transfers out	(919,640)
Change in net assets	(271,176)
Total net assets - beginning	3,467,060
Total net assets - ending	\$ 3,195,884

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
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Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2012

	<u>Piedmont Municipal Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,095,102
Payments to suppliers	(774,538)
Payments to employees	(472,325)
Receipt of customer deposits	31,899
Customer meter deposits refunded or applied	(18,816)
Receipts (payments) from other funds	5,895
	867,217
Net Cash Provided by Operating Activities	867,217
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	210,103
Transfers to other funds	(919,640)
Miscellaneous revenues	44,754
	(664,783)
Net Cash Provided by (Used in) Noncapital Financing Activities	(664,783)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(62,886)
Principal paid on capital debt	(567,576)
Proceeds from capital debt	329,198
Interest and fiscal charges paid on capital debt	(233,679)
	(534,943)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(534,943)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	320
	320
Net Cash Provided by Investing Activities	320
Net Increase (Decrease) in Cash and Cash Equivalents	(332,189)
Balances - beginning of the year	576,143
Balances - end of the year	\$ 243,954
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 62,426
Current restricted cash and cash equivalents	26,087
Non-current restricted cash and cash equivalents	155,441
Total cash and cash equivalents	\$ 243,954
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 629,805
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	218,093
Amortization expense	9,477
Change in assets and liabilities:	
Receivables	42,265
Due from other governments	1,463
Due to other funds	5,895
Accounts payable and accrued liabilities	(53,661)
Meter deposit liability	13,083
Accrued compensated absences	797
	797
Net Cash Provided by Operating Activities	\$ 867,217

See accompanying notes to the financial statements

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Piedmont) and blended component units as noted below. This annual report includes all activities for which the City of Piedmont City Council is fiscally responsible.

The City of Piedmont – that operates the public safety, health and welfare, streets and highways, parks and recreation and administrative activities.

The City of Piedmont has a population of 5,921 located in central Oklahoma in Canadian County. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government.

- Legislative – the City Council is a six-member governing body with the mayor elected by the citizens at large and five council members elected by each ward.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council.
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council.

The City provides typical municipal services such as a public safety, health and welfare, street and alley maintenance, parks and recreation.

Component Units:

Piedmont Municipal Authority (PMA) – public trust created under 60 O.S. 162 with City as beneficiary that operates the water, sewer and sanitation services of the City. The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities. The Authority is reported as a blended component unit.

Piedmont Economic Authority - Created August 25, 1998, to provide industrial, cultural and educational facilities within its territorial boundaries. The Trustees are confirmed by the governing body. Any issuances of debt would require a two-thirds approval of the City Council. The only financial activity in the PEA is related to conduit debt outstanding for the Piedmont School District.

Piedmont Library Authority - Created September 19, 2001, to provide services and facilities for cultural educational, and recreational purposes. The Trustees are appointed by the City Council. Any issuances of debt would require a two thirds approval of the City Council. The PLA is currently inactive.

Piedmont Special Projects Authority - Created January 28, 2008, to furnish and supply services and facilities for industrial, economic development, cultural, educational and recreational purposes within its territorial boundaries. The Trustees are the governing body of the City of Piedmont. The PSPA is currently being used to remit payment of sales tax to Williams Grocery Inc. The Authority is reported as a blended component unit.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities are reported on the accrual basis of accounting and economic resource focus. Under the economic resource focus, all assets and liabilities, including current and non-current are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- **General Government:** Inspection fees, licenses and permit revenue, operating and capital grants
- **Public Safety:** Fine revenue, donation revenue, on-behalf pension payments and operating and capital grants
- **Highways and Streets:** Commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- **Culture and Recreation:** Library fines, and library donations, operating and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds include:

Major Funds:

General Fund – accounts for all activities not accounted for in other special-purpose funds

Capital Project Funds:

- **Capital Improvement Fund** - accounts for construction and acquisition of capital facilities
- **HUD Grant Fund** – accounts for HUD grant activity related to the police building

Nonmajor Funds:

Special Revenue Fund:

- **Street and Alley Fund** – accounts for revenues from gasoline and vehicle taxes restricted for street repairs and maintenance
- **Fire Restricted Sales Tax Fund** – accounts for revenues from the voter restricted sales tax for the fire department
- **Piedmont Special Project Authority** – accounts for sales tax remitted to Williams Grocery Inc.

Capital Project Fund:

- **Comprehensive Plan Fund** - accounts for HUD grant activity

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The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

Proprietary Funds:

The City's proprietary fund includes:

Major Enterprise Fund:

- Piedmont Municipal Authority – accounts for the operation of the water, wastewater, and sanitation activities.

The proprietary fund is reported on the accrual basis of accounting and economic resources measurement focus. For business-type activities and proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

3. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net assets, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

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At June 30, 2012, the reporting entity held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Demand deposits		\$ 2,404,163
Total deposits		<u>\$ 2,404,163</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		\$ 330,421
Restricted cash and cash equivalents		1,879,328
Non-current restricted cash and cash equivalents		194,414
		<u>\$ 2,404,163</u>

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 100% of the uninsured deposits and accrued interest thereon. At June 30, 2012, the City was not exposed to custodial credit as defined above.

Investment Interest Rate Risk – the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City was not exposed to investment interest rate risk.

Investment Credit Risk – the city has no investment policy that limits its investment choices other than the limitation of state law as follows:

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

**CITY OF PIEDMONT, OKLAHOMA
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f. 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.

The City was not exposed to investment credit rate risk.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

The City was not exposed to concentration of credit risk as defined above.

Restricted Cash and Investments - The amounts reported as restricted assets of the statement of net assets are comprised of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill), amounts held by the trustee bank for debt retirement and amounts held for utility deposits. Restricted assets for governmental activities are comprised of municipal court funds, Capital Improvement Fund cash, Fire Department Fund cash and Street and Alley Fund cash. The restricted assets as of June 30, 2012 are as follows:

	<u>Current Cash and Cash Equivalents</u>		<u>Current Cash and Cash Equivalents</u>	<u>Noncurrent Cash and CashEquivalents</u>
Governmental Activities:		Business-Type Activities and Proprietary Funds:		
Municipal Court	\$129,207	Utility deposits	\$ -	\$ 168,328
Fire Department	164,023			
Capital Improvement Fund	1,180,165	Trustee Accounts:		
Capital Improvement - Drainage	31,199	Sinking Account	-	26,086
Street and Alley Fund	374,733	Debt Service account	-	
Total Governmental Activities	<u>\$1,879,327</u>			
		Total	<u>\$ 1</u>	<u>\$ 194,414</u>

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

CITY OF PIEDMONT, OKLAHOMA
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For the year ended June 30, 2012, capital assets balances changed as follows:

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
Governmental activities:				
Non-depreciable:				
Land	\$ 58,273	\$ -	\$ -	\$ 58,273
Construction-in-progress	473,585	1,710,173	(314,231)	1,869,527
Total non-depreciable assets at historical cost	<u>531,858</u>	<u>1,710,173</u>	<u>(314,231)</u>	<u>1,927,800</u>
Depreciable:				
Buildings	1,173,655	-	-	1,173,655
Improvements	44,075	-	-	44,075
Machinery and equipment	2,204,611	36,384	(81,101)	2,159,894
Infrastructure	1,663,308	314,231	-	1,977,539
Total depreciable assets at historical cost	<u>5,085,649</u>	<u>350,615</u>	<u>(81,101)</u>	<u>5,355,163</u>
Less accumulated depreciation				
Buildings	(443,569)	(27,566)	-	(471,135)
Improvements	(17,814)	(2,204)	-	(20,018)
Machinery and equipment	(1,163,947)	(175,991)	81,101	(1,258,837)
Infrastructure	(315,444)	(71,903)	-	(387,347)
Total accumulated depreciation	<u>(1,940,774)</u>	<u>(277,664)</u>	<u>81,101</u>	<u>(2,137,337)</u>
Net depreciable assets	<u>3,144,876</u>	<u>72,951</u>	<u>-</u>	<u>3,217,827</u>
Governmental activities capital assets, net	<u>3,676,734</u>	<u>1,783,124</u>	<u>(314,231)</u>	<u>5,145,627</u>
Business-type activities				
Non-depreciable:				
Land	211,268	579,277	-	790,545
Construction-in-progress	2,924,519	51,111	(2,953,763)	21,867
Water Rights	33,426	-	-	33,426
Total non-depreciable assets at historical cost	<u>3,169,213</u>	<u>630,388</u>	<u>(2,953,763)</u>	<u>845,838</u>
Depreciable:				
Buildings	50,440	-	-	50,440
Machinery and equipment	479,459	11,775	(57,427)	433,807
Infrastructure	9,271,289	2,374,486	-	11,645,775
Totals depreciable assets at historical cost	<u>9,801,188</u>	<u>2,386,261</u>	<u>(57,427)</u>	<u>12,130,022</u>
Less accumulated depreciation				
Buildings	(46,995)	(544)	-	(47,539)
Machinery and equipment	(377,647)	(21,393)	57,427	(341,613)
Infrastructure	(1,898,734)	(196,156)	-	(2,094,890)
Total accumulated depreciation	<u>(2,323,376)</u>	<u>(218,093)</u>	<u>57,427</u>	<u>(2,484,042)</u>
Net depreciable assets	<u>7,477,812</u>	<u>2,168,168</u>	<u>-</u>	<u>9,645,980</u>
Business-type capital assets, net	<u>\$ 10,647,026</u>	<u>\$ 2,798,556</u>	<u>\$ (2,953,763)</u>	<u>\$ 10,491,818</u>

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Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows: Buildings 50 years, Improvements other than buildings 20-30 years, Machinery, furniture and equipment 3-24 years, Utility property and improvements and infrastructure 15-50 years.

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 33,578	Water	\$ 168,333
Public safety	127,255	Sewer	49,760
Highways and streets	100,054	Total depreciation	<u>\$ 218,093</u>
Culture and recreation	16,777		
Total depreciation	<u>\$ 277,664</u>		

5. Long-Term Debt and Debt Service Requirements

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

Type of Debt	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Note Payable	\$ 155,806	\$ -	\$ 12,260	\$ 143,546	\$ 15,370
Capital Leases	57,204	-	18,050	39,154	10,264
Accrued Compensated Absences	63,837	-	7,094	56,743	5,674
Total Governmental Long-Term Debt	<u>\$ 276,847</u>	<u>\$ -</u>	<u>\$ 37,404</u>	<u>\$ 239,443</u>	<u>\$ 31,308</u>
Business-Type Activities:					
Note Payable	\$ 7,290,148	\$ 329,198	\$ 311,582	\$ 7,307,764	\$ 389,014
Revenue Bonds	200,000	-	200,000	-	-
Capital Leases	290,519	-	55,994	234,525	63,187
Accrued Compensated Absences	28,011	797	-	28,808	2,881
Total BTA Long-Term Debt	<u>\$ 7,808,678</u>	<u>\$ 329,995</u>	<u>\$ 567,576</u>	<u>\$ 7,571,097</u>	<u>\$ 455,082</u>

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Governmental activities long-term debt:

Notes Payable:

161,889 lease with Farmers and Merchant Bank for the purchase of a 2010 International Fire truck, issued December 2010 with an interest rate of 4.50% and maturing December 2020.	<u>143,546</u>
Current portion	\$ 15,370
Non-current portion	<u>128,176</u>
Total	<u>\$ 143,546</u>

Capital Lease Obligations:

\$73,984 lease with Farmers and Merchant Bank for the purchase of a backhoe, issued March 2010 with an interest rate of 4.75% and maturing April 2016.	<u>39,154</u>
Total Capital Lease Obligations	<u>\$ 39,154</u>
Current portion	\$ 10,264
Non-current portion	<u>28,890</u>
Total	<u>\$ 39,154</u>

Accrued Compensated Absences:

Current portion	\$ 5,674
Non-current portion	<u>51,069</u>
Total	<u>\$ 56,743</u>

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Business-type activities long-term debt:

Community Center note payable, original issue amount of \$1,718,765 dated October 1, 2003, issued by the Piedmont Municipal Authority, interest rate 4% with a final maturity of September 1, 2023. \$ 1,131,674

OWRB Drinking Water SRF note payable, original issue amount of \$4,670,000 dated September 1, 2007, issued by the Piedmont Municipal Authority, interest rate 3.55%, with a final maturity of March 2029. 3,770,157

OWRB Clean Water SRF note payable, original issue amount of \$2,655,000 dated September 1, 2007, issued by the Piedmont Municipal Authority, interest rate 2.68%, with a final maturity to be determined when entire balance of note is drawn. Amount left to draw is \$99,230. 1,509,039

Sewer project note payable, original issue amount of \$900,000 dated September 2010, issued by the Piedmont Municipal Authority, interest rate 4.50%, with a final maturity to be October 2020. 896,896

Total Notes Payable \$ 7,307,766

Current portion	\$ 389,014
Non-current portion	<u>6,918,752</u>
Total	<u>\$ 7,307,766</u>

Capital Lease Obligations:

\$231,380 lease with F&M Bank for the purchase of a Fire Truck, issued March 2004 with an interest rate of 4.35% and maturing February 2014. \$ 38,703

\$59,000 lease with F&M Bank for the purchase of a Fire Dept. Brush Truck, issued January 2004 with an interest rate of 4.5% and maturing December 2014. 15,934

\$295,000 lease with F&M Bank for the purchase of a Pierce Fire Truck issued December 2007 with an interest rate of 5.0% and maturing December 2017. 179,888

Total Capital Lease Obligations \$ 234,525

Current portion	\$ 63,187
Non-current portion	<u>171,338</u>
Total	<u>\$ 234,525</u>

Accrued Compensated Absences:

Current portion	\$ 2,881
Non-current portion	<u>25,927</u>
Total	<u>\$ 28,808</u>

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Long-term debt service requirements to maturity:

	Governmental Activities			
	Capital Lease Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2013	10,264	1,645	15,370	6,113
2014	9,949	1,185	14,774	5,464
2015	10,432	700	15,453	4,785
2016	8,509	199	16,163	4,075
2017	-	-	16,905	3,332
2018-2022	-	-	64,881	5,306
Totals	\$ 39,154	\$ 3,729	\$ 143,546	\$ 29,075

Year Ending June 30,	Business-Type Activities			
	Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2013	389,014	248,554	63,187	10,379
2014	420,565	234,666	49,134	7,443
2015	436,551	219,014	34,471	5,333
2016	452,752	203,140	33,914	3,633
2017	470,401	185,860	35,649	1,898
2018-2022	2,382,403	661,567	18,170	271
2023-2027	1,839,493	298,993	-	-
2028-2031	916,585	41,371	-	-
Totals	\$ 7,307,764	\$ 2,093,165	\$ 234,525	\$ 28,957

Conduit Debt:

Original Debt	Project	Remaining Principal
Piedmont Economic Authority		
\$6,200,000	(1) Piedmont School District Lease Revenue Note Series 2004 June 1, 2004	\$ 2,959,712
\$6,000,000	(2) Piedmont School District Lease Revenue Note Series 2005 March 1, 2005	3,068,708
	Total PEA Conduit Debt	\$6,028,420

Piedmont School District Series 2004 and 2005 Lease Revenue Notes

The lease revenue bonds were issued to construct school facilities and are payable solely from lease revenues paid by the school district. These are special limited obligations secured by the aforementioned lease revenues. The obligation of the Authority is limited to the payments made by the school district.

Pledge of Future Revenues:

Sales Tax and Utility Net Revenues Pledge – The City has pledged future sales tax and net water and sewer revenues to repay \$4,670,000 of the OWRB 2007 Series Drinking Water SRF Promissory Note. Proceeds from the note provided financing for utility system capital assets. The note is payable from pledged sales tax revenues and net utility revenues and is payable through 2029. The total principal and interest payable for the remainder of the life of this note is \$5,065,291. Pledged sales taxes received in the current year were \$1,799,344 and net utility revenues were \$244,945. Debt service payments of \$293,361 for the current fiscal year were 15% of both pledged sales taxes and net utility revenues of \$2,044,289.

6. Net Assets and Fund Balances

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

The City had \$1,865,328 Restricted net assets, of which \$109,613 is restricted by enabling legislation.

- c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

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

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

7. Internal and Interfund Balances and Transfers

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

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Transfers:

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

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
PMA	General Fund	\$ 579,294	Transfer of trash
General Fund	PSPA	60,000	Williams store attorney cost
PMA	HUD	320,723	F&M loan for the police building portion
General Fund	PMA	205,000	Operations
Capital Improvement Fund	General Fund	50,000	Capital expenditures budgeted
PMA	General Fund	19,623	Note refinance savings transfer
General Fund	PMA	5,103	PMA project
		<u>\$ 1,239,743</u>	

Reconciliation to Fund Financial Statements and Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,029,640	\$ (320,103)	\$ 709,537
Enterprise Funds	210,103	(919,640)	(709,537)
Total	<u>\$ 1,239,743</u>	<u>\$ (1,239,743)</u>	<u>\$ -</u>

Balances:

Interfund receivable and payables at June 30, 2012 were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
PWA	General Fund	\$ 98,829	Trash revenue
Fire Restricted Sales Tax	General Fund	1,095	Police department grant
Street and Alley Fund	General Fund	3,632	Beverage tax
General Fund	Fire restricted sales tax	28,844	Sales tax
		<u>\$ 132,400</u>	

Reconciliation to fund financial statements and Statement of Net Assets:

	<u>Due From</u>	<u>Due To</u>	<u>Net Balances</u>
Governmental Funds	\$ 132,400	\$ (33,571)	\$ 98,829
Enterprise Funds	-	(98,829)	(98,829)
Total	<u>\$ 132,400</u>	<u>\$ (132,400)</u>	<u>\$ -</u>

8. Sales Tax Revenues

The City levies a five cent sales tax on taxable sales within the city limits in accordance with Ordinance No. 297. The City records two cents in the General Fund for general municipal operations; one and a half cents in the Capital Improvement fund for capital costs; one-half cent in the Street and Alley Fund for street purposes, and one cent to the Fire Department Restricted Sales Tax Fund for fire operating and capital expenses.

9. Risk Management

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

- **General Liability and Physical Property** – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool, with a transfer of risk to the pool
- **Workers' Compensation** – Workers' compensation is covered through purchased commercial insurance with Compsource
- **Employee's Group Medical** – Covered through participation in commercial insurance with Blue Cross and Blue Shield

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

10. Contingencies

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

Federal and State Award Programs:

In 2012, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

11. Pension Plan Participation

The City of Piedmont participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Contribution Plan and Trust (OMRF-DCP) – an agent multi-employer defined contribution pension plan
- Oklahoma Municipal Retirement System City Manager Retirement Plan and Trust (OMRF-CMO) – an agent multi-employer defined contribution plan

OFPRS:

The City of Piedmont, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. The City's annual required contribution was \$16,143 for the OFPRS plan and was equal to the City's actual contribution for the fiscal year 2012. The state made on-behalf payments of \$33,135 (or 26.6% of covered payroll) for the fiscal year which is reported as intergovernmental revenue and fire expense.

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

OFPRS

4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

OPPRS:

Pursuant to the requirements of Title 11, section 50-102, the City of Piedmont participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police officer contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police officer to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

For 2012, the City's annual required contribution was \$41,314 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$35,397 (or 11.5% of covered payroll) for the fiscal year which is reported as intergovernmental revenue and police expense.

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OMRF Defined Contribution Plan:

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

For the year ended June 30, 2012, the total contributions were 5.75 percent of covered payroll, of which 3.50 percent and 2.25 were contributed by the employer and employee respectively. For the year ended June 30, 2012, contributions to the plan amounted to \$23,161 which was equal to the required contribution.

OMRF CMO Plan:

Effective July 1, 2001, the City has also provided a defined contribution plan and trust known as the City of Piedmont City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. The plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund.

For the year ended June 30, 2012, the employer contribution rate is variable. Contributions to the plan for the year ended June 30, 2012 were \$6,673 on a covered payroll of \$102,218.

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

Summary of Contributions:

Fiscal	Oklahoma Police Pension and Retirement System		Oklahoma Firefighter's Pension and Retirement System		Oklahoma Municipal Retirement Fund	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2010	39,698	100%	1,020	100%	24,773	100%
2011	40,134	100%	9,051	100%	26,121	100%
2012	40,314	100%	16,143	100%	23,161	100%

Oklahoma Municipal Retirement Fund - (CMO Plan)		
Fiscal	Required Contribution	Percentage Contributed
2010	1,009	100%
2011	2,216	100%
2012	6,673	100%

12. Use of Estimates

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

13. Subsequent Event

The Piedmont Special Projects Authority entered into a promissory note agreement with Williams Grocery Inc with payments beginning July 1, 2012. On July 1, 2012 the PSPA will pay a one-time payment to Williams Grocery Inc of \$59,104. Monthly payments equal to 3 cents of each \$1 of gross sales from the store operations will be due at the end of each month through June 30, 2027.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 763,060	\$ 763,060	\$ 678,589	\$ (84,471)
Resources (Inflows):				
Taxes	1,030,300	1,117,310	1,095,847	(21,463)
Intergovernmental	34,500	123,181	135,339	12,158
Charges for services	54,450	54,450	2,201	(52,249)
Fines and Forfeitures	192,200	214,828	215,534	708
Licenses and Permits	59,500	131,136	186,694	55,558
Miscellaneous	54,500	64,828	75,555	10,727
Interest	700	700	421	(279)
Transfers in	730,840	649,215	648,917	(298)
Total Resources (Inflows)	<u>2,156,790</u>	<u>2,355,646</u>	<u>2,360,508</u>	<u>4,862</u>
Amounts available for appropriation	<u>2,919,850</u>	<u>3,118,708</u>	<u>3,039,097</u>	<u>(79,609)</u>
	Budgeted Amounts	Actual	Variance with	
	Original	Final	Amounts	Final Budget Positive (Negative)
Charges to Appropriations (Outflows):				
General Government	577,780	692,030	683,848	8,182
Administration	314,463	386,663	387,790	18,873
Community Development	206,053	243,803	228,336	15,467
Police	763,492	790,992	770,900	20,092
Municipal Court	64,575	73,375	74,954	(1,579)
Emergency Management	4,000	6,000	5,111	889
Parks and Recreation	2,000	5,000	4,668	332
Library	68,850	86,700	76,171	10,529
Transfers out	170,310	206,310	270,103	(63,793)
Total Charges to Appropriations	<u>2,171,523</u>	<u>2,490,873</u>	<u>2,481,881</u>	<u>8,992</u>
Ending Budgetary Fund Balance	<u>\$ 748,327</u>	<u>\$ 627,833</u>	<u>\$ 557,216</u>	<u>\$ (70,617)</u>

See accompanying notes to budgetary comparison schedules.

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a GAAP basis with the exception of police pension on behalf payments.

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	<u>General Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$3,039,097
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(678,589)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(648,917)
Payments to police and fire pension systems made by the State of Oklahoma are revenues for financial reporting purpose but not budgetary purposes	35,397
<i>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	<u>\$1,746,988</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$2,481,881
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(270,103)
Payments to police and fire pension systems made by the State of Oklahoma are expenditures for financial reporting purpose but not budgetary purposes	35,397
	<u>2,247,175</u>

2. The legal level of appropriation control is the department level within a fund. The City Manager has the authority to make line item transfers but any overall increases or decreases are to be approved by the City Council.

The following departments and/or fund exceeded appropriations:

General Fund:	
Municipal Court	(\$1,579)
Transfers Out	(\$63,793)

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SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – Nonmajor Funds (Accrual Basis) – City of Piedmont – June 30, 2012

	<u>Comprehensive Plan Update</u>	<u>Street and Alley</u>	<u>Fire Dept Restricted Sales Tax Fund</u>	<u>Piedmont Special Projects Authority</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 374,733	\$ 164,023	\$ 60,000	\$ 598,758
Due from other funds	-	-	28,844	-	28,844
Receivable from other governments	11,350	26,212	41,449	-	79,011
Total assets	<u>11,350</u>	<u>400,945</u>	<u>234,316</u>	<u>60,000</u>	<u>706,611</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	4,102	13,856	-	17,758
Due to other funds	-	3,632	1,095	-	4,727
Total liabilities	<u>-</u>	<u>7,734</u>	<u>14,751</u>	<u>-</u>	<u>22,485</u>
Fund balances:					
Restricted for:					
Streets	-	285,597	-	-	285,597
Fire	-	-	219,480	-	219,480
General Government	11,350	-	-	-	11,350
Economic Development	-	-	-	60,000	60,000
Assigned to:					
Streets	-	107,614	-	-	107,614
Fire	-	-	85	-	85
Total fund balances	<u>11,350</u>	<u>393,211</u>	<u>219,565</u>	<u>60,000</u>	<u>684,126</u>
Total liabilities and fund balances	<u>\$ 11,350</u>	<u>\$ 400,945</u>	<u>\$ 234,316</u>	<u>\$ 60,000</u>	<u>\$ 706,611</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds
(Accrual Basis) - City of Piedmont - Year Ended June 30, 2012**

	<u>Comprehensive Plan Update</u>	<u>Street and Alley</u>	<u>Fire Dept Restricted Sales Tax Fund</u>	<u>Piedmont Special Projects Authority</u>	<u>Total-Other Governmental Funds</u>
REVENUES					
Sales and miscellaneous taxes	-	\$ 136,621	\$ 359,869	\$ -	496,490
Intergovernmental	25,000	53,062	38,862	-	116,924
Investment earnings	-	151	53	-	204
Miscellaneous	-	50,611	4,172	-	54,783
Total revenues	<u>25,000</u>	<u>240,445</u>	<u>402,958</u>	<u>-</u>	<u>688,401</u>
EXPENDITURES					
Current:					
Fire	-	-	301,721	-	301,721
Street	-	145,428	-	-	145,428
Principal	-	-	18,550	-	18,550
Capital Outlay	13,650	26,218	12,982	-	52,850
Total Expenditures	<u>13,650</u>	<u>171,646</u>	<u>333,253</u>	<u>-</u>	<u>518,549</u>
Excess (deficiency) of revenues over expenditures	<u>11,350</u>	<u>68,799</u>	<u>69,703</u>	<u>-</u>	<u>149,852</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	60,000	60,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>60,000</u>
SPECIAL ITEM					
Net change in fund balances	11,350	68,799	69,703	60,000	209,852
Fund balances - beginning	-	324,412	149,862	-	474,274
Fund balances - ending	<u>\$ 11,350</u>	<u>\$ 393,211</u>	<u>\$ 219,565</u>	<u>\$ 60,000</u>	<u>\$ 684,126</u>

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

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2012

Federal/State Grantor/Pass Through Agency Grantor/Program Title	CFDA or Award Number	Award Amount	Awards Expended
FEDERAL AWARDS:			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Police Station Grant	14.251	\$ 1,000,000	\$ 1,000,000
Passed through Oklahoma Water Resources Board:			
Comprehensive Plan Grant	87.100	95,000	25,000
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>1,095,000</u>	<u>1,025,000</u>
DEPARTMENT OF TRANSPORTATION:			
Passed through Oklahoma Highway Safety Office			
State and community highway safety	20.600	10,000	4,761
State and community highway safety	20.600	14,400	10,426
Passed through Oklahoma Department of Transportation			
Safe routes to school	20.205	193,000	136,546
TOTAL DEPARTMENT OF TRANSPORTATION:		<u>217,400</u>	<u>151,733</u>
 TOTAL FEDERAL AWARDS		 <u>\$ 1,312,400</u>	 <u>\$ 1,176,733</u>
STATE AWARDS:			
Department of Agriculture:			
Rural Fire Grant	N/A	\$ 4,413	\$ 4,413
Oklahoma Department of Libraries.			
Early Literacy Grant	N/A	500	500
State Aid 12	N/A	4,949	4,949
Total Department of Libraries		<u>5,449</u>	<u>5,449</u>
 TOTAL STATE AWARDS		 <u>\$ 9,862</u>	 <u>\$ 9,862</u>

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Revenue, Expenditures and Changes in Program Balances of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

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

Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2012

GROSS REVENUE AVAILABLE:	
Pledged operating revenues (water and sewer systems)	\$ 1,448,100
Investment income	321
Sales tax pledged from the City General Fund	<u>1,799,344</u>
 Total Gross Revenue Available	 <u>3,247,765</u>
 OPERATING EXPENDITURES:	
Total Operating Expenses (water and sewer systems, excluding depreciation and amortization)	<u>1,203,476</u>
 Net Revenue Available for Debt Service	 <u><u>\$2,044,289</u></u>
 Annual Debt Service:	
2007 OWRB DWSRF Loan Payable maximum annual debt service	<u>298,018</u>
Total Annual Debt Service on Revenues of the Systems	<u><u>\$298,018</u></u>
 Computed Coverage	 <u><u>686%</u></u>
 Coverage Requirement	 <u><u>125%</u></u>

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

SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE



**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**

To the City Council
City of Piedmont, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Piedmont, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Piedmont, Oklahoma's basic financial statements and have issued our report thereon dated March 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Piedmont, Oklahoma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Piedmont, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Piedmont, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Piedmont, 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Piedmont, 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*.

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

HBC CPAs & Advisors

March 7, 2013



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

To the City Council
City of Piedmont, Oklahoma

Compliance

We have audited City of Piedmont, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Piedmont, Oklahoma's major federal programs for the year ended June 30, 2012. City of Piedmont, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Piedmont, Oklahoma's management. Our responsibility is to express an opinion on City of Piedmont, Oklahoma's compliance based on our audit.

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

In our opinion, City of Piedmont, Oklahoma, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

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

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

HBC CPAs & Advisors

March 7, 2013

CITY OF PIEDMONT, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

Summary of Auditor's Reports

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. There were no significant deficiencies reported in the independent auditor's report on internal control over financial reporting.
3. There were no instances of noncompliance considered material to the financial statements of the City disclosed during the audit.
4. There were no material weaknesses in internal control over compliance with requirements applicable to major federal awards programs reported in the independent auditor's report on internal control over compliance.
5. The independent auditor's report on compliance with requirements applicable to major federal awards programs expressed an unqualified opinion.
6. The audit disclosed no finding required to be reported under Section 510(a) of OMB Circular A-133.
7. The Authority's major programs were Department of Housing and Urban Development, Congressional Grants-EDI-Special Projects, CFDA number 14.251.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.
9. The Authority does not qualify as a low risk auditee as that term is defined by OMB Circular A-133.

**CITY OF PIEDMONT, OKLAHOMA
PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2011**

No matters were reported.