

**CITY OF PRYOR CREEK, OKLAHOMA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**WINGARD, RAGSDALE & LANGLEY, CPAS, PLLC.  
CERTIFIED PUBLIC ACCOUNTANTS  
PRYOR, OKLAHOMA**

**CITY OF PRYOR CREEK  
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JUNE 30, 2012**

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# WINGARD, RAGSDALE & LANGLEY

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## INDEPENDENT AUDITOR'S REPORT

March 4, 2013

To the Honorable Mayor and City Councilors  
City of Pryor Creek  
Mayes County, Oklahoma

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Pryor, Oklahoma, as of June 30, 2012, and the respective changes in financial position and, where applicable, cashflows 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 4, 2013, on our consideration of the City of Pryor'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 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 Pryor, Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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.



**WINGARD, RAGSDALE & LANGLEY**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

March 4, 2013

**CITY OF PRYOR CREEK, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2012**

The discussion and analysis of the City of Pryor Creek's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the accompanying basic financial statements.

This discussion is divided into two parts. The first pertains to the entire City of Pryor Creek overall with very little detail to the Municipal Utility Department, a department of the City of Pryor Creek. The second part pertains to the Municipal Utility Department, which was created by the Charter for the City of Pryor Creek and operates under the Utility Board of five members as explained in the notes to the financial statements.

**PART I**

**WHO WE ARE**

As of June 30, 2012 the mayor, council members, clerk and treasurer, all of whom are elected, consisted of the following:

Mayor	Jimmy Tramel
Council Members	Carolyn Wise Travis Noland Drew Stott Randy Chitwood Roger Willcutt Greg Rosamond Ronnie Sharp Leonard Barnes
Clerk	Eva Smith
Treasurer	Lois Thompson

## FINANCIAL HIGHLIGHTS

- The total assets of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2012 by \$92,039,191 as reflected in Statement 1, an increase of \$866,672 from the prior year. Invested in capital assets, net of related debt increased \$372,990 due mainly to the excess of debt retired and additions over depreciation of \$2,649,926. Restricted net assets increased \$923,782. All other fund balances decreased \$430,100, which is further discussed later in this section.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Net Assets	<u>\$92,039,191</u>	<u>\$91,172,519</u>

- The City's Governmental Fund balance as reflected in the "Statement of Revenues, Expenditures, and Changes in Fund Balances" increased \$6,707,887. This is misleading, as the PPWA Bond Proceeds Fund showed an increase of \$6,719,080 (Bond proceeds of \$6,824,815 less net expenditures of \$105,735). Eliminating this, all other funds decreased \$11,193 despite using \$1,200,000 to retire debt one year ahead of schedule.
- The City's General Fund balance increased \$77,945 to \$1,592,064, all of which is unreserved.
- As mentioned above, \$1,200,000 of bonds were retired. A new bond issue of \$7,000,000 was completed during the year and the 1/2 cent sales tax was extended to finance such bonds. The proceeds are being used to build a new City Hall and for street improvements.
- Sales tax increased \$178,795, a 3.4% increase over the prior year and continues to increase reversing prior decreases due to the nation's economy.
- As a result of the increase in taxes and maintaining expenses, a 1/10 of 1 percent tax that had previously been transferred from the Capital Outlay Fund to the General Fund when the economic downturn began was transferred back to the Capital Outlay Fund for sales tax received in October, 2012.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the City's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, library, streets, etc.	Activities the City operates similar to private businesses such as utilities and the golf course
Required financial statements	-Statement of net assets -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net assets -Statement of revenues, expenses, and changes in net assets -Statement of cash funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public

safety activities, streets, cultural, library, parks and recreation activities and general government activities. The business-type activities of the City include utilities and a golf course.

A component unit is included in the basic financial statements and consists of a legally separate entity for which the City is financially accountable and that has the same governing board as the City. This blended component unit is the Pryor Public Works Authority. The County Wide Fire Department Fund is also blended into the financial statements.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

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

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

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

The City maintains 20 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Street and Drainage and the Recreation Center Construction Fund, which are considered to be major funds. Data for the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

The City adopts an annual appropriated budget for its General Fund and some of its special revenue funds and capital project funds. A budgetary comparison statement has been provided for the General Fund and the Street and Drainage Fund in the basic financial statements.

The governmental funds financial statements can be found on Statements 3 and 4 of this report.

**Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide separate information for the utility and golf course operations. Combining schedules for the proprietary funds are presented in the supplementary information. The proprietary funds financial statements can be found at Statements 5, 6, and 7 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 37 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$92,039,191 at the close of the current fiscal year. \$4,838,826 of this amount is unrestricted, reflecting a healthy financial position. Additionally the City has \$13,740,124 reserved for various purposes, including \$2,210,822 for operating expenditures.

As shown on Table 1, the largest portion of the City's assets, \$73,460,241, reflects its investment in capital assets less any related outstanding debt used to acquire those assets. This includes all infrastructure as previously mentioned in this report. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities.

Included in current and other assets for Governmental Activities is \$11,254,672 of cash and investments compared to \$4,516,724 in the prior year, an increase of \$6,737,948. This increase is due mainly to bond proceeds of \$6,824,815 less bond retirements of \$1,208,161. The remaining increase of \$1,121,294 is due to operations.

At the end of the fiscal year ended June 30, 2012, The City reported positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

**TABLE 1**  
**NET ASSETS**  
**(In Thousands)**  
**JUNE 30,**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 12,471	\$ 5,595	\$ 15,596	\$ 15,072	\$ 28,067	\$ 20,667
Capital assets	<u>45,282</u>	<u>46,036</u>	<u>28,363</u>	<u>28,419</u>	<u>73,645</u>	<u>74,455</u>
Total assets	<u>57,753</u>	<u>51,631</u>	<u>43,959</u>	<u>43,491</u>	<u>101,712</u>	<u>95,122</u>
Long-term debt outstanding	7,000	--	940	1,368	7,940	1,368
Other liabilities	<u>498</u>	<u>473</u>	<u>1,235</u>	<u>2,108</u>	<u>1,733</u>	<u>2,581</u>
Total liabilities	<u>7,498</u>	<u>473</u>	<u>2,175</u>	<u>3,476</u>	<u>9,673</u>	<u>3,949</u>
Net assets	<u>\$ 50,255</u>	<u>\$ 51,158</u>	<u>\$ 41,784</u>	<u>\$ 40,015</u>	<u>\$ 92,039</u>	<u>\$ 91,173</u>

**TABLE 2**  
**Changes in Net Assets**  
**(In Thousands)**  
**June 30,**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary</u> <u>Government</u>	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 408	\$ 338	\$13,391	\$13,575	\$13,799	\$13,913
Operating grants & contributions	205	172	--	--	205	172
Capital grants & contributions	30	110	--	--	30	110
Contributed assets	173	223	--	--	173	223
<b>General revenues</b>						
Sales tax	5,492	5,313	1,353	1,313	6,845	6,626
Other taxes	728	726	--	--	728	726
Other general revenues	<u>131</u>	<u>130</u>	<u>153</u>	<u>113</u>	<u>284</u>	<u>243</u>
<b>Total revenues</b>	<u>7,167</u>	<u>7,012</u>	<u>14,897</u>	<u>15,001</u>	<u>22,064</u>	<u>22,013</u>
<b>Program expenses</b>						
General government	997	917	--	--	997	917
Public safety	3,648	3,617	--	--	3,648	3,617
Street	1,876	1,935	--	--	1,876	1,935
Culture, recreation & library	907	921	--	--	907	921
Utilities	--	--	12,374	12,462	12,374	12,462
Golf	--	--	385	358	385	358
Recreation Center	--	--	<u>1,011</u>	<u>1,033</u>	<u>1,011</u>	<u>1,033</u>
<b>Total expenses</b>	<u>7,428</u>	<u>7,390</u>	<u>13,770</u>	<u>13,853</u>	<u>21,198</u>	<u>21,243</u>
Excess (deficiency) before special items and transfers	( 261)	( 378)	1,127	1,148	866	770
Transfers	<u>( 641)</u>	<u>(1,961)</u>	<u>641</u>	<u>1,961</u>	<u>--</u>	<u>--</u>
<b>Increase (decrease) in net assets</b>	<u>\$ ( 902)</u>	<u>\$ (2,339)</u>	<u>\$ 1,768</u>	<u>\$ 3,109</u>	<u>\$ 866</u>	<u>\$ 770</u>

**Governmental Activities.** All funds of the City remain healthy. Sales tax increased about \$178,795, but use tax decreased about \$14,238, a 5% decrease compared to a 33% decrease in the prior year. Use tax is generally generated by construction activity and is usually the last to recover in a down economy. No layoffs or reduction of services were experienced and capital expenditures decreased by about \$804,047. Infrastructure expenditures accounted for all of the decrease. The City prudently maintains sufficient fund balances in all funds so as to withstand economic downturns.

**Business-type Activities.** Business type activities are the Municipal Utility Department, Golf Course and the Recreation Center. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets reflect these funds individually in Statements 5 and 6 of the financial statements. All proprietary funds had an increase in net assets.

## **FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS**

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

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

**General Fund** The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$1,592,064, constituting 100% of the fund balance, which was \$77,945 more than the prior year's General Fund balance. This fund is considered very healthy.

**Street and Drainage** Street and Drainage increased its fund balance by \$311,056 for the year. Bonds issued in December, 2011 will provide about \$4,000,000 for major street projects.

**Municipal Utility Department** See Part II of this discussion.

## **GENERAL FUND BUDGETARY**

The following Table 3 presents a summary analysis of the General Fund budget and actuals for the current fiscal year.

**TABLE 3  
CITY OF PRYOR CREEK  
SUMMARY ANALYSIS OF GENERAL FUND BUDGET  
FISCAL YEAR ENDING JUNE 30, 2012**

<u>Category</u>	<u>Budgeted Amounts</u>		<u>Actual (Budget Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
<b>Revenue</b>				
Sales tax	\$2,696,923	\$2,696,923	\$3,115,710	\$ 418,787
All other taxes	452,519	452,519	681,836	229,317
All other revenues	<u>403,716</u>	<u>403,716</u>	<u>448,830</u>	<u>45,114</u>
Total revenues	<u>3,553,158</u>	<u>3,553,158</u>	<u>4,246,376</u>	<u>693,218</u>
<b>Expenditures</b>				
General government (1)	1,008,689	992,689	778,094	214,595
Public safety (2)	3,141,792	3,166,292	3,091,244	75,048
Maintenance garage	51,094	52,594	51,925	669
Cultural and recreation services (3)	566,881	561,881	556,131	5,750
Community service	56,605	56,605	39,754	16,851
Cemetery	<u>183,996</u>	<u>178,996</u>	<u>165,156</u>	<u>13,840</u>
Total expenditures	<u>5,009,057</u>	<u>5,009,057</u>	<u>4,682,304</u>	<u>326,753</u>
Total excess (deficiency) of revenues over expenditures	(1,455,899)	(1,455,899)	( 435,928)	1,019,971
<b>Other financing sources (uses)</b>				
Transfers in	550,000	550,000	550,000	--
Beginning fund balance	<u>905,899</u>	<u>905,899</u>	<u>905,899</u>	<u>--</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,019,971</u>	<u>\$ 1,019,971</u>

(1) Includes General Government, City Clerk, City Treasurer, City Attorney and Planning and Zoning .

(2) Includes Municipal Court, Police, Fire, Dog Pound, and Civil Emergency Management

(3) Includes Parks and Pool and Library.

The basis of accounting for budgetary purposes for the General Fund is the modified accrual, i. e., revenues are recognized when received and expenses are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended. An exception to this is that 100% of the funds budgeted by the Municipal Utility Department to be transferred to the City's General Fund in accordance with the City Charter is budgeted.

The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the City attempts to prepare a budget that will result in a small positive increase in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

The reason for the decrease in fund balance in the current year has generally been explained earlier in this discussion under the caption "General Fund".

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets as of June 30, 2012 amounted to \$73,645,380 (net of accumulated depreciation) This investment, detailed in Table 4, in a broad range of capital assets includes land, structures and improvements, equipment, and construction in progress.

I invite you to review Note 3.D Capital Assets to the Financial Statements, which is included herein and details the capital asset activity. Also, see Part II for further discussion concerning the Municipal Utility Department.

**TABLE 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation, In Thousands)**  
**June 30,**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,277	\$ 2,059	\$ 350	\$ 395	\$ 2,627	\$ 2,454
Buildings & improvements	1,452	1,297	6,167	6,282	7,619	7,579
Equipment	2,430	2,669	989	1,116	3,419	3,785
Infrastructure	38,996	39,946	-	-	38,996	39,946
Utility property	--	--	20,857	20,608	20,857	20,608
Construction in progress	<u>127</u>	<u>65</u>	<u>--</u>	<u>18</u>	<u>127</u>	<u>83</u>
	<u>\$45,282</u>	<u>\$46,036</u>	<u>\$28,363</u>	<u>\$28,419</u>	<u>\$73,645</u>	<u>\$74,455</u>

### Long-term Debt

Long-term debt has already been discussed in this report.

Additional information on long-term debt is included in Note 3.G to the financial statements.

### ECONOMIC FACTORS AND NEW YEAR'S BUDGET

The City's major governmental revenue, sales tax, increased from the prior year and is expected to increase more in the future. It is anticipated that use tax will also increase as construction rebounds.

The next year's budget does not eliminate any services or employees. It is expected that the fund balance of the General Fund will not increase or decrease substantially in the next fiscal year, unless sales and use tax receipts substantially change.

The long-term economic forecast for the City is quite good. Sales tax is increasing and use tax is expected to increase. This, combined with a present healthy financial position and continued management of expenses, are reasons for an optimistic economic forecast.

### CONTACTING THE CITY'S FINANCE DEPARTMENT

This management's discussion and analysis is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions or need additional financial information, please contact the City of Pryor Creek at (918) 825-0888.

## PART II

The Municipal Utility Department, City of Pryor Creek Oklahoma was created by the Pryor Creek City Charter in 1951. The current five-person board is listed below.

Chairman:	Mr. Jack Ledbetter
Vice-Chairman:	Mr. Mark Roberts
Secretary:	Mr. Tommy Thompson
Member:	Dr. Robert Lindsey
Member:	Mr. Henry Neftzger

The Utility Board has the care, custody, and management of the existing electric system, water system, gas distribution system, street lighting system, and sewage disposal system and may enlarge and extend them under the guidelines of the City Charter. The Board has under its control, the complete operation of these utilities and such other as the people of the City of Pryor Creek may acquire. All of these utilities shall be collectively known as the Municipal Utility Department.

The Utility Board shall employ all persons necessary in the operation of the utilities and fix their salaries, condition of servitude, and terms of office, and shall adopt such rules and regulations, as it may deem necessary for the proper conduct of business.

### *USING THE ANNUAL REPORT*

This annual report consists of a series of financial statements. The Statement of Net Assets (page 8) and Statement of Revenues, Expenses and Changes in Net Assets (page 9) document the income and expenses (on a full accrual basis) of the Utility Board for the current fiscal year, and how they affect the Net Assets of the Board. Net Assets are ALL assets of the Board less ALL liabilities.

The Statement of Cash Flows (page 10) documents the sources and uses of cash, and shows whether cash increased or decreased during the current fiscal year. Notes to the financial statements (page 12) provide additional detail that further explain information found in the various statements.

### *FINANCIAL SUMMARY*

The following presents the management overview and analysis of the Municipal Utility Board's financial condition and performance for the fiscal years ended June 30, 2011 and June 30, 2012, and proposed projects for fiscal year ending June 30, 2012.

For the years ended, net assets changed as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Beginning net assets	\$33,704,094	\$32,936,210
Increase in net assets	<u>682,545</u>	<u>767,884</u>
Ending net assets	<u>\$34,386,639</u>	<u>\$33,704,094</u>

Included in net assets are amounts reserved for specific long term purposes. The following reserve accounts have been funded by excess revenues over several fiscal years.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Reserve for Extension, Capital Improvements	\$ 1,165,332	\$ 1,108,128
Reserve for Emergency and Natural Disasters	<u>1,200,000</u>	<u>1,200,000</u>
	\$ 2,365,332	\$ 2,308,128
Reserve for Capital Improvements from Sales Tax. This reserve is funded by \$0.005 sales tax and interest revenue. This account is used to fund the Wastewater Treatment Plant Depreciation Account; excess funds will be used for Utility Extensions	<u>7,227,177</u>	<u>7,226,073</u>
TOTAL	<u>\$ 9,592,509</u>	<u>\$ 9,534,201</u>

The primary source of revenues generated by the board are sales of utilities to its customers. Revenues are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating revenues	\$12,605,281	\$12,797,861
Sales tax revenue	900,874	875,207
Interest income	<u>145,169</u>	<u>106,545</u>
Total Revenues	<u>\$13,651,324</u>	<u>\$13,779,613</u>

Utilities are purchased and then resold to Municipal Utility Board Customers. The annual cost of purchased utilities is \$8,435,399 and \$8,382,199 for the fiscal years ending June 30, 2011 and June 30, 2012 respectively.

Expenses are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating expenses	\$12,341,543	\$12,428,133
Loss on asset disposal	<u>32,236</u>	<u>33,596</u>
<b>Total Expenses</b>	<b><u>\$12,373,779</u></b>	<b><u>\$12,461,729</u></b>

Percentages by expense category are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Purchased utilities	68%	68%
Payroll and related expenses	23%	22%
Operation, Maintenance and other	<u>9%</u>	<u>10%</u>
	<u>100%</u>	<u>100%</u>

The resulting net income before contributions and transfer is \$1,317,884 and \$1,277,545 for the fiscal years ending June 30, 2011 and 2012 respectively. The Board transfers to the City of Pryor Creek General fund 5.5% of gross revenue with a cap of \$550,000. For the year ended June 30, 2011, the amount was \$550,000. The amount for the year ended June 30, 2012 is \$595,000, which includes a land transfer valued at \$45,000. The projected amount to be transferred for the fiscal year ending June 30, 2012 is \$550,000.

## ***DEPARTMENT ACCOMPLISHMENTS***

### **ADMINISTRATIVE DEPARTMENT**

#### ***Fiscal Year Ending June 30, 2012***

- Reclassified probationary utility clerk to regular employee and promoted her to Clerk III merit.
- Transferred North Rowe property to the City of Pryor when bond was passed to construct a joint facility for City of Pryor and Municipal Utility Board with the general manager reviewing the completed engineering plans.
- Purchased one Adobe scanner license.

*Proposed Projects for Fiscal Year Ending June 30, 2013*

- Advanced training for one-half of office staff with Incode on utility billing software
- MESO management training and the continuation of office staff training
- Advanced training on Adobe scanner software and in-house scanner cross-training.
- Cross train administrative office staff and warehouse office staff duties
- Explore/cost analysis of office furnishing for new joint facility for City of Pryor and Municipal Utility Board
- Explore/cost analysis for administrative office computer replacement or upgrade
- Explore/cost analysis of copy machine replacement with scanner software
- Explore/cost analysis of meter reading devices and software
- Explore/cost analysis of online bill payment/credit card payment

GAS DEPARTMENT

*Fiscal Year Ending June 30, 2012*

- New construction and replacement projects in the Gas Department funded out of reserve funds in the amount of \$193,176
- Replaced two inch gas line on South side of SE Tenth Street from Thurman to Vann Street
- Replaced four inch gas line at Grove Crest and Meadow View Circle at Brookfield Terrace, Ridgewood and Cherry Point Lane
- Replaced two inch gas line on West Graham and North Mayes Street
- Replaced two inch gas line on Bay Oaks Place
- Relocation of crossings for Mayes County South Elliott Street project

*Proposed Projects for Fiscal Year Ending June 30, 2013*

- Complete design and replace 3,000 feet of 6 inch gas line from Pryor Creek to Lakeview Drive
- Replace two inch gas lines from 7th street to 9th street on State, Jackson and Wood Streets
- Replace four inch gas line on Northside of Grove Crest to Southside of Ridgewood on South Elliott Street
- Replace two inch gas line west on Southside of Ridgewood

WATER DEPARTMENT

*Fiscal Year Ending June 30, 2012*

- New Construction and replacement projects in the Water Department funded out of reserve funds in the amount of \$320,342
- Completed the new construction of Westside water tower on Northwest Fifth Street
- Replaced ten inch water line from US 69 Highway to South Rowe Street along SE Third Street
- Replaced ten inch water line between Coo-Y-Yah and Rowe Street
- Replaced six inch water line on South Locke from Park Street to dead end
- Replaced ten inch water line with 12 inch water line from Park and Elliott Street through Whitaker Park to Highway 69 and SE Third Street

*Proposed Projects for Fiscal Year Ending June 30, 2013*

- Replace six inch water line NE First Street to NE Fourth Street along North Hogan Street
- Replace six inch water line on South Oak Street
- Replace eight inch water line on North Whitaker from NW First Street to NW Fifth Street
- Replace eight inch water line on NW Third Street from Taylor Street to Mayes Street
- Replace sixteen inch water line at Pryor Creek crossing North of Highway 69.
- Install new two inch water line from North Bailey Street east to the hospital for alternate feed during an emergency

- Repaint SE Ninth Street water tower
- Repaint section of North Elliott Street water tower
- Replace SCADA on water control system

#### WASTEWATER COLLECTION SYSTEM

*Fiscal Year Ending June 30, 2012*

- New construction and replacement projects in the Wastewater Collection Department funded out of reserves in the amount of \$24,724

*Proposed Projects for Fiscal Year Ending June 30, 2013*

- Replace six inch sewer main 314 and 316 South Elliott Street
- Rebuild the wastewater collection system lift station located on Southridge Drive
- Replace sewer main 100 block on South Bailey Street
- Westside sewer extension from North Maple Street to North Edith Street

#### WASTEWATER TREATMENT PLANT

*Fiscal Year Ending June 30, 2012*

- The Wastewater Treatment Plant major repairs and replacement of equipment are funded from the \$0.005 Sales Tax Reserve Capital Improvement Account.
- Replaced room on treatment plant office and chemical building

*Proposed Projects for Fiscal Year Ending June 30, 2013*

- Replacing the bar screen at the head works location at the treatment plant
- Paint the hoist at the lift station on Southeast 9th Street
- Replacement of the automatic security gate at the treatment plant
- Renovation of Southeast 9th Street lift station
- Upgrade PLC program at the plant and Southeast 9th Street lift station and complete WWTP automation and operations software upgrade

- Replace emergency backup generator at the main plant site

## ELECTRIC DEPARTMENT

### *Fiscal Year Ending June 30, 2012*

- New construction and replacement projects in the Electric Department funded out of reserves in the amount of \$337,394
- Replaced underground primary electric between Ridgewood and Grove Crest
- Replaced underground primary on NE Fifth Street behind Gaither apartments
- Built new service on NW Fifth Street for new house and duplex
- Replaced primary underground in Gracemont Addition
- Completed electronic mapping of electric system for Finley Engineering
- Completed electric upgrade to underground in Whitaker Park
- Built new primary on North Maple Street

### *Proposed projects for Fiscal Year Ending 30 June 2013*

- Engineering study to determine the size and location of a new substation and evaluation of primary feeder conductor size
- Replace primary underground on South Vann Street and Marietta from 17th Street to Woodhaven
- Build new primary feed on South Elliott Street from Southeast 29th Street to Southeast 49th Street
- Replace underground secondary electric between Ridgewood and Grove Crest
- Replace underground primary in East Manor I, II and III
- Replace primary and secondary electric on Brookfield Terrace and several cul-de-sacs
- Reconductor upgrade of NW feeder
- Upgrade substation #2

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

Statement 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 4,041,777	\$ 1,885,723	\$ 5,927,500
Investments	62,250	--	62,250
Taxes receivable	1,044,873	76,689	1,121,562
Accounts receivable (net)	--	1,817,212	1,817,212
Accounts receivable from intra-government	1,936	522	2,458
Due from grants	<u>6,918</u>	<u>--</u>	<u>6,918</u>
<b>Total current assets</b>	<u>5,157,754</u>	<u>3,780,146</u>	<u>8,937,900</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	7,143,500	10,407,872	17,551,372
Investments	--	359,939	359,939
Taxes receivable	--	153,379	153,379
Capital assets (net)	45,282,267	28,363,113	73,645,380
Inventory	--	894,949	894,949
Deferred costs	<u>169,594</u>	<u>--</u>	<u>169,594</u>
<b>Total noncurrent assets</b>	<u>52,595,361</u>	<u>40,179,252</u>	<u>92,774,613</u>
<b>Total assets</b>	<u>57,753,115</u>	<u>43,959,398</u>	<u>101,712,513</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	119,411	973,967	1,093,378
Accrued expenses	139,072	70,501	209,573
Notes payable, current portion	455,000	65,602	520,602
Payable to intra-government	--	2,458	2,458
Refundable court deposits	11,905	--	11,905
Accrued compensated absences	<u>227,225</u>	<u>189,130</u>	<u>416,355</u>
<b>Total current liabilities</b>	<u>952,613</u>	<u>1,301,658</u>	<u>2,254,271</u>
Noncurrent liabilities:			
Customer deposits payable	--	865,040	865,040
Notes and bonds payable, long-term portion	<u>6,545,000</u>	<u>9,011</u>	<u>6,554,011</u>
<b>Total noncurrent liabilities</b>	<u>6,545,000</u>	<u>874,051</u>	<u>7,419,051</u>
<b>Total liabilities</b>	<u>7,497,613</u>	<u>2,175,709</u>	<u>9,673,322</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,171,741	28,288,500	73,460,241
Restricted for:			
Capital projects and emergencies	1,257,551	9,592,509	10,850,060
Debt service	679,242	--	679,242
Other	1,747,360	463,462	2,210,822
Unrestricted	<u>1,399,608</u>	<u>3,439,218</u>	<u>4,838,826</u>
<b>Total net assets</b>	<u>\$50,255,502</u>	<u>\$41,783,689</u>	<u>\$92,039,191</u>

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

**CITY OF PRYOR CREEK, OKLAHOMA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Statement 2

	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
<b>Governmental activities</b>				
<b>General government</b>				
Community Development	\$ 39,754	\$ --	\$ --	\$ ( 39,754)
Planning and Zoning	5,652	--	--	( 5,652)
Mayor and Council	215,885	--	10,689	( 205,196)
City Clerk	197,703	--	--	( 197,703)
City Treasurer	19,829	--	--	( 19,829)
Maintenance Garage	54,480	--	--	( 54,480)
General Government	<u>463,536</u>	<u>9,925</u>	<u>39,914</u>	<u>( 413,697)</u>
Total general government	<u>996,839</u>	<u>9,925</u>	<u>50,603</u>	<u>( 936,311)</u>
<b>Public safety and judiciary</b>				
City Attorney	66,442	--	--	( 66,442)
Police	2,301,085	279,753	89,510	(1,931,822)
Fire	1,174,777	18,494	4,413	(1,151,870)
Civil Emergency Management	27,306	--	10,001	( 17,305)
Municipal Court	<u>78,418</u>	<u>--</u>	<u>--</u>	<u>( 78,418)</u>
Total public safety and judiciary	<u>3,648,028</u>	<u>298,247</u>	<u>103,924</u>	<u>(3,245,857)</u>
<b>Transportation</b>				
Street	<u>1,875,805</u>	<u>--</u>	<u>25,137</u>	<u>(1,850,668)</u>
<b>Cultural, parks and recreation</b>				
Library	354,118	6,001	22,198	( 325,711)
Cemetery	193,108	72,465	--	( 120,643)
Recreation	311,389	20,977	3,200	( 257,212)
Tourism	<u>48,552</u>	<u>--</u>	<u>--</u>	<u>( 48,552)</u>
Total cultural, parks and Recreation	<u>907,167</u>	<u>99,443</u>	<u>25,398</u>	<u>( 752,118)</u>
<b>Total governmental activities</b>	<u><b>7,427,839</b></u>	<u><b>407,615</b></u>	<u><b>205,062</b></u>	<u><b>(6,784,954)</b></u>

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

**CITY OF PRYOR CREEK, OKLAHOMA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Business-type activities:					
Utilities	12,373,779	12,605,281	--	--	231,502
Golf	384,726	404,857	--	--	20,131
Recreation Center	<u>1,011,544</u>	<u>380,912</u>	--	--	( 630,632)
Total business-type activities	<u>13,770,049</u>	<u>13,391,050</u>	--	--	( 378,999)
Total	<u>\$21,197,888</u>	<u>\$13,798,665</u>	<u>\$ 205,062</u>	<u>\$ 30,208</u>	<u>\$( 7,163,953)</u>

**CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) /revenue	<u>\$( 6,784,954)</u>	<u>\$( 378,999)</u>	<u>\$( 7,163,953)</u>
General Revenues			
Taxes:			
Sales tax	5,492,041	1,353,162	6,845,203
Use tax	294,360	--	294,360
Alcohol beverage tax	65,437	--	65,437
E-911 tax	35,077	--	35,077
Hotel/motel tax	49,544	--	49,544
Gasoline tax	17,727	--	17,727
Motor vehicle tax	66,193	--	66,193
Franchise taxes	94,196	--	94,196
Cigarette tax	98,616	--	98,616
Utility Gr. Rev. tax	6,798	--	6,798
Investment income	39,834	153,334	193,168
Miscellaneous	91,306	--	91,306
Transfers	<u>( 641,259)</u>	<u>641,259</u>	<u>--</u>
Total general revenues and transfers	<u>5,709,870</u>	<u>2,147,755</u>	<u>7,857,625</u>
Change in net assets, before contributed assets	<u>( 1,075,084)</u>	<u>1,768,756</u>	<u>693,672</u>
Contributed assets	<u>173,000</u>	<u>--</u>	<u>173,000</u>
Change in net assets	<u>( 902,084)</u>	<u>1,768,756</u>	<u>866,672</u>
Net assets - beginning	<u>51,157,586</u>	<u>40,014,933</u>	<u>91,172,519</u>
Net assets - ending	<u>\$50,255,502</u>	<u>\$41,783,689</u>	<u>\$ 92,039,191</u>

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

**CITY OF PRYOR CREEK, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General Fund</u>	<u>Street &amp; Drainage Fund</u>	<u>PPWA Bond Proceeds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$1,117,200	\$ 901,890	\$6,719,805	\$ 2,446,382	\$11,185,277
Investments	59,250	--	--	3,000	62,250
Taxes receivable	615,213	215,037	--	214,623	1,044,873
Due from other funds	--	--	--	2,458	2,458
Grants receivable	<u>6,918</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,918</u>
Total assets	<u>1,798,581</u>	<u>1,116,927</u>	<u>6,719,805</u>	<u>2,666,463</u>	<u>12,301,776</u>
<b>LIABILITIES</b>					
Accounts payable	73,337	13,996	750	31,328	119,411
Accrued expenses	68,817	7,711	--	62,544	139,072
Due to other funds	522	--	--	--	522
Accrued compensated absences	51,936	19,480	--	--	71,416
Refundable court bonds	<u>11,905</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>11,905</u>
Total liabilities	<u>206,517</u>	<u>41,187</u>	<u>750</u>	<u>93,872</u>	<u>342,326</u>
<b>FUND BALANCES</b>					
Restricted	--	1,062,497	6,719,055	1,943,348	9,724,900
Committed	1,898	13,243	--	59,401	74,542
Assigned	--	--	--	543,120	543,120
Unassigned	<u>1,590,166</u>	<u>--</u>	<u>--</u>	<u>26,722</u>	<u>1,616,888</u>
Total fund balance	<u>1,592,064</u>	<u>1,075,740</u>	<u>6,719,055</u>	<u>2,572,591</u>	<u>11,959,450</u>
Total liabilities and fund balances	<u>\$1,798,581</u>	<u>\$1,116,927</u>	<u>\$6,719,805</u>	<u>\$2,666,463</u>	<u>\$12,301,776</u>

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

**CITY OF PRYOR CREEK, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<b>Total Governmental Funds</b>
Fund balance of governmental funds	<u>\$ 11,959,450</u>
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 \$25,546,774	45,282,267
Portion of accrued compensated absences does not require current financial resources. Therefore, \$155,809 of total of \$227,225 of accrued compensated absences is not reported as a liability in government funds balance sheet	<u>( 155,809)</u>
	45,126,458
Debt issuance	( 7,000,000)
Deferred cost of issuance	<u>169,594</u>
	<u>( 6,830,406)</u>
 Net assets of governmental activities	 <u>\$ 50,255,502</u>

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

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

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Street &amp; Drainage Fund</u>	<u>PPWA Bond Proceeds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Sales tax	\$ 3,120,786	\$ 1,175,948	\$ --	\$ 1,195,307	\$ 5,492,041
Other taxes	465,211	83,920	--	84,621	633,752
Fines and forfeits	257,831	--	--	--	257,831
Licenses and permits	9,925	--	--	--	9,925
Franchise taxes	65,424	--	--	28,772	94,196
Fees and services	81,258	--	--	58,601	139,859
Interest	6,603	9,815	302	23,114	39,834
Miscellaneous	77,120	--	--	15,108	92,228
Grants and contributions	<u>137,633</u>	<u>25,137</u>	<u>--</u>	<u>72,500</u>	<u>235,270</u>
Total revenues	<u>4,221,791</u>	<u>1,294,820</u>	<u>302</u>	<u>1,478,023</u>	<u>6,994,936</u>
<b>EXPENDITURES</b>					
Current					
General government:					
Community Development	39,754	--	--	--	39,754
Planning and Zoning	5,652	--	--	--	5,652
Mayor and Council	213,150	--	--	--	213,150
City Clerk	192,476	--	--	--	192,476
City Treasurer	19,829	--	--	--	19,829
Maintenance Garage	52,203	--	--	--	52,203
General Government	<u>282,579</u>	<u>--</u>	<u>--</u>	<u>40,422</u>	<u>323,001</u>
Total general government	<u>805,643</u>	<u>--</u>	<u>--</u>	<u>40,422</u>	<u>846,065</u>
Public safety and judiciary:					
City Attorney	66,442	--	--	--	66,442
Police	2,060,165	--	--	29,194	2,089,359
Fire	942,665	--	--	32,110	974,775
Civil Emergency Management	17,264	--	--	--	17,264
Municipal Court	<u>75,651</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>75,651</u>
Total public safety and judiciary	<u>3,162,187</u>	<u>--</u>	<u>--</u>	<u>61,304</u>	<u>3,223,491</u>
Transportation					
Street	<u>--</u>	<u>817,648</u>	<u>--</u>	<u>--</u>	<u>817,648</u>

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

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Street &amp; Drainage Fund</u>	<u>PPWA Bond Proceeds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cultural, parks and recreation					
Library	315,380	--	--	5,902	321,282
Cemetery	166,223	--	--	1,512	167,735
Recreation	244,413	--	--	2,348	246,761
Tourism	--	--	--	46,660	46,660
	<u>726,016</u>	<u>--</u>	<u>--</u>	<u>56,422</u>	<u>782,438</u>
Total cultural, parks and recreation					
Debt service					
Principal	--	--	--	1,200,000	1,200,000
Interest and other charges	--	--	--	117,382	117,382
Capital outlay	--	166,116	106,062	385,278	657,456
	<u>4,693,846</u>	<u>983,764</u>	<u>106,062</u>	<u>1,860,808</u>	<u>7,644,480</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	( 472,055)	311,056	( 105,760)	( 382,785)	( 649,544)
Other financing sources (uses)					
Transfers in	550,000	--	--	168,150	718,150
Transfers out	--	--	--	( 185,534)	( 185,534)
Bond proceeds	--	--	6,824,815	--	6,824,815
	<u>550,000</u>	<u>--</u>	<u>6,824,815</u>	<u>( 17,384)</u>	<u>7,357,431</u>
Total other financing sources (uses)					
Net change in fund balances	77,945	311,056	6,719,055	( 400,169)	6,707,887
Fund balances - beginning	<u>1,514,119</u>	<u>764,684</u>	<u>--</u>	<u>2,972,760</u>	<u>5,251,563</u>
Fund balances - ending	<u>\$ 1,592,064</u>	<u>\$ 1,075,740</u>	<u>\$ 6,719,055</u>	<u>\$ 2,572,591</u>	<u>\$ 11,959,450</u>

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

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

Reconciliation of the change in fund balances - total government funds to the change in net assets of governmental activities

Net change in fund balances - total governmental funds	<u>\$ 6,707,887</u>
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 purchase capitalized	602,555
Depreciation expense	(1,573,528)
Donated capital assets	173,000
Assets deleted	( 922)
Asset transferred	<u>45,000</u>
	<u>( 753,895)</u>
Governmental funds report long-term financing as revenues, while governmental activities report such financing as debt activities.	
Note issued during the year	(7,000,000)
Less: Cost of issuance	<u>175,185</u>
	( 6,824,815)
Amortization of costs	( 5,591)
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:	
Accrued compensated absences	<u>( 25,670)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ ( 902,084)</u></u>

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

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	Business-type Activities - Enterprise Funds			<u>Total</u>
	<u>Recreation Center</u>	<u>Golf Course Fund</u>	<u>Municipal Utility Department</u>	
<b>ASSETS</b>				
Current assets				
Cash	\$ 787,703	\$ 115,893	\$ 982,127	\$ 1,885,723
Taxes receivable	76,689	--	--	76,689
Accounts receivable	--	--	1,817,212	1,817,212
Due from other funds	--	--	522	522
Total current assets	<u>864,392</u>	<u>115,893</u>	<u>2,799,861</u>	<u>3,780,146</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	--	--	10,407,872	10,407,872
Investments	--	--	359,939	359,939
Taxes receivable	--	--	153,379	153,379
Inventory	--	--	894,949	894,949
Capital assets (net)	<u>5,834,835</u>	<u>738,909</u>	<u>21,789,369</u>	<u>28,363,113</u>
Total noncurrent assets	<u>5,834,835</u>	<u>738,909</u>	<u>33,605,508</u>	<u>40,179,252</u>
Total assets	<u>\$ 6,699,227</u>	<u>\$ 854,802</u>	<u>\$36,405,369</u>	<u>\$43,959,398</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	44,349	13,811	915,807	973,967
Accrued expenses	3,459	3,180	63,862	70,501
Accrued compensated absences	11,039	6,528	171,563	189,130
Due other funds	--	--	2,458	2,458
Current portion of long-term debt	<u>4,641</u>	<u>60,961</u>	<u>--</u>	<u>65,602</u>
Total current liabilities	<u>63,488</u>	<u>84,480</u>	<u>1,153,690</u>	<u>1,301,658</u>
Non-current liabilities				
Notes and bonds payable, less current portion	--	9,011	--	9,011
Customers' meter deposits (payable from restricted assets)	<u>--</u>	<u>--</u>	<u>865,040</u>	<u>865,040</u>
Total non-current liabilities	<u>--</u>	<u>9,011</u>	<u>865,040</u>	<u>874,051</u>
Total liabilities	<u>63,488</u>	<u>93,491</u>	<u>2,018,730</u>	<u>2,175,709</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	5,830,194	668,937	21,789,369	28,288,500
Restricted:				
Sales tax reserved for capital improvements	--	--	7,227,177	7,227,177
Charter required legal obligations	--	--	463,462	463,462
Property, plant and equipment and emergency and disaster	--	--	2,365,332	2,365,332
Unrestricted:	<u>805,545</u>	<u>92,374</u>	<u>2,541,299</u>	<u>3,439,218</u>
Total net assets	<u>\$ 6,635,739</u>	<u>\$ 761,311</u>	<u>\$34,386,639</u>	<u>\$41,783,689</u>

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

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Funds			Total
	Recreation Center	Golf Course Fund	Municipal Utility Department	
Operating revenues				
Utility charges	\$ --	\$ --	\$ 12,243,736	\$ 12,243,736
Utility taps	--	--	26,735	26,735
Penalties	--	--	147,147	147,147
Miscellaneous	--	1,896	187,663	189,559
Fee income	<u>380,912</u>	<u>402,961</u>	<u>--</u>	<u>783,873</u>
Total operating revenues	<u>380,912</u>	<u>404,857</u>	<u>12,605,281</u>	<u>13,391,050</u>
Operating expenses				
Purchased utilities	--	--	8,382,199	8,382,199
Personnel services	375,231	138,891	2,080,104	2,594,226
Personnel benefits	65,534	26,516	765,326	857,376
Materials and supplies	33,725	--	366,429	400,154
Other expenses	278,766	156,152	607,771	1,042,689
Bad debts expense	--	--	45,414	45,414
Depreciation expense	238,972	58,010	779,416	1,076,398
Less: expenses capitalized	<u>--</u>	<u>--</u>	<u>( 685,116)</u>	<u>( 685,116)</u>
Total operating expense	<u>992,228</u>	<u>379,569</u>	<u>12,341,543</u>	<u>13,713,340</u>
Net operating income (loss)	<u>( 611,316)</u>	<u>25,288</u>	<u>263,738</u>	<u>( 322,290)</u>
Nonoperating revenue (expense)				
Gain (loss) on asset disposal	--	--	( 32,236)	( 32,236)
Sales tax revenue	452,288	--	900,874	1,353,162
Investment income	6,765	1,400	145,169	153,334
Interest expense	<u>( 19,316)</u>	<u>( 5,157)</u>	<u>--</u>	<u>( 24,473)</u>
Total nonoperating revenue (expenses)	<u>439,737</u>	<u>( 3,757)</u>	<u>1,013,807</u>	<u>1,449,787</u>
Net income (loss) before contributions and transfers	<u>( 171,579)</u>	<u>21,531</u>	<u>1,277,545</u>	<u>1,127,497</u>
Operating transfers in (out)	--	--	( 595,000)	( 595,000)
Capital transfers	<u>1,236,259</u>	<u>--</u>	<u>--</u>	<u>1,236,259</u>
Change in net assets	1,064,680	21,531	682,545	1,768,756
Net assets - beginning of year	<u>5,571,059</u>	<u>739,780</u>	<u>33,704,094</u>	<u>40,014,933</u>
Net assets - end of year	<u>\$ 6,635,739</u>	<u>\$ 761,311</u>	<u>\$ 34,386,639</u>	<u>\$ 41,783,689</u>

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

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Recreation Center</u>	<u>Golf Course Fund</u>	<u>Municipal Utility Department</u>	
Cash flows from operating activities				
Receipts from customers	\$ 380,912	\$ 404,857	\$ 12,464,264	\$ 13,250,033
Payments to suppliers	( 290,872)	( 155,101)	( 10,149,023)	(10,594,996)
Payments to employees and benefits	( 431,542)	( 157,644)	( 2,071,439)	( 2,660,625)
Payments capitalized	--	--	685,116	685,116
Receipts over refunds of customer meter deposits	<u>--</u>	<u>--</u>	<u>28,678</u>	<u>28,678</u>
Net cash provided (used) by operating activities	<u>( 341,502)</u>	<u>92,112</u>	<u>957,596</u>	<u>708,206</u>
Cash flows from noncapital financing activities				
Operating subsidies and transfers to other funds	<u>--</u>	<u>--</u>	<u>( 550,000)</u>	<u>( 550,000)</u>
Net cash provided (used) by noncapital financing activities	<u>--</u>	<u>--</u>	<u>( 550,000)</u>	<u>( 550,000)</u>
Cash flows from capital and related financing activities				
Sales tax receipts	451,552	--	899,403	1,350,955
Purchases of capital assets	( 23,862)	--	( 1,095,829)	( 1,119,691)
Repayment of long-term debt	--	( 85,454)	--	( 85,454)
Interest on long-term debt	--	( 6,613)	--	( 6,613)
Sale of surplus assets	<u>--</u>	<u>--</u>	<u>31,004</u>	<u>31,004</u>
Net cash provided (used) by capital and related financing activities	<u>427,690</u>	<u>( 92,067)</u>	<u>( 165,422)</u>	<u>170,201</u>
Cash flows from investing activities				
Proceeds from sales (purchases) of investments	309,791	--	3,934,061	4,243,852
Interest and dividends	<u>6,765</u>	<u>1,400</u>	<u>148,871</u>	<u>157,036</u>
Net cash provided (used) by investing activities	<u>316,556</u>	<u>1,400</u>	<u>4,082,932</u>	<u>4,400,888</u>
Net increase (decrease) in cash and cash equivalents	402,744	1,445	4,325,106	4,729,295
Cash balances - beginning of the year	<u>384,959</u>	<u>114,448</u>	<u>7,064,893</u>	<u>7,564,300</u>
Cash balances - end of the year	<u>\$ 787,703</u>	<u>\$ 115,893</u>	<u>\$11,389,999</u>	<u>\$12,293,595</u>
Cash, including time deposits	787,703	115,893	982,127	1,885,723
Restricted cash, including time deposits	<u>--</u>	<u>--</u>	<u>10,407,872</u>	<u>10,407,872</u>
Total cash and cash equivalents, end of year	<u>\$ 787,703</u>	<u>\$ 115,893</u>	<u>\$11,389,999</u>	<u>\$12,293,595</u>

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

**CITY OF PRYOR CREEK, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Funds			<u>Total</u>
	<u>Recreation Center</u>	<u>Golf Course Fund</u>	<u>Municipal Utility Department</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities)				
Operating income (loss)	\$( 611,316)	\$ 25,288	\$ 263,738	\$( 322,290)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Depreciation expense	238,972	58,010	779,416	1,076,398
Bad debt expense	--	--	45,414	45,414
Change in assets and liabilities				
Receivables, net	--	--	( 141,017)	( 141,017)
Inventories	--	--	54,771	54,771
Accounts and other payables	21,619	1,051	( 82,069)	( 59,399)
Customer meter deposits payable	--	--	28,678	28,678
Accrued expenses	<u>9,223</u>	<u>7,763</u>	<u>8,665</u>	<u>25,651</u>
	<u>\$( 341,502)</u>	<u>\$ 92,112</u>	<u>\$ 957,596</u>	<u>\$ 708,206</u>

Noncash investing, capital and financing activities:

The Municipal Utility Department wrote off assets with a cost of \$421,679 and accumulated depreciation of \$358,439 that was replaced or scrapped per department policy. Certain items were sold at \$31,004 with a resulting loss on asset disposal of \$32,236 for the fiscal year ending June 30, 2012.

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

**CITY OF PRYOR CREEK, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**CITY OF PRYOR CREEK, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Pryor Creek was created in 1871 and operates under a strong Mayor/Council form of government. The City's major operations include public safety, (Police, fire and civil defense), recreation, parks and library, provision and maintenance of streets and drainage, utility service (electric, gas, water and sewer), and general administrative services. In addition, the City exercises sufficient control over other governmental agencies that are included as part of the City's reporting entity.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards 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 enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The City was required to implement the new financial reporting requirements of GASB Statement Nos. 33 and 34 for the year ended June 30, 2003. Effective for the year ended June 30, 2006, the City is reporting all infrastructure. See Notes 3.D and 3.J.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity comprises the following:

Primary Government:	City of Pryor Creek
Blended Component Unit:	Pryor Public Works Authority
Blended Other Units	County Wide Fire Department Fund

In determining the financial reporting entity, The City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

### *Blended Component Unit*

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

### *Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

### **Blended Component Unit**

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Pryor Public Works Authority	While dormant for many years, the Authority was reactivated approximately 20 years ago for the purpose of entering into a long-term contract providing the citizens of Pryor Creek with trash services. Its major source of income is franchise fees from such contract	Special Revenues

### **Blended Other Units**

A countywide sales tax was passed, effective January 1, 2003, for the purpose of providing revenues to the various fire departments of Mayes County. The sales tax receipts, which began in March, 2003 and are equally divided among the fire departments, is administered by the County which maintains a fund for each fire department, including that of the City of Pryor Creek. Purchases against the funds can only be initiated by each fire department, sometimes requiring its governing board approval.

### **Other Units by Reference**

The Pryor Creek Economic Development Authority is included in this report. However, since the Authority has no assets, liabilities (only non-commitment debt to the City and the Authority), revenues or expenditures, it is included only by reference and explanation in the notes to the financial statements. The original amount of the debt was \$2,356,000.

## 1.B. BASIS OF PRESENTATION

### *Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

### **Governmental Funds**

#### *General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounting for in other funds.

#### *Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

### *Capital Project Funds*

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. All capital project funds were created by Council action and derive their revenues as a result of Council action. Accordingly, the City Council can change or eliminate these funds by vote.

### *Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by other funds. This fund receives revenues from a 1/2 cent sales tax until the general obligation bonds are fully paid. Although not anticipated, the City may assess a property tax if such sales tax is insufficient.

### **Proprietary Fund**

#### *Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Municipal Utility Department, Golf Course Fund and the Recreation Center constitute the enterprise funds.

### **Major and Non major Funds**

The funds are further classified as major or non major as follows:

<b>Fund</b>	<b>Brief Description</b>
Major:	
General	See above for description
Special Revenue Fund Street & Drainage	Accounts for revenues and expenditures of maintaining, improving and extending streets and drainage
PPWA Bond Proceeds	Accounts for bond proceeds to construct a new City Hall and for street improvements

<b>Proprietary Fund:</b>	
Municipal Utility Board	Accounts for activities of providing electric, water, wastewater, and gas services to the public. See below for pertinent information pertaining to this fund including the dedication of revenues.
Recreation Center Cash Fund	Charges for membership and services for use of the facilities and personnel in addition to receiving ¼ of 1 cent sales tax. The facility opened in March, 2009. This fund was reported as a special revenue fund in the prior year.
Golf Course Fund	Accounts for revenues and expenses of municipally run course.
<b>Non major:</b>	
<b>Special Revenue Funds:</b>	
E-911	Accounts for revenues and expenditures of E-911 service that is legally restricted for public safety use.
Countywide Fire Department	See above for description.
Cemetery Care	Accounts for 25 percent of cemetery revenue restricted by State law for cemetery capital improvements.
Cemetery Care Interest Fund	Interest on cemetery care fund designated for cemetery operations.
Seizures	Police seizures for use of police department.
Library	Accounts for grants and contributions specifically for the library.
Donations and Earmarked Monies	Accounts for donations and grants for specific projects or specific purposes.
Public Works Authority	See above for description.
Hotel and Motel Tax	Accounts for revenues of hotel/motel tax restricted by local ordinance for the promotion of conventions and tourism.
2002 GOB Sinking Fund	Accounts for sales tax revenues and debt services expenditures for 2002 bonds

PPWA Sinking Fund	Accounts for sales tax revenues and debt service expenditures for 2012 bonds
Fee-in-Lieu	Accounts for funds deposited with the City by third parties for drainage projects caused by real estate development.
Debt Service Fund	See above for description.
<b>Capital Project Funds:</b>	
Capital Outlay	Accounts for 1/8 of one cent sales tax dedicated for capital outlay. Cannot be changed without a vote of the people. Additionally, the Council voted to allocate the use tax from the Capital Outlay Fund to the General Fund for the entire year ending June 30, 2011 and beyond.
Capital Outlay Reserve	Although initially set up to fund the purchase of a fire truck in 2000, it has now essentially become a capital outlay fund for the fire department. Revenues consist of outside fire runs, fire subscriptions and grants for the fire department.
Real Property Acquisition	Created by the Council to accumulate funds for additions and improvements to land and buildings. The Council voted to allocate 1/10 of 1 cent sales tax to this fund from the General Fund for the entire year ending June 30, 2011 and beyond.
Library Building	Accounts for donations to add on to the existing library.

The Municipal Utility Department was created by the Charter for the City of Pryor Creek, Oklahoma in January, 1951. The Department operates under the Utility Board consisting of five members. Vacancies in the membership of the Utility Board are filled by appointment by the remaining members of the Board subject to the approval of the City Council. The Department's operations consist of providing electrical, gas, water and sewage disposal service to the citizens of the City of Pryor Creek. All revenues received are dedicated by Charter as follows:

First, revenues are to be used for the payment of operating expenses, expenses incidental to the running of new services and the installation of new meters without major extension of lines, cost of minor extensions of lines and cost of replacements due to obsolescence.

Secondly, the Board is authorized to set aside, out of its revenues (reduced by encumbrances), a reserve for depreciation, replacement of obsolete or worn out property, machinery and equipment and to provide an emergency fund in cases of

destruction or injury to utility properties. However, the funding for such reserve cannot exceed 20 percent of the net profits of the Utility Department for the year.

Third, after application of the foregoing, any surplus revenues shall be applied first to the current interest and accruals in the sinking fund of the City of Pryor Creek and thereafter transferred to the general fund of the City of Pryor Creek.

Legal counsel has ruled that if sufficient funding is otherwise available for the sinking fund, then such surplus revenues may go directly to the general fund.

### **1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

#### **Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and businesslike activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus, except for sales tax revenues which are recognized on a "current financial resources" measurement by the Municipal Utility Department. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### **Basis of Accounting**

The City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2003. Beginning with the year ended June 30, 2006, all infrastructure is reflected on the Statement of Net Assets. Prior to

then only additions to infrastructure for the years ended June 30, 2003, 2004 and 2005 were reflected on such statements. See Notes 3.D and 3.J pertaining to the capitalization of infrastructure in the current year.

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported.

In the fund financial statements, governmental funds are also presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. Sales and other taxes, franchise taxes, grants and investment earnings are recorded when earned. Grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt services, prepaid expenses, and other long-term obligations which are recognized when paid.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

### **Budget Basis of Accounting**

Formal budgetary accounting is employed as a management control for the governmental funds of the City. Annual operating budgets are adopted each fiscal year for most funds. The basis of accounting for budgetary purposes for all funds is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered. The Enterprises Funds of the golf course and Municipal Utility Department also adopt budgets and revenues are recognized when earned and billed and expenditures are recognized when incurred.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. However, the Municipal Utility Department, an Enterprise Fund, annually budgets an amount to remit to the City's general fund. The budgeted amount, not 90% of the amount remitted for the year then ended, is utilized in preparing the general fund's budget. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

**1.D. ASSETS, LIABILITIES, AND EQUITY**

**Investments**

Investments at June 30, 2012 consist of the following:

**Municipal Utility Department**

CD's with maturity dates greater than three months, but less than one year, with interest rates ranging from 1.30% to 4.00% \$ 359,939

**General Fund**

CD with maturity date of two years with interest rate of 1.39% 58,000

Money market fund 1,250

59,250

**Library Cash Fund**

CD with a maturity date of five years at 2.96% interest 3,000

**Grand Total** \$ 422,189

Investments on the balance sheet are reflected as:

Current assets \$ 62,250

Restricted assets 359,939

\$ 422,189

Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." See Note 3.I. for details of interfund transactions, including receivables and payables at year end.

## Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The Municipal Utility Department is the only fund that has receivables that are essentially subject to bad debts. An allowance for uncollectible accounts has not been established, as is more fully explained in Note 3.C. Such receivables consist of utility charges to customers. The other proprietary fund, the golf course, has no receivables.

## Inventories

The Municipal Utility Department is the only fund that has inventory in the financial statements. Such inventory is generally for repairs and improvements to the system and is classified as a noncurrent asset.

## Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

### *Government-wide statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

As of June 30, 2006 and later years, the governmental funds' infrastructure assets have been capitalized. Up to then, infrastructure was capitalized on prospective basis for the years ending June 30, 2003, 2004 and 2005.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Governmental</u>	<u>Proprietary</u>
Buildings	25 - 50 years	20 - 40 years
Machinery and Equipment	3 - 20 years	5 - 10 years
Utility System	25 - 50 years	7 - 100 years
Infrastructure	13 - 160 years	

Because certain system additions for the Municipal Utility Department are actually replacements of old system assets, an estimate has been made to reduce the value of the system by the amount of the replaced assets. An estimate of 40% of current year utility system additions are removed, along with applicable accumulated depreciation, from appropriate utility system accounts (gas, electric, water, sewer). The oldest assets recorded are the first retired.

### *Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

### **Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to charter and third party required reserves and utility meter deposits.

### **Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of bonds and leases payable, accrued compensated absences, and customer meter deposits.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

### **Compensated Absences**

The City's policies regarding vacation and other compensated time off permit employees to accumulate earned but unused time off. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

## **Equity Classifications**

### *Government-wide Statements*

Equity is classified as net assets and 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 improvement 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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

The Municipal Utility Department requires meter deposits for utility services. Such deposits are retained until services are discontinued. At that time, the deposits are applied first to any outstanding balances owed by the customers and the excess, if any, is refunded. No interest is paid on the deposits.

- c. Assigned net assets - All net assets that do not meet any of the definitions and are for a specific purpose
- d. Unassigned - All net assets that do not meet any of the definitions and can be used for any purposes. Represents the net assets of the General Fund.
- e. Unrestricted net assets - All other net assets of business-type activities that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as assigned and unassigned, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.G. for additional disclosures.

## **1.E. REVENUES, EXPENDITURES, AND EXPENSES**

### **Sales Tax**

The City levies a 3.75 cent sales tax. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is allocated to the various funds by ordinance:

	<u>Through 8/31/2012</u>	<u>Effective 9/1/2012</u>
General Fund	1.625	1.625
Street and Drainage	.650	.650
Municipal Utility Department	.500	.500
Capital Outlay	.125	.225
Recreation Center Cash Fund	.250	.250
Sinking Fund - Bonded Indebtedness	.500	.500
Real Property Acquisition Fund	<u>.100</u>	<u>.00</u>
	<u>3.750 cent</u>	<u>3.750 cent</u>

The .1 cent sales tax received by the Real Property Acquisition Fund was allocated to the General Fund effective for sales tax earned in December 2009 and received in February, 2010. This is the only portion of the sales tax that the ordinance allows to be allocated by the Council. This was done due to decreased sales tax in the General Fund due to the downturn in the economy.

The sales tax is recorded in the various funds with the exception of the sales tax for the Municipal Utility Department which is recorded in the General Fund and transferred to the Municipal Utility Department. The sales tax in the Municipal Utility Department is restricted as discussed in Note 3.J.

The 1/2 cent sales tax for the Sinking Fund for the purpose of paying off bonds of the Recreation Center was changed after the year end. The debt was paid off in November, 2011; however, a vote of the people extended the sales tax for the purpose of funding a new City Hall, street projects and improvements to the Recreation Center. The sales tax was extended for the shorter of 15 years or when the new bonds are retired.

#### Use Tax

The City levies a 3.75 use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. Effective for use tax earned in December 2009 and received in February, 2010, the use tax was allocated to the General Fund rather than the Capital Outlay Fund due to the downturn in the economy.

## **Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

## **Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

## **Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

## **NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City of Pryor Creek's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**2.A. FUND ACCOUNTING REQUIREMENTS**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<b>Fund</b>	<b>Required By</b>
Cemetery Care Fund	State Law
Municipal Utility Department	City Charter
Street and Drainage	State Law
Public Works Authority	Trust Indenture

**2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

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

**2.C. REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	See Notes 1.E. and 3.J.
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
E-911 revenue	E-911 Emergency Services Purposes
Water, Sewer, Electrical, and Gas Revenue	Debt Service & Utility Operations
Cemetery Revenue (15%)	Cemetery Capital Improvements
Hotel/Motel Tax	Convention and Tourism
Golf Revenue	Golf Operations and Maintenance
Recreation Center Revenues	Recreation Center Operations and Maintenance

For the year ended June 30, 2012, the City complied, in all material respects, with these revenue restrictions.

## **2.D. DEBT RESTRICTIONS AND COVENANTS**

### **General Obligation Debt**

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2012, the City complied with this provision.

### **Other Long-term Debt**

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2012, the City incurred no such indebtedness.

## **2.E. FUND EQUITY RESTRICTIONS**

### **Deficit Prohibition**

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City of Pryor Creek complied with this statute in all material respects for the year ended June 30, 2012.

## **NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### **3.A. CASH AND INVESTMENTS**

#### **Deposits**

The City's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2012. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3 - Uninsured and uncollateralized; or 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 with no written or approved collateral agreement

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Total Deposits	<u>\$23,997,485</u>	<u>\$ 980,451</u>	<u>\$23,017,034</u>	<u>\$ --</u>	<u>\$23,908,206</u>
Reconciliation to Government-wide Statement of Net Assets:					
Unrestricted cash					\$13,078,145
Time deposits					62,250
Restricted cash, including time deposits					<u>10,767,811</u>
					<u>\$23,908,206</u>

### Investments

Investments consisted of short term (two years or less) certificates of deposit with interest rates ranging from .60% to 4.00%.

### 3.B. RESTRICTED ASSETS

Restricted assets consist of cash, certificates of deposit, investments, and taxes receivable reserved as follows:

#### *Municipal Utility Department*

Customer meter deposits - reflected as a long-term liability on the balance sheet	\$ 865,040
Reserve for property, plant and equipment replacements and emergency and disaster relief - reflected as a reservation of retained earnings on the balance sheet	2,365,332
Sales tax allocated for capital improvements	7,227,177
Reserved for charter required legal obligations	<u>463,462</u>
	<u>\$10,921,011</u>

*City of Pryor*

Bond proceeds reserved for construction projects	6,724,627
Reserve fund for payment of principal and interest on bonds	<u>418,873</u>
Interest on bonds	<u>7,143,500</u>
Grand total	<u>\$18,064,511</u>

Encumbrances are recognized as a reserve on the Municipal Utility Department, a proprietary type fund due to the City Charter's definition and allocation of such fund's computation and distribution of surplus revenues between the General Fund and the reserves of the Municipal Utility Department. See Note 3.J. for additional information.

**3.C. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of grants receivable.

Accounts receivable of the Municipal Utility Department are reported at their gross value without an allowance for doubtful accounts. All accounts have utility deposits with the Department which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible. Accordingly, no allowance for uncollectible accounts has been established. The following is a summary of the bad debts for the current and prior four fiscal years:

June 30, 2012	\$45,414
June 30, 2011	\$40,984
June 30, 2010	\$46,024
June 30, 2009	\$33,719
June 30, 2008	\$39,633

**3.D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance at July 1, 2011	Additions	Disposals	Transfers	Balance at June 30, 2012
<b>Governmental activities:</b>					
Land	\$ 2,058,610	\$ 173,000	\$ --	\$ 45,000	\$ 2,276,610
Buildings	3,088,748	217,183	--	7,188	3,313,119
Machinery and equipment	6,661,691	275,410	( 86,087)	--	6,851,014
Infrastructure					
Improvements	51,175,346	--	--	40,533	51,215,879
Land, easements, etc.	7,045,000	--	--	--	7,045,000
Work in progress	<u>65,178</u>	<u>109,962</u>	<u>--</u>	<u>( 47,721)</u>	<u>127,419</u>
Totals at historical cost	<u>70,094,573</u>	<u>775,555</u>	<u>( 86,087)</u>	<u>45,000</u>	<u>70,829,041</u>
<b>Less accumulated depreciation</b>					
Buildings	( 1,791,658)	( 69,262)	--	--	( 1,860,920)
Machinery and equipment	( 3,992,098)	( 514,251)	85,165	--	( 4,421,184)
Infrastructure	<u>(18,274,655)</u>	<u>( 990,015)</u>	<u>--</u>	<u>--</u>	<u>(19,264,670)</u>
Total accumulated depreciation	<u>(24,058,411)</u>	<u>(1,573,528)</u>	<u>85,165</u>	<u>--</u>	<u>(25,546,774)</u>
<b>Governmental activities capital</b>					
Assets, net	<u>\$ 46,036,162</u>	<u>\$ ( 797,973)</u>	<u>\$ ( 922)</u>	<u>\$ 45,000</u>	<u>\$ 45,282,267</u>
<b>Business-type activities:</b>					
Land and easements	395,426	--	--	( 45,000)	350,426
Buildings	7,540,509	74,711	--	--	7,615,220
Machinery and equipment	3,474,768	89,803	( 156,610)	--	3,407,961
Utility property	31,635,141	948,940	( 250,051)	18,018	32,352,048
Work in progress	<u>18,018</u>	<u>--</u>	<u>--</u>	<u>( 18,018)</u>	<u>--</u>
Totals at historical cost	<u>43,063,862</u>	<u>1,113,454</u>	<u>( 406,661)</u>	<u>( 45,000)</u>	<u>43,725,655</u>
<b>Less accumulated depreciation:</b>					
Buildings	( 1,258,452)	( 189,669)	--	--	( 1,448,121)
Machinery and equipment	( 2,359,268)	( 213,805)	153,610	--	( 2,419,463)
Utility property	<u>(11,026,863)</u>	<u>( 672,924)</u>	<u>204,829</u>	<u>--</u>	<u>(11,494,958)</u>
Total accumulated depreciation	<u>(14,644,583)</u>	<u>(1,076,398)</u>	<u>358,439</u>	<u>--</u>	<u>(15,362,542)</u>
Business-type capital assets, net	<u>\$ 28,419,279</u>	<u>\$ 37,056</u>	<u>\$ ( 48,222)</u>	<u>\$ ( 45,000)</u>	<u>\$ 28,363,113</u>

\* Depreciation expense was charged to governmental activities as follows:

<b>General government:</b>	
City Clerk	\$ 5,503
Maintenance Garage	959
General government	10,369
Mayor's office	<u>905</u>
Total general government	<u>17,736</u>

Public safety and judiciary:	
Police	202,428
Fire	194,574
Civil emergency management	5,620
Municipal Court	<u>212</u>
Total public safety and judiciary	<u>402,834</u>
Transportation:	
Streets	<u>1,058,157</u>
Total transportation	<u>1,058,157</u>
Cultural, parks and recreation:	
Library	21,535
Cemetery	19,256
Swimming pool and parks	52,118
Tourism	<u>1,892</u>
Total cultural, parks and recreation	<u>94,801</u>
Total depreciation expense	<u>\$1,573,528</u>

## E. INVENTORY

Inventory consists of utility materials and supplies that will be expensed when used for repairs and/or capitalized when used for improvements. The Department maintains such inventories for ordinary and emergency repairs and improvements and many of the items are in the nature of a back-up to parts of the utility system. Thus, many of the inventory items will not be used in the next fiscal year. Accordingly, inventory has not been classified as a current asset. Inventory is stated at cost on a first-in, first-out basis.

### 3.F. ACCOUNTS PAYABLE

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll.

### 3.G. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

#### Governmental Activities

The following is a summary of the City's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2012:

Debt outstanding, July 1, 2011	\$ 1,212,803
Additions	7,000,000
Retirements	<u>(1,208,161)</u>
Debt outstanding, June 30, 2012	<u>\$ 7,004,642</u>

The provisions of such debt at June 30, 2012 are as follows:

	<u>Total Debt</u>	<u>Due Within One Year</u>
2011 capital improvement bonds in the original amount of \$7,000,000, payable in varying amounts of principal and interest until September 1, 2026. The net interest cost is 3.23635% secured and paid by a 1/2 cent sales tax, which expires when the bonds are retired.	\$7,000,000	\$ 455,000
Lease/purchase of exercise equipment for the Pryor Recreation Center in the original amount of \$23,757 payable in monthly installments of \$716.85 including interest at 4.85%	<u>\$ 4,642</u>	<u>\$ 4,642</u>
Totals	\$7,004,642	<u>\$ 459,642</u>
Amount due in one year	<u>459,642</u>	
Long term portion	<u>\$6,545,000</u>	

The lease purchase debt is reported in the Recreation Center, but the debt is being paid out of the Capital Outlay Fund, a governmental fund. Accordingly, the lease purchase debt is presented as business-type debts on statements 1 and 5 of the financial statements.

The following is a summary of payments due until maturity:

	<u>Interest</u>	<u>Principal</u>
Year ending June 30, 2013	\$ 185,998	\$ 459,642
Year ending June 30, 2014	181,520	400,000
Year ending June 30, 2015	175,479	405,000
Year ending June 30, 2016	167,988	415,000
Year ending June 30, 2017	159,322	420,000
Year ending June 30, 2018	149,688	430,000
Year ending June 30, 2019	138,877	440,000
Year ending June 30, 2020	127,239	455,000
Year ending June 30, 2021	114,584	465,000
Year ending June 30, 2022	100,757	480,000

	<u>Interest</u>	<u>Principal</u>
Year ending June 30, 2023	85,718	490,000
Year ending June 30, 2024	69,080	510,000
Year ending June 30, 2025	50,964	525,000
Year ending June 30, 2026	31,699	545,000
Year ending June 30, 2027	10,876	565,000

### BUSINESS-TYPE ACTIVITIES

The following is a summary of the Golf Course long-term debt transactions for the year ended June 30, 2012:

Debt outstanding July 1, 2011	\$ 155,427
Additions	--
Retirements	<u>( 85,455)</u>
Debt outstanding June 30, 2012	<u>\$ 69,972</u>

The provision of such debt at June 30, 2012 is as follows:

	<u>Total Debt</u>	<u>Due Within One Year</u>
Lease/purchase on golf carts in October, 2008 in the original amount of \$155,024. Payable in monthly installments of \$3,546.50 including 5.9% interest	\$ 14,013	\$ 14,013
Lease/purchase on golf irrigation system in the original Amount of \$300,000. Payable in annual payments of \$49,332.30 including 4.26% interest, with a final payment in September, 2013 of \$9,394.93	<u>55,959</u>	<u>46,948</u>
Totals	69,972	<u>\$ 60,961</u>
Amount due in one year	<u>60,961</u>	
Long-term portion	<u>\$ 9,011</u>	

The following is a summary of payments until maturity:

	<u>Interest</u>	<u>Principal</u>
Year ending June 30, 2013	\$ 2,557	\$ 60,961
Year ending June 30, 2014	384	9,011

Long-term debt of the Municipal Utility Department consists of customer meter deposits.

Cash has been reserved in an amount equal to customer meter deposits, which are refundable only when services are terminated. The meter deposits are not interest bearing.

### **Non-Commitment Debt**

The notes and bonds payable comprising the Pryor Creek Economic Development Authority's indebtedness are not indebtedness of the State of Oklahoma, nor of the City of Pryor Creek, nor are they personal obligations of the Pryor Creek Economic Development Authority, but are obligations of the Authority payable solely from the Trust Estate consisting of the Authority notes and related Financing Agreements and other security outlined in the Mortgage or Bond indentures.

This debt is considered non-commitment debt to the City and Authority since the debt payments are made solely from the notes receivable or financing agreement proceeds from industrial occupants. Payments are made directly by the industrial occupants to trustee banks who pay the bondholders. In the event of default by the industrial occupants, the City or Authority has no obligation, in substance, to make any payments on the debt since the notes receivable, financing agreements and mortgages on the property with the industrial occupant are the only security for the debt.

As a result of the non-commitment determination, the Authority's indebtedness and related receivables from industrial occupants are not recorded in the financial statements.

### **3.H ACCRUED COMPENSATED ABSENCES**

City employees are entitled to certain compensated absences based on their length of employment. This liability is reflected in the balance sheet of the proprietary funds. Additionally, the full amount of the accrual is included in the Street and Drainage Special Revenue Fund, as that fund appears to have sufficient expendable available financial resources to liquidate the obligation.

The accrued compensated absences for the General Fund totals \$207,745. Due to its limited expendable available financial resources, only \$51,936 of this amount has been included as a liability in the General Fund in the Fund financial statements. However, the \$207,745 is reflected as a liability on the government-wide statements.

### **3.I. DUE TO/FROM OTHER FUNDS - OPERATING AND CAPITAL TRANSFERS**

As of June 30, 2012, interfund receivables and payables which resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ --	\$ 522
Public Works Authority	2,458	--
Municipal Utility Department	<u>522</u>	<u>2,458</u>
	<u>\$ 2,980</u>	<u>\$ 2,980</u>

Operating transfers during the year consisted of the following:

	<u>From</u>		<u>To</u>	
	<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
Distribution of current operating income	Municipal Utility Department	<u>\$550,000</u>	General Fund	<u>\$550,000</u>

Capital transfers during the year consisted of the following:

	<u>From</u>		<u>To</u>	
	<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
Capital outlay & debt payments for the Recreation Center	Capital Outlay Fund	17,384	Recreation Center	17,384
Payment of interest, fees and principal by Governmental Fund for Enterprise Fund	2002 GOB Sinking Fund	1,218,875	Recreation Center	1,218,875
Transfer of Land	Municipal Utility Department	<u>45,000</u>	General Fixed Assets	<u>45,000</u>
Total		<u>\$1,281,259</u>		<u>\$1,281,259</u>

### 3.J. FUND EQUITY

Reservations of retained earnings of the Municipal Utility Department are created either to (1) satisfy the legal covenants that require that a portion of retained earnings be segregated or (2) identify the portion of retained earnings that is not available for future operating expenditures. Specific reservations of retained earnings are summarized below.

**Reserve for Charter Required Legal Obligations** - It has been interpreted by legal counsel that the Department is to encumber cash for goods and services ordered but not received as of the end of the year for purposes of determining "surplus revenues" that can be added to reserves or remitted to the City of Pryor Creek. Accordingly, a reserve has been provided for such encumbrances.

**Reserved for Capital Improvements from Sales Tax** - This reserve is funded by a 1/2 cent sales tax and interest revenue. The Department is utilizing such revenues to fund depreciation for the waste water treatment plant as required in grant agreements. The excess can only be used for utility systems improvements and additions. The activity in this reserve account is summarized as follows:

Balance - July 1, 2011	<u>\$ 7,226,073</u>
Additions	
Reserve transfers in from sales tax	900,874
Interest income applicable to reserve balance	<u>129,524</u>
	<u>1,030,398</u>
Subtractions	
Equipment and system additions paid for from reserves	<u>( 1,029,294)</u>
	<u>( 1,029,294)</u>
Balance - June 30, 2012	<u>\$7,227,177</u>

**Reserve for Property, Plant and Equipment and Emergency and Disaster Relief** - This reserve is authorized in the Charter of the City of Pryor Creek and is in accordance with State Statutes. It provides a method of funding future replacements and additions to fixed assets and a reserve for disasters.

The activity in this reserve account is summarized as follows:

Balance - July 1, 2011	\$2,308,128
Additions	
Contribution of general operations to decrease unreserved cash to level of liabilities as of June 30, 2012	<u>57,203</u>
Balance - June 30, 2012	<u>\$2,365,331</u>

## NOTE 4. OTHER NOTES

### 4.A. Employee Pension

#### *1 The Oklahoma Firefighters Pension and Retirement System*

##### A. Plan Description

All firemen, both full time employees and volunteers, of the City of Pryor Creek, Oklahoma are covered by the Oklahoma Firefighters Pension and Retirement System, which is a cost-sharing multiple-employer PERS

All firemen, except those under 18 years of age and an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65 are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the City or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50. The benefit for full-time fireman is 2.5% of the average of the final 30 months salary times the years of service, with a maximum of 30 years. The benefit for volunteer fireman is \$5.33 per month times the years of service, with a maximum of 30 years.

Pension provisions include deferred allowances whereby a firefighter may terminate with the City after accumulating 10 years of service but not before reaching the age of 50. The firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he would have completed 20 years of service, whichever is later. Pension provisions include death and disability benefits, whereby the disabled firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.

The City's current-year covered payroll and its total current-year payroll for full-time employees is \$518,190. Contributions and benefits for volunteer fireman are not based on payroll.

##### B. Contributions Required and Made

The City's contribution to the plan is 13.0% of the salaries for full-time fireman and an annual contribution of \$60 for each volunteer fireman. The full-time fireman contribute 8% of their salaries. Volunteer firemen do not make contributions to the plan.

Total contributions made during fiscal year 2012 amounted to \$107,581, of which \$68,944 was made by the City and \$38,637 was made by firefighters. Total contributions are allocated between the Municipality and the state. The contribution amounts for municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

### C. Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of July 1, 2012, was as follows:

Total pension benefit obligations	\$2,886,400,000
Net assets available for pension benefits, at market	<u>1,759,100,000</u>
Unfunded pension benefit obligation	<u>\$1,127,300,000</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2012. Net assets available to pay pension benefits were valued as of the same date.

The City's 2012 required contribution to the State PERS represents less than one tenth of 1% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

### D. Related Party Investments

During the fiscal year and as of June 30, 2012, the Oklahoma Firefighter Pension and Retirement System held no securities issued by the City of other related parties.

## II *Oklahoma Police Pension and Retirement System*

### A. Plan Description

All policemen of the City of Pryor Creek, Oklahoma are covered by the Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer PERS.

All policemen are covered except those less than 21 years of age or over 35 years of age when accepted for initial membership. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Upon completion of 20 years of

credited service, a member is eligible for a normal retirement benefit payable immediately for life. The amount of the benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of service considered. Final average salary means the average base salary of an officer over the highest 30 consecutive months of the last 60 months of credited service.

Prior to completion of 10 years of service, a member receives a refund of contributions without interest. A member with 10 or more years of credited service, but not eligible for the normal retirement benefit, is eligible for a deferred vested benefit payable at the later of the date the member would have had 20 years of service or attained age 50. The amount of the deferred vested benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service.

Disability and death benefits differ based upon whether the death or disability resulted in the line of duty or not. If in the line of duty, a benefit is payable immediately equal to the greater of 2 1/2% of the final average salary times the years of credited service (maximum 30 years), and 50% of the final average salary. If not in the line of duty, a benefit is payable for a member who has completed 10 or more years of service equal to 2 1/2% of the final average salary times the years of credited service (maximum of 30 years). Additionally, upon the death of an active or retired member, the beneficiary shall receive a lump-sum of \$4,000.

#### B. Contributions Required and Made

The City's contribution to the plan is 13.0% of the covered payroll. Additionally, the policemen contribute 8% of their salaries. Four individual policemen have signed up under special 5 years until retirement plan. In such an instance, the policemen do not pay in, but the City still contributes 13%.

Total contributions made in the current year amounted to \$193,549, of which \$119,912 was made by the City and \$73,637 made by the policemen. Total contributions are allocated between the Municipalities and the State. The contribution amounts for the Municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

#### C. Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present values of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess

progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of June 30, 2012, was as follows:

Total pension benefit obligations	\$2,034,500,000
Net assets available for pension benefits, at market	<u>1,834,200,000</u>
Unfunded pension benefit obligation	<u>\$ 200,300,000</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2012. Net assets available to pay pension benefits were valued as of the same date.

The City's current year required contribution to the State PERS represents less than 1% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

#### D. Related Party Investments

During the fiscal year and as of June 30, 2012, the Oklahoma Police Pension and Retirement System held no securities issued by the City.

### III Pryor Creek Public Employee Retirement System (PCPERS)

#### A. Plan Description

The City of Pryor Creek contributes to the Pryor Creek Public Employee Retirement System (PCPERS), which is a defined contribution pension plan administered by an insurance company. The PCPERS covers all employees of the City of Pryor Creek who are not covered by the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, or the employees of the Municipal Utility Department, which has a separate plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Coverage is extended to eligible employees who have completed 6 months of service and attained the age of 20.5. Contributions made by an employee vest immediately and

contributions made by the City vest 10% for each year of service beginning with the first year.

#### B. Contributions Required and Made

Employees contributions to the plan are voluntary. An employee can, however, make elective contributions to the plan so that his or her contributions can be 10% of gross earnings. The City's required contribution to the plan is 9% of employee's gross earnings during the current year.

During the fiscal year ending June 30, 2012, the City's required and actual contributions amounted to \$152,077, which was 9% of its current year covered payroll of \$1,689,575. Elective contributions by employees amount to \$14,166.

#### C. Related Party Investments

The PCPERS held no securities of the City or other related parties during the year or as of the close of the fiscal year.

### *IV. Municipal Utility Department of Pryor, Oklahoma Money Purchase Plan*

#### A. Plan Description

The Municipal Utility Board contributes to the Municipal Utility Department of Pryor, Oklahoma Money Purchase Plan, (MUDPOMPP) which is a defined contribution pension plan administered by an insurance company. The MUDPOMPP covers all employees of the Department.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Coverage is extended to eligible employees who have completed one year of service and attained the age of 21. Contributions are not made by an employee and contributions made by the Department are vested 20% in the plan after two years of service. After six years, employees are fully vested.

#### B. Contributions Required and Made

Employee contributions to the plan are not allowed. The Department's required contribution to the plan was 10% for the year.

During the fiscal year ending June 30, 2012, the Department's required and actual contributions amounted to \$192,861, with a current year covered payroll of \$1,928,604.

#### **C. Related Party Investments**

The MUDPOMPP held no securities of the City or other related parties during the year or as of the close of the fiscal year.

#### **4.B. 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; and natural disasters. The City manages these various risks through the purchase of commercial insurance with varying deductibles. These deductibles are well below materiality levels for the City. Additionally, the Municipal Utility Department has reserves for replacement of assets as described in Note 3.J. During the last three years no claim has been settled for amounts in excess of insurance coverage.

#### **4.C. Subsequent Events**

Subsequent events have been evaluated through the date of the Auditor's Report. See Note 3.G. regarding a material subsequent payment on long-term debt.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

**Budgetary Comparison Schedules - General Fund and Street and Drainage Fund**

Unaudited

**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 905,899	\$ 905,899	\$ 905,899	\$ --
Resources (inflows)				
Taxes				
Cable TV franchise	7,904	7,904	52,726	44,822
Telephone franchise	25,828	25,828	28,089	261
Sales tax	2,696,923	2,696,923	3,115,710	418,787
Utility gross receipts tax	3,191	3,191	6,798	3,607
Cigarette tax	83,928	83,928	98,523	14,595
Use tax	<u>276,589</u>	<u>276,589</u>	<u>312,764</u>	<u>36,175</u>
Total taxes	<u>3,094,363</u>	<u>3,094,363</u>	<u>3,612,610</u>	<u>518,247</u>
Intergovernmental				
Alcoholic beverage tax	55,079	55,079	65,261	10,182
Grants and donations	<u>107,103</u>	<u>107,103</u>	<u>119,675</u>	<u>12,572</u>
Total intergovernmental	<u>162,182</u>	<u>162,182</u>	<u>184,936</u>	<u>22,754</u>
Charges for services				
Burial plots, etc.	33,087	33,087	54,280	21,193
Library	5,713	5,713	6,001	288
Swimming pool	<u>20,344</u>	<u>20,344</u>	<u>20,977</u>	<u>633</u>
Total charges for services	<u>59,144</u>	<u>59,144</u>	<u>81,258</u>	<u>22,114</u>
Fines and forfeitures				
Police fines	<u>188,711</u>	<u>188,711</u>	<u>257,831</u>	<u>69,120</u>
Licenses and permits				
Various licenses	<u>8,464</u>	<u>8,464</u>	<u>9,925</u>	<u>1,461</u>
Investment income	<u>11,514</u>	<u>11,514</u>	<u>6,603</u>	<u>( 4,911)</u>
Miscellaneous				
Rentals	2,655	2,655	11,053	8,398
Miscellaneous	<u>26,125</u>	<u>26,125</u>	<u>82,160</u>	<u>56,035</u>
Total miscellaneous	<u>28,780</u>	<u>28,780</u>	<u>93,213</u>	<u>64,433</u>

**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Other financing sources				
Operating transfers in	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	--
Amounts available for appropriation	<u>5,009,057</u>	<u>5,009,057</u>	<u>5,702,275</u>	<u>693,218</u>
Charges to appropriations (outflows)				
General government				
Personal services	206,405	207,905	207,625	280
Maintenance and operation	<u>528,092</u>	<u>492,592</u>	<u>285,552</u>	<u>207,040</u>
Total General Government	<u>734,497</u>	<u>700,497</u>	<u>493,177</u>	<u>207,320</u>
City Clerk				
Personal services	178,577	183,577	183,322	255
Maintenance and operation	<u>11,000</u>	<u>10,400</u>	<u>9,672</u>	<u>728</u>
Total City Clerk	<u>189,577</u>	<u>193,977</u>	<u>192,994</u>	<u>983</u>
City Treasurer				
Personal services	19,295	19,795	19,582	213
Maintenance and operation	<u>1,330</u>	<u>830</u>	<u>247</u>	<u>583</u>
Total City Treasurer	<u>20,625</u>	<u>20,625</u>	<u>19,829</u>	<u>796</u>
City Attorney				
Personal services	48,800	66,300	65,832	468
Maintenance and operation	<u>5,000</u>	<u>1,000</u>	<u>610</u>	<u>390</u>
Total City Attorney	<u>53,800</u>	<u>67,300</u>	<u>66,442</u>	<u>858</u>
Municipal Court				
Personal services	127,694	126,194	69,104	57,090
Maintenance and operation	<u>3,850</u>	<u>5,350</u>	<u>4,945</u>	<u>405</u>
Total Municipal Court	<u>131,544</u>	<u>131,544</u>	<u>74,049</u>	<u>57,495</u>

**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Police</b>				
Personal services	1,826,177	1,826,177	1,813,388	12,789
Maintenance and operation	<u>138,300</u>	<u>138,300</u>	<u>137,021</u>	<u>1,279</u>
<b>Total Police</b>	<u>1,964,477</u>	<u>1,964,477</u>	<u>1,950,409</u>	<u>14,068</u>
<b>Dog Pound</b>				
Personal services	60,413	64,413	64,067	346
Maintenance and operations	<u>36,900</u>	<u>44,900</u>	<u>44,123</u>	<u>777</u>
<b>Total Dog Pound</b>	<u>97,313</u>	<u>109,313</u>	<u>108,190</u>	<u>1,123</u>
<b>Fire</b>				
Personal services	875,550	885,550	884,437	1,113
Maintenance and operation	<u>55,750</u>	<u>57,250</u>	<u>56,702</u>	<u>548</u>
<b>Total Fire</b>	<u>931,300</u>	<u>942,800</u>	<u>941,139</u>	<u>1,661</u>
<b>Civil Emergency Management</b>				
Personal services	14,508	14,508	14,508	--
Maintenance and operation	<u>2,650</u>	<u>3,650</u>	<u>2,949</u>	<u>701</u>
<b>Total Civil Emergency         Management</b>	<u>17,158</u>	<u>18,158</u>	<u>17,457</u>	<u>701</u>
<b>Planning and Zoning</b>				
Personal services	1,390	1,490	1,393	97
Maintenance and operation	<u>8,800</u>	<u>8,800</u>	<u>4,259</u>	<u>4,541</u>
<b>Total Planning and Zoning</b>	<u>10,190</u>	<u>10,290</u>	<u>5,652</u>	<u>4,638</u>
<b>Parks and Pool</b>				
Personal services	172,449	167,449	164,543	2,906
Maintenance and operation	<u>80,575</u>	<u>80,575</u>	<u>78,893</u>	<u>1,682</u>
<b>Total Parks and Pool</b>	<u>253,024</u>	<u>248,024</u>	<u>243,436</u>	<u>4,588</u>
<b>Maintenance Garage</b>				
Personal services	44,494	45,994	45,861	133
Maintenance and operation	<u>6,600</u>	<u>6,600</u>	<u>6,064</u>	<u>536</u>
<b>Total Maintenance Garage</b>	<u>51,094</u>	<u>52,594</u>	<u>51,925</u>	<u>669</u>
<b>Community Service</b>				
Personal services	51,905	51,905	36,873	15,032
Maintenance and operation	<u>4,700</u>	<u>4,700</u>	<u>2,881</u>	<u>1,819</u>
<b>Total Community Servicer</b>	<u>56,605</u>	<u>56,605</u>	<u>39,754</u>	<u>16,851</u>

**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Library</b>				
Personal services	237,807	240,807	240,146	661
Maintenance and operation	<u>76,050</u>	<u>73,050</u>	<u>72,549</u>	<u>501</u>
<b>Total Library</b>	<u>313,857</u>	<u>313,857</u>	<u>312,695</u>	<u>1,162</u>
<b>Cemetery</b>				
Personal services	167,596	162,596	151,738	10,858
Maintenance and operation	<u>16,400</u>	<u>16,400</u>	<u>13,418</u>	<u>2,982</u>
<b>Total Cemetery</b>	<u>183,996</u>	<u>178,996</u>	<u>165,156</u>	<u>13,840</u>
<b>Total Charges to Operations</b>	<u>5,009,057</u>	<u>5,009,057</u>	<u>4,682,304</u>	<u>326,753</u>
<b>Ending Budgetary Fund Balances</b>	<u>\$ --</u>	<u>\$ --</u>	1,019,971	<u>\$1,019,971</u>
<b>Adjustments to reconcile to balance sheet</b>				
Grants receivable			6,918	
Taxes receivable			615,213	
Accrued compensated absences			( 51,936)	
Reserve for encumbrances			<u>1,898</u>	
<b>Fund Balance</b>			<u>\$ 1,592,064</u>	

**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
STREET AND DRAINAGE FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 290,976	\$ 290,976	\$ 557,421	\$ 266,445
Resources (Inflows)				
Gasoline tax	17,614	17,614	24,493	6,879
Commercial vehicle tax	61,946	61,946	64,542	2,596
Sales tax	1,129,147	1,129,147	1,174,036	44,889
Interest	15,638	15,638	9,815	( 5,823)
Miscellaneous	8,511	8,511	--	( 8,511)
Grants, donations	<u>108,006</u>	<u>108,006</u>	<u>25,137</u>	<u>( 82,869)</u>
Amounts available for appropriation	<u>1,631,838</u>	<u>1,631,838</u>	<u>1,855,444</u>	<u>223,606</u>
Charges to appropriations				
Personal services	584,110	584,110	574,145	9,965
Operation and maintenance	244,450	244,450	248,243	( 3,793)
Capital outlay	<u>504,250</u>	<u>504,250</u>	<u>166,116</u>	<u>338,134</u>
Total charges to appropriations	<u>1,332,810</u>	<u>1,332,810</u>	<u>988,504</u>	<u>344,306</u>
Ending budgetary fund balance	<u>\$ 299,028</u>	<u>\$ 299,028</u>	866,940	<u>\$ 567,912</u>
Adjustments to reconcile to balance sheet				
Taxes receivable			215,037	
Accrued compensated absences			( 19,480)	
Reserve for encumbrances			<u>13,243</u>	
Fund Balance			<u>\$ 1,075,740</u>	

## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

**CITY OF PRYOR CREEK, OKLAHOMA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012**

**SPECIAL REVENUE FUNDS**

	E-911 Cash Fund	County-Wide Fire Dept. Funds	Cemetery Care Interest Fund	Cemetery Care Fund	Seizures Fund	Library Cash Fund	Donations & Earmarked Monies Fund	Public Works Authority	Hotel & Motel Tax Fund	Fee In-Lieu Fund
<b>ASSETS</b>										
Cash	\$110,936	\$94,745	\$7,625	\$86,902	\$22,597	\$30,310	\$187,722	\$28,264	\$75,770	\$53,451
Investments	--	--	--	--	--	3,000	--	--	--	--
Taxes receivable	5,990	11,706	--	--	--	--	--	--	5,203	--
Due from other funds	--	--	--	--	--	--	--	2,458	--	--
<b>Total assets</b>	<b>\$116,926</b>	<b>106,451</b>	<b>\$7,625</b>	<b>\$86,902</b>	<b>\$22,597</b>	<b>\$33,310</b>	<b>\$187,722</b>	<b>\$30,722</b>	<b>\$80,973</b>	<b>\$53,451</b>
<b>LIABILITIES</b>										
Accounts payable	1,405	--	--	--	--	5,007	8,772	4,000	9,153	--
Accrued expenses	--	--	--	--	--	--	--	--	--	--
Due to other funds	--	--	--	--	--	--	--	--	--	--
<b>Total liabilities</b>	<b>1,405</b>	<b>0</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5,007</b>	<b>8,772</b>	<b>4,000</b>	<b>9,153</b>	<b>--</b>
<b>FUND BALANCES</b>										
Restricted	115,521	106,451	--	86,902	--	28,303	178,950	--	71,820	--
Committed	--	--	--	--	--	--	--	--	--	--
Assigned	--	--	7,625	--	22,597	--	--	--	--	53,451
Unassigned	--	--	--	--	--	--	--	26,722	--	--
<b>Total fund balances</b>	<b>115,521</b>	<b>106,451</b>	<b>7,625</b>	<b>86,902</b>	<b>22,597</b>	<b>28,303</b>	<b>178,950</b>	<b>26,722</b>	<b>71,820</b>	<b>53,451</b>
<b>Total liabilities and fund balances</b>	<b>\$116,926</b>	<b>106,451</b>	<b>\$7,625</b>	<b>\$86,902</b>	<b>\$22,597</b>	<b>\$33,310</b>	<b>\$187,722</b>	<b>\$30,722</b>	<b>\$80,973</b>	<b>\$53,451</b>

Special Revenue Funds Total	SINKING FUNDS			CAPITAL PROJECTS					Total Non-major Governmental Funds
	2,002 GOB Sinking Fund	PPWA Sinking Fund	Total Sinking Funds	Capital Outlay Fund	Capital Outlay Reserve Fund	Real Property Acquisition Fund	Library Building Fund	Capital Projects Funds Total	
\$698,322	--	525,863	525,863	\$746,188	\$91,669	\$367,778	\$16,562	\$1,222,197	\$2,446,382
3,000	--	--	--	--	--	--	--	--	3,000
22,899	--	153,379	153,379	38,345	--	--	--	38,345	214,623
2,458	--	--	--	--	--	--	--	--	2,458
<u>\$726,679</u>	<u>\$ --</u>	<u>\$679,242</u>	<u>\$679,242</u>	<u>\$784,533</u>	<u>\$91,669</u>	<u>\$367,778</u>	<u>\$16,562</u>	<u>1,260,542</u>	<u>\$2,666,463</u>
28,337	--	--	--	2,991	--	--	--	2,991	\$31,328
--	--	62,544	62,544	--	--	--	--	--	62,544
28,337	--	62,544	62,544	2,991	--	--	--	2,991	93,872
587,947	--	616,698	616,698	722,141	--	--	16,562	738,703	1,943,348
--	--	--	--	59,401	--	--	--	59,401	59,401
83,673	--	--	--	--	91,669	367,778	--	459,447	543,120
26,722	--	--	--	--	--	--	--	--	26,722
<u>698,342</u>	<u>--</u>	<u>616,698</u>	<u>616,698</u>	<u>781,542</u>	<u>91,669</u>	<u>367,778</u>	<u>16,562</u>	<u>1,257,551</u>	<u>2,572,591</u>
<u>\$726,679</u>	<u>\$ --</u>	<u>\$679,242</u>	<u>\$679,242</u>	<u>\$784,533</u>	<u>\$91,669</u>	<u>\$367,778</u>	<u>\$16,562</u>	<u>\$1,260,542</u>	<u>\$2,666,463</u>

**CITY OF PRYOR CREEK, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	SPECIAL REVENUE FUNDS									
	E-911 Cash Fund	County- Wide Fire Dept. Funds	Cemetery Care Interest Fund	Cemetery Care Fund	Seizures Fund	Library Cash Fund	Donations/ Earmarked Monies Fund	Public Works Authority	Hotel & Motel Tax Fund	Fee-In Lieu Fund
	<b>REVENUES</b>									
Sales tax	--	\$64,588	--	--	--	--	--	--	--	--
Other taxes	35,077	--	--	--	--	--	--	--	49,544	--
Grants/contributions	--	--	--	--	--	20,420	10,192	--	--	--
Interest	777	--	1,435	--	228	300	1,927	239	232	539
Franchise taxes	--	--	--	--	--	--	--	28,772	--	--
Fees and service	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	18,185	--	--	21,922	--	--	--
<b>Total revenues</b>	<b>35,854</b>	<b>64,588</b>	<b>1,435</b>	<b>18,185</b>	<b>228</b>	<b>20,720</b>	<b>34,041</b>	<b>29,011</b>	<b>49,776</b>	<b>539</b>
<b>EXPENDITURES</b>										
<b>Current</b>										
Library	--	--	--	--	--	4,637	1,265	--	--	--
Recreation	--	--	--	--	--	--	2,348	--	--	--
Police	25,601	--	--	--	--	--	3,593	--	--	--
Tourism	--	--	--	--	--	--	--	--	46,660	--
General Gov't	--	--	--	--	--	--	--	26,992	--	--
Fire	--	27,681	--	--	--	--	4,429	--	--	--
Cemetery	--	--	--	1,512	--	--	--	--	--	--
<b>Debt service</b>										
Principal	--	--	--	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--	--	--	--
Capital outlay	989	2,386	--	--	--	7,346	21,816	--	--	--
<b>Total expenditures</b>	<b>26,590</b>	<b>30,067</b>	<b>--</b>	<b>1,512</b>	<b>--</b>	<b>11,983</b>	<b>33,451</b>	<b>26,992</b>	<b>46,660</b>	<b>--</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>9,264</b>	<b>34,521</b>	<b>1,435</b>	<b>16,673</b>	<b>228</b>	<b>8,737</b>	<b>590</b>	<b>2,019</b>	<b>3,116</b>	<b>539</b>
<b>OTHER FINANCING SOURCES/USES</b>										
Transfers in	--	--	--	--	--	--	--	--	--	--
Transfers out	--	--	--	--	--	--	--	--	--	--
<b>Total other financing sources and uses</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net change in Fund balance</b>	<b>9,264</b>	<b>34,521</b>	<b>1,435</b>	<b>16,673</b>	<b>\$228</b>	<b>8,737</b>	<b>590</b>	<b>2,019</b>	<b>3,116</b>	<b>539</b>
<b>Fund balance, Beginning</b>	<b>106,257</b>	<b>71,930</b>	<b>6,190</b>	<b>70,229</b>	<b>22,369</b>	<b>19,566</b>	<b>178,360</b>	<b>24,703</b>	<b>68,704</b>	<b>52,912</b>
<b>Fund balance, Ending</b>	<b>\$115,521</b>	<b>\$106,451</b>	<b>\$7,625</b>	<b>86,902</b>	<b>\$22,597</b>	<b>\$28,303</b>	<b>\$178,950</b>	<b>\$26,722</b>	<b>\$71,820</b>	<b>\$53,451</b>

Special Revenue Funds Total	SINKING FUNDS			CAPITAL PROJECTS					Total Non-major Governmental Funds
	2,002 GOB Sinking Fund	PPWA Sinking Fund	Total Sinking Fund	Capital Outlay Fund	Capital Outlay Reserve Fund	Real Property Acquisition Fund	Library Building Fund	Capital Projects Funds Total	
\$64,588	\$357,763	\$546,812	\$904,575	\$226,144	--	--	--	\$226,144	\$1,195,307
84,621	--	--	--	--	--	--	--	--	84,621
30,612	--	--	--	\$30,000	--	11,680	\$208	41,888	72,500
5,677	4,676	243	4,919	7,855	794	3,703	166	12,518	23,114
28,772	--	--	--	--	--	--	--	--	28,772
40,107	--	--	--	--	18,494	--	--	18,494	58,601
--	--	--	--	\$15,108	--	--	--	15,108	15,108
<u>254,377</u>	<u>362,439</u>	<u>547,055</u>	<u>909,494</u>	<u>279,107</u>	<u>19,288</u>	<u>15,383</u>	<u>374</u>	<u>314,152</u>	<u>1,478,023</u>
5,902	--	--	--	--	--	--	--	--	5,902
2,348	--	--	--	--	--	--	--	--	2,348
29,194	--	--	--	--	--	--	--	--	29,194
46,660	--	--	--	--	--	--	--	--	46,660
26,992	--	--	--	--	--	13,430	--	13,430	40,422
32,110	--	--	--	--	--	--	--	--	32,110
1,512	--	--	--	--	--	--	--	--	1,512
--	--	--	--	--	--	--	--	--	--
--	1,200,000	--	1,200,000	--	--	--	--	--	1,200,000
--	18,875	98,507	117,382	--	--	--	--	--	117,382
32,537	--	--	--	351,241	--	1,500	--	352,741	385,278
<u>177,255</u>	<u>1,218,875</u>	<u>98,507</u>	<u>1,317,382</u>	<u>351,241</u>	<u>--</u>	<u>14,930</u>	<u>--</u>	<u>366,171</u>	<u>1,860,808</u>
<u>77,122</u>	<u>(856,436)</u>	<u>448,548</u>	<u>(407,888)</u>	<u>(72,134)</u>	<u>19,288</u>	<u>453</u>	<u>374</u>	<u>(52,019)</u>	<u>(382,785)</u>
--	--	168,150	168,150	--	--	--	--	--	168,150
--	(\$168,150)	--	(168,150)	(17,384)	--	--	--	(17,384)	(185,534)
--	--	168,150	--	(17,384)	--	--	--	(17,384)	(17,384)
77,122	(1,024,586)	616,698	(407,888)	(89,518)	19,288	453	374	(69,403)	(400,169)
621,220	1,024,586	--	1,024,586	871,060	72,381	367,325	16,188	1,326,954	2,972,760
<u>\$698,342</u>	<u>\$ --</u>	<u>\$616,698</u>	<u>\$616,698</u>	<u>\$781,542</u>	<u>\$91,669</u>	<u>\$367,778</u>	<u>\$16,562</u>	<u>\$1,257,551</u>	<u>\$2,572,591</u>

# WINGARD, RAGSDALE & LANGLEY

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## 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 Honorable Mayor and Councilors  
City of Pryor Creek  
Mayes County, Oklahoma

We have audited the accompanying financial statements of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Pryor Creek (the City of Pryor, or the City) for the year ended June 30, 2012, which collectively comprise the City of Pryor's basic financial statements and have issued our report thereon dated March 4, 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 Pryor, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Pryor's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pryor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pryor, State of Oklahoma's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal controls 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. We consider items 2010-1 and 2010-4 to be deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

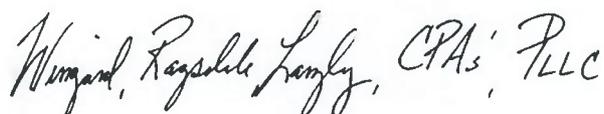
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item 2010-3, described in the accompany schedule of findings and responses to be a significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Pryor Creek, State of 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. 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.

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

This report is intended solely for the information and use of management, the 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.



**WINGARD, RAGSDALE & LANGLEY**

*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

**MARCH 4, 2013**

**WINGARD, RAGSDALE & LANGLEY**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**2012 - NO NEW FINDINGS**

Updates to previously reported findings:

**2010-1 Monitoring Fixed Asset Records**

*Criteria or specific requirement:* Fixed assets should be monitored periodically to ensure proper reporting.

*Condition:* Inventory monitoring controls over fixed assets are not scheduled or performed.

*Context:* Inquiries of management revealed certain inventory procedures were performed by departmental heads responsible for the custody of certain fixed assets in response to a deficiency reported in the previous year. Further inquiry however, revealed no fixed asset inventory monitoring procedures are performed by those responsible for reporting these amounts. Key control activities to monitor custody of reported fixed assets are not present.

*Effect:* Without monitoring controls, fixed asset records could be misstated or stolen.

*Cause:* Periodic fixed asset inventory monitoring procedures are not scheduled or enforced by the department responsible for reporting these amounts.

*Recommendation:* Implementation of procedures for monitoring fixed asset inventories should be implemented on a rotational basis, such that amounts reported are monitored with respect to their inherent risk of materially misstating the financial statements.

*Corrective Action Update:*

No action has been taken. This is a repeat finding.

### **2010-3: Monitoring Separate Accounting System**

**Criteria or specific requirement:** Financial activities maintained in accounting systems separate from the accounting system used for financial reporting should be periodically monitored and reconciled.

**Condition:** Included the City's financial statements are enterprise funds which report the activities of the City's Recreational Fitness Center and Golf Course. The revenues for these activities are accounted for by billing systems separate from the accounting system used for the City's financial reporting, however no monitoring controls are in place to ensure correctness of the reported information.

**Context:** In response to a prior year control deficiency, the City has implemented procedures to reconcile between the accounting systems discussed previously; however the procedures do not include a periodic monitoring feature.

**Effect:** Improper or fraudulent activities could occur.

**Cause:** The controls over financial reporting for separate accounting systems are deficient in design.

**Recommendation:** Periodically, the department responsible for reporting the activities discussed previously, should include a monitoring procedure, such that source documentation and other evidence is obtained to ensure proper and complete reporting of these amounts.

**Corrective Action Update:**

During the current year, it was noted that management is in the process of resolving this issue, however at June 30, 2012, it remained unresolved.

### **2010-4: Recognition of Grant Activities and Capital Contributions**

**Criteria or specific requirement:** Government accounting standards require recognition of capital contributions. This requirement is applicable to capital contributed through grants or other means.

**Condition:** The City receives various forms of grant awards and other contributed capital, however, the information and communication controls surrounding the administration of these activities are not properly capturing certain financial information.

**Context:** The City received approximately \$1,225,000 of capital in the form of grants or other means which were not captured or recorded in the financial statements.

**Effect:** The City's assets and revenues were materially understated.

**Cause:** The procedures for capturing grant and contributions activities are deficient in design.

***Recommendation:*** Someone charged with governance or directed by them should monitor the Board decisions made regarding grant and contribution activities. The implementation of necessary reporting features should be included and required before acceptance of these type items.

***Corrective Action Update:***

Current year audit testing revealed steps had not yet been taken to address this finding, thus, this is a repeat finding.