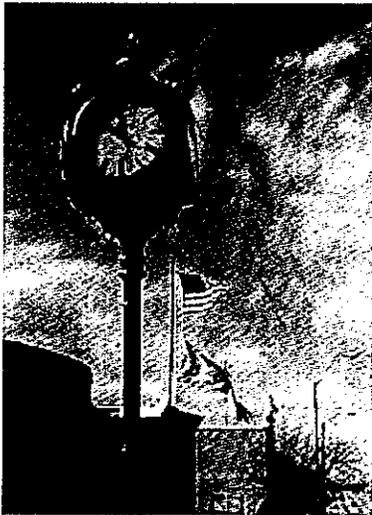
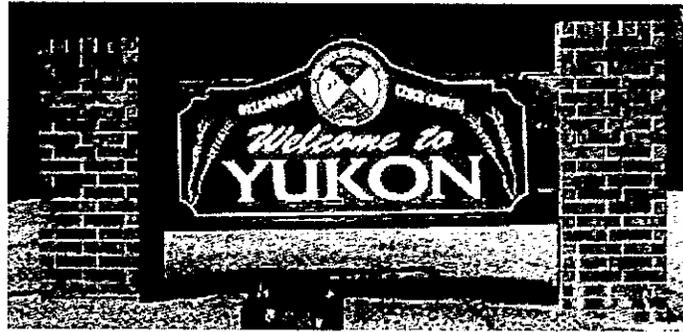


# CITY OF YUKON, OKLAHOMA



## FINANCIAL REPORT JUNE 30, 2011

Restated

**CITY OF YUKON**  
**Yukon, Oklahoma**

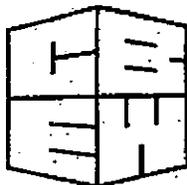
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**CITY OF YUKON  
Yukon, Oklahoma**

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## INDEPENDENT AUDITOR'S REPORT

November 10, 2011

Honorable Board of City Commissioners  
City of Yukon  
Yukon, 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 Yukon, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 opinion.

In our original report dated November 10, 2011, we issued an unqualified opinion on the financial statements referred to above but subsequently became aware of facts that existed at that date which affected our report. As more fully explained in Note 2 to the financial statements, the City did not present a revenue bond issue in the original financial statements.

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 Yukon, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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.

City of Yukon  
November 10, 2011

Management's Discussion and Analysis on pages 3-11, budgetary comparison information on pages 41 through 42 and the notes on page 43 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yukon's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and is not a required part of the basic financial statements. The combining and individual non-major governmental fund statements listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the City of Yukon's annual financial report, management provides narrative discussion and analysis of the financial activities for the fiscal year ended **June 30, 2011**. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and note disclosures following this section.

### **Financial Highlights**

The City's net assets (assets minus liabilities) were **\$33,934,206 in 2011** compared to \$45,391,107 in 2010.

Total net assets are comprised of the following:

1) Capital assets, net of related debt, which was **\$32,483,870 in 2011** compared to \$37,139,134 in 2010, includes property and equipment, net of accumulated depreciation, increased for assets set aside in bond proceeds accounts for the purchase or construction of capital assets and reduced for outstanding debt related to the purchase or construction of capital assets.

2) Restricted net assets, which were **\$8,357,253 in 2011** and \$1,667,535 in 2010. These amounts represent the amount of sales taxes that are, by ordinance, to be held in reserves until the amount in reserves reaches 25% of General Fund revenues.

3) Unrestricted net assets were **\$(7,072,917) in 2011** compared to \$6,584,438 in 2010, and represent the portion of net assets available to maintain the City's continuing obligations to citizens and unsecured creditors.

Total liabilities of the City were **\$53,591,702 in 2011** compared to \$35,838,945 in 2010. This includes bonds payable, notes payable and capital lease obligations of **\$36,741,611 in 2011** compared to \$31,826,370 in 2010, and accrued compensated absences of **\$1,914,725 in 2011** compared to \$1,811,570 in 2010.

Program revenues of the City were **\$9,284,907 in 2011** compared to \$8,544,084 in 2010. General revenues of the City were **\$21,639,176 in 2011** compared to \$20,690,689 in 2010. Of the total general revenues, tax revenues (sales, property and franchise) were **\$19,657,323 in 2011** compared to \$18,776,391 in 2010.

The City's governmental funds reported a total ending fund balance of **\$16,357,733 in 2011** compared to \$16,337,899 in 2010, while the unreserved fund balance totaled **\$8,589,320 in 2011** compared to \$9,949,825 in 2010.

At the end of the current fiscal year, unreserved fund balance for the General Fund, the main operating governmental fund of the City, was **\$3,342,170** or **18%** of total General Fund expenditures in **2011** compared to \$5,935,238 or 44% of total General Fund expenditures in 2010.

## Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements; and (3) notes to financial statements. The City also provides additional information to supplement the basic financial statements.

**Government-wide financial statements.** The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government -wide statement is the *Statement of Activities*. This statement reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Primary governmental activities include general government, public safety, public services, and culture and recreation. Business-type activities include water, wastewater utilities and solid waste management.

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Most of these legally separate organizations operate like City departments, serve as financing vehicles for City services (revenue bond issuers), or are governed by a board of trustees wholly comprised of the City's Mayor and Council. These organizations are blended into the primary government for financial reporting purposes.

**Fund financial statements.** A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus presents the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement is included for the General Fund as required supplementary information. This statement demonstrates compliance with the City's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two types of proprietary funds. *Enterprise funds* essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail. *Internal service funds* report services provided within the city organization. Currently the City of Yukon does not have internal service funds.

*Fiduciary funds* are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

**Notes to financial statements.** The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and a budgetary comparison statement for the General Fund. Other supplementary information includes combining nonmajor fund and fiduciary fund financial statements within the reporting entity. Supplementary information follows the notes to the financial statements.

Major funds and component units are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

## Financial Analysis of the City as a Whole

The City's net assets at **June 30, 2011** are **\$33,768,206**. The following table provides a summary of the City's net assets:

### Summary of Net Assets at June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
Current and other assets	17,082,520	13,670,710	30,753,230
Capital assets	46,730,419	9,876,259	56,606,678
<b>Total Assets</b>	<b>63,812,939</b>	<b>23,546,969</b>	<b>87,359,908</b>
Current liabilities	15,340,738	4,519,095	19,859,833
Long term liabilities	10,461,094	23,270,775	33,731,869
<b>Total Liabilities</b>	<b>25,801,832</b>	<b>27,789,870</b>	<b>53,591,702</b>
Net assets:			
Invested in capital assets, net of debt	43,371,521	(10,887,651)	32,483,870
Restricted	7,768,413	588,840	8,357,253
Unrestricted	(13,128,827)	6,055,910	(7,072,917)
<b>Total Net Assets</b>	<b>38,011,107</b>	<b>(4,242,901)</b>	<b>33,768,206</b>

The City's net assets at **June 30, 2010** are **\$45,391,107**. The following table provides a summary of the City's net assets:

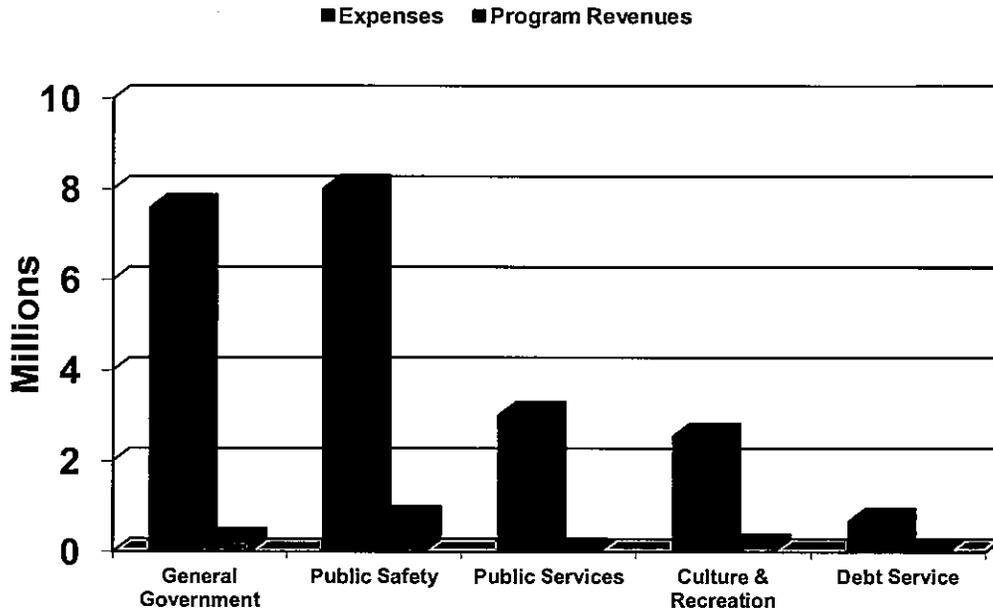
### Summary of Net Assets at June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
Current and other assets	17,440,840	6,771,678	24,212,518
Capital assets	46,903,225	10,114,309	57,017,534
<b>Total Assets</b>	<b>64,344,065</b>	<b>16,885,987</b>	<b>81,230,052</b>
Current liabilities	2,473,508	4,134,493	6,608,001
Long term liabilities	11,143,763	18,087,181	29,230,944
<b>Total Liabilities</b>	<b>13,617,271</b>	<b>22,221,674</b>	<b>35,838,945</b>
Net assets:			
Invested in capital assets, net of debt	45,008,953	(7,869,819)	37,139,134
Restricted	1,667,535	-	1,667,535
Unrestricted	4,050,306	2,534,132	6,584,438
<b>Total Net Assets</b>	<b>50,726,794</b>	<b>(5,335,687)</b>	<b>45,391,107</b>

The City reported a positive balance in net assets for governmental activities and a negative balance in net assets for business-type activities.

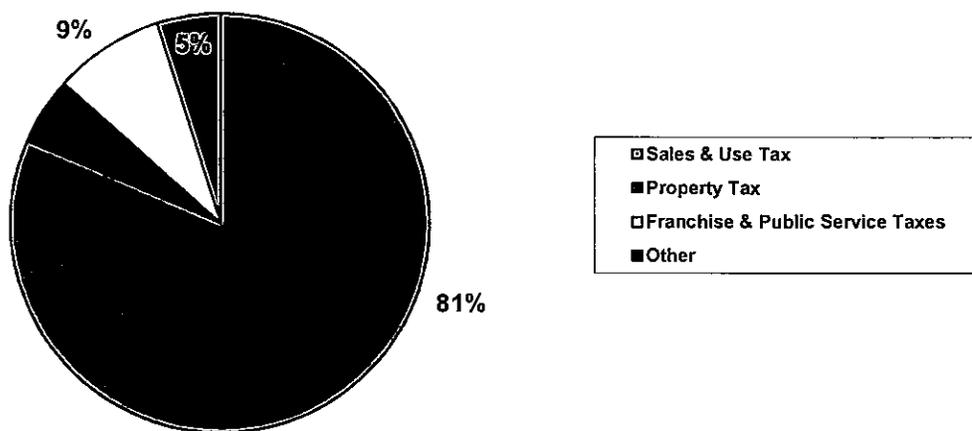
**Governmental activities.** The graph below shows the major governmental activities and their associated program revenues for the year ended June 30, 2011. You can see that all governmental activities are financed almost entirely by taxes, rather than user fees. You can also see that public safety activities account for approximately \$8.02 million of the total \$21.869 million in governmental expenditures.

**2011 Expenses and Program Revenues For Governmental Activities**

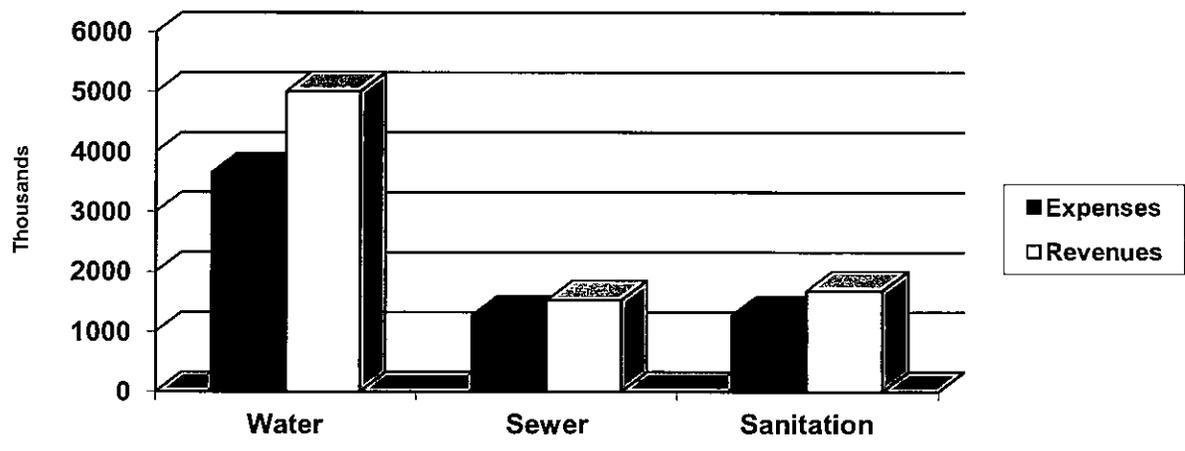


**2011 Non-Program Revenue by Source For Governmental Activities**

The next graph shows non-program revenue by source. Sales and use tax accounts for over 81 percent of non-program revenue. Property tax is only available for debt service on previously approved general obligation bond debt.



**Business-type activities.** The graph below shows the major business-type activities and their associated program revenues. Business -type activities are financed almost entirely by user fees.



**Financial Analysis of the Government's Funds**

The City of Yukon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Yukon's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is used to assess Yukon's financing needs. Unreserved fund balance is used to measure net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, total governmental fund balance is **\$16,357,733 in 2011** compared to \$16,337,899 in 2010. Of these amounts, **\$8,589,320 in 2011** compared to \$11,323,496 in 2010 is unassigned. The remaining balance is restricted for specific governmental fund purposes.

The General Fund is the chief operating fund of the City. Most governmental activities are funded through this fund. Unassigned fund balance was **\$3,342,170 in 2011** compared to \$7,263,572 in 2010, while total fund balance was **\$8,575,945 in 2011** compared to \$8,931,107 in 2010.

### General Fund Budgetary Highlights

The FY 2011 budget had no increases by budget adjustments.

General fund revenues were **\$377,008** less than budgeted.

Expenditures were **\$427,448** less than the final amended budget.

### Capital Asset and Debt Administration

**Capital assets.** The City of Yukon's investment in capital assets (net of accumulated depreciation) for both governmental and business-type activities totaled **\$56,619,869 in at June 30, 2011** compared to \$57,017,534 in at June 30, 2010. This investment includes land, buildings, equipment, park facilities, street and drainage improvements, water system and wastewater system improvements.

Capital asset additions during the year totaled **\$2,952,609 in 2011** compared to \$3,907,412 in 2010.

Capital asset additions in **2011** included the following:

- Street and drainage projects and improvements totaled approximately **\$1,356,000**
- Fire station construction in process totaled approximately **\$644,625**
- Water and sewer projects and improvements totaled approximately **\$391,000**
- Purchases of machinery, equipment, and vehicles totaled approximately **\$846,000**

**Long-term debt.** The City had bonds (revenue and general obligation), capital lease obligations, and notes payable in the amount of **\$31,229,566 at June 30, 2011** compared to \$31,826,370 at June 30, 2010.

### **Economic Factors and Next Year's Budgets and Rates**

The City of Yukon is located west of Oklahoma City in eastern Canadian County, Oklahoma. This area of Canadian County is still experiencing above average residential and retail growth as the result of a recently completed turnpike system in the area and the growth of the Oklahoma City metropolitan area to the west. The City continues to attract significant retail business as a result of this urban spread. This growth will force the City to further accelerate improvements to roads, bridges, water, and wastewater systems, even though significant progress has already been made in improving infrastructure.

Many of our Yukon's citizens work in Oklahoma City and the surrounding municipalities. Economists with the Oklahoma State University College of Business Administration do not expect this to change and predict modest job growth in the area through the next several years.

The Yukon City Council is aware that the economic conditions of the region are important in the budgeting process. The Council is also aware that quality municipal services are important to our citizens. Accordingly, for the fiscal year **2011-2012**, the City Council General approved a **General Fund budget of \$18,005,532**. This compares to \$18,005,532 for the previous budget year. This slight increase reflects a balance between services provided and sales tax available to pay for those services. To help fund the costs of these services, the City of Yukon is continuing significant efforts to attract additional retail business.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, 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 about this report or need additional financial information, contact the City of Yukon's Finance Department.

CITY OF YUKON  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 6,906,329	\$ 1,221,021	\$ 8,127,350
Accounts receivables (net)	-	1,229,701	1,229,701
Taxes receivables	3,106,716	-	3,106,716
Fines receivable	34,861	-	34,861
Grants receivable	232,485	-	232,485
Deferred charges, net of amortization	107,882	-	107,882
Due to/from other funds	-	-	-
Restricted assets:			
Cash deposit, insurance	69,918	-	69,918
Cash	6,192,476	6,335,205	12,527,681
Investments	427,502	3,743,720	4,171,222
Other assets	4,351	1,127,872	1,132,223
Capital assets (net)	46,730,419	9,889,450	56,619,869
<b>Total assets</b>	<b>63,812,939</b>	<b>23,546,969</b>	<b>87,359,908</b>
<b>Liabilities:</b>			
Accounts payable	437,127	311,777	748,904
Contracts payable	-	12,610	12,610
Accrued salaries	179,778	23,075	202,853
Accrued interest	144,996	212,925	357,921
Accrued compensated absences, current	465,518	43,293	508,811
Capital lease obligation, current	175,499	-	175,499
Deferred revenue	-	6,652	6,652
OPEB liability	13,257,820	-	13,257,820
Notes payable, current	-	1,668,763	1,668,763
Revenue bonds payable, current	-	2,240,000	2,240,000
General obligation bond payable, current	680,000	-	680,000
Customer deposits payable	-	348,606	348,606
Capital lease obligation, non-current	198,377	-	198,377
Accrued compensated absences, non-current	1,329,594	76,320	1,405,914
General obligation bonds payable	8,925,000	-	8,925,000
General obligation bond premium	8,123	-	8,123
Revenue bonds payable, net of unamortized bond discount	-	22,845,849	22,845,849
<b>Total liabilities</b>	<b>25,801,832</b>	<b>27,789,870</b>	<b>53,591,702</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	43,371,521	(10,887,651)	32,483,870
Restricted	7,768,413	588,840	8,357,253
Unrestricted	(13,128,827)	6,055,910	(7,072,917)
<b>Total net assets</b>	<b>\$ 38,011,107</b>	<b>\$ (4,242,901)</b>	<b>\$ 33,768,206</b>

The accompanying notes are an integral part of the basic financial statements.

CITY OF YUKON  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
General government	\$ 7,594,155	\$ 234,931	\$ -	\$ (7,359,224)
Public safety:				
Police	4,633,786	719,812	-	(3,913,974)
Municipal court	203,440	-	-	(203,440)
Fire	3,045,266	-	-	(3,045,266)
Animal control	139,050	-	-	(139,050)
Public services	3,021,420	-	-	(3,007,080)
Cultural and recreation	2,555,281	106,145	-	(2,449,136)
OPEB liability	13,257,820	-	-	(13,257,820)
Interest on long term debt	677,692	-	-	(677,692)
<b>Total Governmental activities</b>	<b>35,127,910</b>	<b>1,060,888</b>	<b>-</b>	<b>(34,052,682)</b>
<b>Business-type activities:</b>				
Water	3,647,404	5,005,731	-	1,358,327
Sewer	1,269,377	1,523,635	-	254,258
Sanitation	1,265,659	1,680,313	-	414,654
Interest on long term debt	800,692	-	-	(800,692)
<b>Total Business-type activities</b>	<b>6,983,132</b>	<b>8,209,679</b>	<b>-</b>	<b>1,226,547</b>
<b>Total</b>	<b>\$ 42,111,042</b>	<b>\$ 9,270,567</b>	<b>\$ -</b>	<b>\$ (32,826,135)</b>

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense) revenue</b>	<b>\$ (34,052,682)</b>	<b>\$ 1,226,547</b>	<b>\$ (32,826,135)</b>
<b>General revenues:</b>			
Taxes:			
Sales and use taxes	16,823,732	-	16,823,732
Property taxes	1,076,033	-	1,076,033
Franchise and public service taxes	1,757,558	-	1,757,558
Investment income	81,600	29,645	111,245
Intergovernmental	450,558	-	450,558
Miscellaneous	703,291	446,759	1,150,050
Transfers	444,223	(444,223)	-
<b>Total general revenues and transfers</b>	<b>21,336,995</b>	<b>32,181</b>	<b>21,369,176</b>
<b>Change in net assets</b>	<b>(12,715,687)</b>	<b>1,258,728</b>	<b>(11,456,959)</b>
<b>Net assets - beginning of year, restated</b>	<b>50,726,794</b>	<b>(5,335,687)</b>	<b>45,391,107</b>
<b>Net assets - end of year</b>	<b>\$ 38,011,107</b>	<b>\$ (4,076,959)</b>	<b>\$ 33,934,148</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF YUKON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>96 Sales Tax Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,399,697	\$ 93,936	\$ 2,613,628	\$ 1,799,068	\$ 6,906,329
Taxes receivable	3,094,150	-	-	12,566	3,106,716
Fines receivable, net of allowance	34,861	-	-	-	34,861
Grants receivable	-	-	3,926	228,559	232,485
Due from other funds	-	-	1,681,333	-	1,681,333
Restricted cash:					
Cash deposit, insurance	69,918	-	-	-	69,918
Cash	5,234,675	957,801	-	-	6,192,476
Investments	-	-	427,502	-	427,502
Other assets	4,351	-	-	-	4,351
<b>Total assets</b>	<b>\$ 10,837,652</b>	<b>\$ 1,051,737</b>	<b>\$ 4,726,389</b>	<b>\$ 2,040,193</b>	<b>\$ 18,655,971</b>
<b>Liabilities:</b>					
Accounts payable	\$ 400,596	\$ -	\$ 19,925	\$ 16,606	\$ 437,127
Accrued salaries	179,778	-	-	-	179,778
Due to other funds	1,681,333	-	-	-	1,681,333
<b>Total liabilities</b>	<b>2,261,707</b>	<b>-</b>	<b>19,925</b>	<b>16,606</b>	<b>2,298,238</b>
<b>Fund balance:</b>					
Restricted for:					
Reserves	5,233,775	-	-	-	5,233,775
Capital asset acquisitions	-	1,051,737	-	-	1,051,737
Community development grant	-	-	-	82,520	82,520
Community support	-	-	-	478,434	478,434
Bond retirement	-	-	-	921,947	921,947
Unassigned, reported in:					
General fund	3,342,170	-	-	-	3,342,170
Special revenue funds	-	-	-	540,686	540,686
Capital projects fund	-	-	-	-	-
96 Sales Tax Capital projects fund	-	-	4,706,464	-	4,706,464
<b>Total fund balances</b>	<b>8,575,945</b>	<b>1,051,737</b>	<b>4,706,464</b>	<b>2,023,587</b>	<b>16,357,733</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,837,652</b>	<b>\$ 1,051,737</b>	<b>\$ 4,726,389</b>	<b>\$ 2,040,193</b>	<b>\$ 18,655,971</b>

The accompanying notes are an integral part of the basic financial statements.

CITY OF YUKON  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

**Total fund balance - all governmental funds**

Amounts reported for governmental activities in the statement of net assets are different because:	\$ 16,357,733
Capital assets of \$92,995,028, net of accumulated depreciation of \$46,264,609, are not financial resources and, therefore, are not reported in the funds.	46,730,419
Long-term liabilities (\$11,773,988) are not due and payable in the current period and are not reported in the funds.	(11,773,988)
OPEB liability	(13,257,820)
Accrued interest on long-term liabilities (\$144,996).	(144,996)
Deferred charges for bond issuance costs of \$153,669, net of accumulated amortization of (\$45,786), and for the premium on the General Obligation Bonds of (\$12,054), net of accumulated amortization of \$3,931, are not financial resources and, therefore, are not reported in the funds.	<u>99,759</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 38,011,107</u></u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF YUKON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	General Fund	Capital Projects Fund	96 Sales Tax Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 18,397,878	\$ -	\$ 183,412	\$ 1,076,033	\$ 19,657,323
Intergovernmental	-	-	-	450,558	450,558
Charges for services	106,145	-	-	-	106,145
Fines and forfeitures	719,812	-	-	-	719,812
Licenses and permits	234,931	-	-	-	234,931
Investment income	56,128	6,382	8,877	10,213	81,600
Grant revenue	-	-	-	14,340	14,340
Miscellaneous	455,045	-	-	248,247	703,292
<b>Total revenues</b>	<b>19,969,939</b>	<b>6,382</b>	<b>192,289</b>	<b>1,799,391</b>	<b>21,968,001</b>
<b>Expenditures:</b>					
General government	6,897,736	-	-	-	6,897,736
Public safety:					
Police	4,235,547	-	-	60,184	4,295,731
Municipal court	203,440	-	-	-	203,440
Fire	2,797,459	-	-	-	2,797,459
Animal control	135,197	-	-	-	135,197
Public services	1,218,623	-	-	205,323	1,423,946
Cultural and recreation	2,105,955	-	-	341,429	2,447,384
Debt service	196,076	-	249,503	1,082,228	1,527,807
Capital outlay	877,153	468,844	900,712	329,099	2,575,808
<b>Total expenditures</b>	<b>18,667,186</b>	<b>468,844</b>	<b>1,150,215</b>	<b>2,018,263</b>	<b>22,304,508</b>
<b>Excess revenues over (under) expenditures</b>	<b>1,302,753</b>	<b>(462,462)</b>	<b>(957,926)</b>	<b>(218,872)</b>	<b>(336,507)</b>
<b>Other financing sources (uses):</b>					
Transfers in	6,474,573	-	4,759,721	197,723	11,432,017
Transfers out	(8,132,488)	(284,995)	(2,629,655)	(28,538)	(11,075,676)
<b>Total other financing sources and uses</b>	<b>(1,657,915)</b>	<b>(284,995)</b>	<b>2,130,066</b>	<b>169,185</b>	<b>356,341</b>
<b>Net change in fund balances</b>	<b>(355,162)</b>	<b>(747,457)</b>	<b>1,172,140</b>	<b>(49,687)</b>	<b>19,834</b>
<b>Net assets - beginning of year</b>	<b>8,931,107</b>	<b>1,799,194</b>	<b>3,534,324</b>	<b>2,073,274</b>	<b>16,337,899</b>
<b>Fund balance - end of year</b>	<b>\$ 8,575,945</b>	<b>\$ 1,051,737</b>	<b>\$ 4,706,464</b>	<b>\$ 2,023,587</b>	<b>\$ 16,357,733</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF YUKON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>19,834</b>
 Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is amount by which capital outlay expense (\$2,575,808) exceeded depreciation expense (\$2,836,496) in the current period.		(260,688)
Transfers of capital assets from proprietary funds are not reported on the governmental fund financial statements, but are reported on the statement of activities (\$87,882).		87,882
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. There was repayments of (\$868,249).		868,249
The change in accrued interest of \$10,979 on long-term debt and the net amortization expense on debt issuance costs and premium of \$7,156.		(18,135)
Government-Wide Statement of Activities and Changes in Net Assets report OPEB liabilities in the period incurred. However, Governmental Funds do not pay on this liability. The amount of the change for the OPEB liability recorded in the current period.		(13,257,820)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. Compensated absences increased \$155,009 in the governmental funds and are shown as an expense in the statement of activities.		<u>(155,009)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>(12,715,687)</u></b>

Thee accompanying notes are an integral part of the basic financial statements.

**CITY OF YUKON  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011**

	<b>Water/ Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Yukon Municipal Authority</b>	<b>Stormwater Fund</b>	<b>Total Proprietary Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 51,842	\$ 840,777	\$ (595)	\$ 328,997	\$ 1,221,021
Accounts receivable, net	-	232,417	997,284	-	1,229,701
Assessments receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
<b>Restricted assets:</b>					
Cash	357,694	-	5,977,511	-	6,335,205
Investments	-	-	3,743,720	-	3,743,720
<b>Capital assets:</b>					
Land	-	6,735	91,005	-	97,740
Construction in progress	-	-	327,401	-	327,401
Buildings	-	-	141,002	-	141,002
Infrastructure	-	-	31,671,188	-	31,671,188
Property and equipment	-	1,109,366	698,047	-	1,807,413
Less accumulated depreciation and amortization	-	(726,229)	(23,429,065)	-	(24,155,294)
<b>Other assets:</b>					
Bond issuance costs (net of amortization)	-	-	1,127,872	-	1,127,872
<b>Total assets</b>	<b>\$ 409,536</b>	<b>\$ 1,463,066</b>	<b>\$ 21,345,370</b>	<b>\$ 328,997</b>	<b>\$ 23,546,969</b>
<b>Liabilities:</b>					
Accounts payable	\$ 276,929	\$ 13,210	\$ 18,082	\$ 3,556	\$ 311,777
Contracts payable	12,610	-	-	-	12,610
Accrued salaries	11,875	9,403	-	1,797	23,075
Accrued compensated absences, current	28,808	-	-	14,485	43,293
Capital lease obligation, current	-	-	-	-	-
Deferred revenue	-	-	6,652	-	6,652
Due to other funds	-	-	-	-	-
Notes payable, current	-	-	1,668,763	-	1,668,763
<b>Payable from restricted assets:</b>					
Bond interest payable, current	-	-	212,925	-	212,925
Bonds payable, current	-	-	2,240,000	-	2,240,000
Customer deposits payable	348,606	-	-	-	348,606
Capital lease obligation, non-current	-	-	-	-	-
Accrued compensated absences, non-current	41,614	34,706	-	-	76,320
Bonds payable, net of unamortized bond discount	-	-	22,845,849	-	22,845,849
<b>Total liabilities</b>	<b>720,442</b>	<b>57,319</b>	<b>26,992,271</b>	<b>19,838</b>	<b>27,789,870</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	-	389,872	(11,277,523)	-	(10,887,651)
Restricted	-	-	588,840	-	588,840
Unrestricted	(310,906)	1,015,875	5,041,782	309,159	6,055,910
<b>Total net assets</b>	<b>(310,906)</b>	<b>1,405,747</b>	<b>(5,646,901)</b>	<b>309,159</b>	<b>(4,242,901)</b>
<b>Total liabilities and net assets</b>	<b>\$ 409,536</b>	<b>\$ 1,463,066</b>	<b>\$ 21,345,370</b>	<b>\$ 328,997</b>	<b>\$ 23,546,969</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF YUKON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Water/ Sewer Fund</u>	<u>Sanitation Funds</u>	<u>Yukon Municipal Authority</u>	<u>Stormwater Funds</u>	<u>Total Proprietary Funds</u>
<b>Operating revenues:</b>					
Water revenues	\$ -	\$ -	\$ 5,005,731	\$ -	\$ 5,005,731
Sewer revenues	-	-	1,523,635	-	1,523,635
Sanitation revenues	-	1,680,313	-	-	1,680,313
<b>Total operating revenues</b>	<u>-</u>	<u>1,680,313</u>	<u>6,529,366</u>	<u>-</u>	<u>8,209,679</u>
<b>Operating expense:</b>					
Personal services	1,028,407	728,483	-	127,600	1,884,490
Maintenance operations and contractual services	2,644,835	93,172	-	21,746	2,759,753
Materials and supplies	92,239	352,523	53,511	9,841	508,114
Depreciation and amortization	-	91,481	947,862	-	1,039,343
<b>Total operating expenses</b>	<u>3,765,481</u>	<u>1,265,659</u>	<u>1,001,373</u>	<u>159,187</u>	<u>6,191,700</u>
<b>Operating income before non-operating revenues, expenses and transfers</b>	<u>(3,765,481)</u>	<u>414,654</u>	<u>5,527,993</u>	<u>(159,187)</u>	<u>2,017,979</u>
<b>Non-operating revenues (expenses)</b>					
Investment income	-	-	29,909	-	29,909
Interest expense	-	-	(957,638)	-	(957,638)
Administrative fees	-	-	14,800	-	14,800
Other revenues (expense)	(69,701)	-	271,437	230,223	431,959
<b>Total nonoperating revenues (expenses)</b>	<u>(69,701)</u>	<u>-</u>	<u>(641,492)</u>	<u>230,223</u>	<u>(480,970)</u>
<b>Income (loss) before operating transfers</b>	<u>(3,835,182)</u>	<u>414,654</u>	<u>4,886,501</u>	<u>71,036</u>	<u>1,537,009</u>
Transfers in	6,305,851	63,507	3,031,386	6,698	9,407,442
Transfers out	(2,527,630)	(274,752)	(6,974,283)	(75,000)	(9,851,665)
<b>Change in net assets</b>	<u>(56,961)</u>	<u>203,409</u>	<u>943,604</u>	<u>2,734</u>	<u>1,092,786</u>
<b>Net assets - beginning of year</b>	<u>(253,945)</u>	<u>1,202,338</u>	<u>(6,590,505)</u>	<u>306,425</u>	<u>(5,335,687)</u>
<b>Net assets at end of year</b>	<u>\$ (310,906)</u>	<u>\$ 1,405,747</u>	<u>\$ (5,646,901)</u>	<u>\$ 309,159</u>	<u>\$ (4,242,901)</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF YUKON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011**

	Water/ Sewer Fund	Sanitation Fund	Yukon Municipal Authority	Stormwater Fund	Total Proprietary Funds
<b>Cash flows operating activities:</b>					
Cash received from customers	\$ -	\$ 1,660,765	\$ 6,318,612	\$ -	\$ 7,979,377
Cash payments to suppliers for goods and services	(2,664,407)	(481,220)	(51,246)	(32,343)	(3,229,216)
Cash payments to employees and professional contractors for services	(1,073,941)	(730,528)	(2,000)	(123,420)	(1,929,889)
Other operating revenues	(11,737)	-	-	-	(11,737)
<b>Net cash provided (used) by operating activities</b>	<b>(3,750,085)</b>	<b>449,017</b>	<b>6,265,366</b>	<b>(155,763)</b>	<b>2,808,535</b>
<b>Cash flows from non-capital financing activities:</b>					
Transfers from other funds	6,305,851	63,507	3,031,386	6,698	9,407,442
Transfers to other funds	(2,527,630)	(274,752)	(6,974,283)	(75,000)	(9,851,665)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>3,778,221</b>	<b>(211,245)</b>	<b>(3,942,897)</b>	<b>(68,302)</b>	<b>(444,223)</b>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	-	(53,239)	(754,671)	-	(807,910)
Principal paid on bonds, notes and lease obligations	-	-	(3,697,996)	-	(3,697,996)
Interest paid on bonds, notes, and lease obligations	-	-	(737,459)	-	(737,459)
Proceeds from issuance of bonds, notes and lease obligations	-	-	8,432,514	-	8,432,514
Miscellaneous	(69,701)	-	285,019	230,223	445,541
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(69,701)</b>	<b>(53,239)</b>	<b>3,527,407</b>	<b>230,223</b>	<b>3,634,690</b>
<b>Cash flows from investing activities:</b>					
Proceeds from sale of investments	-	-	41,076	-	41,076
Investment income	-	-	29,645	-	29,645
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>-</b>	<b>70,721</b>	<b>-</b>	<b>70,721</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(41,565)</b>	<b>184,533</b>	<b>5,920,597</b>	<b>6,158</b>	<b>6,069,723</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>451,101</b>	<b>656,244</b>	<b>56,319</b>	<b>322,839</b>	<b>1,486,503</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 409,536</b>	<b>\$ 840,777</b>	<b>\$ 5,976,916</b>	<b>\$ 328,997</b>	<b>\$ 7,556,226</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>					
Cash and cash equivalents	\$ 51,842	\$ 840,777	\$ (595)	\$ 328,997	\$ 1,221,021
Restricted assets, cash	357,694	-	5,977,511	-	6,335,205
<b>Cash and cash equivalents at end of year</b>	<b>\$ 409,536</b>	<b>\$ 840,777</b>	<b>\$ 5,976,916</b>	<b>\$ 328,997</b>	<b>\$ 7,556,226</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (3,765,481)	\$ 414,654	\$ 5,527,993	\$ (159,187)	\$ 2,017,979
<b>Adjustments to reconcile operating income (loss) to Net cash provided (used) by operating activities</b>					
Depreciation	-	91,481	947,862	-	1,039,343
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	-	(19,548)	(210,754)	-	(230,302)
Increase (decrease) in accounts payable	72,667	(35,525)	265	(756)	36,651
Increase (decrease) in accrued salaries	3,365	4,241	-	849	8,455
Increase (decrease) in compensated absences	(48,899)	(6,286)	-	3,331	(51,854)
Increase (decrease) in liability for meter deposits	(11,737)	-	-	-	(11,737)
<b>Total adjustments</b>	<b>15,396</b>	<b>34,363</b>	<b>737,373</b>	<b>3,424</b>	<b>790,556</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (3,750,085)</b>	<b>\$ 449,017</b>	<b>\$ 6,265,366</b>	<b>\$ (155,763)</b>	<b>\$ 2,808,535</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF YUKON  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<b>Total Agency Funds</b>
<b>Assets:</b>	
Cash and cash equivalents	<u>\$ 415,426</u>
<b>Total assets</b>	<u>415,426</u>
<b>Liabilities:</b>	
Escrow liability	<u>415,426</u>
<b>Total liabilities</b>	<u>\$ 415,426</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Yukon, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

The government is a municipal corporation governed by an elected five-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City's blended component unit has a June 30 year-end.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

**Fund Financial Statements** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**Fund Accounting** – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – accounts for the receipt and disbursement of resources for the purpose of building or buying major capital assets, such as schools, public buildings, or recreational facilities. Resources may be derived from a variety of sources, including bond proceeds, loans, or grants.

96 Sales Tax Capital Projects Fund – accounts for capital expenditures using the proceeds of the 1996 Sales Tax. This fund also pays back debt of the 1996 Sales Tax Revenue Bonds.

CITY OF YUKON  
Yukon, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – accounts for revenues derived from specific taxes or other sources that are designated to finance particular functions or activities of the City.

Debt Service Funds – accounts for the accumulation of resources for, and the payment of, governmental activities debt principal, interest and related costs.

Yukon Community Support Fund – accounts for funds for community activities and events. This fund operates on a calendar year basis. Included in the City's statement is the trial balance for December 31, 2008.

Community Development Block Grant Fund – accounts for CDBG funds received by the City.

**Proprietary Funds** – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the City has applied only Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues received, disbursements made, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City operates four enterprise funds, which are engaged in providing water, sewer and sanitation utility services:

The following are the City's major enterprise funds:

Water and Sewer Enterprise Fund – accounts for operating expenses related to providing water and sewer services.

Sanitation Enterprise Fund – collects all revenues and pays all expenses associated with providing sanitation services.

Yukon Municipal Authority – collects the revenues related to water and sewer operations. The Authority also issues debt for capital acquisitions related to water and sewer operations.

Stormwater Fund – accounts for operating expenses related to stormwater operating activities.

**Fiduciary Funds** – account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The accounts of the City include agency funds. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, cash and cash equivalents include restricted assets in revenue bond and restricted construction fund accounts at the trustee bank.

Investments are stated at cost, which approximates market unless otherwise indicated.

**2. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**3. Fair Value of Financial Instruments**

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**4. Estimates**

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

**5. Inventories**

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

**6. Capital Assets and Depreciation**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or estimated historical cost if actual is unavailable, and comprehensively reported in the government-wide financial statements. Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) will be valued at estimated historical cost. The City capitalized some of the infrastructure assets in the fiscal year June 30, 2005; while the remaining infrastructure assets were valued and capitalized in the fiscal year June 30, 2007, complying with GASB 34 standards.

Proprietary and component unit capital assets are also reported in their respective fund and combining component units' financial statements.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**6. Capital Assets and Depreciation (Continued)**

Donated assets are stated at fair value on the date donated. The City capitalizes assets with cost of \$5 thousand or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 years
Building Improvements	20-40 years
Vehicles	5 years
Office Equipment	7 - 10 years
Computer Equipment	5 years
Infrastructure	25 - 50 years

**7. Compensated Absences**

City employees are granted vacation and sick leave based upon length of employment. In the event of termination, the employee is paid for accumulated vacation leave (maximum 500 hours). Payment of sick leave is restricted to retiring employees who can be paid up to 120 days of accumulated benefits and are limited to maximum compensation equivalent of 33 to 68 days. Compensated absences are reported as accrued in the government-wide, proprietary, and fiduciary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and is included in wages and benefits payable.

**8. Long-term Obligations**

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 consists primarily of notes payable, accrued compensated absences, and a court-assessed judgment.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue 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.

CITY OF YUKON  
Yukon, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Net Assets/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

**Assigned** fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**10. Resource Use Policy**

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

**2. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2011, the City held deposits of approximately \$14,700,000 at financial institutions. These institutions are required by law to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times. As of June 30, 2011, the balances in cash and certificates of deposit were fully secured.

*Investment Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

The City has no policy that limits its investment choices other than the limitation of state law as follows:

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

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

The investments held at June 30, 2011 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 3,743,720	\$ 3,743,720
Certificate of deposit	6.29	N/A	427,502	427,502
<b>Total investments</b>			<b><u>\$ 4,171,222</u></b>	<b><u>\$ 4,171,222</u></b>
<b>Reconciliation to Statement of Net Assets</b>				
			<u>\$ 427,502</u>	
			<u>3,743,720</u>	
			<b><u>\$ 4,171,222</u></b>	

*Concentration of Investment Credit Risk*

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 10% in Certificates of deposit (\$427,502) and 99% in Money Market funds (\$3,743,720).

**CITY OF YUKON**  
Yukon, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets**

Primary Government capital asset activity for the year ended is as follows:

*Governmental Activities*

	Balance June 30, 2010	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2011
Capital assets not being depreciated					
Land	\$ 2,974,338	\$ -	\$ -	\$ -	\$ 2,974,338
Construction in progress	2,991,281	1,086,590	(1,700,642)	-	2,377,229
Total assets not being depreciated	<u>\$ 5,965,619</u>	<u>\$ 1,086,590</u>	<u>\$ (1,700,642)</u>	<u>\$ -</u>	<u>\$ 5,351,567</u>
Other capital assets					
Infrastructure	\$ 63,716,558	\$ 925,083	\$ 1,689,642	\$ -	\$ 66,331,283
Buildings and improvements	11,747,722	294,290	11,000	-	12,053,012
Furniture, fixtures and equipment	4,926,639	236,628	-	-	5,163,267
Vehicles	3,974,791	121,099	-	-	4,095,890
Total other capital assets	<u>84,365,710</u>	<u>1,577,100</u>	<u>1,700,642</u>	<u>-</u>	<u>87,643,452</u>
Less accumulated depreciation for					
Infrastructure	(35,519,033)	(1,572,212)	-	-	(37,091,245)
Buildings and improvements	(3,081,670)	(395,108)	-	-	(3,476,778)
Furniture, fixtures and equipment	(2,360,176)	(457,139)	-	-	(2,817,315)
Vehicles	(2,467,225)	(412,037)	-	-	(2,879,262)
Total accumulated depreciation	<u>(43,428,104)</u>	<u>(2,836,496)</u>	<u>-</u>	<u>-</u>	<u>(46,264,600)</u>
Other capital assets, net	<u>\$ 40,937,606</u>	<u>\$ (1,259,396)</u>	<u>\$ 1,700,642</u>	<u>\$ -</u>	<u>\$ 41,378,852</u>
Capital asset summary:					
Capital assets not being depreciate	\$ 5,965,619	\$ 1,086,590	\$ (1,700,642)	\$ -	\$ 5,351,567
Other capital assets, at cost	84,365,710	1,577,100	1,700,642	-	87,643,452
Total cost of capital assets	<u>90,331,329</u>	<u>2,663,690</u>	<u>-</u>	<u>-</u>	<u>92,995,019</u>
Less accumulated depreciation	(43,428,104)	(2,836,496)	-	-	(46,264,600)
Capital assets, net	<u>\$ 46,903,225</u>	<u>\$ (172,806)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,730,419</u>

The amount of capital assets acquired through leases is \$588,229 with related accumulated depreciation of \$176,469.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets (Continued)**

*Business-type Activities*

	Balance June 30, 2010	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2011
Capital assets not being depreciated					
Land	\$ 97,740	\$ -	\$ -	\$ -	\$ 97,740
Construction in progress	223,600	103,801	-	-	327,401
Total assets not being depreciated	<u>\$ 321,340</u>	<u>\$ 103,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,141</u>
Other capital assets					
Infrastructure	\$ 31,383,240	\$ 287,948	\$ -	\$ -	\$ 31,671,188
Buildings and improvements	-	154,887	-	-	154,887
Furniture, fixtures and equipment	763,908	53,238	-	-	817,146
Vehicles	976,381	-	-	-	976,381
Total other capital assets	<u>33,123,529</u>	<u>496,073</u>	<u>-</u>	<u>-</u>	<u>33,619,602</u>
Less accumulated depreciation for					
Infrastructure	(22,188,137)	(676,859)	-	-	(22,864,996)
Buildings and improvements	(4,097)	(2,849)	-	-	(6,946)
Furniture, fixtures and equipment	(393,468)	(74,601)	-	-	(468,069)
Vehicles	(744,851)	(70,431)	-	-	(815,282)
Total accumulated depreciation	<u>(23,330,553)</u>	<u>(824,740)</u>	<u>-</u>	<u>-</u>	<u>(24,155,293)</u>
Other capital assets, net	<u>\$ 9,792,976</u>	<u>\$ (328,667)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,464,309</u>
Capital asset summary:					
Capital assets not being depreciate	\$ 321,340	\$ 103,801	\$ -	\$ -	\$ 425,141
Other capital assets, at cost	33,123,529	496,073	-	-	33,619,602
Total cost of capital assets	<u>33,444,869</u>	<u>599,874</u>	<u>-</u>	<u>-</u>	<u>34,044,743</u>
Less accumulated depreciation	(23,330,553)	(824,740)	-	-	(24,155,293)
Capital assets, net	<u>\$ 10,114,316</u>	<u>\$ (224,866)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,889,450</u>

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets (Continued)**

*Depreciation expense*

Depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 541,410
Public safety:	
Police	338,055
Fire	247,807
Animal control	3,853
Public service	1,597,474
Culture and recreation	107,897
	2,836,496
<b>Governmental activities depreciation expense</b>	
	2,836,496
<b>Business-type activities:</b>	
Water and sewer	733,259
Sanitation	91,481
	824,740
<b>Business-type activities depreciation expense</b>	
	824,740
<b>Total depreciation expense</b>	\$ 3,661,236

**C. Long-term Debt and Capitalized Leases**

The City has entered into general obligation bonds payable, revenue bonds payable and capitalized leases. The lease agreements met the criteria of a capital lease as defined by FASB Statement No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

On February 1, 1996, the City issued the \$2.750 million Revenue Refunding Bonds, Series 1996 to refund prior revenue bonds of the City. Interest on the bonds is payable semi-annually on April 1<sup>st</sup> and November 1<sup>st</sup> at rates ranging from 4 to 5.1%. Utility system revenue bonds are pledged to secure payment of these bonds.

In January 1996, residents of the City approved a 3/4 cents sales tax for the purpose of financing capital improvements for the use and benefit of the City. To accelerate the planned capital improvements program, the City issued revenue bonds and used the proceeds from the bonds to fund planned capital expenditures. Revenues from the 3/4 cent sales tax, along with utility system revenues, were in turn pledged to secure the payment of these bonds. In June, 1996 the City began issuing the bonds for these capital improvements. The dates and amounts of issuances are as follows:

June 21, 1996, the City, through the Yukon Municipal Authority, issued \$2.200 million in Sales Tax and Utility System Revenue Bonds, Series 1996. Interest on the bonds is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> at rates ranging from 4.7 to 5.45%.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**C. Long-term Debt and Capitalized Leases (Continued)**

January 15, 1997 the City, through the Yukon Municipal Authority, issued \$4.995 million in Sales Tax and Utility System Revenue Bonds, Series 1997. Interest on the bonds is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> at rates ranging from 4.2 to 5.60%.

January 15, 1998 the City, through the Yukon Municipal Authority, issued \$4.995 million of Sales Tax and Utility System Revenue Bonds, Series 1998. Interest on the bonds is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> at rates ranging from 3.8 to 4.75%.

December 1, 1999 the City, through the Yukon Municipal Authority, issued \$4.995 million of Sales Tax and Utility System Revenue and Refunding Bonds, Series 1999. Interest on the bonds is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> at rates ranging from 4 to 6%.

January 15, 2005 the City, through the Yukon Municipal Authority, issued \$3.080 million of Sales Tax and Utility System Revenue Bonds, Series 2005A and \$11.180 million of Sales Tax and Utility System Revenue Bonds, Series 2005B. Interest on these bonds is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> at rates ranging from 4.25 to 5%.

April 1, 2007 the City, through the Yukon Municipal Authority, issued \$7.575 million of Sales Tax and Utility System Revenue Bonds, Series 2007. Interest on these bonds is payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> at rates ranging from 4.125 to 5%.

June 1, 2010 the City, through the Yukon Municipal Authority, issued \$4.430 million of Sales Tax and Utility System Revenue and Refunding Bonds, Series 2010. Interest on the bonds is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> at rates ranging from 2 to 3.5%.

January 1, 2011 the City, through the Yukon Municipal Authority, issued \$7.500 million of Sales Tax and Utility System Revenue Bonds, Series 2011. Interest on the bonds is payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> at rates ranging from 1 to 5.15%.

On December 9<sup>th</sup>, 2003, the voters of the City of Yukon approved an ordinance authorizing the issuance of general obligation bonds for improvements to streets, bridges, water systems, and sanitary sewer systems. On March 1, 2004, the City issued \$4.5 million of City of Yukon General Obligation Bonds, Series 2004 for the construction and improvement of City streets and bridges. Interest on the bonds is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> commencing on March 1, 2005, at rates ranging from 3 to 4.25%. The bonds will be repaid with ad valorem taxes collected on real property of taxpayers in the City of Yukon, Oklahoma

On December 9<sup>th</sup>, 2003, the voters of the City of Yukon approved an ordinance authorizing the issuance of general obligation bonds for improvements to streets, bridges, water systems, and sanitary sewer systems. On January 1, 2005, the City issued \$3.9 million of City of Yukon General Obligation Bonds, Series 2005 for the construction and improvement of City streets, bridges, water and sewer systems. Interest on the bonds is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> commencing on March 1, 2006, at rates ranging from 3.50 to 4.25%. The bonds will be repaid with ad valorem taxes collected on real property of taxpayers in the City of Yukon, Oklahoma

On December 9<sup>th</sup>, 2003, the voters of the City of Yukon approved an ordinance authorizing the issuance of general obligation bonds for improvements to streets, bridges, water systems, and sanitary sewer systems. On January 1, 2006, the City issued \$4.6 million of City of Yukon General Obligation Bonds, Series 2006 for the construction and improvement of City streets, bridges, water and sewer systems. Interest on the bonds is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> commencing on March 1, 2007, at rates ranging

**CITY OF YUKON**  
Yukon, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

from 3.70 to 5.0%. The bonds will be repaid with ad valorem taxes collected on real property of taxpayers in the City of Yukon, Oklahoma

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**C. Long-term Debt and Capitalized Leases (Continued)**

On October 17, 2000, the City issued a lease payable to Canadian State Bank in the amount of \$300,000 for the purchase of a building. 120 monthly installments of \$3,256 plus interest of 5.5%.

On October 15, 2007, the City issued a lease payable to Ford Motor Credit Company in the amount of \$506,255 for the purchase of police cars. 3 annual installments of \$178,918 plus interest of 6.15%.

On January 26, 2005, the YMA issued a lease payable to The Empire Companies in the amount of \$209,560 for the purchase of 2 new refuse trucks. 60 monthly installments of \$3,989 plus interest of 5.36%.

On September 1, 2004, the YMA issued a lease payable to The Empire Companies in the amount of \$205,429 for the purchase of 2 new refuse trucks. 60 monthly installments of \$3,839 plus interest of 4.64%.

The current refunding of the YMA Sales Tax and Utility System Revenue and Refunding Bonds, Series 2001 with the YMA Sales Tax and Utility System Revenue and Refunding Bonds, Series 2010 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$215,616. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized and charged to operations through the year 2021. As a result of the refunding, the Authority reduced its aggregate debt service payments over the next 10 years by \$423,469 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$341,211.

*Changes in Long-Term Debt*

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

	Balance June 30, 2010	Issued	Retired	Balance June 30, 2011	Current Portion
<b>Governmental Activities</b>					
General obligation bonds	\$ 10,285,000	\$ -	\$ (680,000)	\$ 9,605,000	\$ 680,000
Compensated absences	1,640,103	626,077	(471,068)	1,795,112	465,518
Lease obligations	562,125	-	(188,249)	373,876	175,499
<b>Total Governmental Activities</b>	<b>12,487,228</b>	<b>626,077</b>	<b>(1,339,317)</b>	<b>11,773,988</b>	<b>1,321,017</b>
<b>Business-type Activities</b>					
Revenue bonds	19,250,000	7,500,000	(1,895,000)	24,855,000	2,240,000
Notes payable	1,689,245	1,782,514	(1,802,996)	1,668,763	1,668,763
Compensated absences	171,467	3,332	(55,186)	119,613	43,293
<b>Total Business-type Activities</b>	<b>21,110,712</b>	<b>9,285,846</b>	<b>(3,753,182)</b>	<b>26,643,376</b>	<b>3,952,056</b>
<b>Total Primary Government Long-term debt</b>	<b>\$ 33,597,940</b>	<b>\$ 9,911,923</b>	<b>\$ (5,092,499)</b>	<b>\$ 38,417,364</b>	<b>\$ 5,273,073</b>

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**C. Long-term Debt and Capitalized Leases (Continued)**

Maturities of long-term debt are as follows:

Governmental Activities			
Year Ending June 30,	Principal	Interest	Total
2012	855,499	396,405	1,251,904
2013	878,377	362,460	1,240,837
2014	680,000	328,076	1,008,076
2015	680,000	303,588	983,588
2016	680,000	278,438	958,438
2017-2021	3,400,000	993,651	4,393,651
2022-2026	2,805,000	304,364	3,109,364
	\$ 9,978,876	\$ 2,966,982	\$ 12,945,858

Business Type Activities			
Year Ending June 30,	Principal	Interest	Total
2012	3,908,763	1,149,207	5,057,970
2013	1,855,000	919,108	2,774,108
2014	1,470,000	856,639	2,326,639
2015	1,510,000	808,601	2,318,601
2016	1,165,000	759,176	1,924,176
2017-2021	8,175,000	2,983,639	11,158,639
2022-2024	8,440,000	1,792,276	10,232,276
	\$ 26,523,763	\$ 9,268,646	\$ 35,792,409

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**D. Internal balances**

Internal balances and activity are detailed below. All internal balances and activity have been eliminated in the statements of net assets and statement of activities, respectively.

	<u>Due From</u>	<u>Due To</u>
General Fund		
96 Sales Tax Capital Projects fund	\$ 1,681,333	\$ -
96 Sales Tax Capital Projects fund		
General Fund	-	1,681,333
	<u>\$ 1,681,333</u>	<u>\$ 1,681,333</u>
	<u>Transfers From</u>	<u>Transfers To</u>
Government-wide - governmental funds		
Yukon Municipal Authority	\$ 84,882	\$ -
General Fund		
96 Sales Tax Capital Projects fund	-	4,759,721
Water & Sewer	2,435,103	71,844
Sanitation	274,752	63,507
Stormwater	75,000	6,698
General fund	3,029,995	3,029,995
Special revenue	4,329	200,722
96 Sales Tax Capital Projects fund		
General Fund	4,759,721	
Yukon Municipal Authority		2,629,655
Capital projects fund		
Yukon Municipal Authority		284,995
Special revenue		
General Fund	200,722	4,329
Yukon Municipal Authority		28,538
Water & Sewer		
General Fund	71,844	2,435,103
Yukon Municipal Authority	6,234,007	
Yukon Municipal Authority		92,527
Sanitation		
General Fund	63,507	274,752
Yukon Municipal Authority		
Water & Sewer		6,234,007
96 Sales Tax Capital Projects fund	2,629,655	
Special revenue	28,538	
Capital projects fund	284,995	
Water & Sewer	92,527	
Government-wide - governmental funds		84,882
Stormwater		
General fund	6,698	75,000
	<u>\$ 20,276,275</u>	<u>\$ 20,276,275</u>

**CITY OF YUKON**  
Yukon, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**3. OTHER INFORMATION**

**A. Employee Retirement System and Plan**

City employees participate in three retirement plans, which are discussed below:

Non-Police and Non-Fire employee retirement system

City employees (excluding police and fire) participate in the Oklahoma Municipal Retirement Fund (OMRF). OMRF plan is comprised of employees of cities, towns, or municipally owned hospitals in Oklahoma. OMRF is sponsored by the Oklahoma Municipal League. At June 30, 2011, 117 employees were participating in the plan. The City's contribution to the fund for these participants was based on 22.70% of covered salaries and totaled \$1,149,349, for the year ended June 30, 2011. As of March, 2011 the date of the most recently completed actuarial valuation, the actuarial present value of credited projected benefits was \$20,560,271. Net assets available for benefits were \$13,288,899. Unfunded liabilities, which are an obligation of the state of Oklahoma, totaled \$7,271,371.

The required contribution from the City for this plan was \$1,149,349, \$1,113,490 and \$1,108,564 for June 30, 2011, 2010 and 2009, respectively. The required contribution was 107%, 97% and 92% contributed for June 30, 2011, 2010 and 2009, respectively. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2011	13,288,899	20,560,271	7,271,372	65%	5,063,700	144%
1/1/2010	12,180,557	18,639,529	6,458,972	65%	5,127,986	126%
1/1/2009	11,395,857	17,035,288	5,639,431	67%	5,243,415	108%

\*Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

Police pension and retirement plan

The City's police officers participate in the statewide Oklahoma Police Pension and Retirement System (System). The System is funded by contributions from employers, employees and the state. The City employed 54 of the 4,368 active participants in the plan, or slightly less than 1%. The City's contribution to the system was based on 13% of covered salaries and totaled \$501,914, \$481,038 and \$425,504 for the years ending June 30, 2011, 2010 and 2009, respectively.

As of July 1, 2010, date of the most recently completed actuarial valuation, the actuarial present value of the accrued liability for all participants, including Yukon police officers, was \$1,959,900,000. Net assets available for benefits were approximately \$1,822,700,000. Unfunded liabilities, which are an obligation of the state of Oklahoma, totaled approximately \$137,200,000.

The required contribution from the City for this plan was \$501,914, \$481,038 and \$425,504 for June 30, 2011, 2010 and 2009, respectively. The required contribution was fully contributed. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**3. OTHER INFORMATION**

**A. Employee Retirement System and Plan (Continued)**

Firemen's pension and retirement plan

The City's firefighters participate in the statewide Oklahoma State Firefighters Pension and Retirement System (System). The System is funded by the contribution from employers, employees and the state. The City employed 33 of the 4,079 active participants in the plan, or less than 1%. The City's contribution to the system was based on 13% of covered salaries and totaled \$257,445, \$260,335 and \$248,050, for the years ending June 30, 2011, 2010 and 2009, respectively.

As of July 1, 2010, the latest available actuarial valuation, the actuarial present value of credited projected benefits was \$2,760,300,000, and net assets available for benefits were \$1,757,800,000. Unfunded liabilities, which are an obligation of the State of Oklahoma, totaled \$1,002,500,000.

The required contribution from the City for this plan was \$257,445, \$260,335 and \$248,050 for June 30, 2011, 2010 and 2009, respectively. The required contribution was fully contributed. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

**B. Other Post-Employment Benefits**

*Plan Description:* City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2011, 12 retired employees are receiving benefits under this plan.

*Funding Policy.* The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the City contributed 70% of premiums of 8 retirees and 0% of premiums of 4 retirees to the plan. Plan members receiving benefits contributed \$71,712, or approximately 50 percent of the total premiums, through their required contribution of \$636 per month for retiree-only coverage and \$1,502 for retiree and spouse medical coverage, these amounts include dental and vision coverage.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**3. OTHER INFORMATION (Continued)**

**B. Other Post-Employment Benefits (Continued)**

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The following table shows the components of the City's annual OPEB cost the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2011:

Current Service Cost (\$1,560,603) + Amortization Amount (\$842,919) = Total Contribution (\$2,403,522). OPEB obligation for retired employees as determined by Actuarial is \$118,856.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
6/30/2011	\$ -	Actuarial	\$ 13,257,820	\$ 13,257,820	0.0%

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In June 30, 2011 actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate 5.25% was used. There were no assets to determine actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2011 was twenty-eight years.

**C. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City has established a self insurance fund to cover deductibles on claims related to destruction, theft or damage of assets. Losses related to other risks or those exceeding deductibles are covered by commercial insurance. Management believes that such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**CITY OF YUKON**  
**Yukon, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**3. OTHER INFORMATION (Continued)**

**C. Risk Management (Continued)**

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for all claims submitted to it during the plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund.

In addition to the Loss Fund, the City maintains two additional funds with the Plan. The Rate Stabilization Reserve (RSR), which can be applied against future premium increases and an Escrow Fund made up of past refunds left on deposit with the Plan. Escrow funds earn interest and are readily available for use by the governing board. In accordance with GASB No. 10, the City reports the required contribution to the pool, net of refunds, as insurance expense. The balances in the RSR Fund and the Escrow Fund were \$43,244 and \$26,674, respectively.

**D. Commitments and Contingencies**

The City in the past has participated in various grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency.

The City has certain commitments for operating leases. These leases are of immaterial amounts and are for only one-year intervals.

The City is a defendant in legal actions arising from normal governmental activities. Most of these actions are covered by insurance. Although the outcome of these lawsuits is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**4. SUBSEQUENT EVENTS**

On June 19, 2012, the Yukon Municipal Authority authorized the issuance of \$15,000,000 in Sales Tax and Utility System Bonds Series 2012 to be used for capital improvements throughout the City, including street improvements and wastewater treatment improvements.

**CITY OF YUKON, OKLAHOMA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**  
**UNAUDITED**

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
	<b>REVENUES</b>					
Taxes	10,412,096	10,412,096	\$ 18,397,878	\$ (8,339,024)	10,058,854	\$ (353,242)
Charges for services	78,611	78,611	106,145		106,145	27,534
Fines and forfeitures	769,634	769,634	719,812	(3,572)	716,240	(53,394)
Licenses and permits	339,544	339,544	234,931		234,931	(104,613)
Investment income	6,712	6,712	56,128	(5,420)	50,708	43,996
Miscellaneous	393,298	393,298	455,045	964	456,009	62,711
Total revenues	11,999,895	11,999,895	19,969,939		11,622,887	(377,008)
<b>EXPENDITURES</b>						
General government						
Legislative						
Personal services	18,000	18,036	7,459		7,459	10,577
Materials and supplies	33,750	33,714	22,965		22,965	10,749
Other charges and services	1,153,690	897,896	421,476	35,248	456,724	441,172
Finance						
Personal services	300,913	320,855	333,818	(893)	332,925	(12,070)
Materials and supplies	1,400	1,400	1,139		1,139	261
Other charges and services	2,300	2,483	2,521		2,521	(38)
Engineering						
Personal services	-	-	-		-	-
Materials and supplies	-	-	-		-	-
Other charges and services	105,000	87,600	69,694	7,927	77,621	9,979
Administration						
Personal services	449,548	620,310	627,036	(1,738)	625,298	(4,988)
Materials and supplies	3,250	1,265	5,998		5,998	(4,733)
Other charges and services	9,291	5,487	4,937		4,937	550
Building Maintenance						
Personal services	312,391	308,459	318,461	(1,136)	317,325	(8,866)
Materials and supplies	19,300	18,466	21,292	(2,025)	19,267	(801)
Other charges and services	556,590	567,526	571,310	(4,296)	567,014	512
Equipment Maintenance						
Personal services	485,118	463,291	487,100	(9,380)	477,720	(14,429)
Materials and supplies	191,976	229,125	223,779	6,742	230,521	(1,396)
Other charges and services	157,654	170,209	134,568	5,269	139,837	30,372
Human Resources						
Personal services	257,134	285,654	280,962	(1,236)	279,726	5,928
Materials and supplies	4,100	2,397	2,397		2,397	-
Other charges and services	33,500	24,083	36,439	144	36,583	(12,500)
Insurance						
Personal services	2,256,525	2,178,570	2,032,787	(72,616)	1,960,171	218,399
Materials and supplies	-	-	-		-	-
Other charges and services	10,000	10,000	-		-	10,000
Technology						
Personal services	148,997	147,513	157,815	(9,609)	148,206	(693)
Materials and supplies	48,390	48,390	29,434		29,434	18,956
Other charges and services	454,084	454,084	510,128	1,589	511,717	(57,633)
Emergency Mgmt.						
Personal services	166,416	166,416	158,372	(445)	157,927	(10,414)
Materials and supplies	1,725	1,725	857		857	47,533
Other charges and services	11,739	11,739	434,992		434,992	19,092
Public safety						
Fire						
Personal services	2,612,964	2,612,964	2,695,725	(4,670)	2,691,055	(78,091)
Materials and supplies	52,300	52,300	52,138		52,138	162
Other charges and services	74,210	74,210	49,596	1,404	51,000	23,210
Municipal court						
Personal services	147,774	147,774	143,724	(384)	143,340	4,434
Materials and supplies	1,025	1,025	893		893	132
Other charges and services	83,315	83,315	58,822	1,232	60,054	23,261
Police						
Personal services	3,879,632	3,966,548	4,088,956	(14,321)	4,074,635	(108,087)
Materials and supplies	49,300	33,929	52,644	(297)	52,347	(18,418)

**CITY OF YUKON, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2011  
UNAUDITED**

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
Other charges and services	105,175	93,268	93,948	13,462	107,410	(14,142)
<b>Animal control</b>						
Personal services	115,767	115,767	116,037	(605)	115,432	335
Materials and supplies	1,770	1,770	1,751		1,751	19
Other charges and services	21,708	21,708	17,409		17,409	4,299
<b>Public services</b>						
<b>Planning</b>						
Personal services	441,297	441,297	445,042	(1,533)	443,509	(2,212)
Materials and supplies	3,155	3,155	2,176		2,176	979
Other charges and services	14,305	14,305	12,838		12,838	1,467
<b>Street and Alley</b>						
Personal services	658,696	618,493	636,798	4,705	641,503	(23,010)
Materials and supplies	13,800	13,611	15,414	-	15,414	(1,803)
Other charges and services	93,477	210,209	106,355	4,813	111,168	99,041
<b>Cultural and recreation</b>						
<b>Park Maintenance</b>						
Personal services	471,790	527,726	548,557	(3,680)	544,877	(17,151)
Materials and supplies	13,680	11,192	12,289	-	12,289	(1,097)
Other charges and services	30,925	23,057	21,598		21,598	1,459
<b>Library</b>						
Personal services	306,668	305,480	302,989	(2,205)	300,784	4,696
Materials and supplies	4,100	4,100	3,858		3,858	242
Other charges and services	11,570	12,758	32,795		32,795	(20,037)
<b>Recreation</b>						
Personal services	775,498	739,949	766,455	4,396	770,851	(30,902)
Materials and supplies	20,866	18,578	19,803		19,803	(1,225)
Other charges and services	170,264	156,060	149,227	-	149,227	6,833
<b>Swimming Pool</b>						
Personal services	89,375	54,834	64,653	(315)	64,338	(9,504)
Materials and supplies	14,283	15,048	16,597	(1,850)	14,747	301
Other charges and services	5,570	5,570	4,295	(1,328)	2,967	2,603
<b>Robertson Activity Center</b>						
Personal services	117,644	133,620	140,558	(1,094)	139,464	(5,844)
Materials and supplies	23,811	21,816	20,046		20,046	1,770
Other charges and services	2,285	2,265	2,235		2,235	30
<b>Debt service</b>						
Personal services	196,077	196,077	196,076		196,076	1
<b>Capital outlay</b>	103,551	109,937	221,759		221,759	(111,822)
<b>Total expenditures</b>	<u>17,920,408</u>	<u>17,920,408</u>	<u>18,011,792</u>	<u>(48,725)</u>	<u>17,963,067</u>	<u>427,448</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(5,920,513)</u>	<u>(5,920,513)</u>	<u>1,958,147</u>	<u>48,725</u>	<u>(6,340,180)</u>	<u>50,440</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
<b>Transfers in</b>	5,866,637	5,866,637	5,819,179	(4,329)	5,814,850	51,787
<b>Transfers out</b>	(85,124)	(85,124)	(8,132,488)	8,132,488	-	(85,124)
<b>Total other financing sources and uses</b>	<u>5,781,513</u>	<u>5,781,513</u>	<u>(2,313,309)</u>	<u>8,128,159</u>	<u>5,814,850</u>	<u>(33,337)</u>
<b>Net change in fund balances</b>	(139,000)	(139,000)	(355,162)	8,176,884	(525,330)	83,777
<b>Fund balances, July 1, 2010</b>	8,931,107	8,931,107	8,931,107	(8,176,884)	8,931,107	
<b>Fund balances, June 30, 2011</b>	<u>\$ 8,792,107</u>	<u>\$ 8,792,107</u>	<u>\$ 8,575,945</u>	<u>\$ -</u>	<u>\$ 8,405,777</u>	<u>\$ 83,777</u>

**CITY OF YUKON  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2011  
(UNAUDITED)**

**Budget Law**

The City prepares its annual operating budget under Titles 11 of the Oklahoma Statutes. Under the provisions of these statutes, the City uses the following process when adopting their budget:

- Prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- The adopted budget is filed with the Office of State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is object category level by department within a fund. The Budget Act recognizes the following objects categories as the minimum legal level of control by department within a fund:

- Personal services
- Materials and supplies
- Other services and charges
- Capital outlay
- Debt service
- Interfund transfers

All transfers of appropriations between departments and supplemental appropriations require City Council approval. The Major may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

**Basis of Accounting**

The budget is prepared on the modified cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions except for certain expenditures, which are recorded when a commitment to purchase goods or services is made (encumbered).

**CITY OF YUKON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

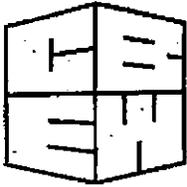
	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	<b>Yukon Community Support Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Total Non-major Governmental Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 909,381	\$ 545,685	\$ 478,434	\$ (134,432)	\$ 1,799,068
Due from other funds	-	-	-	-	-
Taxes receivable	12,566	-	-	-	12,566
Grants receivable	-	-	-	228,559	228,559
<b>Total assets</b>	<b>\$ 921,947</b>	<b>\$ 545,685</b>	<b>\$ 478,434</b>	<b>\$ 94,127</b>	<b>\$ 2,040,193</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 4,999	\$ -	\$ 11,607	\$ 16,606
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>4,999</b>	<b>-</b>	<b>11,607</b>	<b>16,606</b>
<b>Fund balances:</b>					
Restricted for:					
Bond retirement	921,947	-	-	-	921,947
Community support	-	-	478,434	-	478,434
Community development grant	-	-	-	82,520	82,520
Unassigned, reported in:					
Special revenue funds	-	540,686	-	-	540,686
<b>Total fund balances</b>	<b>921,947</b>	<b>540,686</b>	<b>478,434</b>	<b>82,520</b>	<b>2,023,587</b>
<b>Total liabilities and fund balances</b>	<b>\$ 921,947</b>	<b>\$ 545,685</b>	<b>\$ 478,434</b>	<b>\$ 94,127</b>	<b>\$ 2,040,193</b>

**CITY OF YUKON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	Debt Service Fund	Special Revenue Fund	Yukon Community Support Fund	Community Development Block Grant Fund	Total Non-major Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 1,076,033	\$ -	\$ -	\$ -	\$ 1,076,033
Intergovernmental	-	450,558	-	-	450,558
Investment income	8,109	9	2,095	-	10,213
Grant revenue	-	-	-	14,340	14,340
Miscellaneous	-	-	248,247	-	248,247
<b>Total revenues</b>	<u>1,084,142</u>	<u>450,567</u>	<u>250,342</u>	<u>14,340</u>	<u>1,799,391</u>
<b>Expenditures:</b>					
Public Safety:					
Police	-	60,184	-	-	60,184
Public Services	-	205,323	-	-	205,323
Cultural and Recreation	-	109,408	232,021	-	341,429
Capital Outlay	-	234,080	-	95,019	329,099
Debt Service:					
Interest and other charges	1,082,228	-	-	-	1,082,228
<b>Total Expenditures</b>	<u>1,082,228</u>	<u>608,995</u>	<u>232,021</u>	<u>95,019</u>	<u>2,018,263</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,914</u>	<u>(158,428)</u>	<u>18,321</u>	<u>(80,679)</u>	<u>(218,872)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	197,723	-	-	197,723
Transfers out	-	(24,209)	-	(4,329)	(28,538)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>173,514</u>	<u>-</u>	<u>(4,329)</u>	<u>169,185</u>
<b>Net change in fund balances</b>	1,914	15,086	18,321	(85,008)	(49,687)
<b>Net assets - beginning of year</b>	920,033	525,600	460,113	167,528	2,073,274
<b>Fund balances - end of year</b>	<u>\$ 921,947</u>	<u>\$ 540,686</u>	<u>\$ 478,434</u>	<u>\$ 82,520</u>	<u>\$ 2,023,587</u>

**CITY OF YUKON  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 AGENCY FUNDS  
 JUNE 30, 2011**

	<b>Municipal Court Fund</b>	<b>Escrow Fund</b>	<b>Total Agency Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 95,894	\$ 319,532	\$ 415,426
<b>Total assets</b>	<b>\$ 95,894</b>	<b>\$ 319,532</b>	<b>\$ 415,426</b>
<b>Liabilities:</b>			
Escrow liability	\$ 95,894	\$ 319,532	\$ 415,426
<b>Total liabilities</b>	<b>\$ 95,894</b>	<b>\$ 319,532</b>	<b>\$ 415,426</b>



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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**

November 10, 2011

Honorable Board of City Commissioners  
City of Yukon  
Yukon, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Yukon, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. The finding reference numbers are 11-1. 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.

City of Yukon  
November 10, 2011

Compliance and Other Matters

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

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

We also noted certain additional matters that we have reported to management of the City in a separate letter dated November 10, 2011.

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

*CBEW Professional Group LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

CITY OF YUKON  
Yukon, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011

11-1. Internal Control – Previously Issued Materially Misstated Financial Statements

Condition: The City did not record the transactions of the YMA's new revenue bond issue within the general ledger and it materially affected the previously issued annual financial statements.

Criteria: Internal controls should be in place that provides reasonable assurance that all City transactions are posted to the general ledger.

Cause: The City's internal control structure did not allow the new revenue bond issue to be reported in the general ledger and subsequently the previously issued annual financial statements.

Effect or Potential Effect: Without controls in place to properly record all transactions within the general ledger, a material misstatement to annual financial statements could occur which could not be prevented or detected

Recommendation: We recommend that the City strive to record all transactions within the general ledger.

Responsible Official's Response: The City of Yukon engaged a local yellow-book certified, public accounting firm to prepare audit workpapers, proposed and post adjusting entries, and draft the audit report for the year ended June 30, 2011. This firm was engaged in this position for several years, including fiscal year 2011, acting on management's behalf. The firm had direct access to the City's general ledger system and original accounting and supporting documentation. The firm neglected to fulfill their engagement responsibilities, despite full payment from the City.

The firm provided trial balances and supporting documentation, including copies of all Council and Board minutes, directly to the auditor. The firm served as the liaison between the City and the auditor for the period ending June 30, 2011.

Because of timing issues, the City has engaged another firm to complete the City's audit prep work and serve as financial consultant for the year ended June 30, 2012. As part of their review, the City and financial consultant self-identified the omission of the Series 2011 Revenue Bonds from the June 30, 2011 report. Management immediately contacted the auditor to identify the steps needed to reissue the report.

With the change in financial consultant, the City has drastically improved the monitoring controls and increased the education of those in management to ensure that all activity of the City is properly identified and accounted for.