



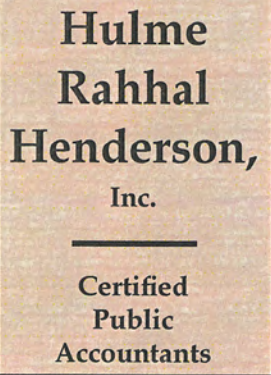
CITY BROKEN BOW, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

**CITY OF BROKEN BOW, OKLAHOMA
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ANNUAL FINANCIAL REPORT
JUNE 30, 2009**

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Independent Auditors' Report

Honorable Mayor and City Council
City of Broken Bow, 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 Broken Bow, Oklahoma, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Broken Bow's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit 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 Broken Bow, Oklahoma, as of June 30, 2009, 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 July 20, 2010, on our consideration of the City of Broken Bow's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Management Discussion and Analysis on pages 3 through 10 and the Required Supplementary Information on pages 39 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Broken Bow's basic financial statements. The accompanying schedule of expenditures of federal awards (page 48) , as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule of expenditures of federal awards has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hulme Rahhal Henderson, Inc.

Ardmore, Oklahoma
July 20, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Broken Bow, Oklahoma's annual financial report, management provides narrative discussion and analysis of the financial activities for the fiscal year ended **June 30, 2009** and 2008. 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 **\$22,467,663 in 2009** and \$15,553,226 in 2008.

Total net assets are comprised of the following:

- 1) Capital assets, net of related debt, which was **\$15,161,394 in 2009** and \$10,656,053 in 2008 and 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 were **468,489 in 2009** and were restricted by enabling legislation.
- 3) Unrestricted net assets were **\$6,837,780 in 2009** and \$4,897,173 in 2008, 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 **\$23,337,393 in 2009** and \$22,809,959 in 2008. This includes bonds payable, notes payable and capital lease obligations of **\$21,067,886 in 2009** and \$19,551,176 in 2008, accrued landfill closure and post-closure costs of **\$1,374,034 in 2009** and \$1,334,996 in 2008 and accrued compensated absences of **\$42,327 in 2009** and \$36,194 in 2008.

Program revenues of the City were **\$7,952,925 in 2009** and \$5,638,235 in 2008. General revenues of the City were **\$2,931,728 in 2009** and \$2,518,766 in 2008. Of the total general revenues, tax revenues (sales, property and franchise) were **\$1,846,589 in 2009** and \$1,835,094 in 2008.

The City's governmental funds reported a total ending fund balance of **\$1,428,951 in 2009** and \$1,351,996 in 2008, and all of this was classified as unreserved fund balance.

At the end of the current fiscal year, unreserved fund balance for the General Fund, the main operating governmental fund of the City, was **\$917,852 or 26% in 2009** and \$1,109,827 or 40.3% in 2008 of total General Fund expenditures.

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 the 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, electricity 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 Broken Bow 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 the 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. Supplementary information follows the notes to the financial statements.

Financial Analysis of the City as a Whole

The City's net assets are \$22,467,663 and \$15,553,226 at June 30, 2009 and 2008, respectively. The following table provides a summary of the City's net assets:

Summary of Net Assets at June 30, 2009

	Governmental Activities	Business-type Activities	Totals
Current and other assets	1,946,463	7,629,313	9,575,776
Capital assets	8,442,339	27,786,941	36,229,280
Total Assets	10,338,802	35,416,254	45,805,056
Current liabilities	340,405	2,630,286	2,970,691
Long term liabilities	615,457	19,751,245	20,366,702
Total Liabilities	955,862	22,381,531	23,337,393
Net assets:			
Invested in capital assets, net of debt	7,660,542	7,500,852	15,161,394
Restricted	468,489	-	468,489
Unrestricted	1,303,909	5,533,871	6,837,780
Total Net Assets	9,432,940	13,034,723	22,467,663

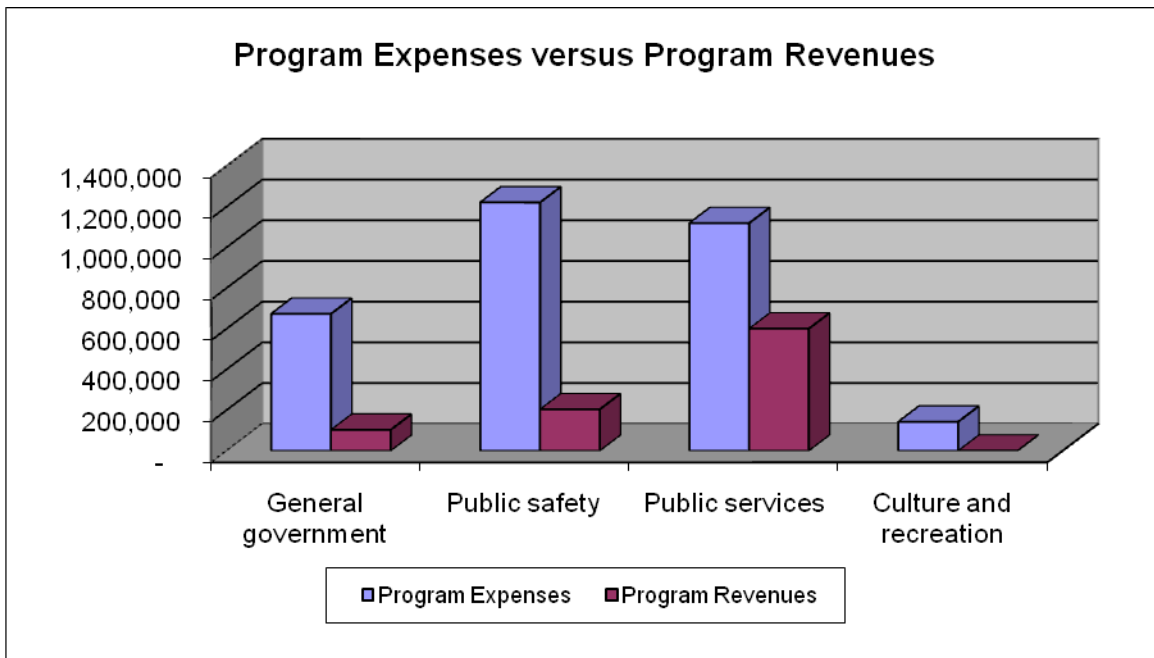
Summary of Net Assets at June 30, 2008

	Governmental Activities	Business-type Activities	Totals
Current and other assets	1,658,621	7,638,474	9,297,095
Capital assets	4,936,644	24,129,446	29,066,090
Total Assets	6,595,265	31,767,920	38,363,185
Current liabilities	262,023	2,390,477	2,652,500
Long term liabilities	721,996	19,435,463	20,157,459
Total Liabilities	984,019	21,825,940	22,809,959
Net assets:			
Invested in capital assets, net of debt	4,037,185	6,618,868	10,656,053
Restricted	-	-	-
Unrestricted	1,574,061	3,323,112	4,897,173
Total Net Assets	5,611,246	9,941,980	15,553,226

The City reported positive balances in net assets for both governmental and business-type activities.

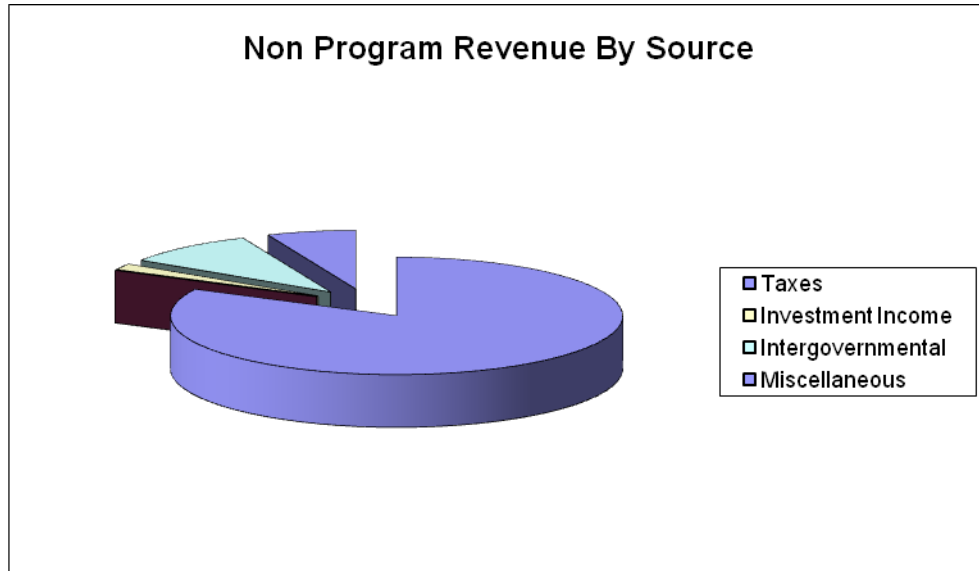
Governmental activities. The graph below shows the major governmental activities and their associated program revenues for the year ended **June 30, 2009**. You can see that governmental activities are financed almost entirely by taxes rather than user fees. You can also see that public safety activities (police, fire and courts) account for approximately **\$1.221 million** of total expenses and public service activities (sanitation, streets and other public services) account for approximately **\$639 thousand** of the total **\$3.162 million** in governmental expenditures. Infrastructure construction for streets and utility systems were funded by capital grants that are reflected as program revenues in governmental funds

Program Expenses versus Program Revenues - Governmental Activities



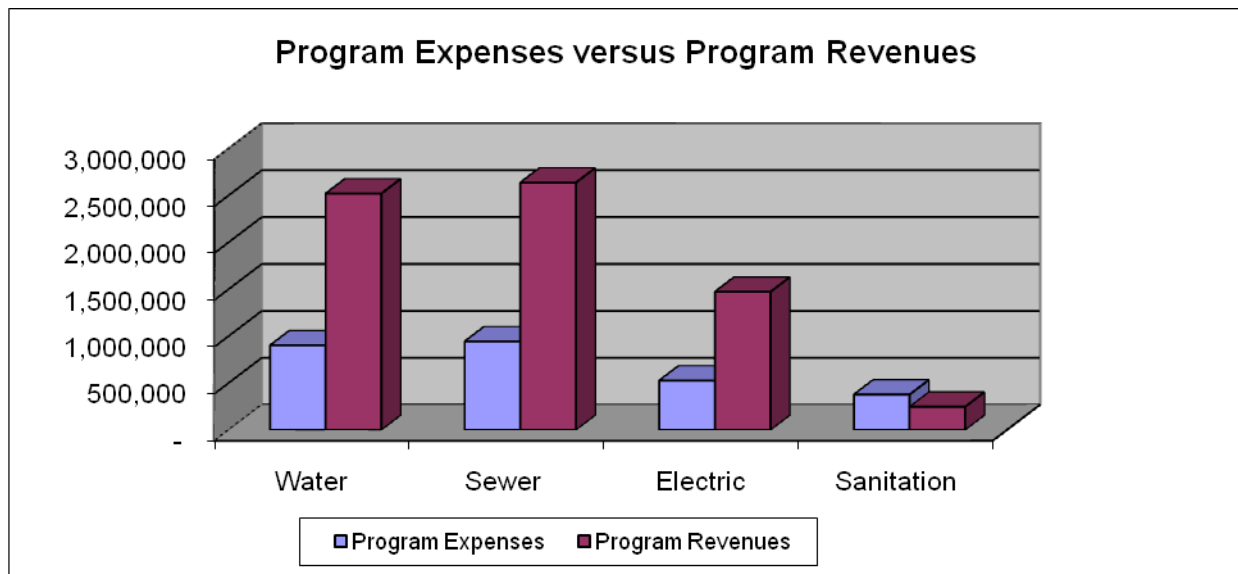
Non-Program Revenue by Source - Governmental Activities

The next graph shows non-program revenue by source. Sales and use taxes account for over 90 percent of non-program revenue.



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. All five business-type activities provided a positive change in net assets in 2009.



A positive change in net assets in business-type activities helps fund governmental activities.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Broken Bow's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is used to assess Broken Bow'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 **\$1,428,951**, which was an increase of **\$77,785** from the previous year, which was **\$1,351,166**. The entire amount of fund balance at June 30, 2009 is unrestricted; however, **\$511,099** is reserved for specific governmental fund purposes.

The General Fund is the chief operating fund of the City. Most governmental activities are funded through this fund. Fund balance of the General Fund was **\$917,852 at June 30, 2009** and **\$1,109,827** at June 30, 2008 and the entire amount of fund balance in both years was unreserved. The General Fund fund balance **decreased** by **\$191,975 during the year ended June 30, 2009**.

General Fund Budgetary Highlights

General fund revenues were **\$104,363** more than the amount the City budgeted for the fiscal year ended June 30, 2009.

Overall expenditures were **\$554,883 less** than budgeted expenditures.

The City budgeted **\$600,000** for operating transfers in, mainly from enterprise funds, and the City transferred **\$25,955** more than that during the fiscal year.

Capital Asset and Debt Administration

Capital assets. The City of Broken Bow's investment in capital assets (net of accumulated depreciation) for both governmental and business-type activities **as of June 30, 2009, totals \$36,229,280**. This investment includes land, buildings, equipment, park facilities, street and drainage improvements, water system and wastewater system improvements, and electric system improvements and some construction in progress.

Capital asset additions during the year totaled **\$4,251,352** and included the following:

- Purchase of a miscellaneous equipment and other capital assets, including two police vehicles, totaling **\$222,406**.
- Land improvements to the baseball complex and asphalt for a street improvement totaling **\$445,735**.
- Construction of infrastructure for the utility system totaling **\$3,583,211**, which includes construction of the water plant, sewer plant and booster pump.

Long-term debt. The City's issued \$4,971,983 in debt during 2009, however, \$315,000 was related to refinancing (and repaying) previous debt on the Nutrition Center for Senior Citizens. The City drew down \$4,526,609 in note proceeds, primarily from the USDA Rural Development note, but it also retired \$3,449,140 in debt during the year. The City had long-term bonds (revenue and general obligation), capital lease obligations and notes payable of **\$21,067,886** outstanding at **June 30, 2009**.

Economic Factors and Next Year's Budget

The City of Broken Bow is in far southeastern Oklahoma. The City is located on the edge of the Ouachita National Forest and is considered an excellent development area for large manufacturers due to its abundance of natural resources, easily accessible transportation routes and the low cost of its labor force.

The City of Broken Bow and surrounding areas are home to large corporate employers such as Huber Wood Products, Weyerhaeuser, Georgia Pacific, Pan Pacific and Tyson Foods. The City is receiving water and electric utility revenues from some of these entities. The City believes that retail sales and resulting sales tax revenues will increase because of the jobs added to the local economy by some of these employers.

The Broken Bow 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 its citizens. Due to economic factors in the region, the City anticipates minimal increases in revenues and expenditures for services.

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 Broken Bow's Finance Department.

CITY OF BROKEN BOW, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,622,603	\$ 2,514,489	\$ 4,137,092
Investments	-	822,913	822,913
Accounts receivable (net)	-	737,783	737,783
Taxes receivable	207,686	-	207,686
Unbilled receivables	-	266,939	266,939
Other receivables	71,761	-	71,761
Prepaid expense	-	2,106	2,106
Inventories	-	55,000	55,000
Other investments	-	20,261	20,261
Internal balances	44,413	(44,413)	-
Restricted assets:			
Cash	-	1,379,047	1,379,047
Investments	-	521,053	521,053
Unamortized debt issuance costs	-	1,183,946	1,183,946
Other assets	-	170,189	170,189
Capital assets (net)	8,442,339	27,786,941	36,229,280
Total assets	<u>10,388,802</u>	<u>35,416,254</u>	<u>45,805,056</u>
LIABILITIES			
Accounts payable	145,097	517,691	662,788
Accrued compensated absences, current	28,968	13,359	42,327
Interest payable	-	116,346	116,346
Capital lease obligation, current	41,689	-	41,689
Notes payable, current	124,651	189,844	314,495
Bonds payable, current	-	345,000	345,000
Customer deposits payable	-	74,012	74,012
Accrued landfill closure and post-closure costs	-	1,374,034	1,374,034
Capital lease obligation, non-current	123,023	-	123,023
Notes payable, non-current	492,434	11,771,245	12,263,679
Bonds payable, non-current	-	7,980,000	7,980,000
Total liabilities	<u>955,862</u>	<u>22,381,531</u>	<u>23,337,393</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,660,542	7,500,852	15,161,394
Restricted for:			
Enabling legislation	468,489	-	468,489
Unrestricted	1,303,909	5,533,871	6,837,780
Total net assets	<u>\$ 9,432,940</u>	<u>\$ 13,034,723</u>	<u>\$ 22,467,663</u>

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 669,075	\$ 103,111	\$ 57,381	\$ -	\$ (508,583)
Public safety:					
Police	821,664	203,651	-	-	(618,013)
Municipal court	15,304	-	-	-	(15,304)
Fire	391,471	-	-	-	(391,471)
Public services	1,117,435	600,238	-	-	(517,197)
Cultural and recreation:	142,466	-	-	-	(142,466)
Total Governmental activities	<u>3,157,415</u>	<u>907,000</u>	<u>57,381</u>	<u>-</u>	<u>(2,193,034)</u>
Business-type activities:					
Water	889,047	2,520,480			1,631,433
Sewer	930,492	2,637,399			1,706,907
Electric	519,745	1,473,180			953,435
Sanitation	372,090	247,365			(124,725)
Interest on long term debt	485,568	110,120			(375,448)
Total Business-type activities	<u>3,196,942</u>	<u>6,988,544</u>	<u>-</u>	<u>-</u>	<u>3,791,602</u>
TOTAL	<u>\$ 6,354,357</u>	<u>\$ 7,895,544</u>	<u>\$ 57,381</u>	<u>\$ -</u>	<u>\$ 1,598,568</u>

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Net (expense) revenue	\$ (2,193,034)	\$ 3,791,602	\$ 1,598,568
General revenues:			
Taxes	1,846,589	-	1,846,589
Investment income	37,994	-	37,994
Intergovernmental	212,651	-	212,651
Miscellaneous	172,643	(30,337)	142,306
Transfers	661,851	(661,847)	4
Total general revenues and transfers	<u>2,931,728</u>	<u>(692,184)</u>	<u>2,239,544</u>
Change in net assets	738,694	3,099,418	3,838,112
Net assets-beginning, restated	8,694,246	9,935,305	18,629,551
Net assets-ending	<u>\$ 9,432,940</u>	<u>\$ 13,034,723</u>	<u>\$ 22,467,663</u>

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Economic Development Authority	Craig Industrial Authority	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 809,472	\$ -	\$ -	\$ 428,350	\$ 1,237,822
Taxes receivable	207,686	-	-	-	207,686
Other receivables	27,480	-	-	44,281	71,761
Due from other funds	45,332	-	-	44,777	90,109
Total assets	<u>\$ 1,089,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517,408</u>	<u>\$ 1,607,378</u>
LIABILITIES					
Accounts payable	\$ 127,744	\$ -	\$ -	\$ 4,987	\$ 132,731
Due to other funds	44,374	-	-	1,322	45,696
Total liabilities	<u>172,118</u>	<u>-</u>	<u>-</u>	<u>6,309</u>	<u>178,427</u>
FUND BALANCES					
Unreserved, reported in:					
General fund	917,852	-	-	-	917,852
Special revenue funds	-	-	-	511,099	511,099
Total fund balances	<u>917,852</u>	<u>-</u>	<u>-</u>	<u>511,099</u>	<u>1,428,951</u>
Total liabilities and fund balances	<u>\$ 1,089,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517,408</u>	<u>\$ 1,607,378</u>

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balance - all governmental funds	\$ 1,428,951
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$10,718,326, net of accumulated depreciation of \$2,275,987, are not financial resources and, therefore, are not reported in the funds.	8,442,339
Long-term liabilities of \$810,767 are not due and payable in the current period and are not reported in the funds.	(810,767)
Internal service funds are combined with governmental activities in the government wide financials	372,417
Net assets of governmental activities	<u>\$ 9,432,940</u>

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General Fund	Economic Development Authority	Craig Industrial Authority	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,499,473	\$ -	\$ -	\$ 347,116	\$ 1,846,589
Intergovernmental	212,651	-	-	-	212,651
Charges for services	600,238	-	-	-	600,238
Fines and forfeitures	203,651	-	-	-	203,651
Licenses and permits	103,111	-	-	-	103,111
Investment income	22,898	-	-	15,096	37,994
Grant Revenue	-	-	-	57,381	57,381
Miscellaneous	165,295	-	-	8,181	173,476
Total revenues	<u>2,807,317</u>	<u>-</u>	<u>-</u>	<u>427,774</u>	<u>3,235,091</u>
EXPENDITURES					
General government	390,085	-	-	235,805	625,890
Public safety					
Police	775,963	-	-	-	775,963
Municipal court	12,304	-	-	-	12,304
Fire	447,704	-	-	-	447,704
Public services	1,056,687	-	-	-	1,056,687
Cultural and recreation	114,164	-	-	147,203	261,367
Capital outlay	722,647	-	-	-	722,647
Total expenditures	<u>3,519,554</u>	<u>-</u>	<u>-</u>	<u>383,008</u>	<u>3,902,562</u>
Excess (deficiency) of revenues over expenditures	<u>(712,237)</u>	<u>-</u>	<u>-</u>	<u>44,766</u>	<u>(667,471)</u>
OTHER FINANCING SOURCES (USES)					
New debt proceeds	121,980	-	-	-	121,980
Interfund transfers	398,999	223,013	-	1,264	623,276
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>520,979</u>	<u>223,013</u>	<u>-</u>	<u>1,264</u>	<u>745,256</u>
Net change in fund balances	(191,258)	223,013	-	46,030	77,785
Fund balances, July 1, 2008	1,109,110	(223,013)	-	465,069	1,351,166
Fund balances, June 30, 2009	<u>\$ 917,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,099</u>	<u>\$ 1,428,951</u>

See accompanying notes.

**CITY OF BROKEN BOW, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Net change in fund balances - total governmental funds	\$	77,785
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 depreciation expense (\$299,952) exceeded capital outlay expense (\$722,647) in the current period.		422,695
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		231,618
Issuance of new long term debt is shown as Other Financing Sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets.		(121,980)
Payments for self-insured health and dental insurance premiums were not fully expended and this is the amount of premiums credited back to governmental activities.		128,576
Change in net assets of governmental activities	<u>\$</u>	<u>738,694</u>

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Public Works Authority	Kulli Chito Environmental Authority	Total Proprietary Funds	Internal Service Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,222,952	\$ 1,114,450	\$ 3,337,402	\$ 384,781
Investments	-	-	-	-
Accounts receivable, net	712,138	25,645	737,783	-
Unbilled receivables	266,939	-	266,939	-
Prepaid expense	2,106	-	2,106	-
Inventories	55,000	-	55,000	-
Other investments	20,261	-	20,261	-
Due from other funds	(37,857)	38,600	743	-
Total current assets	<u>3,241,539</u>	<u>1,178,695</u>	<u>4,420,232</u>	<u>384,781</u>
Restricted assets				
Cash	1,379,047	245,346	1,624,393	-
Investments	275,707	-	275,707	-
Total restricted assets	<u>1,654,754</u>	<u>245,346</u>	<u>1,900,100</u>	<u>-</u>
Non-current assets				
Interfund note receivable	-	277,975	277,975	-
Unamortized bond discount	-	-	-	-
Unamortized debt issuance costs	1,183,946	-	1,183,946	-
Other assets	170,189	-	170,189	-
Capital assets	-	-	-	-
Nondepreciable				
Land	129,652	-	129,652	-
Construction-in-progress	12,989,168	-	12,989,168	-
Depreciable				
Buildings and improvements	351,905	33,751	385,656	-
Property and equipment	494,094	1,239,686	1,733,780	-
Land improvements	-	1,015,620	1,015,620	-
Electric system	1,325,901	-	1,325,901	-
Gravity flow water system	16,105,553	-	16,105,553	-
Sewer system	1,656,094	-	1,656,094	-
Less accumulated depreciation	(6,464,689)	(1,089,794)	(7,554,483)	-
Capital assets, net	<u>26,587,678</u>	<u>1,199,263</u>	<u>27,786,941</u>	<u>-</u>
Total non-current assets	<u>27,941,813</u>	<u>1,477,238</u>	<u>29,419,051</u>	<u>-</u>
Total assets	<u>32,838,106</u>	<u>2,901,279</u>	<u>35,739,383</u>	<u>384,781</u>
LIABILITIES				
Current liabilities				
Accounts payable	501,203	16,488	517,691	12,365
Accrued compensated absences, current	13,216	143	13,359	-
Accrued landfill closure and post-closure costs	-	1,374,034	1,374,034	-
Due to other funds	34,485	10,671	45,156	-
Interest payable	2,126	-	2,126	-
Interfund note payable, current	16,918	-	16,918	-
Bonds payable, current	345,000	-	345,000	-
Notes payable, current	172,926	16,918	189,844	-
Total current liabilities	<u>1,085,874</u>	<u>1,418,254</u>	<u>2,504,128</u>	<u>12,365</u>
Liabilities payable from restricted assets				
Bond interest payable, current	114,220	-	114,220	-
Total liabilities payable from restricted assets	<u>114,220</u>	<u>-</u>	<u>114,220</u>	<u>-</u>
Noncurrent liabilities				
Customer deposits payable	74,012	-	74,012	-
Interfund note payable, non-current	261,057	-	261,057	-
Notes payable, non-current	11,510,188	261,057	11,771,245	-
Bonds payable, non-current	7,980,000	-	7,980,000	-
Total noncurrent liabilities	<u>19,825,257</u>	<u>261,057</u>	<u>20,086,314</u>	<u>-</u>
Total liabilities	<u>21,025,351</u>	<u>1,679,311</u>	<u>22,704,662</u>	<u>12,365</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,301,589	1,199,263	7,500,852	-
Unreserved	5,511,166	22,705	5,533,871	372,416
Total net assets	<u>\$ 11,812,755</u>	<u>\$ 1,221,968</u>	<u>\$ 13,034,723</u>	<u>\$ 372,416</u>

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Public Works Authority	Kulli Chito Environmental Authority	Total Proprietary Funds	Internal Service Fund
OPERATING REVENUES				
Water revenues	\$ 2,346,019	\$ -	\$ 2,346,019	\$ -
Sewer revenues	2,462,938	-	2,462,938	-
Electric revenues	1,298,719	-	1,298,719	-
Sanitation revenues	-	217,361	217,361	-
Other operating revenues	523,383	30,004	553,387	511,228
Total operating revenues	<u>6,631,059</u>	<u>247,365</u>	<u>6,878,424</u>	<u>511,228</u>
OPERATING EXPENSES				
Administration	79,316	-	79,316	-
Water Services and Costs	1,157,793	-	1,157,793	-
Sewer Services and Costs	447,915	-	447,915	-
Electric Services and Costs	168,772	-	168,772	-
Landfill Operations and Costs	-	283,700	283,700	-
Insurance premiums and claims	-	-	-	382,653
Depreciation	467,279	93,790	561,069	-
Total operating expenses	<u>2,321,075</u>	<u>377,490</u>	<u>2,698,565</u>	<u>382,653</u>
Operating income	<u>4,309,984</u>	<u>(130,125)</u>	<u>4,179,859</u>	<u>128,575</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	76,362	33,758	110,120	-
Amortization	(51,382)	-	(51,382)	-
Interest expense	(485,568)	-	(485,568)	-
Other revenues (expense)	(30,337)	-	(30,337)	-
Total nonoperating revenues (expenses)	<u>(490,925)</u>	<u>33,758</u>	<u>(457,167)</u>	<u>-</u>
Income before contributions and transfers	<u>3,819,059</u>	<u>(96,367)</u>	<u>3,722,692</u>	<u>128,575</u>
Interfund transfers	<u>(623,274)</u>	<u>-</u>	<u>(623,274)</u>	<u>-</u>
Change in net assets	3,195,785	(96,367)	3,099,418	128,575
Total net assets, July 1, 2008	8,616,970	1,318,335	9,935,305	243,841
Total net assets, June 30, 2009	<u>\$ 11,812,755</u>	<u>\$ 1,221,968</u>	<u>\$ 13,034,723</u>	<u>\$ 372,416</u>

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Public Works Authority	Kulli Chito Environmental Authority	Total Proprietary Funds
Cash flows operating activities:			
Cash received from customers	\$ 6,266,666	\$ 332,580	\$ 6,599,246
Cash payments to suppliers for goods and services	(1,626,047)	(138,650)	(1,764,697)
Cash payments to employees	804	(110,088)	(109,284)
Net cash provided (used) by operating activities	<u>4,641,423</u>	<u>83,842</u>	<u>4,725,265</u>
Cash flows from non-capital financing activities:			
Transfers from other funds	133,899	16,410	150,309
Transfers to other funds	(640,684)	(38,600)	(679,284)
Net cash provided (used) by non-capital financing activities	<u>(506,785)</u>	<u>(22,190)</u>	<u>(528,975)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(4,952,906)	(399,170)	(5,352,076)
Principal paid on bonds, notes and lease obligations	(2,558,515)	(16,407)	(2,574,922)
Interest paid on bonds, notes, and lease obligations	(491,780)	-	(491,780)
Proceeds from issuance of bonds, notes and lease obligations	4,475,812	-	4,475,812
Miscellaneous	(227,326)	-	(227,326)
Insurance proceeds	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(3,754,715)</u>	<u>(415,577)</u>	<u>(4,170,292)</u>
Cash flows from investing activities:			
Purchase of investments	-	-	-
Proceeds from sale of investments	8,412	-	8,412
Investment income	76,362	33,759	110,121
Net cash provided (used) by investing activities	<u>84,774</u>	<u>33,759</u>	<u>118,533</u>
Net increase (decrease) in cash and cash equivalents	464,697	(320,166)	144,531
Cash and cash equivalents at July 1, 2008	3,137,302	1,679,962	4,817,264
Cash and cash equivalents at June 30, 2009	<u>\$ 3,601,999</u>	<u>\$ 1,359,796</u>	<u>\$ 4,961,795</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets			
Cash and cash equivalents	\$ 2,222,952	\$ 1,114,450	\$ 3,337,402
Restricted cash	1,379,047	245,346	1,624,393
Cash and cash equivalents, June 30, 2009	<u>\$ 3,601,999</u>	<u>\$ 1,359,796</u>	<u>\$ 4,961,795</u>

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Public Works Authority	Kulli Chito Environmental Authority	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 4,309,984	\$ (130,125)	\$ 4,179,859
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	467,279	93,790	561,069
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(364,643)	85,217	(279,426)
Increase (decrease) in accounts payable	228,553	(2,212)	226,341
Increase (decrease) in other accrued liabilities	-	(1,863)	(1,863)
Increase (decrease) in accrued landfill closure and post-closure costs	-	39,035	39,035
Increase (decrease) in liability for meter deposits	250	-	250
Total adjustments	<u>331,439</u>	<u>213,967</u>	<u>545,406</u>
Net cash provided (used) by operating activities	<u>\$ 4,641,423</u>	<u>\$ 83,842</u>	<u>\$ 4,725,265</u>

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Total Agency Funds
ASSETS	
Cash and cash equivalents	\$ 17
Due from other funds	-
Total assets	\$ 17
 LIABILITIES	
Due to vendors	\$ -
Due to other funds	17
Total liabilities	\$ 17

See accompanying notes.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

1. Summary of Significant Accounting Policies

The City of Broken Bow, Oklahoma (The City) is a Statutory Council Manager City under Title 11, Chapter 17 of the Oklahoma statutes. The City, operating under a council-manager form of government, provides the following services directly or through its component units: public safety, highways and streets, utility service (water, sewer, and sanitation), welfare, cultural and recreational, and airport.

The financial statements of The City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. As allowed by GASB pronouncements, the City has elected not to apply FASB statements and interpretations, APB opinions and Accounting Research Bulletins issued after November 30, 1989. The following is a summary of the more significant accounting policies:

1a. Financial Reporting Entity

For financial reporting purposes, the City includes all component units that are controlled by or are dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City to finance any deficit that may occur, or receipt of significant subsidies from the City.

Due to restrictions of the State constitution relating to the issuance of municipal debt, the City created public trusts to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide these services are blended into the City's primary government, although retaining separate legal identity. If there were other component units not meeting the criteria for blending, they would be reported discretely.

Based on the foregoing criteria, the financial statements for the Broken Bow Public Works Authority, the Kulli Chito Environmental Authority, Broken Bow/Craig Industrial Authority, Broken Bow Special Projects Authority and the Broken Bow Economic Development Authority are blended in the accompanying financial statements. These component units of the City do not issue separately audited financial statements.

The Broken Bow Public Works Authority is a public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1951, Sections 176 to 180 on April 21, 1959 for the use and benefit of the City of Broken Bow, Oklahoma. The Broken Bow Public Works Authority provides water and sewer utility services. The City Council members serve as the Trustees and the City Manager is the General Manager. Assets financed by the Trust are managed by City employees who provide services to citizens. The trust is blended with the primary government as an enterprise fund, special revenue fund, and with the general fixed asset account group and the general long-term debt account group.

The Kulli Chito Environmental Authority is a public trust created under and pursuant to the provisions of Title 60, Oklahoma Statutes 1991, Sections 176 to 180.3 on April 14, 1993 solely for the use and benefit of the City of Broken Bow, Oklahoma. The Kulli Chito Environmental Authority manages the City's landfill and asphalt plant. The City Council members serve as the Trustees and the City Manager is the General Manager. Assets financed by the Trust are managed by City employees who provide services to citizens. The trust is blended with the primary government as an enterprise fund.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

1a. Financial Reporting Entity

The Broken Bow Special Projects Authority is a public trust created under and pursuant to the provisions of Title 60, Oklahoma Statutes 1951, Section 176 to 180 on July 18, 1978 for the use and benefit of the City of Broken Bow, Oklahoma. The Authority is inactive. Its financial statements are blended with the primary government as the Development Fund with the Special Revenue Funds.

The Broken Bow Economic Development Authority is a public trust created by a trust indenture dated August 22, 2002. The primary purpose of the Authority is to promote, finance and develop economic development projects for the City of Broken Bow, Oklahoma. The Authority is a component unit of the City of Broken Bow, Oklahoma and is managed by a board of trustees, which according to the trust indenture, shall be the Mayor and City Council of the City of Broken Bow, Oklahoma, the beneficiary of the trust. The Authority's financial statements are blended with the primary government as a Special Revenue Fund.

Broken Bow/Craig Industrial Authority is a public trust created by a trust indenture dated December 13, 2005. The primary purpose of the Authority is to promote, stimulate, encourage and finance the growth and development of the commerce and industry for the City of Broken Bow, Oklahoma. The Authority is a component unit of the City of Broken Bow, Oklahoma and is managed by a board of trustees, which according to the trust indenture, shall be the Mayor and City Council of the City of Broken Bow, Oklahoma, the beneficiary of the trust. The Authority's financial statements are blended with the primary government as a Special Revenue Fund.

1b. Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The funds of the financial reporting entity are described below:

Governmental Funds

Major -

General Fund - The General Fund is the principal fund of the City which accounts for all financial transactions not appropriately accounted for in other funds.

Broken Bow Economic Development Authority – The Broken Bow Economic Development Authority was formed to facilitate economic development in the City of Broken Bow and its surrounding area. The Authority has received loans and grants to fund infrastructure improvements in connection with a new wood products plant built within the City and has issued conduit debt to finance the construction of the wood products plant.

Broken Bow/Craig Industrial Authority – The Broken Bow/Craig Industrial Authority was formed to facilitate commerce and industry development in the City of Broken Bow.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

1b. Basis of Presentation (continued)

Non-major -

Special Revenue Funds - Special Revenue Funds are used to account for revenues derived from specific taxes or other sources which are designated to finance particular functions or activities of the City.

Proprietary Funds

Proprietary Fund Types are used to account for operations of the City's organizations and activities which are similar to those often found in private business enterprises. The following is a description of Proprietary Fund Types:

Enterprise Funds - 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.

Major -

The City operates two enterprise funds which are engaged in providing utility services:

Broken Bow Public Works Authority – Broken Bow Public Works Authority accounts for all the operating revenues and expenses related to providing water, sewer and electric services.

Kulli Chito Environmental Authority - Kulli Chito Environmental Authority accounts for all the operating revenues and expenses related to sanitation and asphalt services.

Fiduciary Fund Types

Fiduciary Funds are used to 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.

1c. Basis of Accounting

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

1c. Basis of Accounting (continued)

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

1d. Assets, Liabilities, and Equity

Deposits and Investments

Cash and cash equivalents includes amounts in demand deposits (Money market, NOW, savings, and certificates of deposit) as well as short-term investments with a maturity date within three months of the date acquired by the government.

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

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.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provide or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Capital Assets and Depreciation

Capital assets of all funds and component units are stated at historical cost. Donated fixed assets are stated at their fair value on the date donated. Capital assets are recorded in the government-wide financial statements.

The City did not have complete fixed asset records prior to the June 30, 1998 fiscal year. Historical costs were estimated using minutes of the City Council meetings and the assistance of architects and engineers. The City has elected not to retroactively report governmental infrastructure, such as roads, bridges, sidewalks, and street or traffic lighting systems, therefore only current year additions and items funded with outstanding debt will be included.

Proprietary fund fixed assets are also recorded in the respective fund and combining component units financial statements.

The City capitalizes assets with cost of \$2,000 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.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

1d. Assets, Liabilities, and Equity (continued)

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:

Furniture, fixtures, and equipment	3-10 years
Mobile equipment	3-10 years
Heavy equipment	10-20 years
Utility systems	50 years
Landfill improvements	10-30 years
Buildings	10-50 years

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Broken Bow Public Works Authority, an enterprise fund, capitalized interest on water and sewer projects.

Deferred Debt Expense and Note Discounts

Debt issue costs are capitalized in the proprietary funds and are amortized over the terms of the respective debt on a straight-line method. Note discounts are capitalized and amortized over the term of the respective debt using a method that approximates the effective interest method.

Equity

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the above definitions.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the City's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City prepares its annual budget under the Oklahoma Appropriations Law. The City's budget is prepared by fund, department, and category. The total budget is based on the past year's actual revenue collected.

Prior to the beginning of the budget year, the proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from, or change appropriations. Expenditures may not legally exceed budgeted appropriations at the category level. The City Council can revise budgets during the year by transfers or supplements to the budget.

Budgets are adopted on a basis inconsistent with generally accepted accounting principles. Revenues are budgeted on a cash basis and expenditures on the modified accrual basis.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized.

Encumbrances are not considered as expenditures until liabilities for payments are incurred. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

3. Deposits and Investments

Custodial Credit Risk

At June 30, 2009, the City held deposits of approximately \$6.8 million 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, 2009, 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 deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

3. Deposits and Investments (continued)

- 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.).

The investments held at June 30, 2009 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 275,707	\$ 275,707
Total investments			<u>\$ 275,707</u>	<u>\$ 275,707</u>

(Ratings by Standard & Poor's.)

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 credit risk: 100% in Money Market funds.

4. Allowance for Uncollectible Accounts

The Broken Bow Public Works Authority allowance at June 30, 2009 is \$33,774 and the Kulli Chito Environmental Authority allowance is \$60,383 for a total of \$94,157.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

5. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Balance June 30, 2008	Additions	Retirements/ Adjustments	Balance June 30, 2009
<i>Governmental activities</i>				
Capital assets not being depreciated				
Land	\$ 812,200	\$ 346,100	\$ -	\$ 1,158,300
Construction in progress	30,999	-	-	30,999
Total assets not being depreciated	<u>\$ 843,199</u>	<u>\$ 346,100</u>	<u>\$ -</u>	<u>\$ 1,189,299</u>
Other capital assets				
Buildings and improvements	\$ 2,161,067	\$ -	\$ -	\$ 2,161,067
Furniture, fixtures and equipment	2,260,818	263,812	-	2,524,630
Infrastructure	1,647,595	3,195,735	-	4,843,330
Total other capital assets	<u>6,069,480</u>	<u>3,459,547</u>	<u>-</u>	<u>9,529,027</u>
Less accumulated depreciation for				
Buildings and improvements	477,970	59,260	-	537,230
Furniture, fixtures and equipment	1,334,435	192,543	-	1,526,978
Land and improvements	36,600	6,031	-	42,631
Infrastructure	127,030	42,118	-	169,148
Total accumulated depreciation	<u>1,976,035</u>	<u>299,952</u>	<u>-</u>	<u>2,275,987</u>
Other capital assets, net	<u>\$ 4,093,445</u>	<u>\$ 3,159,595</u>	<u>\$ -</u>	<u>\$ 7,253,040</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 843,199	\$ 346,100	\$ -	\$ 1,189,299
Other capital assets, at cost	6,069,480	3,459,547	-	9,529,027
Total cost of capital assets	<u>6,912,679</u>	<u>3,805,647</u>	<u>-</u>	<u>10,718,326</u>
Less accumulated depreciation	1,976,035	299,952	-	2,275,987
Capital assets, net	<u>\$ 4,936,644</u>	<u>\$ 3,505,695</u>	<u>\$ -</u>	<u>\$ 8,442,339</u>

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

5. Capital Assets – Continued

	Balance June 30, 2008	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2009
<i>Business-type activities</i>					
Capital assets not being depreciated					
Land	\$ 129,652	\$ -	\$ -	\$ -	\$ 129,652
Construction in progress	9,405,957	3,583,211	-	-	12,989,168
Total assets not being depreciated	<u>\$ 9,535,609</u>	<u>\$ 3,583,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,118,820</u>
Other capital assets					
Buildings and improvements	\$ 418,446	\$ -	\$ -	\$ (32,788)	\$ 385,658
Furniture, fixtures and equipment	1,674,914	58,866	-	-	1,733,780
Land Improvements	616,449	399,169	-	-	1,015,618
Electric system	1,325,901	-	-	-	1,325,901
Sewer System	1,484,014	172,080	-	-	1,656,094
Gravity flow water system	16,067,527	38,026	-	-	16,105,553
Total other capital assets	<u>21,587,251</u>	<u>668,141</u>	<u>-</u>	<u>(32,788)</u>	<u>22,222,604</u>
Less accumulated depreciation for					
Buildings and improvements	94,714	11,837	-	-	106,551
Furniture, fixtures and equipment	1,103,542	110,654	-	-	1,214,196
Land Improvements	229,018	20,092	-	-	249,110
Electric system	267,923	52,607	-	-	320,530
Sewer System	804,296	32,294	-	-	836,590
Gravity flow water system	4,493,922	333,585	-	-	4,827,507
Total accumulated depreciation	<u>6,993,415</u>	<u>561,069</u>	<u>-</u>	<u>-</u>	<u>7,554,484</u>
Other capital assets, net	<u>\$ 14,593,837</u>	<u>\$ 107,072</u>	<u>\$ -</u>	<u>\$ (32,788)</u>	<u>\$ 14,668,121</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 9,535,609	\$ 3,583,211	\$ -	\$ -	\$ 13,118,820
Other capital assets, at cost	21,587,251	668,141	-	(32,788)	22,222,604
Total cost of capital assets	<u>31,122,860</u>	<u>4,251,352</u>	<u>-</u>	<u>(32,788)</u>	<u>35,341,424</u>
Less accumulated depreciation	6,993,415	561,069	-	-	7,554,484
Capital assets, net	<u>\$ 24,129,446</u>	<u>\$ 3,690,283</u>	<u>\$ -</u>	<u>\$ (32,788)</u>	<u>\$ 27,786,941</u>

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

5. Capital Assets – Continued

Depreciation expense

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

<i>Governmental activities</i>	
General government	\$ 44,993
Public safety:	
Police	86,986
Fire	56,991
Municipal court	3,000
Public service	92,985
Culture and recreation	14,998
	14,998
Total depreciation expense	\$ 299,953
 <i>Business-type activities</i>	
Water	\$ 177,614
Sewer	185,853
Electric	103,812
Sanitation	93,790
	93,790
Total depreciation expense	\$ 561,069

6. Landfill Closure and Post-Closure Care Costs

State laws and regulations require the Kulli Chito Environmental Authority, a blended enterprise fund, to perform certain closure activities for its Broken Bow landfill and to provide certain maintenance and monitoring functions at the site for thirty years after it ceases operations. Although closure and post-closure care costs will be paid only near or after the date the facility stops accepting waste, the Authority reports a portion of the closure and post-closure costs as operating expense in each period based on landfill capacity used as of each balance sheet date. The total closure and post-closure costs, which includes an additional cell completed in 2009, are \$1,734,920. Of this amount, \$1,374,034 has been accrued through June 30, 2009. This amount represents the cumulative amount to date based on the use of 80% of the current estimated capacity of the landfill. There are approximately 3.55 landfill life years remaining. The Authority will recognize the remaining estimated cost of closure and post-closure care of \$360,900 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at the site in 2009. However, the Authority expects to operate the landfill until at least the year 2012. Therefore, actual costs may be higher due to inflation, changes in technology, or changes in laws and regulations. The Authority sets aside a portion of its net proceeds for financial assurance. As of June 30, 2009, \$245,346 has been restricted for payment of future closure and post-closure care costs.

The state agency regulating the landfill, the Oklahoma Department of Environmental Quality, has temporarily closed the landfill due to regulatory compliance issues. The issues are related to financial assurance matters and not operational or environmental issues. The Authority is currently taking action to remedy the compliance issues and expects to re-open the landfill as soon as those matters are resolved.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

7. Long-term Debt

Changes in long-term debt

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

	Balance		Balance		Current
	June 30, 2008	Issued	Retired	June 30, 2009	Portion
Governmental activities					
Capital lease obligations	\$ 148,475	\$ 121,980	\$ 105,743	\$ 164,712	\$ 41,689
Compensated Absences	21,776	7,192	-	28,968	28,968
Notes payable	750,984	315,058	448,957	617,085	124,651
Total governmental activities	<u>921,235</u>	<u>444,230</u>	<u>554,700</u>	<u>810,765</u>	<u>195,308</u>
Business-type activities					
Compensated Absences	14,418	1,144	2,203	13,359	13,359
Notes payable	9,986,717	4,526,609	2,552,237	11,961,089	189,844
Revenue bonds payable	8,665,000	-	340,000	8,325,000	345,000
Total business-type activities	<u>18,666,135</u>	<u>4,527,753</u>	<u>2,894,440</u>	<u>20,299,448</u>	<u>548,203</u>
Total primary government	<u>\$ 19,587,370</u>	<u>\$ 4,971,983</u>	<u>\$ 3,449,140</u>	<u>\$ 21,110,213</u>	<u>\$ 743,511</u>

Governmental activities long-term debt

The City has capital lease obligations on vehicles and equipment for the police, fire, street and sanitation departments. The total cost of equipment financed with capital lease obligations is \$573,846 with related accumulated depreciation of \$285,780. These capital lease obligations have interest rates varying from 4.5% to 6.25%. The total balance of these capital lease obligations as of June 30, 2009 is \$164,712.

A construction note payable by the Broken Bow Public Works Authority on the Public Library project as of June 30, 2009 is \$314,817. The note is secured by real estate and will be retired by a quarter of one-cent sales tax as approved by the vote of the citizens. The note has an interest rate of 5.5%.

A construction note payable by the City of Broken Bow on the Senior Citizens' Facility project as of June 30, 2009 is \$266,557. The construction note was financed on August 11, 2008 for a period of ten years at an interest rate of 3.50%. The note is secured by real estate and will be retired by a quarter of one-cent sales tax as approved by the vote of the citizens. The note is in the name of BBPWA since the City cannot finance projects for more than one year. The building and related debt are recorded in governmental activities.

A land note payable by the City of Broken Bow on the Sports Complex as of June 30, 2009 is \$35,710. The note was financed for ten years at an interest rate of 3.75%.

Principal and interest due on the governmental capital lease obligations and notes payable are as follows:

Year	Capital lease obligations			Notes payable		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 41,689	\$ 9,884	\$ 51,573	\$ 124,651	\$ 26,165	\$ 150,816
2011	42,599	8,974	51,573	128,483	22,333	150,816
2012	43,544	8,028	51,572	136,668	14,148	150,816
2013	30,311	2,238	32,549	130,321	7,692	138,013
2014	6,569	42	6,611	92,181	1,630	93,811
2015-2018	-	-	-	4,781	71	4,852
	<u>\$ 164,712</u>	<u>\$ 29,166</u>	<u>\$ 193,878</u>	<u>\$ 617,085</u>	<u>\$ 72,039</u>	<u>\$ 689,124</u>

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

7. Long-term Debt (continued)

Business-type activities long-term debt – Broken Bow Public Works Authority

Revenue bonds

In August 2003, Broken Bow Public Works Authority issued \$1,520,000 in Electric System Revenue Bonds, Taxable Series 2003. These bonds were issued to finance the capital improvements to the electric system. These serial bonds have interest rates varying from 4.6% to 7.3%. Interest is paid semi-annually on February 1st and August 1st.

Principal and interest due on the serial bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 105,000	\$ 76,216	\$ 181,216
2011	110,000	69,415	179,415
2012	120,000	61,980	181,980
2013	125,000	53,770	178,770
2014	135,000	44,795	179,795
2015-2017	555,000	68,425	623,425
	<u>\$ 1,150,000</u>	<u>\$ 374,601</u>	<u>\$ 1,524,601</u>

In May 2006, the Broken Bow Public Works Authority issued a \$7,890,000 Utility System and Sales Tax Revenue Note, Series 2006. The note was issued to refund \$7,950,000 of outstanding 2002 Refunding Bonds. The note bears interest of 4.52%. Proceeds from the note were placed in an escrow account for the purpose of generating resources for all future debt service payments to payoff the 2002 refunding bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's statement of net assets. This advance refunding will reduce the debt service payments by \$1,591,118 over the term of the bonds and resulted in an economic gain of \$589,214.

Principal and interest due on the Utility System and Sales Tax Revenue Note, Series 2006 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 240,000	\$ 324,310	\$ 564,310
2011	270,000	313,462	583,462
2012	300,000	301,258	601,258
2013	300,000	287,698	587,698
2014	300,000	274,138	574,138
2015-2019	1,760,000	1,151,018	2,911,018
2020-2024	2,230,000	711,674	2,941,674
2025-2028	1,775,000	179,896	1,954,896
	<u>\$ 7,175,000</u>	<u>\$ 3,543,454</u>	<u>\$ 10,718,454</u>

Notes payable

In May 2006, the Broken Bow Public Works Authority issued a \$1,640,000 OWRB SRF Promissory Note, Series 2006A. The note, when combined with amounts still on deposit in the 2003 Revenue Bonds construction account, refunded \$4,145,000 of outstanding 2003 Revenue Bonds. The portion of the proceeds used for the refunding were placed in an escrow account for the purpose of generating resources for all future debt service payments on the refunded 2003 Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The remaining balance on the short-term note will be used to construct improvements to the City's drinking water system. At June 30, 2009, the note had a balance of \$1,433,679 and carries an interest rate of 3.55%. Repayment terms will be for twenty years beginning on the projection completion date.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

7. Long-term Debt (continued)

Principal and interest payments on the OWRB SRF Promissory Note, Series 2006A are as follows.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 60,328	\$ 50,815	\$ 111,143
2011	62,488	48,204	110,692
2012	64,727	45,966	110,693
2013	67,045	43,648	110,693
2014	69,446	68,437	137,883
2015-2019	386,367	163,660	550,027
2020-2024	460,694	95,014	555,708
2025-2026	262,584	15,830	278,414
	<u>\$ 1,433,679</u>	<u>\$ 531,574</u>	<u>\$ 1,965,253</u>

In December 2006, the Broken Bow Public Works Authority issued a \$5,585,000 OWRB Drinking Water SRF Promissory Note, Series 2006B. The note will be used to construct improvements to the City's drinking water system. At June 30, 2009, the note had a balance of \$5,017,785 and carries an interest rate of 3.55%. Repayment terms will be for twenty years beginning on the project completion date. Principal and interest payments will be set at that time. As of June 30, 2009, funds were still being drawn down and no repayment terms had been established.

Water rights, for 4,241 acre feet in Broken Bow Lake, are financed at a rate of 2.742% by a note with the United States Army Corp of Engineers. The contract requires the purchase price of \$170,189 to be retired over a 27-year period with yearly payments of \$8,764. The amount outstanding is \$58,303 at June 30, 2009.

Principal and interest due on the note payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 6,870	\$ 1,894	\$ 8,764
2011	7,059	1,705	8,764
2012	7,252	1,512	8,764
2013	7,451	1,313	8,764
2014	7,655	1,109	8,764
2015-2017	22,016	2,277	24,293
	<u>\$ 58,303</u>	<u>\$ 9,810</u>	<u>\$ 68,113</u>

The Authority is obligated for the future use of additional water rights amounting to 4,054 acre feet in Broken Bow Lake. These rights are to be financed at an interest rate of 2.742% through a note with the United States Army Corp of Engineers. The contract purchase price is \$154,165 and is to be retired over a 27-year period with annual interest-only payments of \$4,227 until the Authority's acre feet usage exceeds the first 4,241 acre feet.

The Authority has an obligation on an economic development loan from the Oklahoma Department of Commerce for related to construction of a wood products manufacturing plant which requires monthly payments of \$1,439. The note has a 0% stated interest rate. The effective interest rates used to amortize the note is 6%. The balance of the note, which includes principal and imputed interest, and the related unamortized discounts at June 30, 2009 are \$276,336 and \$121,931, respectively.

Principal payments and imputed interest due on the Oklahoma Department of Commerce note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	8,462	8,809	17,271
2011	8,969	8,302	17,271
2012	9,507	7,764	17,271
2013	10,078	7,193	17,271
2014	10,682	6,589	17,271
2015-2019	44,485	41,870	86,355
2020-2024	50,390	35,965	86,355
2025	11,832	5,439	17,271
	<u>\$ 154,405</u>	<u>\$ 121,931</u>	<u>\$ 276,336</u>

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

7. Long-term Debt (continued)

In November, 2007 Broken Bow Public Works Authority issued a \$4,938,000 United States Department of Agriculture Rural Development Promissory Note. The note will be used to construct improvements to the City's wastewater system. At June 30, 2009, the note had a balance of \$4,767,881 and carries an interest rate of 4.375%. Repayment terms will be for forty years at \$21,826 per month beginning December, 2007.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	54,399	207,513	261,912
2011	56,828	205,084	261,912
2012	59,364	202,548	261,912
2013	62,014	199,898	261,912
2014	64,782	197,130	261,912
2015-2019	369,958	939,602	1,309,560
2020-2024	460,238	849,324	1,309,562
2025-2029	572,548	737,012	1,309,560
2030-2034	712,263	597,297	1,309,560
2035-2039	886,074	333,646	1,219,720
2040-2044	1,102,298	207,262	1,309,560
2045-2047	367,115	12,438	379,553
	<u>\$ 4,767,881</u>	<u>\$ 4,688,754</u>	<u>\$ 9,456,635</u>

The Authority has a note payable with an individual for land purchased for a sewer expansion. The note has an interest of 6% and a balance of \$9,542 at June 30, 2009. The principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 9,542	\$ 573	\$ 10,115
	<u>\$ 9,542</u>	<u>\$ 573</u>	<u>\$ 10,115</u>

The Broken Bow Public Works Authority has a note payable with a bank for the purchase of a municipal building. The Authority refinanced an additional \$100,830 on the note for repairs to the municipal building. Interest on the note is at the rate of 6%. The note balance is \$87,215 at June 30, 2009. The principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 33,325	\$ 5,233	\$ 38,558
2011	35,325	3,233	38,558
2012	18,565	1,114	19,679
	<u>\$ 87,215</u>	<u>\$ 9,580</u>	<u>\$ 96,795</u>

Proprietary Fund Debt – Kulli Chito Environmental Authority

The Authority has obligations on two economic development loans from the Oklahoma Department of Commerce: one for Dominance Industries, Inc. which requires monthly payments of \$1,667 and one for Tyson Foods, Inc. which requires monthly payments of \$1,550. Both notes have a 0% stated interest rate. The effective interest rates used are 5%-6%. The balance on the notes and the related unamortized discounts at June 30, 2009 are \$386,000 and \$108,025, respectively.

The proceeds of the two loans were transferred from the City to the Kulli Chito Environmental Authority. This Authority then transferred the proceeds to the Broken Bow Public Works Authority where the capital improvements were made. The debt is payable by the Broken Bow Public Works Authority to the Kulli Chito Environmental Authority and then payable from the Kulli Chito Environmental Authority to the Oklahoma Department of Commerce. These receivables and payables between the two proprietary funds have been eliminated in the financial statements.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

7. Long-term Debt (continued)

Principal and imputed interest due on the notes are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 16,918	\$ 21,682	\$ 38,600
2011	18,238	20,362	38,600
2012	19,660	18,940	38,600
2013	21,194	17,406	38,600
2014	22,847	15,753	38,600
2015-2019	179,119	13,881	193,000
	<u>\$ 277,975</u>	<u>\$ 108,025</u>	<u>\$ 386,000</u>

8. Net assets and Fund balances

Net assets

Net assets restricted by enabling legislation are detailed below:

	<u>Restricted by</u> <u>enabling legislation</u>
Senior citizens fund	\$ 46,653
Library fund	421,836
Total	<u>\$ 468,489</u>

Fund balances

A deficit of fund balance of \$12,249 was reported in the Nutrition fund, a nonmajor governmental fund.

9. Interfund activity

9a. Receivables/payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds".

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Similar activities in which a component unit is a party are captioned as "receivables/payables" for both the current and non-current portions between a component unit and the primary government. Balances to which a fiduciary fund is a party are treated as "external" receivables and payables. All internal balances expect to be repaid within one year.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

9a. Receivables/payables (continued)

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

Due From	Due to						Total Due from
	Governmental Activities			Business-type Activities			
	General	Broken Bow		Broken Bow Public Works Authority	Kulli Chito		
Economic Development Authority		Other Governmental Funds	Environmental Authority				
<i>Governmental activities</i>							
General Fund	\$ -	\$ -	\$ 44,867	\$ 651	\$ -	\$ -	\$ 45,518
Broken Bow Economic Development Authority	-	-	-	-	-	-	-
Other Governmental funds	1,322	-	-	-	-	-	1,322
<i>Business-type activities</i>							
Public Works Authority	35,484	-	-	-	37,457	-	72,941
Kulli Chito Environmental Authority	9,528	-	-	-	-	-	9,528
<i>Fiduciary funds</i>							
Agency funds	-	-	-	-	-	-	-
Total Due to	\$ 46,334	\$ -	\$ 44,867	\$ 651	\$ 37,457	\$ -	\$ 129,309

9b. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers *between* the two columns appear in this statement.

Transfers from	Transfers to						Total Transfers From
	Governmental Activities			Business-type Activities			
	General	Broken Bow		Broken Bow Public Works Authority	Kulli Chito		
Economic Development Authority		Other Governmental Funds	Environmental Authority				
<i>Governmental activities</i>							
General Fund	\$ -	\$ -	\$ 1,264	\$ -	\$ -	\$ -	\$ 1,264
Broken Bow Economic Development Authority	-	-	-	-	-	-	-
Other Governmental funds	-	-	-	-	-	-	-
<i>Business-type activities</i>							
Public Works Authority	400,261	223,013	-	-	-	-	623,274
Kulli Chito Environmental Authority	-	-	-	-	-	-	-
<i>Fiduciary funds</i>							
Agency funds	-	-	-	-	-	-	-
Total Transfers To	\$ 400,261	\$ 223,013	\$ 1,264	\$ -	\$ -	\$ -	\$ 624,538

10. Employees' Retirement Plan

Oklahoma Firefighters' Pension and Retirement System

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's contribution to the system was based on 13% of covered salaries and totaled \$28,408, for the year ending June 30, 2009.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

10. Employees' Retirement Plan (continued)

As of July 1, 2008, the latest available actuarial valuation, the actuarial present value of credited projected benefits was \$2,941,207,000, and net assets available for benefits were \$1,817,177,000. Unfunded liabilities, which are an obligation of the state of Oklahoma, totaled \$1,124,030,000.

Oklahoma Municipal Retirement Fund (OMRF)

Plan Description and Provisions:

The City participates in an agent multiple-employer defined contribution pension plan administered by the Oklahoma Municipal Retirement Fund. The plan was adopted by resolution of the City Council. The funding requirements may be amended by electing another plan offered by the OMRF. The payroll for employees covered by the OMRF for the year ended June 30, 2009 was \$1,358,560; the City's total payroll for the year ending June 30, 2009 was \$1,401,451.

Employees attaining the age of 65, or completing ten or more years of service if later, are entitled to a monthly benefit of 2.625% of final average compensation as defined in the plan multiplied by the number of years of credited service. The plan permits early retirement at the age of 55 and the completion of ten years of service with benefits to begin at age 65. Participants who become totally and permanently disabled after completion of ten years of service will be entitled to a disability benefit. If an employee, upon completion of ten years of service, dies, their spouse can receive benefits equal to 50% of the employee's accrued benefits for life or until remarriage. If a member's employment is terminated prior to completion of ten years of service, the member shall receive a refund of his contributions with interest.

The pension plan is included in the report of the retirement system, which may be obtained from the Oklahoma Municipal Retirement Fund.

Funding Status and Progress:

The total contribution rate for the plan is separated between the employee-paid and municipality-paid portions based on the most recent reported employee contribution rate. The employee contribution rate is set by the plan, and the municipality is committed to meet the long-term funding needs of the plan by paying any portion of the contribution not provided by employees.

The municipality-required contribution rate is actuarially measured each plan year as the amount necessary to fund the plan on a long-term basis using the actuarial cost methods and assumptions adopted for the plan:

Cost method	Entry age normal
Interest rate	7.5% per annum
Pay increases	Rates by age
Mortality	UP 94 Mortality (projected)
Retirement age	Rates by age
Turnover	Rates by age and service
Asset value	Actuarial method

The total required contribution rate for the 2009-2010 plan year was 15.25% of participant payroll. The contribution requirement for the year ended June 30, 2009 was \$135,856 (10.00% of covered payroll) from the City and \$71,324 (5.25% of covered payroll) from employees.

The required contribution rate changes each year to reflect the investment earnings of the OMRF fund and the demographic experience of the participant group.

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has 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.

12. 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.

13. Economic Dependence

The enterprise fund (Broken Bow Public Works Authority) is economically dependent upon major water and electric utility users to produce revenue sufficient to make its debt service payments and fund its operations.

14. Restatement of Beginning Net Assets

Net assets of government-wide statements at July 1, 2008 have been restated as follows to reflect the inclusion of a component unit, Broken Bow/Craig Industrial Authority (“BB/CIA”), in the governmental activities of the City of Broken Bow, Oklahoma. Prior to 2009, BB/CIA acquired donated capital assets from an area wood products manufacturer. BB/CIA has had no operating activities since those assets were acquired.

	Governmental Activities
June 30, 2008 ending	\$ 5,611,246
Restatement of governmental funds to reflect inclusion of a component unit, Broken Bow/Craig Industrial Authority	3,083,000
July 1, 2008 beginning, restated	\$ 8,694,246

CITY OF BROKEN BOW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009
UNAUDITED

	Original	Final	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
REVENUES						
Taxes	1,640,600	1,640,600	\$ 1,499,473	\$ 78,344	1,577,817	\$ (62,783)
Intergovernmental	198,000	267,500	212,651	-	212,651	
Charges for services	566,473	566,473	600,238	23,772	624,010	57,537
Fines and forfeitures	198,629	198,629	203,651	-	203,651	5,022
Licenses and permits	2,981	2,981	103,111	(6,113)	96,998	94,017
Investment income	-	-	22,898	(10,478)	12,420	12,420
Miscellaneous	55,854	112,296	165,295	-	165,295	52,999
Total revenues	<u>2,662,537</u>	<u>2,788,479</u>	<u>2,807,317</u>	<u>85,525</u>	<u>2,892,842</u>	<u>159,212</u>
EXPENDITURES						
General government	467,175	470,995	390,085	(33,188)	356,897	114,098
Public safety	1,372,966	1,404,246	1,235,971	(24,945)	1,211,026	193,220
Public services	997,153	1,003,653	1,056,687	(211,058)	845,629	158,024
Cultural and recreation	341,435	339,935	114,164	(585)	113,579	226,356
Capital outlay	562,495	648,337	722,647	62,505	785,152	(136,815)
Total expenditures	<u>3,741,224</u>	<u>3,867,166</u>	<u>3,519,554</u>	<u>(207,271)</u>	<u>3,312,283</u>	<u>554,883</u>
Excess (deficiency) of revenues over expenditures	<u>(1,078,687)</u>	<u>(1,078,687)</u>	<u>(712,237)</u>	<u>292,796</u>	<u>(419,441)</u>	<u>714,095</u>
OTHER FINANCING SOURCES (USES)						
Debt proceeds			121,980		121,980	121,980
Transfers in	600,000	600,000	398,999	226,956	625,955	25,955
Transfers out	(30,340)	(30,340)	-	(6,264)	(6,264)	24,076
Total other financing sources and uses	<u>569,660</u>	<u>569,660</u>	<u>520,979</u>	<u>220,692</u>	<u>741,671</u>	<u>172,011</u>
Net change in fund balances	(509,027)	(509,027)	(191,258)	513,488	322,230	886,106
Fund balances, July 1, 2008	647,000	647,000	1,109,110	(328,284)	780,826	(133,826)
Fund balances, June 30, 2009	<u>\$ 137,973</u>	<u>\$ 137,973</u>	<u>\$ 917,852</u>	<u>\$ 185,204</u>	<u>\$ 1,103,056</u>	<u>\$ 752,280</u>

CITY OF BROKEN BOW, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2009
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 City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- Public hearing 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 object 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 City Manager 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).

Presentation Format

Generally accepted accounting principles for governments allow for the preparation of this schedule in the same format as the budget document or in the format used in the statement of revenues, expenditures and changes in fund balance. The City of Broken Bow has elected to present the budgetary comparison schedule in the format used in the statement of revenues, expenditures and changes in fund balance, except that in the budgetary comparison schedule, public safety is shown in total as opposed to being broken down by police, fire and municipal court.

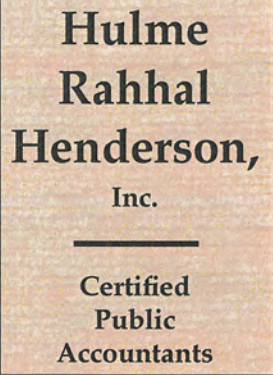
**CITY OF BROKEN BOW, OKLAHOMA
 REQUIRED SUPPLEMENTARY INFORMATION
 OKLAHOMA MUNICIPAL RETIREMENT FUND
 UNAUDITED
 JUNE 30, 2009**

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	1,918,393	2,643,857	725,464	72.6%	1,358,560	53.4%
1/1/2008	1,853,705	2,254,630	400,925	82.2%	1,252,939	32.0%
1/1/2007	1,579,674	1,812,069	232,395	87.2%	1,315,886	17.7%

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Annual Required Contribution	Percentage Contributed
6/30/2009	207,147	90%
6/30/2008	170,752	121%
6/30/2007	148,032	90%



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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*

Honorable Mayor and City Council
City of Broken Bow, Oklahoma

We have audited the financial statements of governmental activities, the business-type activities, the fiduciary-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Broken Bow, Oklahoma, as of and for the year ended June 30, 2009, which collectively comprise City of Broken Bow's basic financial statements and have issued our report thereon dated July 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in

internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Broken Bow'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

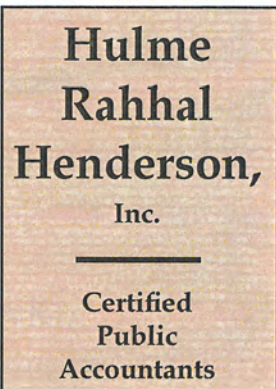
We also noted certain matters that we reported to management of the City of Broken Bow in a separate letter dated July 20, 2010.

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

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

Hulme Rahhal Henderson, Inc.

Ardmore, Oklahoma
July 20, 2010



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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Broken Bow, Oklahoma

Compliance

We have audited the compliance of City of Broken Bow with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. City of Broken Bow's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Broken Bow's management. Our responsibility is to express an opinion on City of Broken Bow's compliance based on our audit.

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

In our opinion, City of Broken Bow complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of City of Broken Bow is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Broken Bow's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Broken Bow's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City of Broken Bow's internal control that might be significant deficiencies or material weaknesses as described below.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City of Broken Bow's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Broken Bow's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Broken Bow's internal control.

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

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

Hulme Rahhal Henderson, Inc.

Ardmore, Oklahoma
July 20, 2010

City of Broken Bow, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Pass- Through Grantor's Project Number</u>	<u>Award Amount</u>	<u>Expended Amount</u>
<u>U.S. Department of Housing & Urban Development</u> Passed Through Oklahoma Department of Commerce	14.228	13344 CDBG-CIP 08	\$ 39,500	\$ 39,500
Passed Through Oklahoma Department of Commerce	14.228	13240 CDBG 08	227,293	151,070
<u>U.S. Department of Health and Human Services</u> Passed Through Oklahoma Department of Human Services then to KEDDO then to KANP, Inc Special Program for the Aging, Title III, Part C Nutrition Services	93.045		57,381	57,381
<u>U.S. Department of Justice</u> Passed Through Oklahoma Office of Homeland Security	17.049	Equipment	12,000	11,903
<u>U.S. Department of Agriculture</u> Water and Waste Water Disposal System for Rural Communities Direct Loan Grant	10.760 10.760	92-08 92-08	4,938,000 2,324,700	520,459 2,267,336
<u>U.S. Department of the Interior</u> Passed Through Oklahoma Tourism and Recreation Department	15.916	40-1159	62,657	62,657
Total Federal Assistance			<u>\$ 7,661,531</u>	<u>\$ 3,110,306</u>

City of Broken Bow, Oklahoma
Notes to the Schedule of Federal Financial Assistance
Year Ended June 30, 2009

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Broken Bow, Oklahoma, and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

City of Broken Bow, Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes X None reported

Reportable condition(s) identified not considered to be material weaknesses? X Yes None reported

Non-compliance material to financial noted? Yes X None reported

Federal Awards

Internal Control Over Major Programs:

Material weakness(es) identified Yes X None reported

Reportable condition(s) identified not considered to be material weaknesses? Yes X None reported

Type of auditors’ report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510 (a)? Yes X None reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Water Disposal for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

City of Broken Bow, Oklahoma
Schedule of Findings and Questioned Costs - continued
Year Ended June 30, 2009

Section II – Financial Statement Findings

2009-01 Budget

Specific requirement – The revenues and expenditures of the City’s General Fund should be compared to budget monthly and appropriate budget transfers and supplements filed if budget expenditures are exceeded.

Condition –The capital outlay category within the General Fund exceeded budget appropriations during 2008-2009.

Context – Budget

Effect – Noncompliance with Oklahoma statutes.

Cause – Lack of controls surrounding monitoring of budget to actual expenditures.

Recommendation – We recommend budget to actual revenue and expenditure reports be monitored monthly by a responsible person who then prepares budget amendments for approval.

Views of responsible officials and planned corrective actions – Management agrees with the finding.

Section III – Federal Awards Findings and Questioned Costs

None

City of Broken Bow, Oklahoma
Prior Year Audit Finding Comments
Year Ended June 30, 2009

2008-01 Ordinances were not codified timely. This is not a current year audit finding.

2008-02 Utility billing adjustments were approved verbally and lacked supporting documentation. This is not a current year audit finding.

2008-03 Cashiers were opening mail and posting payments without verification from third party; substitute cashiers are operating out of the same cash drawers as the regular cashiers; and cashiers are not accounting numerically for receipts issued to various collection sites. This is not a current year audit finding.

2008-04 Eight bank accounts were closed and money transferred to another bank account without City Council approval. This is not a current year audit finding.

2008-05 Expenditures examined were missing purchase orders and invoices, receipt of goods signatures, and approvals for payment.

2008-06 Certain departments within the General Fund exceeded budget appropriations during 2007-2008. See current year audit finding 2009-01.

2008-07 Federal grant revenues and expenditures were not identified in the financial records of the City, equipment received from the federal government was not recorded, and grant files were not prepared. This is not a current year audit finding.