

CITY OF HARRAH, OKLAHOMA

Report on Audit of Financial Statements

June 30, 2009

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**INDEPENDENT AUDITOR'S
REPORT**

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Independent Auditor's Report

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrah, 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 principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2009, on our consideration of the City of Harrah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 40 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 Harrah's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have 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 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dillon & Associates, P.C.

Midwest City, Oklahoma
August 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

**City of Harrah
Management's Discussion and Analysis
June 30, 2009**

The following discussion and analysis of the City of Harrah's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements, which begin on page 11.

Financial Highlights

- ❖ The assets of the City of Harrah exceeded its liabilities at the close of the most recent fiscal year by \$8,721,867 (net assets). Of this amount, \$664,266 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ The government's total net assets increased by \$162,127 for the year ended June 30, 2009.
- ❖ As of the close of the current fiscal year the City of Harrah's governmental funds reported combined ending fund balances of \$1,583,331, an decrease of \$3,148 in comparison with the prior year.
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$554,095, or 32.2% of total general fund expenditures.
- ❖ The City of Harrah's total debt decreased by \$396,073 during the current fiscal year. The key factors were the annual debt repayment of revenue notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Harrah's basic financial statements. The City of Harrah's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Harrah
Management's Discussion and Analysis
June 30, 2009

Both of the government-wide financial statements distinguish functions of the City of Harrah that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Harrah include general government, public safety, and public works. The business-type activities of the City of Harrah are comprised of the Harrah Public Works Authority which operates the City's water and wastewater operations.

The government-wide financial statements include the City of Harrah and the Harrah Public Works Authority. Although the Harrah Public Works Authority is legally a separate entity, it functions for all practical purposes as departments of the City of Harrah, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 11-13 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-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 facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvement fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and other governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

City of Harrah
Management's Discussion and Analysis
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The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary funds. The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public works authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Harrah Public Works Authority, which is considered to be major fund of the City.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has two fiduciary funds-the meter deposit fund and the municipal court fund, which are agency funds.

The fiduciary fund financial statements can be found on page 20 of the report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 21-39 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on page 40 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the general fund. Combining and individual fund statements and schedules can be found on pages 41-42 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,721,867 at the close of the most recent fiscal year.

City of Harrah
Management's Discussion and Analysis
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By far the largest portion of the City's net assets (80.1%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 1,583,531	1,586,779	796,902	898,761	2,380,433	2,485,540
Capital assets	1,556,547	1,597,698	8,464,962	8,656,514	10,021,509	10,254,212
Total assets	<u>3,140,078</u>	<u>3,184,477</u>	<u>9,261,864</u>	<u>9,555,275</u>	<u>12,401,942</u>	<u>12,739,752</u>
Long-term debt outstanding	71,745	0	3,509,296	3,792,354	3,581,041	3,792,354
Other liabilities	41,036	63,108	57,998	79,531	99,034	142,639
Total liabilities	<u>112,781</u>	<u>63,108</u>	<u>3,567,294</u>	<u>3,871,885</u>	<u>3,680,075</u>	<u>3,934,993</u>
Net assets:						
Invested in capital assets, net of debt	1,556,547	1,597,698	5,412,505	4,868,691	6,969,052	6,466,389
Restricted	1,029,236	1,100,887	59,313	46,698	1,088,549	1,147,585
Unrestricted	441,514	422,784	222,752	768,001	664,266	1,190,785
Total in net assets	<u>\$ 3,027,297</u>	<u>3,121,369</u>	<u>5,694,570</u>	<u>5,683,390</u>	<u>8,721,867</u>	<u>8,804,759</u>

The government's net assets increased by \$162,127 during the current fiscal year. This increase represents the overall excess of revenues over expenses (including depreciation).

**City of Harrah
Management's Discussion and Analysis
June 30, 2009**

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues						
Charges for services	\$ 524,156	591,232	661,649	620,005	1,185,805	1,211,237
Grants/contributions	64,403	427,035	11,647	69,884	76,050	496,919
General revenues	<u>2,328,880</u>	<u>2,159,788</u>	<u>11,119</u>	<u>29,113</u>	<u>2,339,999</u>	<u>2,188,901</u>
Total revenues	<u>2,917,439</u>	<u>3,178,055</u>	<u>684,415</u>	<u>719,002</u>	<u>3,601,854</u>	<u>3,897,057</u>
Expenses:						
General government	815,064	1,140,044	0	0	815,064	1,140,044
Public safety	1,097,271	977,320	0	0	1,097,271	977,320
Public works	49,925	132,077	0	0	49,925	132,077
Culture/recreation	214,435	0	0	0	214,435	0
Water/wastewater	0	0	1,263,032	1,114,140	1,263,032	1,114,140
Administration/other	0	58,335	0	0	0	58,335
Total expenses	<u>2,176,695</u>	<u>2,307,776</u>	<u>1,263,032</u>	<u>1,114,140</u>	<u>3,439,727</u>	<u>3,421,916</u>
Increase in net assets before transfers	740,744	870,279	(578,617)	(395,138)	162,127	475,141
Transfers	<u>(589,797)</u>	<u>(504,860)</u>	<u>589,797</u>	<u>504,860</u>	<u>0</u>	<u>0</u>
Change in net assets	150,947	365,419	11,180	109,722	162,127	475,141
Beginning net assets	<u>2,876,350</u>	<u>2,755,950</u>	<u>5,683,390</u>	<u>5,573,668</u>	<u>8,559,740</u>	<u>8,329,618</u>
Ending net assets	<u>\$ 3,027,297</u>	<u>3,121,369</u>	<u>5,694,570</u>	<u>5,683,390</u>	<u>8,721,867</u>	<u>8,804,759</u>

Governmental activities. Governmental activities increased the City's net assets by \$150,947. The key element of this increase is an increase in revenues over expenses.

For the most part, increases in expenses resulted from the charging of depreciation expense on capital assets to various functional areas.

Business-type activities. Business-type activities increased the City's net assets by \$11,180. The key element in this increase is the excess of operating revenues over operating expenses.

Financial Analysis of the Government's Funds

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

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

**City of Harrah
Management's Discussion and Analysis
June 30, 2009**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,583,331, an decrease of \$3,148, in comparison with the prior year. Approximately 49% of this total amount, \$776,955 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital improvements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$554,095. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 32.2% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$68,503 during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Harrah Public Works Authority at the end of the year amounted to \$222,752. The total increase in net assets was \$11,180.

- Operating revenues increased by \$41,644 from the prior year, mainly to water and sewer revenue.
- Operating expenses (excluding depreciation) increased by \$99,544 over the prior year, mainly in the water and sewer departments.

General Fund Budgetary Highlights

There were differences between the original budget and the final budget for the general fund. Overall, actual revenues on the budgetary basis of \$2,625,197 were \$13,463 less than the estimated revenues in the budget of \$2,611,734. Actual expenditures of \$1,721,678 were \$384,898 less than the \$2,106,576 approved in budget appropriations. After transfers out of \$882,216 to other governmental funds, the City added \$21,303 of its carry forward funds to cover the overall excess of expenditures over receipts. The amount of carryover funds budget for expenditure was \$506,895.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$10,021,509 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Equipment for the police and fire departments.
- Public works purchases.

**City of Harrah
Management's Discussion and Analysis
June 30, 2009**

**Table 3
Capital Assets**

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	101,528	101,528	0	0	101,528	101,528
Buildings	472,358	412,734	467,891	405,000	940,249	817,734
Equipment	820,437	738,097	702,476	657,630	1,522,913	1,395,727
Vehicles	1,193,994	1,101,460	0	0	1,193,994	1,101,460
Infrastructure	1,080,368	1,047,041	13,533,049	13,492,097	14,613,417	14,539,138
Less: Accumulated depr	<u>(2,112,138)</u>	<u>(1,904,692)</u>	<u>(6,238,454)</u>	<u>(5,898,213)</u>	<u>(8,350,592)</u>	<u>(7,802,905)</u>
TOTAL	<u><u>1,556,547</u></u>	<u><u>1,496,168</u></u>	<u><u>8,464,962</u></u>	<u><u>8,656,514</u></u>	<u><u>10,021,509</u></u>	<u><u>10,254,212</u></u>

Additional information of the City's capital assets can be found in Note 3.D. On pages 30-31 of this report.

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$3,581,041. This represents debt secured solely by specified revenue sources (i.e., revenue notes) of \$3,509,296 and judgments payable of \$71,745.

**Table 4
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Notes payable	0	0	3,509,296	3,792,354	3,509,354	3,792,354
Judgments payable	<u>71,745</u>	<u>143,491</u>	<u>0</u>	<u>0</u>	<u>71,745</u>	<u>143,491</u>
Totals	<u><u>71,745</u></u>	<u><u>143,491</u></u>	<u><u>3,509,296</u></u>	<u><u>3,792,354</u></u>	<u><u>3,581,041</u></u>	<u><u>3,935,845</u></u>

The City's total debt decreased by \$354,804 during the current fiscal year. The key factors in the decrease were the principal payments made on OWRB revenue notes and judgments.

Additional information on the City's long-term debt can be found in Notes 3.F. and V.G. on pages 32-33 of this report.

City of Harrah
Management's Discussion and Analysis
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Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2009-2010 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. A potential downturn of the national economy is expected to have limited effect on the local economy for the coming year. Employment costs are stable and sales tax revenues continue to increase over previous periods. Utility revenues are expected to continue to increase at a moderate rate.

These indicators were taken into account when adopting the general fund budget for 2009-2010.

- ❖ Revenues and expenses for the City's general fund are expected to increase slightly over the actual amounts received and expended in the fiscal year ended June 30, 2009.
- ❖ As for the City's proprietary fund activities, we expect a slight growth in the revenues and expenses over those received in 2009.

All of these factors were considered in preparing the City's budget for the 2009-2010 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$485,592. The City has this amount available for spending in the 2009-2010 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2009-2010 fiscal year.

Requests for Information

This financial report is designed to provide our citizens, funding agencies, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the City of Harrah, P.O. Box 636, Harrah, Oklahoma 73045.

Earl Burson
City Manager

BASIC FINANCIAL STATEMENTS

City of Harrah, Oklahoma
Statement of Net Assets
June 30, 2009

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Pooled cash and cash equivalents	\$ 1,305,305	94,445	1,399,750
Receivables (net of allowance for uncollectibles)	0	82,766	82,766
Advances from other funds	34,669	(18,976)	15,693
Receivables from other governments	243,557	0	243,557
Bond issue cost (net of accumulated amortization)	0	122,515	122,515
Restricted assets:			
Restricted cash and investments	0	516,152	516,152
Capital assets:			
Land, improvements, and construction in progress	0	0	0
Other capital assets, net of depreciation	1,556,547	8,464,962	10,021,509
Total assets	<u>3,140,078</u>	<u>9,261,864</u>	<u>12,401,942</u>
LIABILITIES			
Accounts payable and accrued expenses	200	3,446	3,646
Compensated absences payable	40,836	14,620	55,456
Notes payable, current	0	296,667	296,667
Judgments payable, current	71,745	0	71,745
Liabilities payable from restricted assets	0	39,932	39,932
Notes payable, non-current	0	3,212,629	3,212,629
Total liabilities	<u>112,781</u>	<u>3,567,294</u>	<u>3,680,075</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,556,547	5,412,505	6,969,052
Restricted for:			
Special revenue projects	222,860	0	222,860
Capital projects	806,376	0	806,376
Debt service	0	59,313	59,313
Unrestricted (deficit)	441,514	222,752	664,266
Total net assets	<u>\$ 3,027,297</u>	<u>5,694,570</u>	<u>8,721,867</u>

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Statement of Activities
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government:					
Governmental activities:					
General government	\$ 815,064	40,413	20,587	34,181	(719,883)
Public safety					
Police	701,679	83,522	3,035	0	(615,122)
Fire	395,592	0	0	5,100	(390,492)
Public works	49,925	400,221	0	0	350,296
Culture and recreation	214,435	0	1,500	0	(212,935)
Total governmental activities	<u>2,176,695</u>	<u>524,156</u>	<u>25,122</u>	<u>39,281</u>	<u>(1,588,136)</u>
Business-type activities:					
Water and sewer	1,263,032	661,649	0	11,647	(589,736)
Total business-type activities	<u>1,263,032</u>	<u>661,649</u>	<u>0</u>	<u>11,647</u>	<u>(589,736)</u>
Total primary government	<u>3,439,727</u>	<u>1,185,805</u>	<u>25,122</u>	<u>50,928</u>	<u>(2,177,872)</u>

City of Harrah, Oklahoma
Statement of Activities
For the Year Ended June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in net assets:			
Net (expense) revenue	\$ (1,588,136)	(589,736)	(2,177,872)
General revenues:			
Taxes:			
Sales taxes	1,762,719	0	1,762,719
Use taxes	74,916	0	74,916
Franchise taxes (fees)	197,731	0	197,731
Other taxes	150,222	0	150,222
Unrestricted investment income	23,913	4,921	28,834
Miscellaneous	119,379	6,198	125,577
Transfers	(589,797)	589,797	0
Total general revenues and transfers	1,739,083	600,916	2,339,999
Change in net assets	150,947	11,180	162,127
Net assets - beginning, as previously stated	2,977,878	5,683,390	8,661,268
Correction of property and equipment	(101,528)	0	(101,528)
Net assets - beginning, as restated	2,876,350	5,683,390	8,559,740
Net assets - ending	\$ 3,027,297	5,694,570	8,721,867

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
 Governmental Funds
 Balance Sheet
 June 30, 2009

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 279,665	806,376	219,264	1,305,305
Receivables, net	239,761	0	3,796	243,557
Due from other funds	34,669	0	0	34,669
Total assets	554,095	806,376	223,060	1,583,531
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Customer deposits	0	0	200	200
Accounts payable	0	0	0	0
Total liabilities (Note 2)	0	0	200	200
 Fund balances:				
Reserved for:				
Capital outlay/improvements	0	806,376	0	806,376
Unreserved, reported in:				
General fund	554,095	0	0	554,095
Special revenue funds	0	0	222,860	222,860
Total fund balances	554,095	806,376	222,860	1,583,331
Total liabilities and fund balances	\$ 554,095	806,376	223,060	
 Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.				1,556,547
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:				
Judgments payable are not due in the current period and therefore are not reported in the funds.				(71,745)
Accrued compensated absences				(40,836)
Net assets of governmental activities			\$	3,027,297

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,066,192	0	119,396	2,185,588
Intergovernmental	12,485	32,589	19,329	64,403
Licenses and permits	40,413	0	0	40,413
Charge for services	396,561	0	3,660	400,221
Fines and forfeitures	83,522	0	0	83,522
Interest	5,131	18,414	368	23,913
Miscellaneous	20,893	9,617	88,869	119,379
Total revenues	<u>2,625,197</u>	<u>60,620</u>	<u>231,622</u>	<u>2,917,439</u>
EXPENDITURES				
Current:				
General government	547,869	37,194	67,863	652,926
Managerial	64,504	0	0	64,504
Office	189,763	0	0	189,763
Police	605,090	130,726	656	736,472
Fire	272,799	103,959	0	376,758
Senior citizens center	41,653	60,884	0	102,537
Parks	0	74,063	0	74,063
Public works	0	49,925	0	49,925
Debt service	0	0	83,842	83,842
Total expenditures	<u>1,721,678</u>	<u>456,751</u>	<u>152,361</u>	<u>2,330,790</u>
Excess (deficiency) of revenues over expenditures	<u>903,519</u>	<u>(396,131)</u>	<u>79,261</u>	<u>586,649</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	47,200	882,216	0	929,416
Transfers out	(882,216)	(636,997)	0	(1,519,213)
Total other financing sources and uses	<u>(835,016)</u>	<u>245,219</u>	<u>0</u>	<u>(589,797)</u>
Net change in fund balances	68,503	(150,912)	79,261	(3,148)
Fund balances-beginning	485,592	957,288	143,599	1,586,479
Fund balances-ending	<u>\$ 554,095</u>	<u>806,376</u>	<u>222,860</u>	<u>1,583,331</u>

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (3,148)

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 the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.

Capital outlay expenditures, net of retirements	267,823
Depreciation expense	(207,446)
	60,377

The increase of long-term debt provides current financial resources to governmental funds, while the repayment or reductions in of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Payment of judgment liability	71,746
Change in accrued compensated absences	21,972
	93,718

Change in net assets of governmental activities. \$ 150,947

City of Harrah, Oklahoma
Proprietary Funds
Statement of Net Assets
June 30, 2009

		Enterprise Funds <hr/> Harrah Public Works Authority
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$	94,445
Receivables, accounts		
Accounts, net of allowance for uncollectibles		82,766
Due from other funds		8,182
Restricted assets - cash and investments		516,152
Total current assets		<hr/> 701,545
Non-current assets:		
Bond issuance costs, net of accumulated amortization		122,515
Capital assets, net of accumulated depreciation		8,464,962
Total non-current assets		<hr/> 8,587,477
Total assets		<hr/> <hr/> 9,289,022
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued liabilities		3,446
Accrued interest payable		39,932
Due to other funds		27,158
Current portion of long-term obligations		296,667
Total current liabilities		<hr/> 367,203
Non-current liabilities:		
Notes payable		3,212,629
Accrued compensated absences		14,620
Total non-current liabilities		<hr/> 3,227,249
Total liabilities		<hr/> 3,594,452
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt		5,412,505
Restricted:		
Debt service		59,313
Unrestricted		222,752
Total net assets	\$	<hr/> <hr/> 5,694,570

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2009

	Enterprise Funds <hr/> Harrah Public Works Authority
<u>OPERATING REVENUES:</u>	
Charges for services	
Water	\$ 386,991
Wastewater	235,554
Other	39,104
Total operating revenues	<hr/> 661,649 <hr/>
<u>OPERATING EXPENSES:</u>	
Personal services	523,697
Maintenance and operations	221,762
Depreciation and amortization	340,242
Total operating expenses	<hr/> 1,085,701 <hr/>
Operating income (loss)	<hr/> (424,052) <hr/>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Miscellaneous revenues	6,198
Grant income	11,647
Interest income	4,921
Interest expense and fiscal charges	(177,331)
Total nonoperating revenues (expenses)	<hr/> (154,565) <hr/>
<u>OPERATING TRANSFERS</u>	
Transfers in	589,797
Transfers out	0
Total operating transfers	<hr/> 589,797 <hr/>
Change in net assets	<hr/> 11,180 <hr/>
Net assets - beginning	5,683,390
Net assets-ending	<hr/> \$ 5,694,570 <hr/> <hr/>

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2009

	Enterprise Funds <hr/> Harrah Public Works Authority
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$
Payments to suppliers	(99,091)
Payments to employees	
Net cash provided (used) by operating activities	<hr/> (99,091) <hr/>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Miscellaneous revenues	6,198
Operating transfers in (out)	589,797
Net cash provided (used) by noncapital financing activities	<hr/> 595,995 <hr/>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Proceeds from long-term financing	0
Principal paid on long-term debt	(283,058)
Interest expense and fiscal charges	(177,331)
Grant income	11,647
(Increase) decrease in restricted assets	(15,145)
(Acquisition) disposition of capital assets	(91,362)
Net cash provided (used) by capital and related financing activities	<hr/> (555,249) <hr/>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received	4,921
Net cash provided (used) by investing activities	<hr/> 4,921 <hr/>
Net increase (decrease) in cash and cash equivalents	(53,424)
Cash and cash equivalents, beginning of the year	147,869
Cash and cash equivalents, end of the year	<hr/> \$ 94,445 <hr/>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating income (loss)	(424,052)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	340,242
Change in assets and liabilities:	
(Increase) decrease in receivables	6,252
Increase (decrease) in accounts payable and accrued expenses	(21,533)
Total adjustments	<hr/> 324,961 <hr/>
Net cash provided by (used in) operating activities	<hr/> \$ (99,091) <hr/>

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2009

	Agency Funds	
	Municipal Court Fund	Meter Deposit Fund
ASSETS		
Cash and cash equivalents	\$ 8,292	56,884
Total assets	8,292	56,884
LIABILITIES		
Customer deposits	0	48,702
Due to bondholders	154	0
Due to other funds	7,511	8,182
Due to other governments	627	0
Total liabilities	8,292	56,884
NET ASSETS	\$ 0	0

See accompanying notes to the basic financial statement.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Harrah, Oklahoma (the City) was organized as a town on May 12, 1908, and became a city on September 16, 1992. The City operates under a council-manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), public works (streets and highways), culture and recreation, general government and administration, along with utility services to include water, wastewater, and sanitation.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

1.A. - Reporting entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Component units. The Harrah Public Works Authority (the Authority) serves all the citizens of the City and is governed by a board comprised of the City's elected council (Trustees). The rates for user charges and debt authorization are approved by the city council. The Authority was created December 1, 1961, to finance, develop, and operate the water, wastewater, and solid waste activities of the City. The Authority is reported as an enterprise fund type. The Harrah Industrial and Economic Development Trust (the Trust) was created on December 6, 1990, to assist the City of Harrah in promoting, securing and developing industry and promoting economic development for the community. The Beneficiary of the Trust is the City of Harrah. The Trust is reported as special revenue fund.

Separate financial statements have not been prepared for this component unit.

1.B. - BASIS OF PRESENTATION

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1.C. - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Government-wide, Proprietary and Fiduciary Fund Financial Statements

In government-wide Statement of Net Assets and Statement of Activities, and the proprietary fund financial statements the accrual basis of accounting is applied. Under accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, asset and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

In the governmental fund financial statements, the modified accrual basis of accounting is applied. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurement means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general long-term debt principal and interest, claims and judgments, and accrued compensated absences, which are recorded as expenditures to the extent they have matured. Proceeds of general long-term debt and capital leases are reported as other financial resources.

1.D. - ASSETS, LIABILITIES AND NET ASSETS

1. Deposits and investments

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

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

Investments for the City, as well as for its component units are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported 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."

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

3. Inventories and prepaid items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain resources set aside for the repayment of Harrah Public Works Authority sales tax revenue notes and utility refunding bonds, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts, and their use is limited by applicable debt covenants. The debt service fund accounts are used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve accounts are used to report resources set aside to make up potential future deficiencies in the debt service account.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Water and sewer lines	40
Water tower	40
Improvements other than buildings	40
Equipment and vehicles	5-7

6. *Compensated absences*

Full-time employees earn vacation at the following rate:

Number of Years of Service	Hours Earned
One to five years	84
Five to ten years	96
Greater than ten years	120

In accordance with the guidelines set forth by Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation, compensatory time, and holiday pay.

The Fraternal Order of Police accrue sick leave at eight hours per month, with the maximum limit changing yearly, based on a contract. All other employees accrue eight hours of sick leave per month with a maximum limit of 800 hours. Sick leave is not recorded until paid. Employees who retire meeting the City's retirement requirements, shall be paid one-half (1/2) of their accrued sick leave up to a maximum of four hundred (400) hours.

7. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Equity classifications

Government-wide, Proprietary and Fiduciary Fund Financial 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 - Consist 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 definition of "restricted" or "invested in capital assets, net of related debt".

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

Governmental Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. The reservations include 1) fund balances not available for appropriation, such as reserves for inventory, and 2) fund balances legally restricted to specific purposes, such as reserves for economic development.

1.E. - INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide financial, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- A. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds are not eliminated in the statement of activities.

Fund Financial Statements

Interfund activity, if any, within and among the governmental, proprietary fund and fiduciary categories is reported as follows in the fund financial statements:

A. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payable.

B. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

C. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

D. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

1.F. - REVENUES, EXPENDITURES AND EXPENSES

Program revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Licenses and permits.
Public Safety	Fine revenue, operating and capital grants.
Streets and Public Works	Commercial vehicle and gasoline excise tax shared by the State;
Culture and Recreation	Rental income, recreation fees, concession sales, and specific donations.

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

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Operating revenue and expenses

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.G. - USE OF ESTIMATES

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2.A. - Budgetary information

The City has adopted the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with the Budget Act, the following process is used to adopt the annual budget:

- a. 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.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. 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.
- d. By July 1, the adopted budget is filed with the Office of the State Auditor and Inspector.

All funds (except those of the Public Trust component units) with revenues and expenditures are required to have annual budgets approved by the City Council. The legal level of control at which expenditures may not legally exceed appropriations is the total department level within a fund. The Budget Act recognizes the following object categories as a control level by department within a fund:

- | | |
|------------------------------|-----------------------|
| - Personal Services | - Capital Outlay |
| - Materials and supplies | - Debt Service |
| - Other Services and Charges | - Interfund Transfers |

All transfers of appropriation between funds and supplemental appropriations require City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

In accordance with Title 60 of the Oklahoma State Statutes, the Harrah Public Works Authority (accounted for as a blended component units in this report) is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control; and, therefore no budget and actual financial presentations for the public trusts are included in this report.

The City prepares its budgets for all funds on the modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. All appropriations and encumbrances outstanding at year-end lapse and any open commitments to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, encumbrances outstanding at year-end are not treated as expenditures in the budget and actual financial statements until the year they become expenditures.

For the year ended June 30, 2009, the City complied, in all material respects, with the applicable budget laws as discussed in Note 1. Supplemental appropriations reflected in the budget amounts reported in the financial statements were properly approved by the City Council. For the year ended June 30, 2009, the following supplemental appropriations were approved:

<u>Fund Type</u>	<u>Original Appropriations</u>	<u>Increase In Appropriations</u>	<u>Revised Appropriations</u>
General Fund	\$ 2,957,416	\$ (24,868)	\$ 2,932,548
Harrah Utilities Authority	1,432,961	(198,764)	1,234,197
Capital Projects Fund	2,283,431	120,759	2,404,190

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, net assets/fund balances, revenues and expenditures/expenses.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.A. - Deposits and Investment Risks:

	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
Deposits			
Demand deposits	\$ <u>1,399,750</u>		
Investments			
Investments held with Bond Trustees:			
JP Morgan US Treasury Money Mkt Fd	<u>516,152</u>	AAAm	N/A
Total Deposits and Investments	\$ <u><u>1,915,902</u></u>		
Reconciliation to Statement of Net Assets			
Cash	\$ 1,399,750		
Investments	\$ <u>516,152</u>		
	<u><u>1,915,902</u></u>		

Custodial Credit Risk - Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties and school districts in the state of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The bank balances of the City's deposits totaled \$1,551,756 at June 30, 2009. At June 30, 2009, the City was not exposed to custodial credit risk as defined above.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

Investment Credit Risk - The City's investment policy limits investments to those allowed in state law applicable to municipalities. These investment limitations are described in Note 2.C. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations - rating agencies - as of the year end. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investments above, at June 30, 2009, all of the City's investments in debt securities were rated either AAAM by Standard and Poor's or Aaa by Moody's Investor Service.

Investment Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its investments.

As noted in the schedule of deposits and investments above, at June 30, 2009, the investments held by the City had no stated maturity dates.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this concentration. At June 30, 2009, the City had no concentration of credit risk as defined above.

3.B. - Receivables

Receivables as of June 30, 2009, for the City of Harrah's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Governmental Funds	Harrah Public Works Authority	Total
Receivables:				
Taxes	\$ 224,624	-	-	224,624
Accounts	15,137	-	174,382	189,519
Due from other governments	-	3,796	-	3,796
Accrued interest	-	-	-	-
Gross receivables	<u>239,761</u>	<u>3,796</u>	<u>174,382</u>	<u>417,939</u>
Less: allowance for uncollectibles	-	-	(91,616)	(91,616)
Net total receivables	<u>\$ 239,761</u>	<u>3,796</u>	<u>82,766</u>	<u>326,323</u>

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.C. - Restricted assets

The Harrah Public Works Authority has issued Utility System and Sales Tax Revenue Notes, Series 2009 which include restricted cash and investments for unexpended construction funds, debt service funds for repayment of the principal and interest when due. All funds are on deposit with trustee banks.

	2008 Sales Tax Revenue Notes	Totals
Restricted assets:		
Debt service	\$ 59,313	59,313
Debt service reserve	-	-
Project funds	456,839	456,839
 Total restricted assets	\$ 516,152	516,152

3.D. - Capital assets

Capital asset balances and activities for the year ended June 30, 2009, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	101,528	0	0	101,528
Total capital assets, not being depreciated	101,528	0	0	101,528
Capital assets, being depreciated:				
Buildings	412,734	59,624	0	472,358
Equipment	738,097	82,340	0	820,437
Vehicles	1,101,460	92,534	0	1,193,994
Infrastructure	1,047,041	33,327	0	1,080,368
Total capital assets, being depreciated	3,299,332	267,825	0	3,567,157
Less accumulated depreciation for:				
Buildings	(213,684)	(10,566)	0	(224,250)
Equipment	(524,312)	(51,292)	0	(575,604)
Vehicles	(819,212)	(85,912)	0	(905,124)
Infrastructure	(347,484)	(59,676)	0	(407,160)
Total accumulated depreciation	(1,904,692)	(207,446)	0	(2,112,138)
Total capital assets, being depreciated, net	1,394,640	60,379	0	1,455,019
Governmental activities capital assets, net	1,496,168	60,379	0	1,556,547

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	0	0	0	0
Construction in progress	0	0	0	0
Total capital assets, not being depreciated	0	0	0	0
Capital assets, being depreciated:				
Buildings	405,000	62,891	0	467,891
Equipment and vehicles	657,630	44,846	0	702,476
Water and sewer infrastructure	12,913,418	14,852	0	12,928,270
Industrial Park	372,826	26,100	0	398,926
Fire station	205,853	0	0	205,853
Total capital assets, being depreciated	14,554,727	148,689	0	14,703,416
Less accumulated depreciation:				
Buildings	(225,188)	(11,223)	0	(236,411)
Equipment and vehicles	(524,352)	(31,892)	0	(556,244)
Water and sewer infrastructure	(4,946,995)	(282,061)	0	(5,229,056)
Industrial Park	(110,078)	(9,918)	0	(119,996)
Fire station	(91,600)	(5,147)	0	(96,747)
Total accumulated depreciation	(5,898,213)	(340,241)	0	(6,238,454)
Total capital assets, being depreciated, net	8,656,514	(191,552)	0	8,464,962
Business-type activities capital assets, net	8,656,514	(191,552)	0	8,464,962

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 22,691
Fire department	55,876
Police department	57,717
Park department	71,162
Total depreciation expense - governmental activities	\$ 207,446
Business-type activities:	
Water and sewer	\$ 335,095
Fire station	5,146
Total depreciation expense - business-type activities	\$ 340,241

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.E. - Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2009, cash and investments included \$48,702 available for refund of customer deposits, while the liability to customers was \$56,884.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2009, \$154 was being held that was subject to refund.

3.F. - Long-term debt

Long-term liabilities of the City of Harrah as of June 30, 2009, are as summarized as follows:

Governmental activities

Judgments payable:

Worker compensation and real property judgments payable in three annual installments including principal and interest; final payment due in fiscal year 2009-2010.	\$	<u>71,745</u>
Total Judgments Payable	\$	<u><u>71,745</u></u>

Business-type activities

Notes payable:

\$2,220,000 promissory note, Series 2004, to the Oklahoma Water Resources Board, dated December 16, 2004, payable in semi-annual installments over 20 years plus interest at 2.600% payable semi-annually, secured by pledged sales taxes, water, and sewer.	\$	1,943,020
\$1,379,564 promissory note, Series 1995, to the Oklahoma Water Resources Board, dated July 31, 1995, payable in semi-annual installments over 15 years plus interest at 2.934% payable semi-annually, secured by equipment, land, and utility revenues.		176,276
\$1,470,000 Utility System and Sales Tax Revenue Note, Series 2008, payable in semi-annual installments ranging from \$35,000 to \$70,000 over 13 years plus interest due at 3.73% secured by pledged sales taxes, water and sewer revenues.		<u>1,390,000</u>
Total notes payable		<u><u>3,509,296</u></u>
Total business-type activities	\$	<u><u>3,509,296</u></u>

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

Long-term liabilities transactions for the year ended June 30, 2009, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Judgments payable	\$ 143,491	\$ 0	\$ 71,746	\$ 71,745	\$ 71,745
Accrued compensated absences	62,808	0	21,972	40,836	
Total governmental activities	<u>206,299</u>	<u>0</u>	<u>93,718</u>	<u>112,581</u>	<u>71,745</u>
Business-type activities					
Notes payable:					
OWRB Series 2004	2,032,760	0	89,740	1,943,020	90,000
OWRB Series 1995	289,594	0	113,318	176,276	116,667
Revenue Note Series 2008	1,470,000	0	80,000	1,390,000	90,000
Accrued compensated absences	33,917	0	19,297	14,620	
Total business-type activities	<u>3,826,271</u>	<u>0</u>	<u>302,355</u>	<u>3,523,916</u>	<u>296,667</u>
Total government	\$ <u>4,032,570</u>	\$ <u>0</u>	\$ <u>396,073</u>	\$ <u>3,636,497</u>	\$ <u>368,412</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, with interest rates applicable at June 30, 2009 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	71,745	4,458	317,667	113,824
2011	0	0	270,609	102,654
2012	0	0	211,000	94,454
2013	0	0	211,000	87,282
2014	0	0	221,000	79,832
2015-2019	0	0	1,165,000	281,711
2020-2024	0	0	835,000	98,240
2025-2029	0	0	222,000	12,076
	<u>71,745</u>	<u>4,458</u>	<u>3,453,276</u>	<u>870,073</u>

3.G. - Debt issuance costs

Debt issuance costs of \$122,515 have been capitalized and are being amortized on the straight line basis over the term of the relevant note issues. During the year ended June 30, 2009, \$11,542 in debt issuance costs was amortized.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.H. - Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	HPWA	\$ 27,158
General fund	Municipal court	7,511
HPWA	Meter deposits	8,182
Total		<u>\$ 42,851</u>

Interfund transactions:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Capital Impr. Fund	\$ 882,216
Capital Impr. Fund	General Fund	47,200
Capital Impr. Fund	HPWA	589,797
Total		<u>\$ 1,519,213</u>

NOTE 4 - OTHER NOTES

4.A. - 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 insurance for the major risks such as property, general liability, workers' compensation, and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to City buildings and mobile equipment.

4.B. - Contingent liabilities

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

The City is party to legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 4 - OTHER NOTES - Continued

4.C. - Employee retirement systems and pension plans

The City of Harrah participates in the Oklahoma State Police Pension and Retirement System (OPPRS) and the Oklahoma State Firefighters' Pension and Retirement System (OFPRS), both of which are cost-sharing multi-employer defined benefit pension plans administered by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City of Harrah maintains a defined benefit plan and an optional deferred compensation plan (the Plan).

Oklahoma State Police Pension and Retirement System

Plan Description - The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the state legislature. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116-7339, or by calling 1-405-840-3555.

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary, and the City of Harrah contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2009, for employees and employer were \$24,644 and \$40,047, respectively, on covered payroll of \$308,055.

Oklahoma State Firefighters' Pension and Retirement System

Plan Description - The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the state legislatures. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the firefighting employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105, or by calling 1-405-525-7813.

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary, and the City of Harrah contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2009, for employees and employer were \$10,939 and \$17,777, respectively, on covered payroll of \$136,741.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 4 - OTHER NOTES - Continued

Oklahoma Municipal Retirement Fund Employee Retirement System

Plan Description - The Oklahoma Municipal Retirement Fund Employee Retirement System, (the Plan) is a defined benefit retirement plan covering City employees not covered by other plans. The Plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). The OMRF board of trustees retains Bank One as custodian to hold the Plan assets which are invested by various professional managers. All regular, full-time City employees not covered by other plans are required to participate in the Plan. Benefits vest after five years of service. Effective July 1, 1999, employees who retire at age 65 or completion of five years of service, if later, are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.625% of final average compensation multiplied by the number of years of credited service.

An employee is eligible for an early retirement benefit upon attaining age 55 and completion of five years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the amount of benefit will be actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

A participant who becomes totally and permanently disabled after completion of five years of service will be entitled to a disability benefit computed as an early retirement benefit based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age if the employee is also eligible for a disability benefit from Social Security.

Employee contributions are returned with interest if their employment is terminated prior to completion of five years of service. A death benefit is payable after five years of service based on 50.0% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse. For a vested single participant, 50.0% of the accrued benefit is payable for 60 months certain.

Funding Policy - The following amount shown as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the Plan.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 4 - OTHER NOTES - Continued

The actuarial accrued liability was computed as part of an actuarial valuation dated March 31, 2009. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.50% compounded annually, and 2) future salary increases of 5.0% per year.

Net assets available for benefits at actuarial value were less than the total actuarial liability (entry age normal) by \$326,823 at January 1, 2009, (the most recent information available) as follows:

Actuarial liability:	
Retirees, survivors, and deferred vested	\$ 418,002
Active employees	888,626
Total	1,306,628
Net assets available for benefits (actuarial value)	(979,805)
Unfunded actuarial liability	\$ 326,823

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method. Unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll over a period of 30 years.

For the year ended June 30, 2009, the City's payroll for all employees and the City's total covered payroll were \$929,782 and \$575,549, respectively. Covered payroll refers to all compensation paid by the City of Harrah to active employees covered by the Plan on which contributions are based.

For the year ended June 30, 2009, employees were required to contribute 5.25% of annual compensation, while the City contributed the remaining amounts necessary to fund the pension plan, using an actuarial basis. The City's contribution rate for the year ended June 30, 2009, was 12.0%. Contributions to the Plan for payroll for the year ended June 30, 2009, for employees and employer were \$30,219 and \$69,060, respectively.

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 4 - OTHER NOTES - Continued

The schedule of funding progress for the Plan for the past ten years (only information available) is as follows:

Actuarial Valuation Date	Value of Assets Available For Benefits	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percentage Funded	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/08	\$ 979,806	1,306,628	326,823	75.0%	501,262	65.2%
01/01/07	860,483	1,209,241	348,757	71.2%	525,339	66.4%
01/01/06	746,898	914,504	167,606	81.7%	443,631	37.8%
01/01/05	667,117	911,455	244,339	73.2%	452,879	54.0%
01/01/04	576,303	835,434	259,132	69.0%	443,315	58.5%
01/01/03	503,062	808,773	305,711	62.2%	379,684	80.5%
01/01/02	491,674	619,075	127,401	79.4%	353,607	36.0%
01/01/01	455,044	592,156	137,112	76.8%	382,004	35.9%
01/01/00	394,445	524,089	129,644	75.3%	388,627	33.4%
01/01/99	314,568	456,721	142,153	68.9%	307,265	46.3%

The amounts shown for valuation prior to January 1, 1998, are the pension benefit obligation (PBO) as defined in GASB Statement No. 5, *Accounting for Contingencies*. GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, which replaced GASB Statement No. 5, requires that the actuarial accrued liability used to fund the Plan be used to measure funding progress.

Deferred Compensation Plan

Plan Description - The City of Harrah also offers a deferred compensation plan in accordance with Section 457 of the *Internal Revenue Code*. Employee participation is optional. The City makes no contributions to the Deferred Compensation Plan which the employees may contribute up to a maximum of 25% of compensation of \$7,500 annually, whichever is less. Vesting in such contributions is 100% immediately.

Funding Policy - For the year ended June 30, 2009, elective employee contributions totaled \$4,013.

4.D. - Restatement of Beginning Net Assets:

	Governmental Activities
Beginning Net Assets, as previously stated	
Correction of Errors:	
Overstated Property and Equipment	(101,528)
Beginning Net Assets, as restated	\$ (101,528)

City of Harrah, Oklahoma
Notes to Financial Statements
June 30, 2009

NOTE 4 - OTHER NOTES - Continued

4.D. - Subsequent event:

The Harrah Public Works Authority has entered into a loan agreement with the Oklahoma Water Resources Board to fund the construction of wastewater treatment plant improvements up to a maximum amount of \$1,930,000. As of June 30, 2009 the Authority has not drawn any funds related to this project.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Harrah, Oklahoma
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2009

	Budget		Actual	Variance with Final Budget Over
	Original	Final		(Under)
REVENUES				
Taxes	\$ 2,113,553	1,929,866	2,066,192	136,326
Intergovernmental	0	27,504	12,485	(15,019)
Licenses and permits	44,083	34,141	40,413	6,272
Charge for services	452,951	375,483	396,561	21,078
Fines and forfeitures	70,000	62,751	83,522	20,771
Interest	0	9,168	5,131	(4,037)
Miscellaneous	51,465	172,821	20,893	(151,928)
Total revenues	<u>2,732,052</u>	<u>2,611,734</u>	<u>2,625,197</u>	<u>13,463</u>
EXPENDITURES				
General government:				
General government	1,474,918	736,873	528,870	208,003
Managerial	88,025	70,495	64,504	5,991
Office	205,263	193,165	189,763	3,402
Code enforcement	68,440	0	0	0
Contract services	19,308	19,308	18,999	309
Public safety:				
Police	683,128	666,350	605,090	61,260
Fire	363,334	371,485	272,799	98,686
Culture and recreation:				
Senior citizen center	55,000	48,900	41,653	7,247
Total expenditures	<u>2,957,416</u>	<u>2,106,576</u>	<u>1,721,678</u>	<u>384,898</u>
Excess (deficiency) of revenues over (under) expenditures	(225,364)	505,158	903,519	398,361
OTHER FINANCING SOURCES (USES)				
Transfers	0	(825,972)	(882,216)	(56,244)
Net change in fund balances	(225,364)	(320,814)	21,303	342,117
Fund balances - beginning	225,364	320,814	485,592	164,778
Fund balances - ending	<u>\$ 0</u>	<u>0</u>	<u>506,895</u>	<u>506,895</u>

See accompanying notes to the basic financial statements.

**OTHER SUPPLEMENTARY
INFORMATION**

City of Harrah, Oklahoma
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2009

	Special Revenue					Debt Service Fund	Total Nonmajor Governmental Funds
	Street & Alley	Harrah Ind. Econ. Dev. Trust	Park Funds	Dare Special Projects	K-9 Fund		
ASSETS							
Cash and cash equivalents	\$ 96,290	105,411	11,635	55	2,195	3,678	219,264
Investments	0	0	0	0	0	0	0
Receivables, net	3,796	0	0	0	0	0	3,796
Due from other funds	0	0	0	0	0	0	0
TOTAL	<u>100,086</u>	<u>105,411</u>	<u>11,635</u>	<u>55</u>	<u>2,195</u>	<u>3,678</u>	<u>223,060</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	0	0	0	0	0	0	0
Deposits	0	0	200	0	0	0	200
Total Liabilities	<u>0</u>	<u>0</u>	<u>200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200</u>
Fund balances:							
Unreserved:							
Designated	100,086	105,411	11,435	55	2,195	3,678	222,860
Total Fund Balances	<u>100,086</u>	<u>105,411</u>	<u>11,435</u>	<u>55</u>	<u>2,195</u>	<u>3,678</u>	<u>222,860</u>
TOTAL	<u>\$ 100,086</u>	<u>105,411</u>	<u>11,635</u>	<u>55</u>	<u>2,195</u>	<u>3,678</u>	<u>223,060</u>

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma
 Nonmajor Governmental Funds
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2009

	Special Revenue					Debt Service Fund	Total Nonmajor Governmental Funds
	Street & Alley	Harrah Ind. Econ. Dev. Trust	Park Funds	Dare Special Projects	K-9 Fund		
REVENUES							
Taxes	\$ 43,368	0	0	0	0	76,028	119,396
Intergovernmental	0	19,329	0	0	0	0	19,329
Charge for services	0	0	3,660	0	0	0	3,660
Interest	0	119	63	0	2	184	368
Miscellaneous	0	85,509	1,360	0	2,000	0	88,869
Total revenues	<u>43,368</u>	<u>104,957</u>	<u>5,083</u>	<u>0</u>	<u>2,002</u>	<u>76,212</u>	<u>231,622</u>
EXPENDITURES							
Maintenance & operations	24,309	0	8,033	0	656	0	32,998
Capital outlay	0	35,521	0	0	0	0	35,521
Debt service	0	0	0	0	0	83,842	83,842
Total expenditures	<u>24,309</u>	<u>35,521</u>	<u>8,033</u>	<u>0</u>	<u>656</u>	<u>83,842</u>	<u>152,361</u>
Excess (deficiency) of revenues over expenditures	<u>19,059</u>	<u>69,436</u>	<u>(2,950)</u>	<u>0</u>	<u>1,346</u>	<u>(7,630)</u>	<u>79,261</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	0	0	0	0	0	0	0
Transfers out	0	0	0	0	0	0	0
Total other financing sources and uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	19,059	69,436	(2,950)	0	1,346	(7,630)	79,261
Fund balances-beginning	81,027	35,975	14,385	55	849	11,308	143,599
Fund balances-ending	<u>\$ 100,086</u>	<u>105,411</u>	<u>11,435</u>	<u>55</u>	<u>2,195</u>	<u>3,678</u>	<u>222,860</u>

See accompanying notes to the basic financial statement.

DILLON & ASSOCIATES, P.C.

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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 Members
City of Harrah, 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 Harrah, Oklahoma, as of and for the year ended June 30, 2009, which collectively comprise the City of Harrah's basic financial statements and have issued our report thereon dated August 28, 2009. 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 Harrah, Oklahoma's internal control over financial reporting as a basis for 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 City of Harrah's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Harrah, Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described below to be significant deficiencies in internal control over financial reporting.

09-1. Annual Financial Statement Preparation

Criteria - General accepted auditing standards require management to have individuals employed who possess the qualifications and training necessary to prepare the annual financial statements and notes to financial statements.

Condition - The City of Harrah relies on the audit firm to prepare draft financial statements and proposed accrual entries for their review and approval.

Cause - The City lacks individuals qualified or trained with skills necessary to prepare the annual financial statements.

Effect - The lack of qualified and trained individuals creates an internal control deficiency over financial reporting.

Recommendation - The City of Harrah should consider hiring or training current employees to prepare the annual financial statement and notes to the financial statement.

City's Response - We are reviewing the cost and benefits of hiring an individual qualified and trained in the preparation of annual financial statements in accordance with generally accepted accounting principles.

09-2. Bank Reconciliations

Criteria - The City should reconcile all bank accounts on a timely basis..

Condition - The City of Harrah has not prepared monthly bank reconciliations on the claims account and the payroll account since installing their new accounting system in April, 2009.

Cause - The City's internal control monitoring procedures did not require timely preparation and review of the account reconciliations.

Effect - Documentation supporting the internal control function is missing.

Recommendation - The City of Harrah should insure their internal control monitoring procedures include monthly reconciliations of all bank accounts.

City's Response - We have subsequently prepared all required bank reconciliations and recorded transfers from other funds where needed.

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 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 internal control that might be significant deficiencies that are also considered to be material weaknesses. However of the significant deficiencies described above, we consider items 09-01 and 09-02 to be a material weakness.

Compliance and Other Matters

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

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

Dillon & Associates, P.C.

Midwest City, Oklahoma
August 28, 2009

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

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
<u>Federal Emergency Management Agency</u>				
Passed through Oklahoma Department of Civil Emergency Management:				
Hazard Mitigation Grant	97.039		\$ 30,000	28,000
Public Assistance Grant	97.036	FEMA-1735-DR-OK	20,587	20,587
Total Federal Emergency Management Agency			50,587	48,587
<u>U.S. Department of Housing and Urban Development</u>				
EDI - Special Projects	14.251	B-05-SP_OK-0616	248,000	19,079
Total U.S. Department of Housing and Urban Development			248,000	19,079
<u>U.S. Department of Justice</u>				
Passed through Oklahoma District Attorneys Council:				
JAG-LLE Equipment	16.580	J08-066	3,035	3,035
Total U.S. Department of Justice			3,035	3,035
Total Federal Assistance			301,622	70,701
STATE PROGRAMS				
<u>State of Oklahoma</u>				
Oklahoma Department of Agriculture				
Rural Fire Program			5,100	5,100
Oklahoma State Arts Council				
Small Grant Support		09-4212	1,500	1,500
Total State of Oklahoma			6,600	6,600
Total Federal and State Assistance			\$ 308,222	77,301

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.