

**CITY OF HARRAH, OKLAHOMA**  
**Report on Audit of Financial Statements**  
**June 30, 2010**

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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, 2010, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrah, Oklahoma, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2010, 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 considered in assessing the results of our audit.

The 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 introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

***Dillon & Associates, P.C.***

Midwest City, Oklahoma  
September 23, 2010

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Harrah**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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, 2010. 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 \$9,363,781 (net assets). Of this amount, \$662,868 (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 \$641,914 for the year ended June 30, 2010.
- ❖ As of the close of the current fiscal year the City of Harrah's governmental funds reported combined ending fund balances of \$1,298,966, a decrease of \$284,365 in comparison with the prior year.
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$367,280, or 19.75% of total general fund expenditures.
- ❖ The City of Harrah's total debt increased by \$734,235 during the current fiscal year. The key factors were the issuance of the Oklahoma Water Resources Board note and 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).

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.

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**Management's Discussion and Analysis**  
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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 12-14 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.

The basic governmental fund financial statements can be found on pages 15-17 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 18-20 of this report.

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**Management's Discussion and Analysis**  
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***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 21 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 22-40 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 41 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 42-43 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 \$9,363,781 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (77.45%) 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.

**City of Harrah  
Management's Discussion and Analysis  
June 30, 2010**

Table 1  
Net Assets  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 1,299	1,584	920	797	2,219	2,381
Capital assets	1,775	1,556	9,792	8,465	11,567	10,021
Total assets	<u>3,074</u>	<u>3,140</u>	<u>10,712</u>	<u>9,262</u>	<u>13,786</u>	<u>12,402</u>
Long-term debt outstanding	-	72	4,315	3,509	4,315	3,581
Other liabilities	38	41	69	58	107	99
Total liabilities	<u>38</u>	<u>113</u>	<u>4,384</u>	<u>3,567</u>	<u>4,422</u>	<u>3,680</u>
Net assets:						
Invested in capital assets, net of debt	1,775	1,556	5,477	5,413	7,252	6,969
Restricted	932	1,029	517	59	1,449	1,088
Unrestricted	329	442	334	223	663	665
Total net assets	<u>\$ 3,036</u>	<u>3,027</u>	<u>6,328</u>	<u>5,695</u>	<u>9,364</u>	<u>8,722</u>

The government's net assets increased by \$641,914 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, 2010**

Table 2  
Changes in Net Assets  
(In Thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services \$	434	441	696	662	1,130	1,103
Operating grants	15	25	-	-	15	25
Capital grants	226	39	596	12	822	51
<b>General revenues</b>						
Sales and use taxes	1,231	1,397	463	441	1,694	1,838
Franchise tax (fees)	219	198	-	-	219	198
Other taxes	224	150	-	-	224	150
Fines/forfeitures	66	84	-	-	66	84
Investment income	7	24	-	5	7	29
Other	59	119	15	6	74	125
Total revenues	<u>2,481</u>	<u>2,477</u>	<u>1,770</u>	<u>1,126</u>	<u>4,251</u>	<u>3,603</u>
<b>Expenses:</b>						
General government	745	461	-	-	745	461
Public safety	1,042	1,097	-	-	1,042	1,097
Public works	134	50	-	-	134	50
Cultural & recreation	164	215	-	-	164	215
Water/wastewater	-	-	1,167	1,263	1,167	1,263
Sanitation	357	354	-	-	357	354
Total expenses	<u>2,442</u>	<u>2,177</u>	<u>1,167</u>	<u>1,263</u>	<u>3,609</u>	<u>3,440</u>
<b>Increase in net assets</b>						
before transfers	39	300	603	(137)	642	163
Transfers	(30)	(149)	30	149	-	-
Change in net assets	9	151	633	12	642	163
Beginning net assets	3,027	2,978	5,695	5,683	8,722	8,661
Prior period adjust.	-	(102)	-	-	-	(102)
Ending net assets \$	<u><u>3,036</u></u>	<u><u>3,027</u></u>	<u><u>6,328</u></u>	<u><u>5,695</u></u>	<u><u>9,364</u></u>	<u><u>8,722</u></u>

**City of Harrah**  
**Management's Discussion and Analysis**  
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**Governmental activities.** Governmental activities increased the City's net assets by \$8,238. 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 \$633,676. The key element in this increase is \$595,984 in grant revenues for the reduction of the OWRB debt.

#### **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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,298,966, a decrease of \$284,365, in comparison with the prior year. Approximately 30% of this total amount, \$390,886 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 \$367,280. 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 19.75% of total general fund expenditures and transfers out.

The fund balance of the City's general fund decreased by \$186,815 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 \$333,918. The total increase in net assets was \$633,676, which include grant income of \$595,984.

- Operating revenues increased by \$34,586 from the prior year, mainly to water and sewer revenue.
- Operating expenses (excluding depreciation) decreased by \$46,757 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 \$1,617,660 were \$1,004,527 less than the estimated revenues in the budget of \$2,622,187. Actual expenditures of \$1,859,475 were \$1,097,176 less than the \$2,956,651 approved in budget appropriations. After transfers in of \$55,000 to other governmental funds, the City reduced its carryforward funds by \$186,815. The amount of carryover funds budget for expenditure was \$367,280.

City of Harrah  
Management's Discussion and Analysis  
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**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, 2010, amounts to \$11,567,201 (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.
- Construction of waste water treatment plant.

Table 3  
Capital Assets  
(In Thousands)

	Governmental Activities <u>2010</u>	Business-type Activities <u>2010</u>	Total <u>2010</u>
Land and construction in progress	\$ 102	1,639	1,741
Building and improvements	503	468	971
Machinery and equipment	906	723	1,629
Vehicles	1,405	-	1,405
Infrastructure	1,187	13,542	14,729
	<u>4,103</u>	<u>16,372</u>	<u>20,475</u>
Less : Accumulated depreciation	<u>2,328</u>	<u>6,580</u>	<u>8,908</u>
Net capital assets	<u>\$ 1,775</u>	<u>9,792</u>	<u>11,567</u>

	Governmental Activities <u>2009</u>	Business-type Activities <u>2009</u>	Total <u>2009</u>
Land	\$ 102	-	102
Building and improvements	472	468	940
Machinery and equipment	820	702	1,522
Vehicles	1,194	-	1,194
Infrastructure	1,080	13,533	14,613
	<u>3,668</u>	<u>14,703</u>	<u>18,371</u>
Less : Accumulated depreciation	<u>2,112</u>	<u>6,238</u>	<u>8,350</u>
Net capital assets	<u>\$ 1,556</u>	<u>8,465</u>	<u>10,021</u>

**City of Harrah**  
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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 \$4,315,276. This represents debt secured solely by specified revenue sources (i.e., revenue notes).

Table 4  
 Outstanding Debt  
 (In Thousands)

	Governmental Activities <u>2010</u>	Business-type Activities <u>2010</u>	Total <u>2010</u>
Notes payable	\$ -	4,315	4,315
Other	-	-	-
Net long-term debt	<u>\$ -</u>	<u>4,315</u>	<u>4,315</u>

	Governmental Activities <u>2009</u>	Business-type Activities <u>2009</u>	Total <u>2009</u>
Notes payable	\$ -	3,509	3,509
Other	72	-	72
Net long-term debt	<u>\$ 72</u>	<u>3,509</u>	<u>3,581</u>

The City's total debt increased by \$734,235 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.

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

The City's elected and appointed officials considered many factors when setting the fiscal-year 2010-2011 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 2010-2011.

**City of Harrah**  
**Management's Discussion and Analysis**  
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- ❖ 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, 2010.
- ❖ As for the City's proprietary fund activities, we expect growth in the revenues and expenses over those received in 2010 due to a water and sewer rate increase.

All of these factors were considered in preparing the City's budget for the 2010-2011 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$367,280. The City has this amount available for spending in the 2010-2011 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2010-2011 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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 1,046,503	127,209	1,173,712
Receivables (net of allowance for uncollectibles)	82,565	81,791	164,356
Internal balances	29,554	(20,033)	9,521
Receivables from other governments	140,344	37,610	177,954
Bond issue cost (net of accumulated amortization)	-	175,617	175,617
Restricted assets:			
Restricted cash and investments	-	517,301	517,301
Capital assets:			
Land, improvements, and construction in progress	101,528	1,638,773	1,740,301
Other capital assets, net of depreciation	1,673,371	8,153,529	9,826,900
Total assets	<u>3,073,865</u>	<u>10,711,797</u>	<u>13,785,662</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	-	3,284	3,284
Compensated absences payable	38,330	27,294	65,624
Notes payable, current	-	309,210	309,210
Liabilities payable from restricted assets	-	37,696	37,696
Notes payable, non-current	-	4,006,067	4,006,067
Total liabilities	<u>38,330</u>	<u>4,383,551</u>	<u>4,421,881</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,774,899	5,477,027	7,251,926
Restricted for:			
Special revenue projects	23,606	-	23,606
Capital projects	908,080	456,884	1,364,964
Debt service	-	60,417	60,417
Unrestricted (deficit)	328,950	333,918	662,868
Total net assets	<u>\$ 3,035,535</u>	<u>6,328,246</u>	<u>9,363,781</u>

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 1,101,805	41,031	-	-	(1,060,774)
Public safety:					
Police	607,854	66,209	-	-	(541,645)
Fire	434,063	-	8,748	30,000	(395,315)
Public works	133,635	389,821	6,223	172,253	434,662
Culture and recreation	163,635	-	-	24,200	(139,435)
<b>Total government activities</b>	<u>2,440,992</u>	<u>497,061</u>	<u>14,971</u>	<u>226,453</u>	<u>(1,702,507)</u>
Business-type activities:					
Water and sewer	1,167,372	696,235	-	595,984	124,847
<b>Total business-type activities</b>	<u>1,167,372</u>	<u>696,235</u>	<u>-</u>	<u>595,984</u>	<u>124,847</u>
<b>Total primary government</b>	<u><u>3,608,364</u></u>	<u><u>1,193,296</u></u>	<u><u>14,971</u></u>	<u><u>822,437</u></u>	<u><u>(1,577,660)</u></u>

City of Harrah, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Change in net assets:</b>			
<b>Net (expense) revenue</b>	\$ (1,702,507)	124,847	(1,577,660)
<b>General revenues:</b>			
<b>Taxes:</b>			
Sales taxes	1,165,227	463,019	1,628,246
Use taxes	65,761	-	65,761
Franchise taxes (fees)	219,352	-	219,352
Other taxes	224,165	-	224,165
Unrestricted investment income	7,082	671	7,753
Miscellaneous	59,125	15,172	74,297
<b>Transfers</b>	(29,967)	29,967	-
<b>Total general revenues and transfers</b>	1,710,745	508,829	2,219,574
<b>Change in net assets</b>	8,238	633,676	641,914
<b>Net assets - beginning</b>	3,027,297	5,694,570	8,721,867
<b>Net assets - ending</b>	\$ 3,035,535	6,328,246	9,363,781

See accompanying notes to the basic financial statement.

**City of Harrah, Oklahoma**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2010**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 156,277	776,305	113,921	1,046,503
Receivables - Accounts, net	78,715	-	3,850	82,565
Receivables - Taxes	102,734	37,610		140,344
Due from other funds	29,554	94,165	-	123,719
	367,280	908,080	117,771	1,393,131
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Customer deposits	-	-	-	-
Due to other funds	-	-	94,165	94,165
	-	-	94,165	94,165
Fund balances:				
Reserved for:				
Capital outlay/improvements	-	908,080	-	908,080
Unreserved, reported in:				
General fund	367,280	-	-	367,280
Special revenue funds	-	-	23,606	23,606
	367,280	908,080	23,606	1,298,966
Total liabilities and fund balances	\$ 367,280	908,080	117,771	
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.				1,774,899
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:				
Accrued compensated absences				38,330
Net assets of governmental activities				\$ 3,112,195

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, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,092,612	463,019	118,874	1,674,505
Intergovernmental	14,971	226,453	-	241,424
Licenses and permits	41,031	-	-	41,031
Charge for services	386,651	-	3,170	389,821
Fines and forfeitures	66,209	-	-	66,209
Interest	1,527	5,377	178	7,082
Miscellaneous	14,659	23,710	20,756	59,125
Total revenues	<u>1,617,660</u>	<u>718,559</u>	<u>142,978</u>	<u>2,479,197</u>
<b>EXPENDITURES</b>				
Current:				
General government	556,987	129,678	195,474	882,139
Managerial	135,254	-	-	135,254
Office	202,965	-	-	202,965
Police	628,052	45,826	2,279	676,157
Fire	289,963	162,701	-	452,664
Senior citizens center	46,254	19,485	-	65,739
Parks	-	88,748	21,113	109,861
Public works	-	85,450	48,185	133,635
Debt service	-	-	75,181	75,181
Total expenditures	<u>1,859,475</u>	<u>531,888</u>	<u>342,232</u>	<u>2,733,595</u>
Excess (deficiency) of revenues over expenditures	<u>(241,815)</u>	<u>186,671</u>	<u>(199,254)</u>	<u>(254,398)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	55,000	-	-	55,000
Transfers out	-	(84,967)	-	(84,967)
Total other financing sources and uses:	<u>55,000</u>	<u>(84,967)</u>	<u>-</u>	<u>(29,967)</u>
Net change in fund balances	(186,815)	101,704	(199,254)	(284,365)
Fund balances-beginning	554,095	806,376	222,860	1,583,331
Fund balances-ending	<u>\$ 367,280</u>	<u>908,080</u>	<u>23,606</u>	<u>1,298,966</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, 2010*

Net change in fund balances - total governmental funds \$ (284,365)

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	434,079
Depreciation expense	(215,727)
	218,352

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	71,745
Change in accrued compensated absences	2,506
	74,251

Change in net assets of governmental activities. \$ 8,238

City of Harrah, Oklahoma  
Proprietary Funds  
Statement of Net Assets  
June 30, 2010

	Harrah Public Works <u>Authority</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 127,209
Receivables	
Accounts, net of allowance for uncollectibles	81,791
Taxes	37,610
Due from other funds	7,125
Restricted assets - cash and investments	517,301
Total current assets	771,036
Non-current assets:	
Bond issuance costs, net of accumulated amortization	175,617
Capital assets, net of accumulated depreciation	9,792,302
Total non-current assets	9,967,919
Total assets	10,738,955
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued liabilities	3,284
Accrued interest payable	37,696
Due to other funds	27,158
Current portion of long-term obligations	309,210
Total current liabilities	377,348
Non-current liabilities:	
Notes payable	4,006,067
Accrued compensated absences	27,294
Total non-current liabilities	4,033,361
Total liabilities	4,410,709
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,477,027
Restricted:	
Debt service	60,417
Construction	456,884
Unrestricted	333,918
Total net assets	\$ 6,328,246

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, 2010

	Harrah Public Works Authority
<u>OPERATING REVENUES:</u>	
Charges for services	
Water	\$ 432,290
Wastewater	242,058
Other	21,887
Total operating revenues	696,235
<u>OPERATING EXPENSES:</u>	
Personal services	512,779
Maintenance and operations	185,923
Depreciation and amortization	350,696
Total operating expenses	1,049,398
Operating income (loss)	(353,163)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Miscellaneous revenues	15,172
Sales tax	463,019
Grant income	595,984
Interest income	671
Interest expense and fiscal charges	(117,974)
Total nonoperating revenues (expenses)	956,872
<u>OPERATING TRANSFERS</u>	
Transfers in	29,967
Transfers out	-
Total operating transfers	29,967
Change in net assets	633,676
Net assets - beginning	5,694,570
Net assets-ending	\$ 6,328,246

See accompanying notes to the basic financial statement.

City of Harrah, Oklahoma  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2010

	Harrah Public Works <u>Authority</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$ 697,211
Payments to suppliers	(364,831)
Payments to employees	(360,145)
Net cash provided (used) by operating activities	<u>(27,765)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Miscellaneous revenues	15,172
Operating transfers in (out)	29,967
Net cash provided (used) by noncapital financing activities	<u>45,139</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Proceeds from long-term financing	1,701,173
Principal paid on long-term debt	(895,194)
Debt issuance costs	(62,400)
Interest expense and fiscal charges	(117,974)
Sales tax income	463,019
Grant income	595,984
(Increase) decrease in restricted assets	(1,149)
(Acquisition) disposition of capital assets	(1,668,740)
Net cash provided (used) by capital and related financing activities	<u>14,719</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received	671
Net cash provided (used) by investing activities	<u>671</u>
Net increase (decrease) in cash and cash equivalents	32,764
Cash and cash equivalents, beginning of the year	94,445
Cash and cash equivalents, end of the year	<u><u>127,209</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating income (loss)	(353,163)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	350,696
Change in assets and liabilities:	
(Increase) decrease in receivables	(36,635)
(Increase) decrease in due from other funds	1,057
Increase (decrease) in accounts payable and accrued expenses	10,280
Total adjustments	<u>325,398</u>
Net cash provided by (used in) operating activities	<u>\$ (27,765)</u>

See accompanying notes to the basic financial statement.

**City of Harrah, Oklahoma**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2010**

	Agency Funds	
	Municipal Court Fund	Meter Deposit Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,054	63,605
Total assets	2,054	63,605
<b>LIABILITIES</b>		
Customer deposits	-	56,480
Due to bondholders	-	-
Due to other funds	2,396	7,125
Total liabilities	2,396	63,605
<b>NET ASSETS</b>	\$ (342)	-

See accompanying notes to the basic financial statement.

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

**City of Harrah, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2010*

**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.

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.

City of Harrah, Oklahoma  
Notes to Financial Statements  
June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*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.

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.

City of Harrah, Oklahoma  
Notes to Financial Statements  
June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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."

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.

City of Harrah, Oklahoma  
Notes to Financial Statements  
June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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 \$1,500 (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.

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
Six to ten years	96
Greater than eleven 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 of 800 hours. 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.

**City of Harrah, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2010*

**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.

**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.

**City of Harrah, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*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.

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.

**City of Harrah, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

**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, 2010*

**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, 2010, 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.

**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.

**3.A. - Deposits and Investment Risks:**

	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
<b>Deposits</b>			
Demand deposits	\$ <u>1,173,712</u>		
<b>Investments</b>			
Investments held with Bond Trustees:			
JP Morgan US Treasury Money Mkt Fd	<u>517,302</u>	AAAm	N/A
<b>Total Deposits and Investments</b>	<b>\$ <u><u>1,691,013</u></u></b>		
 <b>Reconciliation to Statement of Net Assets</b>			
Cash	\$ 1,173,712		
Investments	<u>517,302</u>		
	<b>\$ <u><u>1,691,013</u></u></b>		

**City of Harrah, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2010*

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

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 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 \$1,336,229 at June 30, 2010. At June 30, 2010, the City was not exposed to custodial credit risk as defined above.

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, 2010, 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, 2010, 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, 2010, the City had no concentration of credit risk as defined above.

City of Harrah, Oklahoma  
Notes to Financial Statements  
June 30, 2010

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

**3.B. - Receivables**

Receivables as of June 30, 2010, 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 <u>Fund</u>	Capital Project <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Harrah Public Works <u>Authority</u>
Receivables:				
Taxes	\$ 102,734	37,610	-	37,610
Accounts	36,776	-	-	177,024
Due from other governments	60,100	-	3,850	-
Gross receivables	<u>199,610</u>	<u>37,610</u>	<u>3,850</u>	<u>214,634</u>
Less: Allowance for uncollectibles	18,161	-	-	95,233
Net total receivables	<u>\$ 181,449</u>	<u>37,610</u>	<u>3,850</u>	<u>119,401</u>

**3.C. - Restricted assets**

The Harrah Public Works Authority has issued Utility System and Sales Tax Revenue Notes, Series 2008 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.

Utility Sales Tax Revenue Bonds, Series 2008 :

Project account	\$ 456,884
Debt service	60,417
Debt service reserve	-
Total restricted assets	<u>\$ 517,301</u>

**City of Harrah, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2010**

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

**3.D. - Capital assets**

Capital asset balances and activities for the year ended June 30, 2010, were as follows:

***Governmental activities***

Capital assets not being depreciated :

Land	\$	101,528	-	-	101,528
Total capital assets not being depreciated		<u>101,528</u>	<u>-</u>	<u>-</u>	<u>101,528</u>

Capital assets being depreciated :

Buildings and improvements	472,358	30,307	-	502,665
Machinery and equipment	820,437	86,278	-	906,715
Vehicles	1,193,994	210,732	-	1,404,726
Infrastructure	1,080,368	106,762	-	1,187,130
Total capital assets being depreciated	<u>3,567,157</u>	<u>434,079</u>	<u>-</u>	<u>4,001,236</u>

Less accumulated depreciation for :

Buildings and improvements	(224,250)	(14,834)	-	(239,084)	
Machinery and equipment	(575,604)	(51,500)	-	(627,104)	
Vehicles	(905,124)	(87,502)	-	(992,626)	
Infrastructure	(407,160)	(61,891)	-	(469,051)	
Total accumulated depreciation	<u>(2,112,138)</u>	<u>(215,727)</u>	<u>-</u>	<u>(2,327,865)</u>	
Total capital assets being depreciated, net	<u>1,455,019</u>	<u>218,352</u>	<u>-</u>	<u>1,673,371</u>	
Governmental activities capital assets, net	<u>\$</u>	<u>1,556,547</u>	<u>218,352</u>	<u>-</u>	<u>1,774,899</u>

***Business-type activities***

Capital assets not being depreciated :

Construction in progress	\$	-	1,638,773	-	1,638,773
Total capital assets not being depreciated		<u>-</u>	<u>1,638,773</u>	<u>-</u>	<u>1,638,773</u>

Capital assets being depreciated :

Buildings and improvements	467,891	-	-	467,891
Equipment and vehicles	702,476	20,267	-	722,743
Water and sewer infrastructure	12,928,270	9,699	-	12,937,969
Industrial Park	398,926	-	-	398,926
Fire station	205,853	-	-	205,853
Total capital assets being depreciated	<u>14,703,416</u>	<u>29,966</u>	<u>-</u>	<u>14,733,382</u>

Less accumulated depreciation for :

Buildings and improvements	(236,411)	(11,697)	-	(248,108)	
Equipment and vehicles	(556,244)	(31,593)	-	(587,837)	
Water and sewer infrastructure	(5,229,056)	(282,990)	-	(5,512,046)	
Industrial Park	(119,996)	(9,973)	-	(129,969)	
Fire station	(96,747)	(5,146)	-	(101,893)	
Total accumulated depreciation	<u>(6,238,454)</u>	<u>(341,399)</u>	<u>-</u>	<u>(6,579,853)</u>	
Total capital assets being depreciated, net	<u>8,464,962</u>	<u>(311,433)</u>	<u>-</u>	<u>8,153,529</u>	
Business-type activities capital assets, net	<u>\$</u>	<u>8,464,962</u>	<u>1,327,340</u>	<u>-</u>	<u>9,792,302</u>

City of Harrah, Oklahoma  
Notes to Financial Statements  
June 30, 2010

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

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 34,477
Fire department	59,448
Police department	50,731
Park department	71,071
Total depreciation expense - governmental activities	215,727

Business-type activities:

Water and sewer	336,253
Fire station	5,146
Total depreciation expense - business-type activities	\$ 341,399

**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, 2010, cash and investments included \$63,605 available for refund of customer deposits, while the liability to customers was \$56,480.

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, 2010, \$0 was being held that was subject to refund.

City of Harrah, Oklahoma  
Notes to Financial Statements  
June 30, 2010

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

**3.F. - Long-term debt**

Long-term liabilities of the City of Harrah as of June 30, 2010, are as summarized as follows:

**Governmental activities:**

Accrued compensated absences	\$ 38,330
Total governmental activities	38,330

**Business-type activities:**

Revenue notes payable:

\$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, water and sewer revenues. 59,610

\$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 2.60% payable semi-annually, secured by pledged sales taxes, water and sewer revenues. 1,850,477

\$1,470,000 Utilities 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. 1,300,000

\$1,930,000 promissory note, Series 2009, to the Oklahoma Water Resources Board, dated May 29, 2009, payable in semi-annual installments over 20 years plus interest at 2.85% payable semi-annually, secured by pledged sales taxes, water and sewer revenues. 1,105,189

Total net revenue bonds and notes payable	4,315,276
Accrued compensated absences	27,294
Total business-type activities	\$ 4,342,570

City of Harrah, Oklahoma  
Notes to Financial Statements  
June 30, 2010

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

Long-term liabilities transactions for the year ended June 30, 2010, and changes therein were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities</b>					
Judgments payable	\$ 71,745	-	71,745	-	-
Accrued compensated absences	40,836	-	-	40,836	-
Total governmental activities	<u>112,581</u>	<u>-</u>	<u>71,745</u>	<u>40,836</u>	<u>-</u>
<b>Business-type activities</b>					
Notes payable:					
OWRB Series 1995	176,276	-	116,666	59,610	59,610
OWRB Series 2004	1,943,020	-	92,543	1,850,477	111,000
OWRB Series 2009	-	1,701,173	595,984	1,105,189	100,000
Revenue note - Series 2008	1,390,000	-	90,000	1,300,000	-
Accrued compensated absences	14,620	12,674	-	27,294	-
Total business-type activities	<u>3,523,916</u>	<u>1,713,847</u>	<u>895,193</u>	<u>4,342,570</u>	<u>270,610</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, 2010 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ -	-	309,210	140,123
2012	-	-	288,200	129,723
2013	-	-	288,200	120,352
2014	-	-	298,200	110,701
2015	-	-	298,200	100,957
2016-2020	-	-	1,581,000	351,254
2021-2025	-	-	1,066,790	842
2026-2030	-	-	185,477	4,317
Totals	<u>\$ -</u>	<u>-</u>	<u>4,315,277</u>	<u>958,269</u>

**3.G. - Debt issuance costs**

Debt issuance costs of \$196,062 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, 2010, \$9,297 in debt issuance costs was amortized, leaving an unamortized balance of \$175,617.

City of Harrah, Oklahoma  
Notes to Financial Statements  
June 30, 2010

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

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

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Court Fund - Agency	General Fund	\$ (2,396)
Harrah Public Works Authority	Meter Deposit Fund	(7,125)
		<u>\$ (9,521)</u>

Interfund transactions:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Harrah Public Works Authority</u>
Transfer out:			
General fund	\$ -	-	-
Nonmajor governmental	55,000	-	29,967
Harrah Public Works Authority	-	-	-
Totals	<u>\$ 55,000</u>	<u>-</u>	<u>29,967</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, 2010*

**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, defined contribution 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, 2010, for employees and employer were \$25,081 and \$40,756, respectively, on covered payroll of \$311,514.

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, 2010, for employees and employer were \$12,296 and \$19,981, respectively, on covered payroll of \$153,699.

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.

City of Harrah, Oklahoma  
Notes to Financial Statements  
June 30, 2010

**NOTE 4 - OTHER NOTES - Continued**

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.

The actuarial accrued liability was computed as part of an actuarial valuation dated March 31, 2010. 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 5.25% 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, 2010, (the most recent information available) as follows:

Actuarial liability:	
Retirees, survivors, and deferred vested	\$ 567,348
Active employees	939,275
Total	1,506,623
Net assets available for benefits (actuarial value)	1,049,192
Unfunded actuarial liability	\$ (457,431)

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, 2010, the City's payroll for all employees and the City's total covered payroll were \$929,782 and \$589,111, 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.

**City of Harrah, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE 4 - OTHER NOTES - Continued**

For the year ended June 30, 2010, 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, 2010, was 12.91%. Contributions to the Plan for payroll for the year ended June 30, 2010, for employees and employer were \$33,548 and \$79,386, 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.

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 Liability	Unfunded Actuarial Percentage	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/10	\$ 1,049,192	1,506,623	457,431	69.60%	589,111	77.60%
01/01/09	972,998	1,324,279	351,281	73.50%	560,144	62.70%
01/01/08	979,806	1,306,628	326,823	75.00%	501,262	65.20%
01/01/07	860,483	1,209,241	348,757	71.20%	525,339	66.40%
01/01/06	746,898	914,504	167,606	81.70%	443,631	37.80%
01/01/05	667,117	911,455	244,339	73.20%	452,879	54.00%
01/01/04	576,303	835,434	259,132	69.00%	443,315	58.50%
01/01/03	503,062	808,773	305,711	62.20%	379,684	80.50%
01/01/02	491,674	619,075	127,401	79.40%	353,607	36.00%
01/01/01	455,044	592,156	137,112	76.80%	382,004	35.90%

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 \$16,500 annually, whichever is less. Vesting in such contributions is 100% immediately.

Funding Policy - For the year ended June 30, 2010, elective employee contributions totaled \$3,728.

**City of Harrah, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2010*

**NOTE 4 - OTHER NOTES - Continued**

Employee Retirement System of Harrah

Plan Description - The City of Harrah has established the Employee Retirement System of Harrah as part of the Oklahoma Municipal Retirement Fund, as a defined contribution plan. The plan was effective July 1, 2006. The plan has eighteen (18) individuals participating at June 30, 2010. The valuation of the plan assets as of June 30, 2010 was \$142,703.

**4.D. Compliance with bond indenture**

The note indentures require the Authority to maintain the net revenue available for debt service of at least 1.25 times the maximum annual amount to be paid into the Sinking Fund. The amount available is computed as follows:

Gross revenue available for debt service :	
Pledged sales tax	\$ 1,276,227
System-wide Gross Revenues - Water & Wastewater	696,235
System-wide Operating Expense - Exclusive of capital improvements, debt service and depreciation	
Water and wastewater	698,702
Net revenues available for debt service	<u>\$ 577,525</u>
Annual amount to be paid into Sinking Fund	<u>\$ 448,731</u>
Coverage	<u>1.29</u>
Coverage requirement	<u>1.25</u>

**4.E. Harrah Tax Increment Finance Authority**

On November 17, 2009, the City created the Harrah Tax Increment Finance Authority and approved the Harrah Town Center Economic Development Project Plan. By virtue of the TIF ordinance, the City created Tax Increment Finance District #1 pursuant to the Local Development Act. The Authority is authorized to issue revenue notes in the amount of \$15,760,000. As of September 23, 2010 there has not been any activity within the Authority.

**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, 2010

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Over
				(Under)
<b>REVENUES</b>				
Taxes	\$ 2,113,553	2,113,553	1,092,612	(1,020,941)
Intergovernmental	51,465	5,500	14,971	9,471
Licenses and permits	44,083	36,871	41,031	4,160
Charge for services	375,483	375,483	386,651	11,168
Fines and forfeitures	70,000	70,000	66,209	(3,791)
Interest	9,168	2,168	1,527	(641)
Miscellaneous	13,300	18,612	14,659	(3,953)
Total revenues	<u>2,677,052</u>	<u>2,622,187</u>	<u>1,617,660</u>	<u>(1,004,527)</u>
<b>EXPENDITURES</b>				
General government:				
General government	1,474,917	1,430,407	476,533	953,874
Managerial	88,025	142,370	135,254	7,116
Office	205,263	203,263	202,965	298
Code enforcement	68,440	68,440	60,530	7,910
Contract services	-	19,924	19,924	-
Public safety:				
Police	683,128	673,913	628,052	45,861
Fire	363,334	363,334	289,963	73,371
Culture and recreation:				
Senior citizen center	74,308	55,000	46,254	8,746
Total expenditures	<u>2,957,415</u>	<u>2,956,651</u>	<u>1,859,475</u>	<u>1,097,176</u>
Excess (deficiency) of revenues over (under) expenditures	(280,363)	(334,464)	(241,815)	92,649
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	55,000	55,000	55,000	-
Net change in fund balances	(225,363)	(279,464)	(186,815)	92,649
Fund balances - beginning	225,363	279,464	554,095	274,631
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>367,280</u>	<u>367,280</u>

See accompanying notes to the basic financial statements.

**OTHER SUPPLEMENTARY  
INFORMATION**

**City of Harrah, Oklahoma**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
*June 30, 2010*

	Special Revenue					Debt Service Fund	Total Nonmajor Governmental Funds
	Street & Alley	Harrah Ind. Econ. Dev. Trust	Park Funds	Dare Special Projects	K-9 Fund		
<u>ASSETS</u>							
Cash and cash equivalents	\$ 92,009	5,310	13,156	-	-	3,446	113,921
Investments	-	-	-	-	-	-	-
Receivables, net	3,850	-	-	-	-	-	3,850
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>95,859</b>	<b>5,310</b>	<b>13,156</b>	<b>-</b>	<b>-</b>	<b>3,446</b>	<b>117,771</b>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Due to other funds	-	94,165	-	-	-	-	94,165
<b>Total Liabilities</b>	<b>-</b>	<b>94,165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,165</b>
Fund balances:							
Unreserved:							
Designated	95,859	(88,855)	13,156	-	-	3,446	23,606
<b>Total Fund Balances</b>	<b>95,859</b>	<b>(88,855)</b>	<b>13,156</b>	<b>-</b>	<b>-</b>	<b>3,446</b>	<b>23,606</b>
<b>TOTAL</b>	<b>\$ 95,859</b>	<b>5,310</b>	<b>13,156</b>	<b>-</b>	<b>-</b>	<b>3,446</b>	<b>117,771</b>

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, 2010**

	Special Revenue					Debt Service Fund	Total Nonmajor Governmental Funds
	Street & Alley	Harrah Ind. Econ. Dev. Trust	Park Funds	Dare Special Projects	K-9 Fund		
<b>REVENUES</b>							
Taxes	\$ 43,958	-	-	-	-	74,916	118,874
Intergovernmental	-	-	-	-	-	-	-
Charge for services	-	-	3,170	-	-	-	3,170
Interest	-	122	23	-	-	33	178
Miscellaneous	-	1,086	19,641	-	29	-	20,756
Total revenues	<u>43,958</u>	<u>1,208</u>	<u>22,834</u>	<u>-</u>	<u>29</u>	<u>74,949</u>	<u>142,978</u>
<b>EXPENDITURES</b>							
Maintenance & operations	48,185	11,309	21,113	55	2,224	-	82,886
Capital outlay	-	184,165	-	-	-	-	184,165
Debt service	-	-	-	-	-	75,181	75,181
Total expenditures	<u>48,185</u>	<u>195,474</u>	<u>21,113</u>	<u>55</u>	<u>2,224</u>	<u>75,181</u>	<u>342,232</u>
Excess (deficiency) of revenues over expenditures	<u>(4,227)</u>	<u>(194,266)</u>	<u>1,721</u>	<u>(55)</u>	<u>(2,195)</u>	<u>(232)</u>	<u>(199,254)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(4,227)	(194,266)	1,721	(55)	(2,195)	(232)	(199,254)
Fund balances-beginning	100,086	105,411	11,435	55	2,195	3,678	222,860
Fund balances-ending	<u>\$ 95,859</u>	<u>(88,855)</u>	<u>13,156</u>	<u>-</u>	<u>-</u>	<u>3,446</u>	<u>23,606</u>

See accompanying notes to the basic financial statement.