

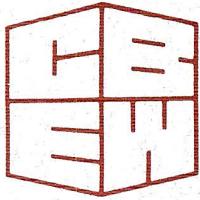
CITY OF GLENPOOL
Glenpool, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2011

CITY OF GLENPOOL
Glenpool, Oklahoma

CONTENTS

	Page No.
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities and Changes in Net Assets	4-5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets	9
Statement of Net Assets - Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
Statement of Fiduciary Net Assets - Fiduciary Funds	13
Notes to the Basic Financial Statements	14-29
Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual – Governmental Funds	30
Notes to Required Supplemental Information	31
Supplemental Information:	
Schedule of Expenditures of Federal Awards	32
Report Required by <i>Government Auditing Standards</i>:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Schedule of Findings and Responses	35



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INDEPENDENT AUDITOR'S REPORT

October 13, 2011

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Glenpool, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 30 and the notes on page 31 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Glenpool has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

City of Glenpool
October 13, 2011

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF GLENPOOL
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 599,000	\$ 645,596	1,244,596
Investments	-	74,224	74,224
Receivables (net of allowance for uncollectibles):			
Accounts receivable	322,066	734,708	1,056,774
Notes receivable	-	318,539	318,539
Taxes	1,053,264	-	1,053,264
Grants receivable	11,829	-	11,829
Due to/from others	-	-	-
Prepaid expenses	-	-	-
Restricted assets:			
Cash and investments (Note 1)	17,388	32,914,591	32,931,979
Capital assets:			
Land and construction in progress	468,739	16,893,995	17,362,734
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	8,786,006	13,490,988	22,276,994
Deferred charges:			
Bond issue cost (net of accumulated amortization) (Note 1)	-	2,157,526	2,157,526
Bond discount (net of accumulated amortization) (Note 1)	-	1,326,760	1,326,760
Total assets	\$ 11,258,292	\$ 68,556,927	\$ 79,815,219
Liabilities:			
Accounts payable	\$ 90,642	\$ 85,210	\$ 175,852
Accrued compensated absences payable (Note 1)	201,405	2,512	203,917
Payable from restricted assets:			
State court fees	17,388	-	17,388
Interest payable	-	623,045	623,045
Accrued interest payable	14,700	-	14,700
Leases payable (Note 3)	656,482	-	656,482
Notes payable (Note 2)	87,597	680,694	768,291
Revenue bonds payable (Note 2)	-	67,685,000	67,685,000
Total liabilities	1,068,214	69,076,461	70,144,675
Net assets:			
Invested in capital assets, net of related debt	8,495,966	(37,980,711)	(29,484,745)
Restricted	17,859	32,291,546	32,309,405
Unrestricted	1,676,253	5,169,631	6,845,884
Total net assets	\$ 10,190,078	\$ (519,534)	\$ 9,670,544

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

CITY OF GLENPOOL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

Functions/Programs	Program Revenues					Net (Expense)/ Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
General government:						
General government	\$ 1,206,347	\$ 130,043	\$ -	\$ -	\$ -	\$ (1,076,304)
City manager	-	-	-	-	-	-
Code and planning	316,685	-	-	-	-	(316,685)
Total general government	<u>1,523,032</u>	<u>130,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,392,989)</u>
Public safety and judiciary:						
City attorney	-	-	-	-	-	-
Fire	1,120,032	-	4,398	-	-	(1,115,634)
Municipal court	14,317	489,912	-	-	-	475,595
Police	1,581,897	-	12,670	-	-	(1,569,227)
Emergency management	12,933	-	-	-	-	(12,933)
911 operations	33,535	64,783	-	-	-	31,248
Total public safety and judiciary	<u>2,762,714</u>	<u>554,695</u>	<u>17,068</u>	<u>-</u>	<u>-</u>	<u>(2,190,951)</u>
Transportation:						
Streets	328,660	-	-	-	-	(328,660)
Total transportation	<u>328,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(328,660)</u>
Cultural, parks and recreation:						
Parks	19,793	-	-	-	-	(19,793)
Total cultural, parks and recreation	<u>19,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,793)</u>
Financing costs	25,248	-	-	-	-	(25,248)
Unallocated depreciation*	788,448	-	-	-	-	(788,448)
Total governmental activities	<u>5,447,895</u>	<u>684,738</u>	<u>17,068</u>	<u>-</u>	<u>-</u>	<u>(4,746,089)</u>
Business-type activities						
General and administrative	101,379	-	-	-	-	(101,379)
Water treatment	2,885,472	2,415,463	109,633	-	-	(360,376)
Sewer treatment	-	725,691	-	-	-	725,691
Solid waste	480,468	27,946	-	-	-	(452,522)
Storm water	-	88,436	-	-	-	88,436
Medical services	122,684	187,518	-	-	-	64,834
Industrial Authority	-	10,783	-	-	-	10,783
Financing costs	3,116,553	-	-	-	-	(3,116,553)
Unallocated depreciation*	415,546	-	-	-	-	(415,546)
Total business-type activities	<u>7,122,102</u>	<u>3,455,837</u>	<u>109,633</u>	<u>-</u>	<u>-</u>	<u>(3,556,632)</u>
Total	\$ 12,569,997	\$ 4,140,575	\$ 126,701	\$ -	\$ -	\$ (8,302,721)

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

CITY OF GLENPOOL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental		Business-Type
	Activities	Activities	Total
Net (expense)/revenue			
General revenues:			
Taxes:			
Sales and use taxes	5,356,879	-	5,356,879
Franchise taxes	440,185	-	440,185
Cigarette taxes	76,262	-	76,262
Intergovernmental	92,983	-	92,983
Hotel/motel tax	74,623	-	74,623
Property taxes	15,029	-	15,029
Investment earnings	4,706	145,207	149,913
Miscellaneous	13,806	-	13,806
Other fees	-	131,700	131,700
Rental income	20,757	-	20,757
Sale of property	(7,903)	-	(7,903)
Transfers	1,579,418	(1,579,418)	-
Total general revenues and transfers	<u>7,666,745</u>	<u>(1,302,511)</u>	<u>6,364,234</u>
Change in net assets	2,920,656	(4,859,143)	(1,938,487)
Net assets - beginning of year	<u>7,269,423</u>	<u>4,339,609</u>	<u>11,609,032</u>
Net assets - end of year	<u>\$ 10,190,079</u>	<u>\$ (519,534)</u>	<u>\$ 9,670,545</u>

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

CITY OF GLENPOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General Fund</u>	<u>Debt Service Sinking Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 581,141	\$ 17,859	\$ 599,000
Investments	-	-	-
Accrued governmental transfers	1,053,264	-	1,053,264
Accounts receivable (net of allowance for uncollectibles)	322,066	-	322,066
Grant receivable	11,829	-	11,829
Prepaid expenses	-	-	-
Due from others	20,625	-	20,625
Restricted assets:			
Cash and investments (Note 1)	<u>17,388</u>	<u>-</u>	<u>17,388</u>
Total assets	<u>\$ 2,006,313</u>	<u>\$ 17,859</u>	<u>\$ 2,024,172</u>
Liabilities:			
Accounts payable	\$ 90,642	\$ -	\$ 90,642
Due to others	20,625	-	20,625
Payable from restricted assets:			
State court fees	<u>17,388</u>	<u>-</u>	<u>17,388</u>
Total liabilities	<u>128,655</u>	<u>-</u>	<u>128,655</u>
Fund balance:			
Restricted for:			
Debt service	-	17,859	17,859
Unassigned	<u>1,877,658</u>	<u>-</u>	<u>1,877,658</u>
Total fund balance	<u>1,877,658</u>	<u>17,859</u>	<u>1,895,517</u>
Total liabilities and fund balance	<u>\$ 2,006,313</u>	<u>\$ 17,859</u>	<u>\$ 2,024,172</u>

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

CITY OF GLENPOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
June 30, 2011

Total Fund Balances - Total Governmental Funds \$ 1,895,517

Amounts reported for governmental activities in the statement of net assets are different because:

Accrued compensated absences (201,405)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Leases payable	(656,482)
Notes payable	(87,597)
Revenue bonds payable	-
Accrued interest payable	<u>(14,700)</u>
Total	(758,779)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 310,000
Construction in progress	158,739
Infrastructure	116,637
Buildings	8,718,813
Equipment	2,264,554
Vehicles	2,602,816
Accumulated depreciation	<u>(4,916,814)</u>
	9,254,745
Net assets of governmental activities	\$ <u>10,190,078</u>

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

CITY OF GLENPOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
	<u>Sinking Fund</u>		
Revenues:			
Charges for services	\$ 44,782	\$ -	\$ 44,782
Cigarette taxes	76,262	-	76,262
Interest	4,676	30	4,706
Franchise taxes	440,185	-	440,185
Hotel/motel taxes	74,623	-	74,623
Intergovernmental programs	110,050	-	110,050
Fines and forfeits	489,912	-	489,912
Rental receipts	20,757	-	20,757
Licenses and permits	85,261	-	85,261
Miscellaneous revenue	13,807	-	13,807
Donations	-	-	-
Property sales	113,300	-	113,300
Property taxes	15,029	-	15,029
Sales and use taxes	5,356,879	-	5,356,879
Special assessments	64,783	-	64,783
Total revenues	6,910,306	30	6,910,336
Expenditures:			
Current:			
General government	1,502,683	-	1,502,683
Public safety	2,762,714	-	2,762,714
Highways and roads	328,660	-	328,660
Cultural and recreational	19,793	-	19,793
Debt Service:			
Principal	134,834	165,000	299,834
Interest expense	7,278	6,630	13,908
Capital outlay	3,941,040	-	3,941,040
Total expenditures	8,697,002	171,630	8,868,632
Excess of revenues over (under) expenditures	(1,786,696)	(171,600)	(1,958,296)
Other financing uses:			
Operating transfers in (out)	1,564,625	14,793	1,579,418
Excess of revenues over (under) expenditures & transfers	269,178	(156,807)	112,371
Fund balance - beginning of year	1,608,480	174,666	1,783,146
Fund balance - end of year	\$ 1,877,658	\$ 17,859	\$ 1,895,517

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

CITY OF GLENPOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES
IN NET ASSETS
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 112,371

Amounts reported for governmental activities in the Statement of Activities are different because:

The interest paid on notes and judgements is recorded as an expense in governmental funds and not as a payment against the accrual. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the interest is recorded against the payable.

This is the amount of interest paid in the current period.

(11,339)

Governmental Funds report property sales as income. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the proceeds are netted with any basis left in the assets sold. This is the amount of basis left in the assets in the current period.

(121,203)

Government-Wide Statement of Activities and Changes in Net Assets report accrued compensated absenses in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absenses recorded in the current period.

(20,350)

Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.

299,834

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.

(788,448)

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

3,941,040

Change in Net Assets of Governmental Activities

\$ 2,920,656

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

CITY OF GLENPOOL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities - Enterprise Funds			
	Utility Service Authority	Industrial Authority	GEMS Trust Authority	Totals
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 3)	\$ 312,159	\$ 117,420	\$ 216,017	\$ 645,596
Investments, at cost	74,224	-	-	74,224
Receivables (net of allowance for uncollectibles):				
Accounts receivable	734,708	-	-	734,708
Notes receivable	-	318,539	-	318,539
Grants receivable	-	-	-	-
Due from others	-	-	-	-
Restricted assets:				
Cash & investments (Notes 3 & 4)	32,914,591	-	-	32,914,591
Capital assets:				
Land and construction in process	16,893,995	-	-	16,893,995
Depreciable buildings, equipment and infrastructure, net of depreciation (Notes 1 & 3)	13,490,988	-	-	13,490,988
Deferred charges:				
Bond issue cost (net of accumulated amortization) (Note 1)	2,157,526	-	-	2,157,526
Bond discount (net of accumulated amortization) (Note 1)	1,326,760	-	-	1,326,760
Total assets	\$ 67,904,951	\$ 435,959	\$ 216,017	\$ 68,556,927
Liabilities:				
Accounts payable	\$ 85,132	\$ -	\$ 78	\$ 85,210
Due to other funds	-	-	-	-
Accrued compensated absences payable (Note 1)	2,512	-	-	2,512
Payable from restricted assets:				
Interest payable	623,045	-	-	623,045
Notes payable (Note 3)	680,694	-	-	680,694
Revenue bonds payable (Notes 3 & 4)	67,685,000	-	-	67,685,000
Total liabilities	69,076,383	-	78	69,076,461
Net assets:				
Invested in capital assets, net of related debt	(37,980,711)	-	-	(37,980,711)
Restricted	32,291,546	-	-	32,291,546
Unrestricted	4,517,733	435,959	215,939	5,169,631
Net assets	\$ (1,171,432)	\$ 435,959	\$ 215,939	\$ (519,534)

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

CITY OF GLENPOOL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			
	Utility Service Authority	Industrial Authority	GEMS Trust Authority	Totals
Revenues:				
Water revenue	\$ 1,864,124	\$ -	\$ -	\$ 1,864,124
Sewer revenue	714,891	-	-	714,891
Solid waste revenue	12,488	-	-	12,488
Water taps	52,253	-	-	52,253
Sewer taps	10,800	-	-	10,800
Solid waste management fees	15,458	-	-	15,458
Storm water management fees	88,436	-	-	88,436
Water/sewer fees	499,086	-	-	499,086
Connect/transfer fees	41,375	-	-	41,375
Delinquent fees	79,539	-	-	79,539
Miscellaneous charges	7,694	-	-	7,694
Return on fees	3,092	-	-	3,092
Property tax revenues	-	-	187,518	187,518
Lease revenue	-	10,783	-	10,783
Total revenues	3,389,236	10,783	187,518	3,587,537
Operations expense:				
General and administrative	101,379	-	-	101,379
Water treatment	2,885,472	-	-	2,885,472
Sewer treatment	-	-	-	-
Solid waste	480,468	-	-	480,468
Storm water	-	-	-	-
Medical services	-	-	122,684	122,684
Depreciation	415,546	-	-	415,546
Total operations expense	3,882,865	-	122,684	4,005,549
Income before non-operating revenues, expenses & transfers	(493,629)	10,783	64,834	(418,012)
Non-operating revenues (expenses):				
Interest revenue	121,742	23,195	270	145,207
Interest expense	(2,816,584)	-	-	(2,816,584)
Amortization of bond issue cost	(163,175)	-	-	(163,175)
Amortization of bond issue discount	(104,381)	-	-	(104,381)
Grant revenues	109,633	-	-	109,633
Trustee fees	(32,413)	-	-	(32,413)
Total	(2,885,178)	23,195	270	(2,861,713)
Income (loss) before operating transfers	(3,378,807)	33,978	65,104	(3,279,725)
Transfers in (out)	(1,515,045)	(32,466)	(31,907)	(1,579,418)
Change in net assets	(4,893,852)	1,512	33,197	(4,859,143)
Net assets at beginning of year	3,722,420	434,447	182,742	4,339,609
Net assets at end of year	\$ (1,171,432)	\$ 435,959	\$ 215,939	\$ (519,534)

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

CITY OF GLENPOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

Business-type Activities - Enterprise Funds				
	Utility Service Authority	Industrial Authority	GEMS Trust Authority	Totals
Cash flows from operating activities:				
Cash received from customers & service users	\$ 3,092,169	\$ 10,783	\$ 187,518	\$ 3,290,470
Cash payments for goods & services & employees	(3,437,539)	-	(122,606)	(3,560,145)
Net cash provided by operating activities	<u>(345,370)</u>	<u>10,783</u>	<u>64,912</u>	<u>(269,675)</u>
Cash flows from noncapital financing activities:				
Net change in due to/due from other funds	7,029	-	-	7,029
Operating transfers in/out to other funds	(1,515,045)	(32,466)	(31,907)	(1,579,418)
Net cash provided (used) for noncapital financing activities	<u>(1,508,016)</u>	<u>(32,466)</u>	<u>(31,907)</u>	<u>(1,572,389)</u>
Cash flows from capital and related financing activities:				
Acquisition & construction of capital assets	(6,596,699)	-	-	(6,596,699)
Principal paid on debt	(3,677,420)	-	-	(3,677,420)
New debt issued	39,630,000	-	-	39,630,000
Interest paid on debt	(2,344,158)	-	-	(2,344,158)
Receipts on notes receivable	-	9,793	-	9,793
Grant monies	109,633	-	-	109,633
Trustee fees	(32,413)	-	-	(32,413)
Net cash provided (used) for capital and related financing activities	<u>27,088,943</u>	<u>9,793</u>	<u>-</u>	<u>27,098,736</u>
Cash flows from investing activities:				
(Purchase) liquidation of investments - unrestricted	(183)	-	-	(183)
Interest on investments	121,742	23,195	270	145,207
Net cash provided by investing activities	<u>121,559</u>	<u>23,195</u>	<u>270</u>	<u>145,024</u>
Net increase (decrease) in cash & cash equivalents	25,357,116	11,305	33,275	25,401,696
Cash and cash equivalents - beginning of year	7,869,634	106,115	182,742	8,158,491
Cash and cash equivalents - end of year	\$ 33,226,750	\$ 117,420	\$ 216,017	\$ 33,560,187
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (493,629)	\$ 10,783	\$ 64,834	\$ (418,012)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	415,546	-	-	415,546
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(297,067)	-	-	(297,067)
Increase (decrease) in accounts payable	37,148	-	78	37,226
Increase (decrease) in accrued expenses	(7,368)	-	-	(7,368)
Total adjustments	<u>148,259</u>	<u>-</u>	<u>78</u>	<u>148,337</u>
Net cash provided by operating activities	\$ (345,370)	\$ 10,783	\$ 64,912	\$ (269,675)

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

CITY OF GLENPOOL
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	<u>Agency</u> <u>Funds</u>
Assets:	
Cash and investments at cost	\$ 224,677
Total assets	<u>\$ 224,677</u>
Liabilities:	
Deposits	\$ 224,677
Total liabilities	<u>\$ 224,677</u>

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

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Glenpool, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (water, sewer and sanitation), judicial, health and social services, culture, parks and recreation, public improvements and planning and zoning for the geographical area organized as the City of Glenpool, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Glenpool Utility Services Authority (Authority) was created pursuant to a Trust Indenture for the benefit of the City of Glenpool, Oklahoma. The Authority was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water and sewer facilities for the City of Glenpool. The water, sanitary sewer and solid waste disposal systems owned by the City have been leased to the Authority until such date that all indebtedness of the Authority is retired or provided for. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. The Authority is exempt from State and Federal Income taxes. The Authority is reported as an enterprise fund.

The Glenpool Industrial Authority (GIA) was created September 28, 1981, for the benefit of the City of Glenpool, Oklahoma. GIA was created to promote the development of industry and to provide additional employment in the Glenpool, Oklahoma, area. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. GIA is exempt from State and Federal Income taxes. GIA is reported as an enterprise fund.

The Glenpool Emergency Medical Services Trust Authority (GEMSTA) was created for the benefit of the City of Glenpool, Oklahoma. GEMSTA was created to provide first responder ambulance service in the Glenpool, Oklahoma, area. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. GEMSTA is exempt from State and Federal Income taxes. GEMSTA is reported as an enterprise fund.

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

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

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

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

The following governmental fund of the City does not meet the percentage criteria for a major fund but the City has described this non-major fund in the presentation within the governmental type financial statements:

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding. Funds are provided from ad valorem taxes and interest income.

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

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following is the City's major enterprise fund:

Glenpool Utility Services Authority – which accounts for the operations of providing public works (water, sewer and sanitation) to the City.

The other enterprise funds of the City do not meet the percentage criteria for major funds but the City has elected to treat the following two non-major funds as though they were major funds for purposes of presentation within the proprietary funds of the financial statements rather than aggregating this information separately solely for the benefit of user understandability of the financial statements.

Glenpool Industrial Authority – which promotes of the development of industry in the City.

Glenpool Emergency Medical Services Trust Authority – which provide first responder ambulance service in the City.

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's only fiduciary fund is an agency fund that is composed of customer deposit funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in the Bond Project Fund Accounts, Bond Sinking Fund Accounts Bond Fund Reserve Accounts, Bond Capital Improvement Fund Accounts and Construction Accounts. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. Fair Value of Financial Instruments

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

4. Estimates

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

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

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

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$10,000 for the governmental and proprietary funds.

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	40 years	40 years
Furniture, Fixtures and Equipment	3-5 years	3-5 years
Land Improvements	20 years	20 years
Vehicles	5-20 years	5-20 years
Infrastructure	10-50 years	10-50 years

8. Deferred Charges

Bond discount costs and bond issue costs are amortized ratably over the repayment period of the applicable bond using the straight-line method.

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Compensated Absences

It is the City's policy to permit full-time employees to accumulate earned but unused vacation. Full-time and part-time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

10. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

11. Net Assets/Fund Balance

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

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

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

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

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Net Assets/Fund Balance (Continued)

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

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

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

12. Resource Use Policy

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

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2011, the City held deposits of approximately \$34,475,476 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

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

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

Investment Credit Risk

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

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

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

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 34,187,061	\$ 34,187,061
Certificate of deposit	6.00	N/A	288,415	288,415
Total investments			\$ 34,475,476	\$ 34,475,476

<u>Reconciliation to Statement of Net Assets</u>	
Governmental activities	\$ 616,388
Business-type activities	33,634,411
Fiduciary activities	224,677
	\$ 34,475,476

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 1% in Certificates of deposit (\$288,415) and 99% in Money Market funds (\$34,187,061).

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets

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

Governmental Activities:	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
Non-depreciable assets:				
Land	\$ 310,000	\$ -	\$ -	\$ 310,000
Construction in progress	158,739	-	-	158,739
Total non-depreciable assets	<u>468,739</u>	<u>-</u>	<u>-</u>	<u>468,739</u>
Depreciable assets:				
Buildings and improvements	5,442,738	3,276,075	-	8,718,813
Furniture, fixtures and equipment	2,220,583	43,971	-	2,264,554
Vehicles	2,175,317	620,994	193,496	2,602,815
Infrastructure	116,637	-	-	116,637
Total depreciable assets	<u>9,955,275</u>	<u>3,941,040</u>	<u>193,496</u>	<u>13,702,819</u>
Less accumulated depreciation:				
Buildings and improvements	(1,565,510)	(217,970)	-	(1,783,480)
Furniture, fixtures and equipment	(1,118,040)	(322,351)	-	(1,440,391)
Vehicles	(1,510,104)	(245,211)	(72,293)	(1,683,022)
Infrastructure	(7,004)	(2,916)	-	(9,920)
Total accumulated depreciation	<u>(4,200,658)</u>	<u>(788,448)</u>	<u>(72,293)</u>	<u>(4,916,813)</u>
Net depreciable assets	<u>5,754,617</u>	<u>3,152,592</u>	<u>121,203</u>	<u>8,786,006</u>
Net governmental activities capital assets	<u>\$ 6,223,356</u>	<u>\$ 3,152,592</u>	<u>\$ 121,203</u>	<u>\$ 9,254,745</u>

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets (Continued)

Proprietary capital asset activity for the year ended is as follows:

Business-Type Activities:	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/11</u>
Non-depreciable assets:				
Land	\$ 3,533,953	\$ -	\$ -	\$ 3,533,953
Construction in progress	10,637,128	7,011,060	4,288,146	13,360,042
Total non-depreciable assets	<u>14,171,081</u>	<u>7,011,060</u>	<u>4,288,146</u>	<u>16,893,995</u>
Depreciable assets:				
Buildings and improvements	471,712	1,032,013	-	1,503,725
Furniture, fixtures and equipment	727,203	-	-	727,203
Vehicles	495,181	-	-	495,181
Infrastructure	14,232,595	414,886	-	14,647,481
Total depreciable assets	<u>15,926,691</u>	<u>1,446,899</u>	<u>-</u>	<u>17,373,590</u>
Less accumulated depreciation:				
Buildings and improvements	(77,127)	(37,968)	-	(115,095)
Furniture, fixtures and equipment	(397,147)	(45,534)	-	(442,681)
Vehicles	(304,157)	(30,314)	-	(334,471)
Infrastructure	(2,688,625)	(301,730)	-	(2,990,355)
Total accumulated depreciation	<u>(3,467,056)</u>	<u>(415,546)</u>	<u>-</u>	<u>(3,882,602)</u>
Net depreciable assets	<u>12,459,635</u>	<u>1,031,353</u>	<u>-</u>	<u>13,490,988</u>
Net business-type activities capital assets	\$ <u>26,630,716</u>	\$ <u>8,042,413</u>	\$ <u>4,288,146</u>	\$ <u>30,384,983</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

C. Long-term Debt and Capitalized Leases

The City has entered into general obligation bonds payable, notes payable and capitalized lease for the acquisition of a fire truck. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification (ASC) 840-10 (Formerly FAS No. 13, Accounting for Leases)*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

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

The long-term debt is described below.

(1) Lease payable to Citizens Bank for the lease purchase of fire truck. 36 monthly payments of \$2,584 plus interest at 4.5%.	12,437
(2) Lease payable to Oshkosh Capital for the lease purchase of a fire truck. 10 yearly payments plus interest.	491,249
(3) General Obligation Bond Payable. Payable in annual installments of \$165,000 plus interest at 4.425%. This bond was paid off in current year.	-
(4) Note payable to the Oklahoma Department of Transportation for right-of-way. Monthly payments of \$1,200 plus interest at 0%.	20,625
(5) Note payable to the Oklahoma Department of Transportation for right-of-way. Monthly payments of \$1,200 plus interest at 0%.	25,861
(6) Note payable to the Oklahoma Department of Commerce for CDBG. Monthly payments of \$1,111 plus interest at 0%.	41,111
(7) Lease payable to First Texas Bank for the lease purchase of Incode software. 18 quarterly payments of \$22,611.63 plus interest at 3.5%.	<u>152,796</u>
Total	<u>\$ 744,079</u>

The following is a summary of long-term debt and capitalized lease transactions for the year:

	Balance July 1, 2010	Additions	Payments and Cancellations	Balance June 30, 2011
Capital lease obligations	\$ 283,223	\$ 491,249	\$ 117,990	\$ 656,482
Notes payable	105,042	-	17,445	87,597
Revenue bonds payable	165,000	-	165,000	-
Total	<u>\$ 553,265</u>	<u>\$ 491,249</u>	<u>\$ 300,435</u>	<u>\$ 744,079</u>

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

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

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 137,231	\$ 23,411	\$ 160,642
2013	106,168	19,150	125,318
2014	54,947	17,048	71,995
2015	44,230	15,545	59,775
2016	44,680	13,983	58,663
2017-2021	334,337	44,334	378,671
2022-2026	12,000	-	12,000
2027-2031	8,625	-	8,625
2032-2034	2,461	-	2,461
Total	\$ 744,679	\$ 133,471	\$ 878,150

D. Long-term Debt

The City is not obligated in any manner for the debt of its component units. The water system, including all of the proceeds, revenue, water charges, assessments and income of all kinds and nature together with contract rights, accounts receivable and general intangibles have been **pledged** as collateral to secure these notes. The note agreements call for monthly payments to be made toward debt retirement.

The long-term debt is described below.

A Capital Improvement Revenue Bond Payable, Series 2001A was issued by the GUSA, acting on behalf of the City, in the principal amount of \$4,700,000 dated May 1, 2001, due in semi-annual installments of \$120,000 to \$755,000, through June 1, 2021 with interest at 4.4% to 5.25% per annum. This bond was paid off and combined in with the current bond issue.

A Utility Revenue Refunding Bond Payable, Series 2007 was issued by the GUSA, acting on behalf of the City, in the principal amount of \$6,500,000 dated October 1, 2007, due in semi-annual installments of \$120,000 to \$745,000, through October 1, 2036 with interest at 3.5% to 4.5% per annum.

A Utility Revenue Bond Payable, Series 2007A was issued by the GUSA, acting on behalf of the City, in the principal amount of \$3,945,000 dated October 1, 2007, due in semi-annual installments of \$30,000 to \$640,000, through October 1, 2037 with interest at 5.75% to 6.45% per annum.

A Utility Revenue Refunding Bond Payable, Series 2008 was issued by the GUSA, acting on behalf of the City, in the principal amount of \$10,000,000 dated August 1, 2008, due in semi-annual interest only installments of \$200,000 (4% per annum) and a lump sum payoff on August 1, 2013.

A Utility Revenue Refunding Bond Payable, Series 2008A was issued by the GUSA, acting on behalf of the City, in the principal amount of \$6,000,000 dated August 1, 2008, due in semi-annual interest only installments of \$180,000 (6% per annum) and a lump sum payoff on August 1, 2013.

A Utility Revenue Refunding Bond Payable, Series 2009 was issued by the GUSA, acting on behalf of the City, in the principal amount of \$2,000,000 dated March 1, 2009, due in semi-annual interest only installments of \$37,000 (3.7% per annum) and a lump sum payoff on August 1, 2013.

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Long-term Debt (Continued)

A Capital Improvement Revenue Bond Payable, Series 2010A was issued by the GUSA, acting on behalf of the City, in the principal amount of \$29,575,000 dated December 22, 2010, due in semi-annual installments, through December 1, 2040 with interest at 2.7% to 5.15% per annum.

A Capital Improvement Revenue Bond Payable, Series 2010B was issued by the GUSA, acting on behalf of the City, in the principal amount of \$2,740,000 dated December 22, 2010, due in semi-annual installments, through December 1, 2025 with interest at 3.0% to 6.0% per annum.

A Utility Revenue Refunding Bond Payable, Series 2011 was issued by the GUSA, acting on behalf of the City, in the principal amount of \$7,315,000 dated January 5, 2011, due in semi-annual installments, through December 1, 2040 with interest at 3.7% to 5.15% per annum.

\$1,361,388 GUSA, Tulsa County, Oklahoma, Series 2001 Clean Water SRF promissory note to the Oklahoma Water Resources Board, dated May 1, 2001, due in semi-annual installments over 20 years plus interest of 2.55%, secured by pledged sales taxes and utility system revenues.

\$230,000 GUSA, Tulsa County, Oklahoma, Series 1992 promissory note to the Oklahoma Water Resources Board, dated May 22, 1992, due in semi-annual installments over 15 years plus interest of 2.55%, secured by pledged sales taxes and utility system revenues. This note was paid off in current year.

The following is a summary of long-term debt transactions of the proprietary fund:

	Balance			Balance
	June 30, 2010	Additions	Reductions	June 30, 2011
Revenue Bond 2001A	\$ 3,350,000	\$ -	\$ 3,350,000	\$ -
Revenue Bond 2007	6,235,000	-	125,000	6,110,000
Revenue Bond 2007A	3,945,000	-	-	3,945,000
Revenue Bond 2008	10,000,000	-	-	10,000,000
Revenue Bond 2008A	6,000,000	-	-	6,000,000
Revenue Bond 2009	2,000,000	-	-	2,000,000
Revenue Bond 2010A	-	29,575,000	-	29,575,000
Revenue Bond 2010B	-	2,740,000	-	2,740,000
Revenue Bond 2011	-	7,315,000	-	7,315,000
OWRB 1992	134,350	-	134,350	-
OWRB 2001	748,764	-	68,070	680,694
Total	\$ 32,413,114	\$ 39,630,000	\$ 3,677,420	\$ 68,365,694

Note to Reader: The original version of this page listed the issue dates incorrectly for the 2010A and 2010B bonds as June 1, 2011, and the 2011 issue date was incorrectly listed as June 1, 2011. We apologize for this misstatement. Management of the City of Glenpool.

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Long-term Debt (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 273,069	\$ 3,253,111	\$ 3,526,180
2013	308,069	3,242,794	3,550,863
2014	18,463,069	2,812,500	21,275,569
2015	553,070	2,377,573	2,930,643
2016	1,098,069	2,348,521	3,446,590
2017-2021	6,200,348	11,090,172	17,290,520
2022-2026	7,265,000	9,695,430	16,960,430
2027-2031	9,150,000	7,738,877	16,888,877
2032-2036	11,790,000	5,137,512	16,927,512
2037-2041	13,265,000	1,711,909	14,976,909
Total Liability	\$ 68,365,694	\$ 49,408,399	\$ 117,774,093

3. OTHER INFORMATION

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; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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

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

In addition to the Loss Fund, the City maintains two additional funds with the Plan. The Rate Stabilization Reserve (RSR), which can be applied against future premium increases and an Escrow Fund made up of past refunds left on deposit with the Plan. Escrow funds earn interest and are readily available for use by the governing board. In accordance with GASB No. 10, the City reports the required contribution to the pool, net of refunds, as insurance expense. The balances in the RSR Fund and the Escrow Fund were \$0 and \$0, respectively.

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

B. Contingent Liabilities

The City is not aware of any pending or threatened legal actions against it. However, insurance protection has been obtained to cover probable claims.

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 which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Plan

The City of Glenpool, as the employer, participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of the policemen and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes and state appropriations, as necessary.

1. Oklahoma Police Pension and Retirement Fund

All City police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63rd Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contribution from the City for these plans was \$111,735, \$108,273 and \$103,651 for 2011, 2010 and 2009. The required contribution was fully contributed. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

2. Oklahoma Firefighter's Pension and Retirement Fund

All City fire department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OFPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the City for these plans was \$97,972, \$95,993 and \$88,058 for 2011, 2010 and 2009. The required contribution was fully contributed. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

3. Defined contribution plan

The City participates in a defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. A defined contribution plan's benefits depend solely on amounts contributed to the plan, investment earnings and forfeitures of other participants' benefits that may be allocated to remaining participants' accounts. Benefits vest at time of employment, with normal retirement at age 65 and early retirement at age 55 with 10 years or more of service. Participants are required to contribute 2% of their covered compensation and the City is required to contribute 5% of covered compensation. Participants are permitted to make voluntary deductible contributions to the plan. The City's annual pension cost of \$60,085, \$68,385 and \$36,449 for 2011, 2010 and 2009, was equal to the City's required and actual contributions. The City is required to contribute 13% of covered compensation for the City Manager. The City Manager is permitted to make voluntary deductible contributions to the plan. The City's annual pension cost of \$33,919, \$31,354 and \$26,725 for 2011, 2010 and 2009, was equal to the City's required and actual contributions.

OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

D. Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2011, no employees are receiving benefits under this plan.

4. SUBSEQUENT EVENTS

On September 16, 2011 the Oklahoma Water Resources Board (OWRB) approved awarding a Clean Water State Revolving Fund loan to the Glenpool Utility Services Authority in an amount not to exceed \$3,740,625.00 to construct a dual purpose chlorine injection facility and related appurtenances. Management has evaluated subsequent events through October 13, 2011, which is the date the financial statements were available to be issued.

CITY OF GLENPOOL
Glenpool, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2011

CITY OF GLENPOOL
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
(Unaudited)

GENERAL FUND

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for services	\$ 48,800	\$ 48,800	\$ 44,782	\$ (4,018)
Cigarette taxes	80,000	80,000	76,262	(3,738)
Interest	1,500	1,500	4,676	3,176
Franchise taxes	400,000	400,000	440,185	40,185
Hotel/motel taxes	70,000	70,000	74,623	4,623
Intergovernmental programs	97,100	97,100	110,050	12,950
Fines and forfeits	304,498	304,498	489,912	185,414
Rental receipts	30,000	30,000	20,757	(9,243)
Licenses and permits	90,810	90,810	85,261	(5,549)
Miscellaneous revenue	27,000	27,000	13,807	(13,193)
Property sales	45,000	45,000	113,300	68,300
Property taxes	180,000	180,000	15,029	(164,971)
Sales and use taxes	5,375,694	5,375,694	5,356,879	(18,815)
Special assessments	68,000	68,000	64,783	(3,217)
Total revenues	6,818,402	6,818,402	6,910,306	91,904
Expenditures:				
Current:				
General government	2,561,743	2,506,236	1,502,683	1,003,553
Public safety	2,804,613	2,812,119	2,762,714	49,405
Highways and roads	354,030	352,031	328,660	23,371
Cultural and recreational	20,000	20,000	19,793	207
Debt Service:				
Principal	135,000	135,000	134,834	166
Interest expense	7,300	7,300	7,278	22
Capital outlay	2,150,015	4,200,015	3,941,040	258,975
Total expenditures	8,032,701	10,032,701	8,697,002	1,335,699
Excess of revenue over (under) expenditures	(1,214,299)	(3,214,299)	(1,786,696)	1,427,603
Other financing sources (uses):				
Operating transfers in (out)	267,466	2,267,466	1,564,625	(702,841)
Net changes in fund balance	(946,833)	(946,833)	269,178	1,216,011
Fund balance at beginning of year	1,608,480	1,608,480	1,608,480	-
Fund balance at end of year	\$ 661,647	\$ 661,647	\$ 1,877,658	\$ 1,216,011

CITY OF GLENPOOL
Glenpool, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2011
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

CITY OF GLENPOOL
Glenpool, Oklahoma

SUPPLEMENTAL INFORMATION
June 30, 2011

CITY OF GLENPOOL
Glenpool, Oklahoma

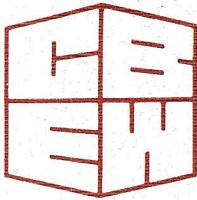
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Passed through Tulsa County:				
CDBG Urban County Funds	14.021	79,633	79,633	79,633
U.S. Department of Justice:				
Passed through the Office of Justice Programs:				
Office of Justice Grants	16.803	8,820	8,820	8,820
U.S. Department of Transportation:				
Passed through INCOG:				
Clean Fuels	20.519	30,000	30,000	30,000
Total of Expenditures of Federal Awards		\$ 118,453	\$ 118,453	\$ 118,453

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

CITY OF GLENPOOL
Glenpool, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2011



**CBEW
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Certified Public Accountants

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CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA

**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**

October 13, 2011

Honorable Board of City Commissioners
City of Glenpool
Glenpool, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Glenpool, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The City did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. The finding reference number is 11-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

City of Glenpool
October 13, 2011

Compliance and Other Matters

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

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

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF GLENPOOL
Glenpool, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

11-1. Internal Control – Material Adjusting Journal Entries

Criteria: The government's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The government's trial balances for the year ended June 30, 2011, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: accounts receivables, fines receivable, accrued interest, interest expenses, amortization of bond issue costs and discounts, purchased assets and transfers. This finding was also noted in 2010.

Cause: Although the government's accounting and financial reporting staff possess the necessary knowledge and expertise to provide reasonable assurance that the trial balances used for preparing the governmental GAAP financial statements are complete and accurate prior to audit, because of work load and other time constraints sufficient efforts were not expended to correct these misstatements prior to the auditors' arrival to perform fieldwork. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, management was able to review, understand and accept the adjusting entries proposed by the auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect: As a result of this condition, without reliance on its external auditors, the government did not comply with its internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence since management is responsible for the completeness and accuracy of the financial statements.

Recommendation: The accounting and financial reporting staff should spend sufficient time in evaluating the completeness and accuracy of trial balances that will be used to prepare the government's annual financial statements. If accounting staff doesn't have sufficient time because of workload constraints the government might consider outsourcing certain activities to other individuals or a qualified accounting firm other than the external auditor.

Responsible Official's Response: The City concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements in a timely manner.