



City of Tishomingo, Oklahoma  
Annual Financial Report

For the Fiscal Year Ended  
June 30, 2015

**City of Tishomingo, Oklahoma**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2015**  
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***FINANCIAL SECTION***



## **INDEPENDENT AUDITOR'S REPORT**

Members of the City Council  
City of Tishomingo, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Tishomingo, Oklahoma as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tishomingo, Oklahoma, as of June 30, 2015, and the respective changes in modified cash basis financial position, and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting described in Note 1.B.

## **Basis of Accounting**

We draw your attention to Note 1.B.of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Comanche, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements, the schedule of state awards and the schedule of expenditures of federal awards (as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*) are not a required part of the financial statements.

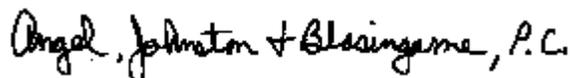
The combining fund financial statements, the schedule of state awards and the schedule of expenditures of federal awards are the responsibility of management, derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining fund financial statements and schedule of state awards and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Disclaimer of Opinion on Other Information*

The OMRF schedule of funding and budgetary comparison information which is responsibility of management is presented for purposes of additional analysis and is not a required part of the basic financial statements. We applied certain limited procedures to this other information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2016, 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* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
June 13, 2016

**City of Tishomingo, Oklahoma**  
**Statement of Net Position – Modified Cash Basis**  
**June 30, 2015**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalent	\$ 465,647	\$ 51,935	\$ 517,582
Restricted Cash and Cash Equivalent	-	199,357	199,357
Capital Assets Not Being Depreciated	575,523	19,220	594,743
Capital Assets, Net of Depreciation	<u>2,669,167</u>	<u>9,671,925</u>	<u>12,341,092</u>
<b>Total Assets</b>	<u>3,710,337</u>	<u>9,942,437</u>	<u>13,652,774</u>
<b>Liabilities</b>			
Refundable Meter Deposits	-	105,657	105,657
Due Within a Year	-	219,439	219,439
Long Term Liabilities	<u>-</u>	<u>5,446,257</u>	<u>5,446,257</u>
<b>Total Liabilities</b>	<u>-</u>	<u>5,771,353</u>	<u>5,771,353</u>
<b>Net Assets</b>			
Invested in Capital Assets	3,244,690	4,025,449	7,270,139
Restricted for Other Purposes	341,518	-	341,518
Unrestricted	<u>124,129</u>	<u>145,635</u>	<u>269,764</u>
<b>Total Net Assets</b>	<u>\$ 3,710,337</u>	<u>\$ 4,171,084</u>	<u>\$ 7,881,421</u>

*The notes to the financial statements are an integral part of this statement.*

**City of Tishomingo, Oklahoma**  
**Statement of Assets, Liabilities and Net Position – Governmental Funds – Modified Cash Basis**  
**June 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 283,678	\$ 47,643	\$ -	\$ -	\$ (236,035)	\$ -	\$ (236,035)
Public Safety	869,557	120,086	26,400	223,458	(499,613)	-	(499,613)
Streets	267,859	-	-	-	(267,859)	-	(267,859)
Culture and Recreation	42,241	-	-	-	(42,241)	-	(42,241)
Cemetery and Parks	132,230	-	-	22,110	(110,120)	-	(110,120)
Total Governmental Activities	<u>1,595,565</u>	<u>167,729</u>	<u>26,400</u>	<u>245,568</u>	<u>(1,155,868)</u>	<u>-</u>	<u>(1,155,868)</u>
Business-Type Activities							
Garbage	258,885	331,003	-	-	-	72,118	72,118
Sewer	229,651	278,651	-	-	-	49,000	49,000
Water	727,086	591,480	-	-	-	(135,606)	(135,606)
Administrative	357,998	43,574	-	425,670	-	111,246	111,246
Total Business Type Activities	<u>1,573,620</u>	<u>1,244,708</u>	<u>-</u>	<u>425,670</u>	<u>-</u>	<u>96,758</u>	<u>96,758</u>
Total Primary Government	<u>\$ 3,169,185</u>	<u>\$ 1,412,437</u>	<u>\$ 26,400</u>	<u>\$ 671,238</u>	<u>(1,155,868)</u>	<u>96,758</u>	<u>(1,059,110)</u>
General Revenues							
Taxes					1,408,743	-	1,408,743
Interest					75	128	203
Miscellaneous					713,916	-	713,916
Transfers					(273,388)	273,388	-
Total General Revenues and Transfers					<u>1,849,346</u>	<u>273,516</u>	<u>2,122,862</u>
Change in Net Assets					693,478	370,274	1,063,752
Contributed Capital					(221,588)	221,588	-
Net Assets - Beginning					<u>3,238,447</u>	<u>3,579,222</u>	<u>6,817,669</u>
Net Assets - Ending					<u>\$ 3,710,337</u>	<u>\$ 4,171,084</u>	<u>\$ 7,881,421</u>

*The notes to the financial statements are an integral part of this statement.*

**City of Tishomingo, Oklahoma**  
**Statement of Assets, Liabilities and Net Position – Governmental Funds – Modified Cash Basis**  
**June 30, 2015**

	General	Sales Tax Water	6th Street Proceeds	Grant	Other Governmental	Total
<b>Assets</b>						
Cash	\$ 138,898	\$ 5,492	\$ 36,149	\$ 48,102	\$ 249,848	\$ 478,489
<b>Total Assets</b>	<b>\$ 138,898</b>	<b>\$ 5,492</b>	<b>\$ 36,149</b>	<b>\$ 48,102</b>	<b>\$ 249,848</b>	<b>\$ 478,489</b>
<b>Liabilities</b>						
Overdraft Liability	\$ 12,842	\$ -	\$ -	\$ -	\$ -	\$ 12,842
Due To Other Funds	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>12,842</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,842</b>
<b>Fund Balances</b>						
Restricted	3,232	5,492	36,149	48,102	248,543	341,518
Assigned	122,761	-	-	-	-	122,761
Unassigned	63	-	-	-	1,305	1,368
<b>Total Fund Balances</b>	<b>126,056</b>	<b>5,492</b>	<b>36,149</b>	<b>48,102</b>	<b>249,848</b>	<b>465,647</b>
<b>Total Liabilities</b> and Fund Balances	<b>\$ 138,898</b>	<b>\$ 5,492</b>	<b>\$ 36,149</b>	<b>\$ 48,102</b>	<b>\$ 249,848</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	3,244,690
Net assets of governmental activities.	<b>\$ 3,710,337</b>

*The notes to the financial statements are an integral part of this statement.*

**City of Tishomingo, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

	General	Sales Tax Water	6th Street Proceeds	Grant	Other Governmental	Total
<b>REVENUE</b>						
Taxes	\$ 1,043,224	\$ 274,139	\$ -	\$ -	\$ 91,380	\$ 1,408,743
Intergovernmental	101,972	-	-	145,761	22,110	269,843
License & Permits	8,871	-	-	-	-	8,871
Charges for Service	19,336	-	-	-	-	19,336
Fines & Forfeitures	120,086	-	-	-	-	120,086
Rent	19,436	-	-	-	-	19,436
Miscellaneous	53,416	-	655,403	-	7,222	716,041
Interest	34	5	20	-	16	75
Total Revenue	<u>1,366,375</u>	<u>274,144</u>	<u>655,423</u>	<u>145,761</u>	<u>120,728</u>	<u>2,562,431</u>
<b>EXPENDITURES</b>						
Current						
General Government	247,427	38,327	-	-	150	285,904
Public Safety	737,986	-	-	21,916	587	760,489
Streets	185,189	-	-	91	3,447	188,727
Culture and Recreation	9,138	-	-	-	-	9,138
Cemetery and Parks	102,842	-	-	-	-	102,842
Capital Outlay						
General Government	-	-	-	-	5,981	5,981
Public Safety	32,965	-	297,686	36,620	3,640	370,911
Streets	24,803	-	-	198,039	53,079	275,921
Water / Sewer	-	-	221,588	-	-	221,588
Cemetery and Parks	4,150	-	-	-	21,665	25,815
Debt Service	8,480	-	-	-	-	8,480
Total Expenditures	<u>1,352,980</u>	<u>38,327</u>	<u>519,274</u>	<u>256,666</u>	<u>88,549</u>	<u>2,255,796</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,395	235,817	136,149	(110,905)	32,179	306,635
Other Financing Sources						
Transfers In	37,940	2,513	-	167,297	129,575	337,325
Transfers Out	(145,979)	(278,062)	(100,000)	(56,483)	(30,189)	(610,713)
Total Other Financing Sources	<u>(108,039)</u>	<u>(275,549)</u>	<u>(100,000)</u>	<u>110,814</u>	<u>99,386</u>	<u>(273,388)</u>
Net Change in Fund Balances	(94,644)	(39,732)	36,149	(91)	131,565	33,247
Fund Balances - Beginning	<u>220,700</u>	<u>45,224</u>	<u>-</u>	<u>48,193</u>	<u>118,283</u>	<u>432,400</u>
Fund Balances - Ending	<u>\$ 126,056</u>	<u>\$ 5,492</u>	<u>\$ 36,149</u>	<u>\$ 48,102</u>	<u>\$ 249,848</u>	<u>\$ 465,647</u>

*The notes to the financial statements are an integral part of this statement.*

**City of Tishomingo, Oklahoma**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds – Modified Cash Basis to the Statement of Revenues, Expenses and**  
**Changes in Net Position – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

Amounts reported for governmental activities

in the statement of activities are different because:

Net change in assets - total governmental funds	\$ 33,247
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	430,163
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The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>8,480</u>
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Change in net assets of governmental activities.	<u><u>\$ 471,890</u></u>
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*The notes to the financial statements are an integral part of this statement.*

**City of Tishomingo, Oklahoma**  
**Statement of Position – Proprietary Funds – Modified Cash Basis**  
**June 30, 2015**

	Tishomingo Municipal Authority
<b>ASSETS</b>	
Current Assets	
Cash	\$ 51,935
Restricted Cash	199,357
Total Current Assets	251,292
Noncurrent Assets	
Land	6,750
Buildings	404,910
Vehicles	50,690
Computers and Electronics	57,036
Land Improvements	16,416
Water System	13,563,564
Sewer System	11,377,234
Equipment	511,869
Accumulated Depreciation	(16,309,794)
Total Noncurrent Assets	9,691,145
Total Assets	9,942,437
<b>LIABILITIES</b>	
Current Liabilities	
Refundable Meter Deposits	105,657
Notes Payable, Current	219,439
Total Current Liabilities	325,096
Noncurrent Liabilities	
Capital Leases / Notes Payable	5,446,257
Total Noncurrent Liabilities	5,446,257
Total Liabilities	5,771,353
<b>NET ASSETS</b>	
Invested in Capital Assets	4,025,449
Unrestricted	145,635
Total Net Assets	\$ 4,171,084

*The notes to the financial statements are an integral part of this statement.*

**City of Tishomingo, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Proprietary Funds – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

	Tishomingo Municipal Authority
Operating Revenues:	
Garbage	\$ 331,003
Sewer	278,651
Water	591,480
Administrative	43,574
Total Operating Revenue	1,244,708
Operating Expenses:	
Garbage	258,885
Sewer	229,651
Water	527,563
Administrative	177,009
Depreciation and Amortization	277,431
Total Operating Expenses	1,470,539
Operating Income (Loss)	(225,831)
Nonoperating Revenues (Expenses):	
Interest Revenue	128
Interest Expense	(103,081)
Total Nonoperating Revenues (Expenses)	(102,953)
Income (Loss) before Transfers	(328,784)
Other Financing Sources (Uses):	
Contributed Capital	221,588
Grants and Contributions	425,670
Transfers In	771,523
Transfers Out	(498,135)
Total Other Financing Sources	920,646
Net Change in Net Assets	591,862
Total Net Assets - Beginning	3,579,222
Total Net Assets - Ending	\$ 4,171,084

*The notes to the financial statements are an integral part of this statement.*

**City of Tishomingo, Oklahoma**  
**Statement of Cash Flows – Proprietary Funds – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

*CASH FLOWS FROM OPERATING ACTIVITIES*

Operating Revenues Received	\$ 1,244,708
Vendors and Others Paid	<u>(1,191,556)</u>
Net Cash Provided by Operating Activities	<u>53,152</u>

*CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES*

Transfers, Net	<u>273,388</u>
Net Cash Provided by Noncapital Financing Activities	<u>273,388</u>

*CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES*

Payment of Debt	(226,056)
Debt Proceeds	830,835
Capital Grants and Contributions	425,670
Purchase of Property, Plant and Equipment	<u>(1,209,720)</u>
Net Cash Used by Capital Financing Activities	<u>(179,271)</u>

*CASH FLOWS FROM INVESTING ACTIVITIES*

Interest Expense	(103,081)
Interest Income	<u>128</u>
Net Cash Used by Investing Activities	<u>(102,953)</u>

Net Decrease in Cash and Cash Equivalents	44,316
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Cash and Cash Equivalents, July 1, 2014	<u>206,976</u>
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Cash and Cash Equivalents, June 30, 2015	<u><u>\$ 251,292</u></u>
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**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities**

Operating Income	<u>\$ (225,831)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization	277,431
Increase in Meter Deposits	<u>1,552</u>
	<u>278,983</u>
Net Cash Provided by Operating Activities	<u><u>\$ 53,152</u></u>

*The notes to the financial statements are an integral part of this statement.*

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

The City of Tishomingo is a charter city created under Title 11 of the Oklahoma Statutes. The governing body of the City is the City Council comprised of five elected members. The City Clerk/Treasurer is also elected. The appointed City Manager is the executive officer of the City.

For financial reporting purposes the financial statements included all funds and account groups over which the City Council exercises oversight responsibility. The criteria used to determine whether or not to include other entities in the financial statements were (1) the selection of governing authority, (2) designation of management, (3) ability to significantly influence operations, and (4) accountability for fiscal matters. Based on this criteria, the Tishomingo Municipal Authority is included.

The Tishomingo Municipal Authority is a Title 60.O.S. public trust created May 12, 1986, and activated during the 1993-94 fiscal year to finance the water improvement facilities. The current City Council serves as the governing body. The Tishomingo Municipal Authority is a blended component unit.

**B. Government-wide and Fund Financial Statements**

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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 is 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) operating and capital 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 Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued***

**B. Government-wide and Fund Financial Statements - continued**

*Fund Financial Statements*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level. The proprietary fund also uses the economic resources measurement focus.

The statement of net assets and activities and the fund financial statements are reported on a modified basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- Capital assets and the depreciation of those assets, where applicable
- Long-term debt
- Cash-based interfund receivables and payables
- Other cash-based receivable and payables

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued***

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued**

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The government reports the following major government funds:

- *General Fund* - is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Water Sales Tax Fund* – accounts for voter designated sales tax to be used for capital expenditures and debt service in the Tishomingo Municipal Authority.
- *Sixth Street Proceeds Fund* – accounts for monies received from the sale of property located on 6<sup>th</sup> street, and the capital expenditure of those funds for a new city hall / police building.
- *Grant Fund* – accounts for revenues received from various grants and the expenditure of those revenues.

The government reports the Tishomingo Municipal Authority as a major proprietary fund. It accounts for activities related to operating the water, wastewater and sanitation systems.

The government reports the following nonmajor governmental funds:

*Special Revenue Funds* – funds used to account for the proceeds of specific revenue sources that are restricted by law of administrative action to expenditure for specific purposes other than debt service or capital projects.

Cemetery Care	Trails Project
Sales Tax Street	Uniform Building Code
Special Sales Tax	Fire Station
ODOT Enhancement	Downtown Sidewalk

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

*Deposits and Investments*

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

The City does not have a written investment policy that limits its investment choices other than the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trust bonds whose beneficiary is a county, municipality or school district, except industrial development bonds; direct obligations of the United States; and certificates of deposit. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**D. Assets, Liabilities and Net Assets or Equity – continued**

*Deposits and Investments - continued*

Investments for the government, as well as for its component units, are reported at cost, which approximates fair value.

*Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$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.

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.

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:

<i>Assets</i>	<i>Years</i>
Buildings	40
Infrastructure	20-30
Vehicles	5
Computer Equipment	5
Machinery and Equipment	10

*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.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued***

**D. Assets, Liabilities and Net Assets or Equity – continued**

*Fund Equity*

Government-wide Statements

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

1. *Invested in capital assets* – consists of capital assets net of accumulated depreciation and related debt.
2. *Restricted net assets* – consists of net assets with constraints on the use either by (1) external groups or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable*: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted*: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed*: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued***

**D. Assets, Liabilities and Net Assets or Equity – continued**

*Fund Equity - continued*

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned interest earnings to the funds where earned for the purposes defined by the fund.
  
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

*Estimates*

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

***II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation of the \$3,244,690 difference between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets.

Another element of that reconciliation is capital assets used in governmental activities that are not financial resources.

Construction in Progress	\$	356,602
Land		218,921
Building		1,230,622
Equipment		781,956
Vehicles		646,048
Computers and Electronics		69,204
Land Improvements		1,896,396
Infrastructure		<u>2,077,119</u>
		7,276,868
Accumulated Depreciation		<u>(4,032,178)</u>
Capital Assets, Net	\$	<u><u>3,244,690</u></u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

***II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – continued***

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities**

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$438,643 difference between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “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.

Capital Outlay	\$ 678,627
Depreciation Expense	<u>(248,464)</u>
Net adjustment to increase net change in <i>fund balance - total governmental funds</i> to arrive at changes in <i>net position -</i> <i>governmental activities</i>	<u>\$ 430,163</u>

Another element of that reconciliation explains that “repayment of principal of long term debt consumes the current financial resources of governmental funds.”

Capital Lease Principal Payments	\$ <u>8,480</u>
Net adjustment to increase net change in <i>fund balance - total governmental funds</i> to arrive at changes in <i>net position -</i> <i>governmental activities</i>	<u>\$ 8,480</u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

***III. DETAILED NOTES ON ALL FUNDS***

**A. Deposits and Investments**

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* required collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2015, the City's bank balances of \$897,991 were not exposed to custodial credit risk.

*Investment Interest Rate Risk*

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

*Investment Credit Risk*

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trust.

*Concentration of Credit Risk*

The City places no limit on the amount it may invest in any one issuer.

*Restricted Cash*

Restricted cash in the TMA at June 30, 2015 consists of the Debt Service Funds in the amount of \$82,204, refundable meter deposits of \$117,153.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 218,921	\$ -	\$ -	\$ 218,921
Construction in Progress	12,675	343,927	-	356,602
Total Capital Assets, not being depreciated	<u>231,596</u>	<u>343,927</u>	-	<u>575,523</u>
Capital Assets, being depreciated:				
Building	1,228,865	1,757	-	1,230,622
Equipment	776,013	5,943	-	781,956
Vehicles	616,633	29,415	-	646,048
Computers and Electronics	69,204	-	-	69,204
Land Improvements	1,620,032	276,364	-	1,896,396
Infrastructure	2,055,898	21,221	-	2,077,119
Total Capital Assets, being depreciated	<u>6,366,645</u>	<u>334,700</u>	-	<u>6,701,345</u>
Less Accumulated Depreciation	<u>3,783,714</u>	<u>248,464</u>	-	<u>4,032,178</u>
Total Capital Assets, being depreciated, net	<u>2,582,931</u>	<u>86,236</u>	-	<u>2,669,167</u>
Governmental Activities Capital Assets, net	<u>\$ 2,814,527</u>	<u>\$ 430,163</u>	<u>\$ -</u>	<u>\$ 3,244,690</u>
<b>Business Type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 6,750	\$ -	\$ -	\$ 6,750
Construction in Progress	5,806,844	-	5,794,374	12,470
Total Capital Assets, not being depreciated	<u>5,813,594</u>	<u>-</u>	<u>5,794,374</u>	<u>19,220</u>
Capital Assets, being depreciated:				
Building	183,322	221,588	-	404,910
Equipment	489,517	22,352	-	511,869
Vehicles	50,690	-	-	50,690
Computers and Electronics	57,036	-	-	57,036
Land Improvements	7,451	8,965	-	16,416
Water System	10,434,587	3,128,977	-	13,563,564
Sewer Plant	7,533,434	3,843,800	-	11,377,234
Total Capital Assets, being depreciated	<u>18,756,037</u>	<u>7,225,682</u>	-	<u>25,981,719</u>
Less Accumulated Depreciation	<u>16,032,363</u>	<u>277,431</u>	-	<u>16,309,794</u>
Total Capital Assets, being depreciated, net	<u>2,723,674</u>	<u>6,948,251</u>	-	<u>9,671,925</u>
Business Type Activities Capital Assets, net	<u>\$ 8,537,268</u>	<u>\$ 6,948,251</u>	<u>\$ 5,794,374</u>	<u>\$ 9,691,145</u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**B. Capital Assets - continued**

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

<i>Governmental Activities:</i>	
General Government	\$ 22,273
Public Safety	84,569
Streets	79,132
Culture and Recreation	33,103
Cemetery and Parks	<u>29,387</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 248,464</u>
 <i>Business Type Activities:</i>	
Water	\$ 148,986
Sewer	<u>128,445</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 277,431</u>

**C. Interfund Receivables, Payables and Transfers**

*Interfund Transfers*

***Transfers Out:***

<u><i>Transfers In:</i></u>	<i>General</i>	<i>Enterprise</i>	<i>Other Governmental</i>	<i>Total</i>
General Fund	\$ -	\$ 16,431	\$ 21,509	\$ 37,940
Other Governmental	95,000	204,385	-	299,385
Enterprise	<u>50,979</u>	<u>277,319</u>	<u>443,225</u>	<u>771,523</u>
	<u>\$ 145,979</u>	<u>\$ 498,135</u>	<u>\$ 464,734</u>	<u>\$ 1,108,848</u>

Reason / Purpose – all transfers are operating transfers.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt**

*Small Community Drinking Water State Revolving Fund Note Payable*

During 1998-1999 the Tishomingo Municipal Authority entered into a second Utility Revenue note payable to Oklahoma Water Resources Board for \$1,353,727. Proceeds from the note provided financing for improvements to the sanitary sewer system. The interest rate is fixed at 2.74% plus an administration rate of 0.5%. The Tishomingo Municipal Authority, began in September 2000 depositing approximately \$10,933 per month into the TMA Capital Improvement account to be used to pay the semi-annual payments when due. The effective interest rate at June 30, 2015 is 2.74%. Principal maturities for the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Admin Fees</i>
2016	\$ 81,981	\$ 3,757	\$ 2,042
2017	83,181	2,980	1,620
2018	84,383	2,201	1,196
2019	85,602	1,411	767
2020	<u>86,838</u>	<u>611</u>	<u>332</u>
Total	<u>\$ 421,985</u>	<u>\$ 10,960</u>	<u>\$ 5,957</u>

*Small Community Drinking Water State Revolving Fund Note Payable - continued*

Provisions of the Note which are pertinent to the financial statements are as follows:

*Pledged Revenues* - Net water and sewer revenues generated from the operation of the System will be used first to meet debt service; second to pay operation and maintenance expenses of the System; and third to replenish the minimum required balance of the reserve fund requirement.

The Tishomingo Municipal Authority at all times will maintain schedules of rates and charges for service of the System sufficient to provide funds which together with other revenues pledged will provide Net Revenues Available for Debt Service equal to at least 125% of the maximum annual amount required for debt service. The revenues derived from the System are pledged as collateral for the note.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt – continued**

*Oklahoma Water Resources Board Note Payable*

During 2006-2007 the Tishomingo Municipal Authority entered into the TMA Series 2006 CWSRF note payable with the Oklahoma Water Resources Board dated September 30, 2006, for sewer system improvements. The total principal available on the loan is \$1,115,000. The interest rate is variable as set periodically by the Water Resources Board (subject to optional conversion to a fixed term rate). Total principal drawn down at June 30, 2015 was \$1,114,335 and the current rate of interest is 2.60%. Principal and interest maturities are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Admin Fees</i>
2016	\$ 52,222	\$ 16,339	\$ 3,680
2017	53,939	14,899	3,417
2018	55,648	13,465	3,145
2019	57,410	11,987	2,865
2020	59,186	10,498	2,575
2021-2025	326,893	26,287	8,206
2026-2029	<u>143,674</u>	<u>-</u>	<u>899</u>
Total	<u>\$ 748,972</u>	<u>\$ 93,475</u>	<u>\$ 24,787</u>

*Oklahoma Water Resources Board Note Payable - continued*

Provisions of the Note which are pertinent to the financial statements are as follows:

*Pledged Revenues* - Net water and sewer revenues generated from the Authority will be used first to meet debt service; second to pay operation and maintenance expenses of the system; and third to replenish the minimum required balance of the reserve fund requirement.

The Tishomingo Municipal Authority at all times will maintain schedules of rates and charges for services sufficient to provide funds which together with other revenues pledged will provide Net Revenues Available for Debt Service equal to at least 125% of the maximum annual amount required for debt service.

Utility revenues pledged for the \$1,353,727 Series 1999 SCCW SRF promissory note to OWRB, and the \$1,115,000 Series 2006 CW SRF promissory note to OWRB had the following comparison:

For the current year, principal and interest paid and total water and sewer utility net revenues were \$160,028 and \$112,917, respectively.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt - continued**

*Rural Development Association Notes Payable*

During 2012-2013 The Tishomingo Municipal Authority entered in to notes payable with the United States Department of Agriculture Rural Development Association for water and sewer system improvements. The agreement consists of three notes payable.

*Rural Development Loan 1*

Dated March 27, 2013, interest rate fixed at 1.875%. Principal available on the loan is \$2,956,000. At June 30, 2015 all principal had been drawdown. The loan principal and interest is payable in monthly installments of \$8,780 for 40 years.

Principal maturities for the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2016	\$ 53,421	\$ 51,939
2017	54,431	50,929
2018	55,461	49,899
2019	56,509	48,851
2020	57,578	47,782
2021-2025	304,642	222,158
2026-2030	334,560	192,240
2031-2035	367,415	159,385
2036-2040	403,497	123,303
2041-2045	443,122	83,678
2046-2050	\$ 486,639	\$ 40,161
2051-2055	<u>174,591</u>	<u>2,997</u>
	<u>\$ 2,791,866</u>	<u>\$ 1,073,322</u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III.DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt - continued**

*Rural Development Loan 2*

Dated March 27, 2013, interest rate fixed at 1.875%. Principal available on the loan is \$251,000. The loan principal and interest is payable in monthly installments of \$746 beginning April 2013 for 40 years.

Principal maturities for the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2016	\$ 4,475	\$ 4,477
2017	4,560	4,392
2018	4,646	4,306
2019	4,734	4,218
2020	4,823	4,129
2021-2025	25,520	19,240
2026-2030	28,026	16,734
2031-2035	30,778	13,982
2036-2040	33,801	10,959
2041-2045	37,120	7,640
2046-2050	40,766	3,994
2051-2055	<u>21,563</u>	<u>519</u>
 Total	 <u>\$ 240,812</u>	 <u>\$ 94,590</u>

*Rural Development Loan 3*

Dated March 27, 2013, interest rate fixed at 1.875%. Principal available on the loan is \$1,530,000. The loan principal and interest is payable in monthly installments of \$4,545 beginning April 2013 for 40 years.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt - continued**

*Rural Development Loan 3 - continued*

Principal maturities for the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2016	\$ 27,340	\$ 27,200
2017	27,857	26,683
2018	28,384	26,156
2019	28,921	25,619
2020	29,468	25,072
2021-2025	155,911	116,789
2026-2030	171,223	101,478
2031-2035	188,037	84,663
2036-2040	206,504	66,196
2041-2045	226,783	45,917
2046-2050	249,054	23,645
2051-2055	<u>122,579</u>	<u>2,805</u>
	<u>\$ 1,462,061</u>	<u>\$ 572,223</u>

Pledged Revenues - Assignment of .75 cent utility sales tax collection passed October 2007. For the current year, principal and interest paid and total 3/4% sales tax revenue were \$168,852 and \$274,139, respectively.

*Flow of Funds* - The disposition of gross revenues are restricted in the bond indenture to the following order of priority:

1. Payment of the cost and expenses of and incidental to the operation and ordinary maintenance of the mortgaged property.
2. Use of any remainder for any proper purpose considered appropriate by the Authority.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt – continued**

Interest expense was charged to the functions/programs of the primary government as follows:

<i><b>Business Type Activities</b></i>		<i><b>Governmental Activities</b></i>	
Water	\$ 50,537	Streets	\$ 128
Sewer	<u>52,544</u>		
	<u>\$ 103,081</u>		<u>\$ 128</u>

*Changes in Long-Term Liabilities*

Long term liability activity for the year ended June 30, 2015, was as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
<i><b>Governmental Activities:</b></i>					
Capital Leases	\$ 8,480	\$ -	\$ 8,480	\$ -	\$ -
Total Long Term Liabilities	<u>\$ 8,480</u>	<u>\$ -</u>	<u>\$ 8,480</u>	<u>\$ -</u>	<u>\$ -</u>
<i><b>Business Type Activities:</b></i>					
OWRB Note Payable ORF-97-0022-CW	\$ 502,812	\$ -	\$ 80,827	\$ 421,985	\$ 81,981
OWRB Note Payable ORF-04-0003-CW	799,650	-	50,678	748,972	52,222
Rural Development - Sewer Loan	1,489,987	-	27,926	1,462,061	27,340
Rural Development - Water Loan	2,023,015	830,835	61,984	2,791,866	53,421
Rural Development - Water Loan	245,205	-	4,393	240,812	4,475
Notes Payable / Capital Leases	<u>248</u>	<u>-</u>	<u>248</u>	<u>-</u>	<u>-</u>
Total Long Term Liabilities	<u>\$ 5,060,917</u>	<u>\$ 830,835</u>	<u>\$ 226,056</u>	<u>\$ 5,665,696</u>	<u>\$ 219,439</u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**D. Long Term Debt – continued**

*Debt Service Coverage Requirement*

The OWRB debt agreement requires that Net Revenue Available for Debt Service must equal 125% of maximum annual debt service. Actual coverage was as follows:

***Net Revenue Available for Debt Service:***

Operating Revenue	\$ 1,244,699
Less: Garbage Revenue	<u>(331,003)</u>
Total Operating Revenue	913,696

Operating Expenses	1,470,539
Less: Garbage Expense	(258,885)
Less: Administrative Expense	(47,067)
Less: Depreciation Expense	<u>(277,431)</u>
Total Operating Expenses	887,156

Interest Revenue	<u>128</u>
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Net Revenue Available for Debt Service	<u><u>\$ 26,668</u></u>
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***Maximum Annual Debt Service Requirements:***

OWRB Note Payable ORF-97-0022-CW	\$ 92,846
OWRB Note Payable ORF-04-0003-CW	<u>75,422</u>
Total Debt Service Requirement	<u><u>\$ 168,268</u></u>

Coverage	<u>16%</u>
Coverage Requirement	<u><u>125%</u></u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**E. Fund Equity**

*Net Assets Restricted by Enabling Legislation*

The government-wide statement of net assets reports \$341,518 of restricted net assets, of which \$134,220 is restricted by enabling legislation.

***Enabling Legislation:***

Sales Tax - Street, Fire, Police	\$ 128,728
Sales Tax - Water	<u>5,492</u>
	<u><u>\$ 134,220</u></u>

*Deficit Fund Balance:*

The General Fund had a deficit fund balance of \$12,842 as of June 30, 2015.

*Governmental Fund Balance Classifications*

As of June 30, 2015, fund balances of the Governmental Funds were classified as follows:

	General	Sales Tax Water	6th Street Proceeds	Grant	Other Governmental	Total
<b>Restricted</b>						
Cemetery Capital Purchases	\$ -	\$ -	\$ -	\$ -	\$ 9,231	\$ 9,231
Capital Projects	-	5,492	36,149	48,102	110,520	200,263
Street and Alley	3,232	-	-	-	-	3,232
Special Assessments	-	-	-	-	64	64
Debt Service	-	-	-	-	128,728	128,728
<b>Assigned</b>						
Debt Service	19,477	-	-	-	-	19,477
Public Safety	103,284	-	-	-	-	103,284
<b>Unassigned</b>	<u>63</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,305</u>	<u>1,368</u>
	<u><u>\$ 126,056</u></u>	<u><u>\$ 5,492</u></u>	<u><u>\$ 36,149</u></u>	<u><u>\$ 48,102</u></u>	<u><u>\$ 249,848</u></u>	<u><u>\$ 465,647</u></u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**F. Pension Plans**

*Firefighters' Retirement Plan*

Fire department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Firefighters' Pension Fund, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equal to 2.5% of the average compensation of the highest 30 months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% per the year June 30, 2015. Participating members are required to contribute 8%.

Three Year Trend Information:

Year Ending June 30,	Covered Payroll	Total Pension Cost	City Share	Employee Share
2015	\$ 92,873	\$ 19,503	\$ 12,074	\$ 7,429
2014	75,631	15,882	9,832	6,050
2013	70,545	14,811	9,169	5,642

The Firefighters Statewide Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing Oklahoma Firefighters Pension and Retirement System, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK, 73105-3414.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**F. Pension Plans – continued**

*Policemen’s Retirement Plan*

Police department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements. A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equals 2.5% of the average compensation of the highest 30 consecutive months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2015. Participating members are required to contribute 8%.

Three Year Trend Information:

Year Ending June 30,	Covered Payroll	Total Pension Cost	City Share	Employee Share
2015	\$ 167,088	\$ 35,089	\$ 21,721	\$ 13,368
2014	162,624	34,151	21,141	13,010
2013	155,010	32,552	20,151	12,401

The Police Officers Statewide Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing Oklahoma Police Pension and Retirement System, 1001 NW 63<sup>rd</sup> Street, Suite 605, Oklahoma City, OK, 73116-7335.

*Municipal Retirement Plan*

The City of Tishomingo continues to provide for a defined contribution retirement plan with the Oklahoma Municipal Retirement Fund for all employees who elect to participate voluntarily. However, the City no longer contributes to this plan.

Effective July 1, 2004, City of Tishomingo implemented a defined benefit plan with the Oklahoma Municipal Retirement Fund, an agent multiple employer defined pension plan.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**F. Pension Plans – continued**

*Municipal Retirement Plan - continued*

The City of Tishomingo and its employees participate in the Oklahoma Municipal Retirement Fund. All regular full time employees, except those covered under another retirement system, are eligible. Employees are vested at 5 years.

The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained at City Hall.

Funding Policy: The contribution requirements of City of Tishomingo, Tishomingo Municipal Authority, and employees are established and may be amended by the OMRF board. Employees are required to contribute 3% of their annual covered salary. City of Tishomingo and Tishomingo Municipal Authority are required to contribute at an actuarially determined rate; the rate at June 30, 2015 is 7.77 percent of covered payroll.

Annual Pension Cost: For 2014-2015, City of Tishomingo and Tishomingo Municipal Authority’s annual pension cost of \$32,136 equal to the required and actual contributions. The required contribution was determines as part of the March 31, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 percent investment rate of return, (II) projected salary increases due to inflation of 3 percent, compounded annually, and (III) projected salary increases due to age/seniority, compounded annually.

Three Year Trend Information:

Year Ending June 30,	Contribution Rate	City / TMA Cost (APC)	Contributed	Net Pension Obligation
2015	7.77%	\$ 32,136	100%	\$ -
2014	8.08%	29,886	100%	-
2013	9.10%	31,183	100%	-

Funding Status and Funding Progress: As of December 31, 2015, the most recent actuarial valuation date, the plan was 80.6 percent funded. The actuarial accrued liability for benefits was \$387,951, and the actuarial value of assets was \$291,086, resulting in an unfunded actuarial accrued liability (UAAL) of \$75,373. The covered payroll (total annualized rate of pay as of the valuation date based on actual pay for the preceding year) was \$318,961, and the ratio of the UAAL to the covered payroll was 23.6 percent. The City’s unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

***III.DETAILED NOTES ON ALL FUNDS – continued***

**F. Pension Plans – continued**

*Municipal Retirement Plan - continued*

The schedule of funding progress, presented as OSI following the notes to the financial statements, present trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*City Manager Retirement Plan*

The City has provided a defined contribution plan and trust known as the City of Tishomingo Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF) available only to the city manager. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OMRF and plan assets are supervised by OMRF. The city manager is required to contribute to the Plan 10% of compensation.

The City Council determines the City’s contribution rate each year. City contributions for the city manager begin vesting immediately. The authority to amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2015, employer contributions were \$5,225.

**G. Risk Management**

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

*General Liability, Physical Property and Automobile Liability/ Physical Damage* - general liability, physical property and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group risk entity pool. Deductibles range from \$0 to \$5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by OMAG.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

***III.DETAILED NOTES ON ALL FUNDS – continued***

**G. Risk Management - continued**

*Worker's Compensation* - Workers' compensation is insured through CompSource Oklahoma. Risk of loss retained is limited to the excess of insurance liability coverage limits set by CompSource Oklahoma.

**H. Commitments and Contingencies**

*Grant Programs*

In the normal course of operations; the City participates in various federal and state grant programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

***SUPPLEMENTARY  
INFORMATION***

**City of Tishomingo, Oklahoma**  
**Unaudited – Oklahoma Municipal Retirement Fund**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2015**

Actuarial Valuation Date	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as
	Value of	Liability (AAL) -				Entry Age
	Assets	Entry Age	AAL (UAAL)	a/b	Payroll	Percentage
	a	b	b-a	a/b	c	of Covered
						Payroll
						(b-a)/c
1/1/2005	17,746	331,568	313,822	5.4%	281,641	111.4%
1/1/2006	53,856	320,821	266,965	16.8%	334,427	79.8%
1/1/2007	82,743	322,943	240,200	25.6%	263,968	91.0%
1/1/2008	113,363	360,464	247,101	31.4%	302,993	81.6%
1/1/2009	128,520	354,837	226,317	36.2%	264,028	85.7%
1/1/2010	154,467	387,346	232,879	39.9%	291,045	80.0%
1/1/2011	178,184	403,106	224,922	44.2%	280,367	80.2%
1/1/2012	213,556	439,150	225,594	48.6%	330,413	68.3%
1/1/2013	250,295	461,980	211,685	54.2%	340,727	62.1%
1/1/2014	291,086	476,122	185,036	61.1%	334,499	55.3%
1/1/2015	312,578	387,951	75,373	80.6%	318,961	23.6%

The schedule of funding progress presented above presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**City of Tishomingo, Oklahoma**  
**Budgetary Information**  
**June 30, 2015**

The city manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year end, therefore, encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.

The following major funds had an excess of expenditures over appropriations as of June 30, 2015:

<b>Fund – Department</b>	<b>Amount</b>
General – General Government	\$ 57,124
General – Public Safety	11,736
General – Streets	104,220
General – Transfers	33,491

**City of Tishomingo, Oklahoma**  
**Unaudited Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – General Fund – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

	<u>Budget Amounts</u>		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		With Final Budget
<b>REVENUE</b>				
Taxes	\$ 888,489	\$ 888,489	\$ 1,013,110	\$ 124,621
Intergovernmental	-	-	4,484	4,484
License	4,470	4,470	8,871	4,401
Charges for Service	15,600	15,600	19,336	3,736
Fines	4,600	4,600	1,426	(3,174)
Rent	14,100	14,100	19,436	5,336
Miscellaneous	33,767	33,767	53,338	19,571
Interest	<u>15</u>	<u>15</u>	<u>7</u>	<u>(8)</u>
Total Revenue	961,041	961,041	1,120,008	158,967
<b>EXPENDITURES</b>				
Current				
General Government	165,804	165,804	222,928	(57,124)
Public Safety	701,218	701,218	712,954	(11,736)
Streets	81,359	81,359	185,579	(104,220)
Culture and Recreation	12,745	12,745	9,138	3,607
Cemetery and Parks	<u>131,715</u>	<u>131,715</u>	<u>106,992</u>	<u>24,723</u>
Total Expenditures	1,092,841	1,092,841	1,237,591	(144,750)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(131,800)</u>	<u>(131,800)</u>	<u>(117,583)</u>	<u>14,217</u>
Other Financing Sources				
Transfers In	125,800	125,800	124,297	(1,503)
Transfers Out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(37,491)</u>	<u>(33,491)</u>
Total Other Financing Sources	<u>121,800</u>	<u>121,800</u>	<u>86,806</u>	<u>(34,994)</u>
Net Change in Fund Balances	(10,000)	(10,000)	(30,777)	(20,777)
Fund Balances - Beginning	<u>10,000</u>	<u>10,000</u>	<u>17,935</u>	<u>7,935</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>(12,842)</u>	<u>\$ (12,842)</u>

***Reconciliation to Financial Statement Presentation***

The Municipal Court and Juvenile Funds are consolidated with the General Fund for financial statement presentation, but not for budget purposes.

Fund Balances - Ending - Municipal Court Fund	9,224
Fund Balances - Ending - Juvenile Fund	<u>3,681</u>
	<u>\$ 63</u>

**City of Tishomingo, Oklahoma**  
**Combining Statement of Assets, Liabilities and Fund Balance**  
**General Fund – Modified Cash Basis**  
**June 30, 2015**

	General	Street and Alley	Emergency	Police Vehicle	Animal Control	Total
<b>Assets</b>						
Cash and Cash Equivalent	\$ 12,905	\$ 3,232	\$ 103,284	\$ 19,477	\$ -	\$ 138,898
Total Assets	<u>\$ 12,905</u>	<u>\$ 3,232</u>	<u>\$ 103,284</u>	<u>\$ 19,477</u>	<u>\$ -</u>	<u>\$ 138,898</u>
<b>Liabilities</b>						
Overdraft Liability	\$ 12,842	\$ -	\$ -	\$ -	\$ -	\$ 12,842
Due To Other Funds	-	-	-	-	-	-
Total Liabilities	<u>12,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,842</u>
<b>Fund Balances</b>						
Restricted	-	3,232	-	-	-	3,232
Assigned	-	-	103,284	19,477	-	122,761
Unassigned	63	-	-	-	-	63
Total Fund Balances	<u>63</u>	<u>3,232</u>	<u>103,284</u>	<u>19,477</u>	<u>-</u>	<u>126,056</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 12,905</u>	<u>\$ 3,232</u>	<u>\$ 103,284</u>	<u>\$ 19,477</u>	<u>\$ -</u>	<u>\$ 138,898</u>

**City of Tishomingo, Oklahoma**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

	General	Street and Alley	Emergency	Police Vehicle	Animal Control	Total
<b>REVENUE</b>						
Taxes	\$ 1,013,110	\$ 30,114	\$ -	\$ -	\$ -	\$ 1,043,224
Intergovernmental	4,484	-	97,488	-	-	101,972
License & Permits	8,871	-	-	-	-	8,871
Charges for Service	19,336	-	-	-	-	19,336
Fines & Forfeitures	120,086	-	-	-	-	120,086
Rent	19,436	-	-	-	-	19,436
Miscellaneous	53,339	(1)	-	-	78	53,416
Interest	<u>9</u>	<u>1</u>	<u>23</u>	<u>1</u>	<u>-</u>	<u>34</u>
Total Revenue	1,238,671	30,114	97,511	1	78	1,366,375
<b>EXPENDITURES</b>						
Current						
General Government	222,928	-	24,499	-	-	247,427
Public Safety	732,506	-	-	-	5,480	737,986
Streets	152,296	32,893	-	-	-	185,189
Culture and Recreation	9,138	-	-	-	-	9,138
Cemetery and Parks	102,842	-	-	-	-	102,842
Capital Outlay						
Public Safety	32,965	-	-	-	-	32,965
Streets	24,803	-	-	-	-	24,803
Cemetery and Parks	4,150	-	-	-	-	4,150
Debt Service	<u>8,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,480</u>
Total Expenditures	1,290,108	32,893	24,499	-	5,480	1,352,980
Excess (Deficiency) of Revenues Over (Under) Expenditures						
	(51,437)	(2,779)	73,012	1	(5,402)	13,395
Other Financing Sources						
Transfers In	57,357	-	583	(20,000)	-	37,940
Transfers Out	<u>(56,741)</u>	<u>-</u>	<u>(108,488)</u>	<u>19,250</u>	<u>-</u>	<u>(145,979)</u>
Total Other Financing Sources	616	-	(107,905)	(750)	-	(108,039)
Net Change in Fund Balances	(50,821)	(2,779)	(34,893)	(749)	(5,402)	(94,644)
Fund Balances - Beginning	<u>50,884</u>	<u>6,011</u>	<u>138,177</u>	<u>20,226</u>	<u>5,402</u>	<u>220,700</u>
Fund Balances - Ending	<u>\$ 63</u>	<u>\$ 3,232</u>	<u>\$ 103,284</u>	<u>\$ 19,477</u>	<u>\$ -</u>	<u>\$ 126,056</u>

**City of Tishomingo, Oklahoma**  
**Combining Statement of Assets Liabilities and Fund Balance**  
**Nonmajor Governmental Funds – Modified Cash Basis**  
**June 30, 2015**

	<u>Cemetery Care</u>	<u>Trails Project</u>	<u>Sales Tax Street</u>	<u>Uniform Building Code</u>	<u>Special Sales Tax</u>
<b>Assets</b>					
Cash	\$ 9,231	\$ -	\$ -	\$ 64	\$ 128,728
Total Assets	<u>\$ 9,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 128,728</u>
<b>Liabilities</b>					
Due To Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Restricted	9,231	-	-	64	128,728
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>9,231</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>128,728</u>
Total Liabilities and Fund Balances	<u>\$ 9,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 128,728</u>

**City of Tishomingo, Oklahoma**  
**Combining Statement of Assets Liabilities and Fund Balance**  
**Nonmajor Governmental Funds – Modified Cash Basis**  
**June 30, 2015**

	<u>Fire Station</u>	<u>ODOT Enhacement</u>	<u>Downtown Sidewalk</u>	<u>Total</u>
Assets				
Cash	\$ 106,175	\$ 4,345	\$ 1,305	\$ 249,848
Total Assets	<u>\$ 106,175</u>	<u>\$ 4,345</u>	<u>\$ 1,305</u>	<u>\$ 249,848</u>
Liabilities				
Due To Other Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	106,175	4,345	-	248,543
Unassigned	<u>-</u>	<u>-</u>	<u>1,305</u>	<u>1,305</u>
Total Fund Balances	<u>106,175</u>	<u>4,345</u>	<u>1,305</u>	<u>249,848</u>
Total Liabilities and Fund Balances	<u>\$ 106,175</u>	<u>\$ 4,345</u>	<u>\$ 1,305</u>	<u>\$ 249,848</u>

**City of Tishomingo, Oklahoma**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

	Cemetery Care	Trails Project	Sales Tax Street	Uniform Building Code	Special Sales Tax
<b>REVENUE</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 91,380
Intergovernmental	-	22,110	-	-	-
Miscellaneous	900	-	-	152	(1)
Interest	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>
Total Revenue	901	22,110	-	152	91,390
<b>EXPENDITURES</b>					
Current					
Public Safety	-	-	-	-	587
Streets	-	-	2,905	-	-
Cemetery and Parks	-	-	-	-	-
General Government	-	-	-	150	-
Capital Outlay					
Public Safety	-	-	-	-	3,640
Streets	-	-	-	-	33,866
Cemetery and Parks	-	21,665	-	-	-
General Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,981</u>
Total Expenditures	-	21,665	2,905	150	44,074
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	901	445	(2,905)	2	47,316
Other Financing Sources					
Transfers In	-	-	-	-	29,575
Transfers Out	<u>-</u>	<u>(614)</u>	<u>-</u>	<u>-</u>	<u>(29,575)</u>
Total Other Financing Sources	-	(614)	-	-	-
Net Change in Fund Balances					
	901	(169)	(2,905)	2	47,316
Fund Balances - Beginning					
	<u>8,330</u>	<u>169</u>	<u>2,905</u>	<u>62</u>	<u>81,412</u>
Fund Balances - Ending	<u>\$ 9,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 128,728</u>

**City of Tishomingo, Oklahoma**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

	<u>Fire Station</u>	<u>ODOT Enhancement</u>	<u>Downtown Sidewalk</u>	<u>Total</u>
<b>REVENUE</b>				
Taxes	\$ -	\$ -	\$ -	\$ 91,380
Intergovernmental	-	-	-	22,110
Miscellaneous	6,171	-	-	7,222
Interest	<u>4</u>	<u>-</u>	<u>-</u>	<u>16</u>
Total Revenue	6,175	-	-	120,728
<b>EXPENDITURES</b>				
Current				
Public Safety	-	-	-	587
Streets	-	542	-	3,447
Cemetery and Parks	-	-	-	-
General Government	-	-	-	150
Capital Outlay				
Public Safety	-	-	-	3,640
Streets	-	19,213	-	53,079
Cemetery and Parks	-	-	-	21,665
General Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,981</u>
Total Expenditures	-	19,755	-	88,549
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	6,175	(19,755)	-	32,179
Other Financing Sources				
Transfers In	100,000	-	-	129,575
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,189)</u>
Total Other Financing Sources	100,000	-	-	99,386
Net Change in Fund Balances				
	106,175	(19,755)	-	131,565
Fund Balances - Beginning				
	<u>-</u>	<u>24,100</u>	<u>1,305</u>	<u>118,283</u>
Fund Balances - Ending	<u>\$ 106,175</u>	<u>\$ 4,345</u>	<u>\$ 1,305</u>	<u>\$ 249,848</u>

**City of Tishomingo, Oklahoma**  
**Schedule of Expenditures of Federal Awards – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

<u>Federal/State Grantor/Pass Through Agency Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Grant #</u>	<u>Award Amount</u>	<u>Awards Expended</u>
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Rural Development Water Improvement Loan - ARRA	10.781	RDA Loan Funds	2,956,000	830,835
Rural Development Water Improvement Grant Funds - ARRA	10.781	RDA Grant Funds	<u>2,475,000</u>	<u>350,670</u>
Total U.S. Department of Agriculture			<u>\$ 5,431,000</u>	<u>\$ 1,181,505</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed Through Oklahoma District Attorney Council: JAG Grant	16.738	209-DJBX-1134	<u>\$ 9,673</u>	<u>\$ -</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 9,673</u>	<u>\$ -</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed Through Oklahoma Department of Transportation: Federal Highway Safety	20.219	NRT-2011(100)	<u>\$ 66,500</u>	<u>\$ 22,110</u>
Safe Route to School	20.205	SR 5-135D(133)ST	<u>180,000</u>	<u>169,350</u>
Total U.S. Department of Housing and Transportation			<u>\$ 246,500</u>	<u>\$ 191,460</u>
<b>TOTAL FEDERAL AWARDS</b>			<b><u>\$ 5,687,173</u></b>	<b><u>\$ 1,372,965</u></b>

**City of Tishomingo, Oklahoma**  
**Schedule of Expenditures of Federal Awards – Modified Cash Basis**  
**For the Year Ended June 30, 2015**

**Notes to the Schedule of Expenditures of Federal Awards for the Year ended June 30, 2015**

**NOTE A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the grant activity of the City of Tishomingo, Oklahoma, under programs of the federal government for the year ended June 30, 2015. The information in this Schedule Is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Tishomingo, Oklahoma, it is not intended to and does not present the financial position, Changes in net assets or cash flows of the City of Tishomingo, Oklahoma.

**NOTE B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. The expenditures are recognized following the cost principles contained in OMB Circular A087, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowed or limited as to reimbursement.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF THE ACCOMPANYING FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the City Council  
City of Tishomingo, Oklahoma

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, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tishomingo, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 13, 2016. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Management Discussion and Analysis is not presented as required by the Governmental Accounting Standards Board.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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.

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 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. A *significant deficiency* is a deficiency, or 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.

Our consideration of internal control for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies, or material weaknesses and therefore, significant deficiencies, or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 15-1, 15-2, 15-3, 15-4, 15-5, 15-6, 15-7, and 15-8.

### **Compliance and Other Matters**

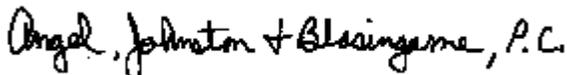
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying of findings and questioned costs as item: 15-2, 15-3, 15-4, 15-5, 15-7, and 15-8.

### **City of Tishomingo's Response to Findings**

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

### **Purpose of this Report**

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in compliance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.



Chickasha, Oklahoma  
June 13, 2016

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the City Council  
City of Tishomingo, Oklahoma

### **Report on Compliance for Each Major Federal Program**

We have audited City of Tishomingo's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the compliance for each major program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Major Programs**

In our opinion, the City of Tishomingo, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 15-1 to 15-9. Our opinion on each major federal program is not modified with respect to these matters.

City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

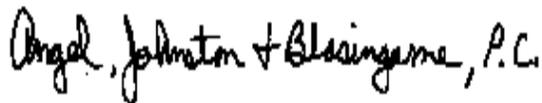
*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 15-8.

City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Angel Johnston, & Blasingame, PC



Chickasha, Oklahoma  
June 30, 2016

**CITY OF TISHOMINGO, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |  |            |
|--|------------|
| 1. Type of auditor's report issued                           | Unmodified |
| 2. Internal control over financial reporting:                |            |
| a. Material weaknesses identified?                           | No         |
| b. Significant deficiency identified?                        | Yes        |
| c. Noncompliance material to the financial statements noted? | No         |

Federal Awards

- |   |            |
|---|------------|
| 1. Internal control over major program:   |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiency identified not considered to be material weaknesses?  | Yes        |
| 2. Type of auditor's report issued on compliance for major program:   | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes        |

4. Identification of major programs:

CFDA Number  
10.760 & 10.781 (ARRA)

Name of Federal Program  
Water & Waste Disposal System for  
Rural Communities

Dollar threshold used to distinguish between Type A or Type B programs:

- |   |           |
|---|-----------|
| 5. Auditee qualified as low-risk auditee? | \$300,000 |
|   | No        |

**CITY OF TISHOMINGO, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

**Section 2**

*Findings-Financial Statement Audit*

SIGNIFICANT DEFICIENCY

15-1. Criteria – A detailed meter deposit listing should be maintained and printed timely in order to assure sufficiency of cash account to cover the outstanding meter deposit liability.

Condition – The City did not print a timely a meter deposit listing report to verify sufficiency of cash deposits.

Cause – A timely meter deposit report is not being printed and reconcile to the general ledger and sufficiency of cash deposits is not being verified.

Effect – The sufficiency of cash deposits is not properly monitored by the City.

Recommendation –Establish a system of printing reports timely, reconcile to the general ledger and verify sufficiency of cash deposits.

Management response – Management agrees and will continue to train personnel to reconcile and print monthly reports and reconcile with cash.

15-2. Criteria – Purchasing procedures according to state statute should include initiating the purchase with a purchase order and formal acknowledgement procedure for evidencing receipt of goods or services.

Condition – During our testing of purchasing procedures we noted six of thirty-six purchase orders were dated after the invoice date.

Cause – Purchases being made before the purchase order is prepared.

Effect – Violation of statutes and possible breakdown in the budget control activities.

Recommendation – Re-enforce the correct procedure and provide training if necessary.

Management response – Management agrees. The current accounting system changes the date of the purchase order when the invoice is paid.

15-3. Criteria – The employees' share of retirement should be calculated and withheld on employees' wages including paid vacation and paid sick leave.

Condition – The City did not withhold the employees' share of retirement on paid vacation and sick leave.

Cause – It appears the payroll system was not set up correctly to calculate the employees' share of retirement.

Effect – On affected employees, their retirement accounts were under funded.

Recommendation –The City should verify the payroll system correctly calculates the amount of employees' earnings subject to retirement withholding.

Management response – Management agrees and will verify they payroll system is correctly calculating employees' earnings subject to retirement withholding.

**CITY OF TISHOMINGO, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

- 15-4. Criteria – The City incorrectly paid retirement benefits on the City Manager’s severance pay.
- Condition – Severance pay is not considered eligible compensation for retirement benefits.
- Cause – It appears the payroll system was set up incorrectly to calculate City’s share of retirement on severance pay.
- Effect – The City overpaid retirement benefits and is unable to recover the overage.
- Recommendation –The City should verify the payroll system correctly calculates retirement benefits and verify the amount being sent to retirement funds are correctly allocated.
- Management response – Management agrees and will verify they payroll system is correctly calculating retirement benefits.
- 15-5. Criteria – In order to have a good system of internal control the Court accounts receivable (unpaid fines) should be reconciled with the records from the Court billing and collection system.
- Condition – They are reconciling a daily and monthly cash collected per court accounting system to the general ledger, but are not reconciling Court accounts receivable (unpaid fines) with the court billing and collection accounting system.
- Cause – The City does not have procedures in place to reconciling Court accounts receivable (unpaid fines) with the unpaid fine report from their Court billing and collection system.
- Effect – Not reconciling unpaid fines with the Court accounting and billing system creates the potential for fraud.
- Recommendation –The City should, in addition to reconcile collections with the general ledger, should reconcile their excel spreadsheets that have an accounts receivable balances with the Court billing system’s unpaid fines.
- Management response – Management agrees.
- 15-6. Criteria – Oklahoma Statutes Title 11, Section 17:211A states “No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.”
- Condition – Expenditures exceed total appropriations in the General Fund by \$178,241.
- Cause– There was a lack of proper procedures and controls for monitoring the City’s expenditures in relations to their approved budget appropriations.
- Effect – The lack of procedures and controls allowed non-compliance with Oklahoma Statutes.
- Recommendation – The City should closely monitor each budget on a monthly basis and not approve any expenditure exceeding appropriation until additional amendments have been made and approved. The categories of each budgeted fund should be tracked in order to determine the remaining budget balance. The City Council can approve all transfers of appropriations between budgeted categories for each fund; however, all supplemental appropriations require the approval of both the City Council and the County Excise Board.
- Management response – Management agrees.

**CITY OF TISHOMINGO, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

15-7. Criteria – According to state statute no fund should have a negative fund balance.

Condition – The General Fund without Municipal Court and Juvenile Court Fund has a negative fund balance of \$12,842.

Cause– There was a lack of proper procedures and controls for monitoring the City’s General Fund balance.

Effect – The lack of procedures and controls allowed non-compliance with Oklahoma Statutes and poor control over fiscal responsibility.

Recommendation – The City should closely monitor each fund and avoid transaction creating a negative fund balance.

Management response – Management agrees.

15-8. Criteria – The debt agreement with Oklahoma Water Resources Board requires Net Revenue Available for Debt Service must equal 125% of maximum annual debt service.

Condition – The actual coverage did not equal the required amount by \$141,600. The coverage was 16% instead of the 125% required Net Revenue Available for Debt Service.

Cause – Inadequate monitoring of debt service requirement.

Effect – Potential inability to meet debt requirements and non-compliance with debt agreement.

Recommendation – The City should monitor the net revenues available for debt service and either contain costs or increase revenues to meet requirements.

Management response – Management agrees.

**CITY OF TISHOMINGO, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

**Section 3**

*Findings and Question Costs-Major Federal Award Programs Audit*

15-9. Criteria – Not all grants were properly identified.

Condition – The Recreational Trails Grant was not list on the grant schedule. The JAG grant expenses were reported on the grant schedule as fiscal year 2015 expenses, instead of fiscal year 2014.

Cause – Inadequate recording of grants.

Effect – Potential misidentification of grants and corresponding expenses.

Recommendation – Greater care should be taken in recording grants and reports should be reconciled to grant records.

Management response – Management agrees and corrected the grant schedule and accounting records.

**CITY OF TISHOMINGO, OKLAHOMA**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS AND DISPOSITIONS**  
**Year Ended June 30, 2015**

**Deficiencies of Internal Control, Compliance and Other Matters**

- 14-1. Criteria – A detailed meter deposit listing should be maintained and printed timely in order to assure sufficiency of cash account to cover the outstanding meter deposit liability.

Condition – The City did not print a timely a meter deposit listing report to verify sufficiency of cash deposits.

Recommendation – Establish a system of printing reports timely, reconcile to the general ledger and verify sufficiency of cash deposits.

Disposition – We noted this continues to be a problem.

- 14-2. Criteria – Purchasing procedures according to state statute should include initiating the purchase with a purchase order and formal acknowledgement procedure for evidencing receipt of goods or services.

Condition – During our testing of purchasing procedures we noted nine of thirty-one purchase orders were dated after the invoice date.

Recommendation – Re-enforce the correct procedure and provide training if necessary.

Disposition – We noted this continues to be a problem, however our findings and recommendation was not presented to the City until after fiscal year 14/15 had ended.

- 14-3. Criteria – The employees’ share of retirement should be calculated and withheld on employees’ wages including paid vacation and paid sick leave.

Condition – The City did not withhold the employees’ share of retirement on paid vacation and sick leave.

Recommendation – The City should verify the payroll system correctly calculates the amount of employees’ earnings subject to retirement withholding.

Disposition – We noted this continues to be a problem, however our findings and recommendation was not presented to the City until after fiscal year 14/15 had ended.

- 14-4. Criteria – The City incorrectly paid retirement benefits on the City Manager’s severance pay.

Condition – Severance pay is not considered eligible compensation for retirement benefits. In addition, OMRF applied the overage payment to the new City Manager, who subsequently cashed his retirement out so the City can no longer recover the overpayment.

Recommendation –The City should verify the payroll system correctly calculates retirement benefits and verify the amount being sent to retirement funds are correctly allocated.

Disposition – We noted this continues to be a problem, however our findings and recommendation was not presented to the City until after fiscal year 14/15 had ended.

**CITY OF TISHOMINGO, OKLAHOMA**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS AND DISPOSITIONS**  
**Year Ended June 30, 2015**

14-5. Criteria – The debt agreement with Oklahoma Water Resources Board requires Net Revenue Available for Debt Service must equal 125% of maximum annual debt service.

Condition – The actual coverage did not equal the required amount by \$2,314 and met 124% of the 125% Net Revenue Available for Debt Service.

Recommendation – The City should carefully monitor the net revenues available for debt service so that either expenses can be contained or measures taken to increase revenues to meet requirements.

Disposition – We noted this continues to be a problem, however our findings and recommendation was not presented to the City until after fiscal year 14/15 had ended.

14-6. Criteria – Not all grants were properly identified.

Condition – The Recreational Trails Grant was misidentified as another grant and not all of the grants received were properly identified and recorded. The JAG grant expenses were reported on the grant schedule as fiscal year 2015 expenses, instead of fiscal year 2014.

Recommendation – Greater care should be taken in recording grants and reports should be reconciled to grant records.

Disposition – We noted this continues to be a problem, however our findings and recommendation was not presented to the City until after fiscal year 14/15 had ended.