



# City of Mangum, Oklahoma

## Report on Audit

Of

## Financial Statements

June 30, 2012

**Mayor**

Kathy Tebow

**Commissioners**

Ron Gay

Ben Locklear

Dick Stickle

Bobby Richardson

**City Attorney**

Chris Wray

**City Manager**

Paul Southwick



**City of Mangum, Oklahoma**  
**Report on Audit of Financial Statements**  
**June 30, 2012**

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**City of Mangum, Oklahoma**  
**Report on Audit of Financial Statements**  
**June 30, 2012**

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# Ronald C. Cottrell, CPA

## Independent Auditor's Report

December 28, 2012

Board of Commissioners  
City of Mangum  
Mangum, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mangum, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Mangum's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mangum's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mangum, Oklahoma, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of the City of Mangum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## Ronald C. Cottrell, CPA

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 38-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mangum's basic financial statements. The accompanying combining and individual nonmajor fund financial statements listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ronald C. Cottrell, CPA

**City of Mangum, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2012**

The following discussion and analysis of the City of Mangum's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the City's financial statements, which begin on page 12.

**Financial Highlights**

- ❖ The assets of the City of Mangum exceeded its liabilities at the close of the most recent fiscal year by \$ 4,671,557 (net assets). Of this amount, \$ 1,097,622 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ The government's total net assets increased by \$ 499,480 for the year ended June 30, 2012.
- ❖ As of the close of the current fiscal year the City of Mangum's governmental funds reported combined ending fund balances of \$ 1,689,597, an increase of \$ 118,156 in comparison with the prior year. \$ 1,220,771 of the ending fund balance is available for spending at the government's discretion (unassigned fund balance).
- ❖ At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,225,922, or 63 % of total general fund expenditures.
- ❖ The City of Mangum's total debt decreased by \$ 278,827 during the current fiscal year.

**Overview of the Financial Statements**

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

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

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

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

See disclaimer in accompanying Independent Auditor's Report.

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

The government-wide financial statements include not only the City of Mangum itself (known as the primary government), but also the legally separate authority (Mangum Utility Authority). Financial information for this component unit is blended with the primary government itself. The Mangum Utility Authority, although also legally separate, functions for all practical purposes as a department of the City of Mangum, and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12–13 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

The basic governmental fund financial statements can be found on pages 14–16 of this report.

**Proprietary funds.** The City maintains seven proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its enterprise fund to account for its utility operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Mangum Utility Authority, and New Hope Chemical Dependency Unit, which are considered to be major funds of the City.

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

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

The City has one fiduciary fund—the City cafeteria plan is a trust fund.

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

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

The notes to the financial statements can be found on pages 21–37 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on pages 38–39 of this report.

The combining statements referred to earlier, in connection with nonmajor governmental funds and nonmajor enterprise funds, are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the major governmental funds. Combining and individual fund statements and schedules can be found on pages 40–46 of this report.

## **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$ 4,671,557 at the close of the most recent fiscal year.

One portion of the City’s net assets (62 %) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Mangum**  
Net Assets  
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 1,713,425	\$ 1,572,188	\$ 1,600,009	\$ 1,401,193	\$ 3,313,434	\$ 2,973,381
Capital and other noncurrent assets	2,743,096	2,839,068	1,652,724	1,648,575	4,395,820	4,487,643
Total assets	<u>4,456,521</u>	<u>4,411,256</u>	<u>3,252,733</u>	<u>3,049,768</u>	<u>7,709,254</u>	<u>7,461,024</u>
Current liabilities	23,828	747	684,798	702,553	708,626	703,300
Long-term liabilities	24,932	27,358	2,304,139	2,558,289	2,329,071	2,585,647
Total liabilities	<u>48,760</u>	<u>28,105</u>	<u>2,988,937</u>	<u>3,260,842</u>	<u>3,037,697</u>	<u>3,288,947</u>
Net assets:						
Invested in capital assets, net of related debt	2,720,291	2,795,900	182,034	12,707	2,902,325	2,808,607
Restricted	475,656	631,943	195,954	208,695	671,610	840,638
Unrestricted	1,211,814	955,308	(114,192)	(432,476)	1,097,622	522,832
Total net assets	<u>\$ 4,407,761</u>	<u>\$ 4,383,151</u>	<u>\$ 263,796</u>	<u>\$ (211,074)</u>	<u>\$ 4,671,557</u>	<u>\$ 4,172,077</u>

An additional portion of the City's net assets (14 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 1,097,622) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$ 499,480 during the current fiscal year. This increase was due to:

- The City's successful collection efforts and ability to contain costs.
- Repayment of debt obligations associated with capital assets.
- Receipt of equipment through grant funds from REAP & CDBG.

**City of Mangum**  
Statement of Activities  
Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 762,422	\$ 699,558	\$ 5,325,407	\$ 5,220,983	\$ 6,087,829	\$ 5,920,541
Grants/contributions	108,678	1,008,605	285,310	369,058	393,988	1,377,663
General revenues	823,006	839,079	206,419	46,661	1,029,425	885,740
Total revenues	<u>1,694,106</u>	<u>2,547,242</u>	<u>5,817,136</u>	<u>5,636,702</u>	<u>7,511,242</u>	<u>8,183,944</u>

See disclaimer in accompanying Independent Auditor's Report.

**City of Mangum**  
Statement of Activities  
Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Expenses:						
General government/administration	424,914	339,757	97,618	265,258	522,532	605,015
Public safety	902,640	755,455	-	-	902,640	755,455
Public works	907,203	1,248,284	-	-	907,203	1,248,284
Culture and recreation	323,811	258,161	-	-	323,811	258,161
Electric	-	-	2,609,719	2,316,758	2,609,719	2,316,758
Water	-	-	350,283	336,186	350,283	336,186
Wastewater	-	-	12,325	12,881	12,325	12,881
Sanitation	-	-	434,253	388,538	434,253	388,538
Golf	-	-	143,487	120,827	143,487	120,827
Chemical dependency unit	-	-	805,509	1,118,778	805,509	1,118,778
Other	-	763	-	-	-	763
Total expenses	2,558,568	2,602,420	4,453,194	4,559,226	7,011,762	7,161,646
Increase in net assets before transfers	(864,462)	(55,178)	1,363,942	1,077,476	499,480	1,022,298
Transfers, net	889,072	868,764	(889,072)	(868,764)	-	-
Increase in net assets	24,610	813,586	474,870	208,712	499,480	1,022,298
Net assets, beginning	4,383,151	3,569,565	(211,074)	(419,786)	4,172,077	3,149,779
Net assets, ending	<u>\$ 4,407,761</u>	<u>\$ 4,383,151</u>	<u>\$ 263,796</u>	<u>\$ (211,074)</u>	<u>\$ 4,671,557</u>	<u>\$ 4,172,077</u>

Increases in revenues were the result of:

- Increase in utility service revenues due to abnormal heat and drought conditions.
- Increase in general revenues due to abnormal heat and drought conditions.

Changes in expenses were due to:

- Total expenses showed no significant change due to conservative budget practices.

**Governmental activities.** Governmental activities increased the City's net assets by \$ 24,610. The key elements of this increase were:

- The City's successful collection efforts and ability to contain costs.
- Repayment of debt obligations associated with capital assets.

See disclaimer in accompanying Independent Auditor's Report.

**City of Mangum**  
 Governmental Activities  
Years Ended June 30, 2012 and 2011

	Program Revenues		Cost of Services	
	2012	2011	2012	2011
General government	\$ 45,998	\$ 76,343	\$ 424,914	\$ 339,757
Public safety	142,723	52,563	902,640	755,455
Public works	649,419	1,532,329	907,203	1,248,284
Culture and recreation	32,960	46,928	323,811	258,161
Interest on long-term debt	-	-	-	763
Total governmental activities	<u>\$ 871,100</u>	<u>\$ 1,708,163</u>	<u>\$ 2,558,568</u>	<u>\$ 2,602,420</u>

**Business-type activities.** Business-type activities increased the City's net assets by \$ 474,870. The key elements of this increase were:

- Purchase of equipment for utility departments.
- City's ability to contain costs.

**City of Mangum**  
 Business-Type Activities  
Years Ended June 30, 2012 and 2011

	Program Revenues		Cost of Services	
	2012	2011	2012	2011
Administration/other services	\$ 159,597	\$ 166,228	\$ 97,618	\$ 265,258
Electric	3,324,223	3,096,061	2,609,719	2,316,758
Water	710,112	666,775	350,283	336,186
Wastewater	210,810	159,864	12,325	12,881
Sanitation	385,096	368,918	434,253	388,538
Golf	60,403	76,515	143,487	120,827
Chemical dependency unit	760,476	1,055,680	805,509	1,118,778
Total business-type activities	<u>\$ 5,610,717</u>	<u>\$ 5,590,041</u>	<u>\$ 4,453,194</u>	<u>\$ 4,559,226</u>

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 1,689,597, an increase of \$ 118,156 in comparison with the prior year. The key elements to this increase were:

- The City's ability to contain and control costs.
- The City's continued conservative budget control and practices.

The general fund is the chief operating fund of the City. As of the end of the current fiscal year, unassigned fund balance of the general fund was \$ 1,225,922.

The fund balance of the City's general fund increased \$ 72,969 during the current fiscal year. The key factors in this increase were:

- The City's ability to contain and control costs.
- The City's continued conservative budget control and practices.

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

Unrestricted net assets of the Mangum Utility Authority as of the end of the year amounted to \$ (627,629). The total increase in net assets was \$ 332,978. Operating revenues increased \$ 331,992 over the previous year due to:

- Increased water and electric utility revenues generated from heat and drought conditions.

Operating expenses increased by \$ 257,365, as a result of:

- Increased electric and water expenditures due to heat and drought conditions.

The Chemical Dependency Unit had unrestricted net assets of \$ 126,100 at year end. Operating revenues of \$ 760,476 were \$ 295,204 less than the previous year, while current expenses of \$ 805,510 were \$ 343,066 less than the year before. These decreases were due to the City changing as operator of the facility to leasing the facility to Great Plains Health Services, LLC.

### **General Fund Budgetary Highlights**

There were differences between the original budget and the final budget for the general fund. Amendments were made to the original budget to reflect additional taxes received, and move appropriations between departments during the year. Transfers in from other funds were reduced. The overall expenditures and transfers out budget amounts remained the same.

Overall, actual revenues and transfers in on the budgetary basis for the general fund of \$ 2,232,067 were \$ 128,695 less than the estimated revenues in the budget of \$ 2,360,762. This resulted from less grant revenues received than estimated, and less in transfers from the Mangum Utility Authority.

Actual expenditures and transfers out of \$ 2,153,677 were \$ 184,654 less than the \$ 2,338,331 approved in final budget appropriations.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$ 4,318,027 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and vehicles.

**City of Mangum**  
Capital Assets  
June 30, 2012 and 2011  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 97,778	\$ 97,778	\$ 135,573	\$ -	\$ 233,351	\$ 97,778
Construction in progress	5,000	8,717	-	-	5,000	8,717
Buildings and improvements	1,908,630	1,985,987	139,152	176,760	2,047,782	2,162,747
Infrastructure	319,960	346,375	-	-	319,960	346,375
Equipment	232,433	223,569	121,288	143,675	353,721	367,244
Vehicles	136,863	108,727	156,724	177,712	293,587	286,439
Other assets	19,627	24,747	-	-	19,627	24,747
Utility systems	-	-	1,044,999	1,088,567	1,044,999	1,088,567
Capital assets, net	<u>\$ 2,720,291</u>	<u>\$ 2,795,900</u>	<u>\$ 1,597,736</u>	<u>\$ 1,586,714</u>	<u>\$ 4,318,027</u>	<u>\$ 4,382,614</u>

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

- Purchase of 153.64 Acres of Land property and water rights (existing well field).
- Purchase of 14' X 60' FEMA mobile home trailer for temporary golf course club house.
- Purchase of 14" wood chipper for tree limb removal.
- Dixie Chopper lawn mower, Parks department.
- Walking Trail, Scott Park
- 2 handheld meter readers.
- MUA, new hand held, mobile and base station communication radios.

Additional information of the City's capital assets can be found in Note V.D. on pages 30–31 of this report.

**Long-term debt.** As of the end of the current fiscal year, the City had total debt outstanding of \$ 2,492,081. This represents debt secured solely by capital leases of \$ 18,233; revenue bonds of \$ 1,040,000; revenue notes of \$ 1,397,469; and accrued compensated absences of \$ 36,379.

**City of Mangum**  
**Outstanding Debt**  
June 30, 2012 and 2011

	Governmental		Business-Type		Totals	
	Activities		Activities		2012	2011
	2012	2011	2012	2011	2012	2011
Capital leases	\$ -	\$ -	\$ 18,233	\$ 26,378	\$ 18,233	\$ 26,378
Revenue bonds	-	-	1,040,000	1,145,000	1,040,000	1,145,000
Revenue notes payable	-	-	1,397,469	1,547,629	1,397,469	1,547,629
Compensated absences	24,932	27,358	11,447	24,543	36,379	51,901
Total outstanding debt	<u>\$ 24,932</u>	<u>\$ 27,358</u>	<u>\$ 2,467,149</u>	<u>\$ 2,743,550</u>	<u>\$ 2,492,081</u>	<u>\$ 2,770,908</u>

The City's total debt decreased \$ 278,827 during the current fiscal year. Key factor in this decrease was due to the payment of scheduled debt obligations.

Additional information on the City's long-term debt can be found in Notes V.F. on pages 31-32 of this report.

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

The City's elected and appointed officials considered many factors when setting the fiscal-year 2013 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. The downturn of the national economy has affected the local economy. Unemployment is up and sales tax revenues have been flat for the last several years.

These indicators were taken into account when adopting the City's budget for 2013.

- ❖ Changes in the local economy and its impact on sales tax receipts.
- ❖ The rising costs of materials and supplies including fuel expenses.
- ❖ The rising costs of providing affordable health care plans for employees.

During the current fiscal year, unreserved fund balance in the general fund increased by \$ 78,390.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Mangum's city manager, City of Mangum, 201 North Oklahoma, Mangum, Oklahoma 73554.

**City of Mangum, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 572,879	\$ 851,583	\$ 1,424,462
Investments	996,529	118,619	1,115,148
Receivables:			
Accounts, net of allowance for uncollectibles	41,030	312,428	353,458
Taxes	119,944	-	119,944
Due from other governments	14,094	-	14,094
Internal balances	(31,051)	31,051	-
Inventory	-	23,690	23,690
Restricted assets - cash and investments	-	262,638	262,638
Total current assets	<u>1,713,425</u>	<u>1,600,009</u>	<u>3,313,434</u>
Noncurrent assets:			
Notes receivable	22,805	-	22,805
Debt issuance costs, net of accumulated amortization	-	54,988	54,988
Capital assets, net of accumulated depreciation	2,720,291	1,597,736	4,318,027
Total noncurrent assets	<u>2,743,096</u>	<u>1,652,724</u>	<u>4,395,820</u>
Total assets	<u>4,456,521</u>	<u>3,252,733</u>	<u>7,709,254</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	23,828	279,495	303,323
Payable from restricted assets:			
Accrued interest	-	24,556	24,556
Customer deposits	-	149,045	149,045
Current portion of long-term obligations	-	231,702	231,702
Total current liabilities	<u>23,828</u>	<u>684,798</u>	<u>708,626</u>
Noncurrent liabilities:			
Capital lease obligations	-	18,233	18,233
Notes payable	-	1,397,469	1,397,469
Revenue bonds payable	-	1,040,000	1,040,000
Deferred gain on refunding	-	68,226	68,226
Accrued compensated absences	24,932	11,913	36,845
Less: current portion	-	(231,702)	(231,702)
Total noncurrent liabilities	<u>24,932</u>	<u>2,304,139</u>	<u>2,329,071</u>
Total liabilities	<u>48,760</u>	<u>2,988,937</u>	<u>3,037,697</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,720,291	182,034	2,902,325
Restricted:			
Enabling legislation	-	-	-
Statutes	122,261	-	122,261
Debt service	-	195,954	195,954
Contractual	353,395	-	353,395
Unrestricted	1,211,814	(114,192)	1,097,622
Total net assets	<u>\$ 4,407,761</u>	<u>\$ 263,796</u>	<u>\$ 4,671,557</u>

The accompanying notes are an integral part of these financial statements.

**City of Mangum, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2012**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 424,914	\$ 45,998	\$ -	\$ -
Public safety	902,640	47,579	20,825	74,319
Public works	907,203	649,419	-	-
Culture and recreation	323,811	19,426	7,369	6,165
Total governmental activities	<u>2,558,568</u>	<u>762,422</u>	<u>28,194</u>	<u>80,484</u>
Business-type activities:				
Administration / other services	97,618	159,597	-	-
Electric and power plant	2,609,719	3,324,223	-	-
Water	350,283	710,112	-	-
Wastewater	12,325	210,810	-	-
Sanitation	434,253	385,096	-	-
Golf	143,487	60,403	-	-
Chemical dependency unit	805,509	475,166	285,310	-
Total business-type activities	<u>4,453,194</u>	<u>5,325,407</u>	<u>285,310</u>	<u>-</u>
Total government	<u>\$ 7,011,762</u>	<u>\$ 6,087,829</u>	<u>\$ 313,504</u>	<u>\$ 80,484</u>

General revenues:

Taxes:

  Sales and use

  Franchise

  Other

Interest income

Miscellaneous

Gain on sale of assets

Transfers

  Total general revenues and transfers

  Change in net assets

Net assets, beginning

Net assets, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (378,916)	\$ -	\$ (378,916)
(759,917)	-	(759,917)
(257,784)	-	(257,784)
(290,851)	-	(290,851)
<u>(1,687,468)</u>	<u>-</u>	<u>(1,687,468)</u>
-	61,979	61,979
-	714,504	714,504
-	359,829	359,829
-	198,485	198,485
-	(49,157)	(49,157)
-	(83,084)	(83,084)
-	(45,033)	(45,033)
<u>-</u>	<u>1,157,523</u>	<u>1,157,523</u>
<u>(1,687,468)</u>	<u>1,157,523</u>	<u>(529,945)</u>
596,830	-	596,830
37,054	-	37,054
72,697	-	72,697
12,763	16,742	29,505
103,662	183,425	287,087
-	6,252	6,252
<u>889,072</u>	<u>(889,072)</u>	<u>-</u>
<u>1,712,078</u>	<u>(682,653)</u>	<u>1,029,425</u>
24,610	474,870	499,480
<u>4,383,151</u>	<u>(211,074)</u>	<u>4,172,077</u>
<u>\$ 4,407,761</u>	<u>\$ 263,796</u>	<u>\$ 4,671,557</u>

**City of Mangum, Oklahoma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General	Hospital Rent & Utilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 406,247	\$ -	\$ 166,632	\$ 572,879
Investments	717,494	-	279,035	996,529
Receivables:				
Taxes	114,906	-	5,038	119,944
Due from other governments	-	-	14,094	14,094
Other	41,030	-	-	41,030
Total assets	<u>\$ 1,279,677</u>	<u>\$ -</u>	<u>\$ 464,799</u>	<u>\$ 1,744,476</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 22,704	\$ -	\$ 1,124	\$ 23,828
Due to other funds	31,051	-	-	31,051
Total liabilities	<u>53,755</u>	<u>-</u>	<u>1,124</u>	<u>54,879</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted:				
Contractual	-	-	330,590	330,590
Laws and regulations	-	-	122,261	122,261
Committed	-	-	-	-
Assigned:				
Public safety	-	-	9,897	9,897
Culture and recreation	-	-	6,078	6,078
Unassigned	1,225,922	-	(5,151)	1,220,771
Total fund balances	<u>1,225,922</u>	<u>-</u>	<u>463,675</u>	<u>1,689,597</u>
Total liabilities and fund balances	<u>\$ 1,279,677</u>	<u>\$ -</u>	<u>\$ 464,799</u>	<u>\$ 1,744,476</u>

The accompanying notes are an integral part of these financial statements.

**City of Mangum, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2012**

	General	Hospital Rent & Utilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 633,883	\$ -	\$ -	\$ 633,883
Licenses and permits	2,630	-	-	2,630
Intergovernmental	74,848	-	99,090	173,938
Fines and forfeitures	37,653	-	-	37,653
Charges for services	373,703	325,000	2,601	701,304
Other	38,216	-	93,719	131,935
Interest	8,960	(38)	3,841	12,763
Total revenues	<u>1,169,893</u>	<u>324,962</u>	<u>199,251</u>	<u>1,694,106</u>
<b>Expenditures</b>				
Current:				
General government	391,976	-	-	391,976
Public safety	771,508	-	1,405	772,913
Public works	372,079	344,000	76,686	792,765
Culture and recreation	238,317	-	7,601	245,918
Capital outlay	180,275	-	82,180	262,455
Total expenditures	<u>1,954,155</u>	<u>344,000</u>	<u>167,872</u>	<u>2,466,027</u>
Excess of revenues over (under) expenditures	(784,262)	(19,038)	31,379	(771,921)
<b>Other Financing sources (uses)</b>				
Loan principal receipts	-	-	20,363	20,363
Transfers in	1,095,479	37,453	-	1,132,932
Transfers (out)	(238,248)	-	(24,970)	(263,218)
Total other financing sources (uses)	<u>857,231</u>	<u>37,453</u>	<u>(4,607)</u>	<u>890,077</u>
<b>Net change in fund balances</b>	72,969	18,415	26,772	118,156
Fund balances, beginning	<u>1,152,953</u>	<u>(18,415)</u>	<u>436,903</u>	<u>1,571,441</u>
Fund balances, ending	<u>\$ 1,225,922</u>	<u>\$ -</u>	<u>\$ 463,675</u>	<u>\$ 1,689,597</u>

The accompanying notes are an integral part of these financial statements.

**City of Mangum, Oklahoma**  
**Reconciliation of Governmental Funds and**  
**Government-Wide Financial Statements**  
**Year Ended June 30, 2012**

Total fund balance - governmental funds	\$ 1,689,597
Amounts reported for governmental activities in the statement of net assets are different because:	
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Notes receivable	22,805
Capital assets	2,720,291
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds:	
Accrued compensated absences	(24,932)
	(24,932)
Net assets of governmental activities	\$ 4,407,761
Net change in fund balances – total governmental funds	\$ 118,156
Adjustments for the statement of activities:	
Governmental funds report capital outlays and debt issuance costs as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation or amortization expense. This is the amount by which capital outlay expenditures and debt issuance costs exceeded depreciation in the current reporting period.	
	(75,609)
Financial transactions with small business entities through the revolving loan fund use current financial resources when new loans are made and provide current financial resources as repayments are received, however, neither transaction has an effect on net assets. The details of this difference are as follows:	
Principal received on notes receivable	(20,363)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported in governmental funds.	
Accrued compensated absences, net change	2,426
	2,426
Change in net assets of governmental activities	\$ 24,610

The accompanying notes are an integral part of these financial statements.

**City of Mangum, Oklahoma**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	Enterprise Funds		
	Mangum Utility Authority	Chemical Dependency Unit	Nonmajor Enterprise Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 381,768	\$ 126,100	\$ 343,715
Investments	18,026	-	100,593
Receivables:			
Accounts, net of allowance for uncollectibles	312,428	-	-
Due from other funds	-	-	31,051
Inventory	20,685	-	3,005
Restricted assets - cash and investments	262,638	-	-
Total current assets	<u>995,545</u>	<u>126,100</u>	<u>478,364</u>
Noncurrent assets:			
Debt issuance costs, net of accumulated amortization	54,988	-	-
Capital assets, net of accumulated depreciation	1,513,753	-	83,983
Total noncurrent assets	<u>1,568,741</u>	<u>-</u>	<u>83,983</u>
Total assets	<u>2,564,286</u>	<u>126,100</u>	<u>562,347</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	278,205	-	1,290
Payable from restricted assets:			
Accrued interest	24,556	-	-
Customer deposits	149,045	-	-
Current portion of long-term obligations	213,469	-	18,233
Total current liabilities	<u>665,275</u>	<u>-</u>	<u>19,523</u>
Noncurrent liabilities:			
Capital lease payable	-	-	18,233
Notes payable	1,397,469	-	-
Revenue bonds payable (net of unamortized premium)	1,040,000	-	-
Deferred gain on bond refunding	68,226	-	-
Accrued compensated absences	11,447	-	466
Less: current portion	(213,469)	-	(18,233)
Total noncurrent liabilities	<u>2,303,673</u>	<u>-</u>	<u>466</u>
Total liabilities	<u>2,968,948</u>	<u>-</u>	<u>19,989</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	116,284	-	65,750
Restricted:			
Debt service	106,683	-	89,271
Encumbrance/other	-	-	-
Unrestricted	(627,629)	126,100	387,337
Total net assets	<u>\$ (404,662)</u>	<u>\$ 126,100</u>	<u>\$ 542,358</u>

The accompanying notes are an integral part of these financial statements.

Totals

\$	851,583
	118,619
	312,428
	31,051
	23,690
	262,638
	<u>1,600,009</u>
	54,988
	<u>1,597,736</u>
	<u>1,652,724</u>
	<u>3,252,733</u>
	279,495
	24,556
	149,045
	231,702
	<u>684,798</u>
	18,233
	1,397,469
	1,040,000
	68,226
	11,913
	<u>(231,702)</u>
	<u>2,304,139</u>
	<u>2,988,937</u>
	182,034
	195,954
	-
	<u>(114,192)</u>
\$	<u><u>263,796</u></u>

**City of Mangum, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

	Enterprise Funds		
	Mangum Utility Authority	Chemical Dependency Unit	Other Enterprise
<b>Operating revenues</b>			
Charges for services:			
Electric	\$ 3,324,223	\$ -	\$ -
Water	710,112	-	-
Wastewater	210,810	-	-
Sanitation	385,096	-	-
Other	159,597	475,166	-
Golf course revenue	-	-	60,403
Operating grants	-	285,310	-
Total operating revenues	<u>4,789,838</u>	<u>760,476</u>	<u>60,403</u>
<b>Operating expenses</b>			
Purchased power	1,812,821	-	-
Electric	438,010	-	-
Water	231,283	-	-
Wastewater treatment	10,771	-	-
Sanitation	418,120	-	-
Power plant	249,035	-	-
General manager	90,745	-	-
CDU Services	-	800,972	-
Golf	-	-	129,309
Depreciation and amortization	114,062	4,538	12,716
Bad debt expense	38,849	-	-
Total operating expenses	<u>3,403,696</u>	<u>805,510</u>	<u>142,025</u>
Net operating income (loss)	1,386,142	(45,034)	(81,622)
<b>Nonoperating revenues (expenses)</b>			
Gain on sale of assets	-	6,253	-
Miscellaneous	42,367	2,934	138,124
Interest	14,248	642	1,852
Interest expense and fiscal charges	(100,501)	-	(1,462)
Total nonoperating revenues (expenses)	<u>(43,886)</u>	<u>9,829</u>	<u>138,514</u>
<b>Operating transfers</b>			
Transfers in	191,782	-	343,612
Transfers (out)	(1,201,060)	(19,358)	(204,049)
Total operating transfers	<u>(1,009,278)</u>	<u>(19,358)</u>	<u>139,563</u>
Net income (loss)	332,978	(54,563)	196,455
Net assets, beginning	<u>(737,640)</u>	<u>180,663</u>	<u>345,903</u>
Net assets, ending	<u>\$ (404,662)</u>	<u>\$ 126,100</u>	<u>\$ 542,358</u>

The accompanying notes are an integral part of these financial statements.

Total

\$ 3,324,223  
710,112  
210,810  
385,096  
634,763  
60,403  
285,310  
5,610,717

1,812,821  
438,010  
231,283  
10,771  
418,120  
249,035  
90,745  
800,972  
129,309  
131,316  
38,849  
4,351,231

1,259,486

6,253  
183,425  
16,742  
(101,963)  
104,457

535,394  
(1,424,467)  
(889,073)

474,870

(211,074)

\$ 263,796

**City of Mangum, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

	Business-type Activities Enterprise Funds	
	Mangum Utility Authority	Chemical Dependency Unit
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 4,820,671	\$ 760,476
Payments to suppliers	(2,929,617)	(620,698)
Payments to employees	(351,299)	(135,551)
Net cash provided (used) by operating activities	<u>1,539,755</u>	<u>4,227</u>
<b>Cash flows from noncapital financing activities</b>		
(Increase) decrease in interfund balances	21,945	-
Miscellaneous revenues	42,367	2,934
Transfers in (out)	(1,009,278)	(19,358)
Net cash provided (used) by noncapital financing activities	<u>(944,966)</u>	<u>(16,424)</u>
<b>Cash flows from capital and related financing activities</b>		
Principal paid on long-term debt	(255,160)	-
Interest expense and fiscal charges	(103,277)	-
(Increase) decrease in restricted assets	(13,149)	-
(Acquisition) disposition of capital assets	(158,969)	29,757
Net cash provided (used) by capital and related financing activities	<u>(530,555)</u>	<u>29,757</u>
<b>Cash flows from investing activities</b>		
(Increase) decrease in investments	53,522	-
Interest income	5,719	642
Net cash provided (used) by investing activities	<u>59,241</u>	<u>642</u>
Net increase (decrease) in cash and cash equivalents	123,475	18,202
Cash and cash equivalents, beginning	258,293	107,898
Cash and cash equivalents, ending	<u>\$ 381,768</u>	<u>\$ 126,100</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Net operating income (loss)	\$ 1,386,142	\$ (45,034)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	114,062	4,538
Changes in assets and liabilities:		
(Increase) decrease in receivables	30,833	56,234
(Increase) decrease in inventory	(4,419)	-
Increase (decrease) in accounts payable and accrued liabilities	7,310	(22)
Increase (decrease) in customers deposits	9,208	(1,900)
Increase (decrease) in accrued compensated absences	(3,381)	(9,589)
Total adjustments	<u>153,613</u>	<u>49,261</u>
Net cash provided (used) by operating activities	<u>\$ 1,539,755</u>	<u>\$ 4,227</u>

The accompanying notes are an integral part of these financial statements.

Business-type Activities  
Enterprise Funds

Nonmajor Enterprise Funds	Total
\$ 60,403	\$ 5,641,550
(94,279)	(3,644,594)
<u>(34,334)</u>	<u>(521,184)</u>
<u>(68,210)</u>	<u>1,475,772</u>
521	22,466
138,123	183,424
139,563	(889,073)
<u>278,207</u>	<u>(683,183)</u>
(8,145)	(263,305)
(1,462)	(104,739)
-	(13,149)
-	(129,212)
<u>(9,607)</u>	<u>(510,405)</u>
(100,593)	(47,071)
1,852	8,213
<u>(98,741)</u>	<u>(38,858)</u>
101,649	243,326
242,066	608,257
<u>\$ 343,715</u>	<u>\$ 851,583</u>
\$ (81,622)	\$ 1,259,486
12,716	131,316
-	87,067
(384)	(4,803)
739	8,027
-	7,308
341	(12,629)
<u>13,412</u>	<u>216,286</u>
<u>\$ (68,210)</u>	<u>\$ 1,475,772</u>

**City of Mangum, Oklahoma**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	Trust Fund
	Cafeteria Plans
<b>Assets</b>	
Cash and cash equivalents	\$ 13,224
Total assets	13,224
<b>Liabilities</b>	
Accounts payable	13,224
Total liabilities	13,224
<b>Net assets</b>	\$ -

The accompanying notes are an integral part of these financial statements.

**City of Mangum, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2012**

**I. Organization**

The City of Mangum, Oklahoma, (the City) operates under a Board of Commissioners form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

**II. Summary of significant accounting policies**

**A. Reporting entity**

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City's financial statements do not include any discretely presented component units, which would be reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. In determining the financial reporting entity, the City follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," and includes all component units for which the City is financially accountable.

Blended Component Unit. The Mangum Utility Authority (MUA) was created as a public trust pursuant to Title 60 of the Oklahoma Statutes to finance, develop, and operate the electric, water, wastewater, and solid waste activities of the City. The current city commission serves as the governing body of the MUA. Debt issued by the MUA requires approval of the City Commission. The City is the beneficiary of the trust. The City owns the utility systems operated by the MUA and leases such assets to the trust. MUA is reported as an enterprise fund. MUA does not issue separate financial statements.

New Hope Chemical Dependency Unit (CDU) was operated by the City of Mangum until October 1, 2011 when operations were transferred to Great Plains Health Services. The City's contract with the Oklahoma Department of Mental Health continued through March 31, 2012, with funds being passed through to Great Plains Health Services.

The golf fund was established as an enterprise fund of the City of Mangum to account for the operation of the municipal golf course.

The MUA capital improvements fund, hospital sales tax fund and power plant improvement fund are all part of the Mangum Utility Authority. They are reported as non-major enterprise funds.

While the City does appoint the governing board of the Housing Authority of the City of Mangum, it is financed, operated and accounted for under rules and regulations promulgated by the United States Department of Housing and Urban Development. Since the City does not have the ability to significantly influence operations, does not exercise accountability for fiscal affairs, financial data of the Housing Authority of the City of Mangum are not included in the accompanying financial statements.

## **B. Government-wide and fund financial statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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) 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.

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

## **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The hospital rent and utilities fund receives rent payments from the hospital and makes scheduled payments back to the hospital for operations as per the contract with the hospital.

The City reports the following major proprietary funds:

Mangum Utility Authority – The authority accounts for the operations of the electric, water, wastewater, and sanitation services of the City.

New Hope Chemical Dependency Unit – The CDU accounts for the grants and contract revenues received from the State of Oklahoma for chemical dependency counseling and other services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital 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 Mangum Utility Authority enterprise funds 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

## **D. Assets, liabilities, and net assets or equity**

### ***1. Deposits and investments***

The City'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.

City policy is that deposits can only be made in financial institutions insured by the Federal Deposit Insurance Corporation. The City invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines as provided by the City's investment policy. Investments for the City, as well as for its component units are reported at fair value.

## ***2. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Receivables in governmental funds and governmental activities include tax accruals and intergovernmental revenues such as grant requests, since they are both measurable and available. Revenue from non-exchange transactions collectible but not available are deferred.

Proprietary fund and business-type activities receivables include revenues earned at year end but not yet received. Billed utility accounts receivable comprise the majority of the receivables.

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

## ***3. Restricted assets***

Certain resources set aside for the repayment of the Mangum Utility Authority’s revenue bonds and notes are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants. The debt service fund account is used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt service account. Funds received from utility customers for water meter deposits are maintained in separate accounts and held for refund to the customer upon their discontinuance of service, provided all outstanding balances are paid.

## ***4. Capital assets***

Capital assets, which include buildings and improvements, water distribution system, equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$ 5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Assets	Years
Buildings and improvements	10–33
Water distribution system	40
Equipment	5–10
Vehicles	5–10

### **5. *Compensated absences***

City employees earn vacation at varying rates depending upon eligible service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation leave, which is unused and vested to the employee in good standing, is payable upon termination. Employees may carry over unused vacation up to a maximum of one year’s accrual. Sick leave may be accumulated indefinitely. Unused sick leave benefits will not be paid to employees while they are employed or upon termination of employment.

### **6. *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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

### **7. *Fund balances and net assets***

**Fund balances** – Governmental fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned as follows:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The city’s highest level of decision-making authority is made by ordinance.
- d. *Assigned* – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has designated that authority.
- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the city’s policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The city’s policy for the use of unrestricted fund balance

amounts require that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Net assets** – Net assets are displayed in three components as follows:

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

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

**8. Internal and interfund balances and transfers**

Interfund transfers and balances are eliminated in the government-wide financial statements to avoid grossing up the balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**III. 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 reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation concerns capital asset reporting. The cost of capital assets, net of accumulated depreciation, are reported on the government-wide statement of net assets, but not on the governmental fund financial statements since they are not financial resources. The details of this difference are as follows:

Capital assets, net of accumulated depreciation	\$ 2,720,291
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$ 2,720,291

Another difference concerns a long-term note receivable. The original loan of the funds was reported as an expenditure in the governmental fund financial statements but is reported as an asset on the government-wide statement of net assets.

Notes receivable	\$ 22,805
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$ 22,805

A final difference involving long-term liabilities is accrued compensated absences. Since these liabilities do not consume current financial resources, they are not reported in the fund financial statements. The details of this difference are as follows:

Accrued compensated absences	\$ 24,932
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 24,932</u>

**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 governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets 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. The details of these differences are as follows:

Capital outlay	\$ 119,671
Depreciation expense	(214,638)
Transfers from enterprise fund – net	<u>19,358</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (75,609)</u>

Another element of that reconciliation concerns a long-term receivable. Money loaned to a small business for economic development purposes was reported as an expenditure, while the principal portion of repayments received were reported as other financing sources in the governmental fund financial statements. However, in the statement of activities the disbursement of funds is recorded as an asset and the principal portion of the payment received go to reduce the asset balance.

Principal received on notes receivable	\$ 20,363
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 20,363</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not provide current financial resources and, therefore, are not reported in governmental funds, or do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ 2,426
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,426</u>

#### IV. Stewardship, compliance, and accountability

##### Budgetary information

Annual budgets are adopted for all governmental funds and proprietary funds. All unencumbered annual appropriations lapse at fiscal year-end. Actual expenditures within a fund may not legally exceed 90% of the adopted budget.

Prior to June of each year, all department heads of the City submit requests for appropriations to the city manager so that a budget may be prepared. The city council meets with the city manager and the department heads to review the needs, estimates, and requests of the departments. The council holds a public hearing prior to June 15, and a final budget is formally approved and adopted by the city council in July.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between classification categories within a department or between departments within a fund require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object classification level within a department. Object classifications include personal services, materials and supplies, other services and charges, capital outlay, and debt service.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances.

#### V. Detailed notes on all funds

##### A. Deposits and investments

###### *Deposits*

The City's carrying amount of deposits was \$ 1,448,951 as of June 30, 2012, and the bank balances totaled \$ 1,651,689. Deposits are carried at cost.

*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 deposit policy for custodial credit risk. As of June 30, 2012, \$ 1,311,209 of the City's bank balances of \$ 1,651,689 was exposed to custodial credit risk as follows:

Collateral held by the pledging bank not in the City's name	<u>\$ 1,311,209</u>
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###### *Investments*

As of June 30, 2012, the City had the following investments.

Investment	Maturities	Fair Value
Certificates of deposit	< 1 year	\$ 1,257,542
U.S. Treasury mutual funds	NA	106,683
Total		<u>\$ 1,364,225</u>

*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.

*Credit Risk.* State statutes limit investments by a municipality to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit within the state, and insured certificates only if out of state; c) savings accounts or savings certificates; d) fully collateralized prime banker acceptances, prime commercial paper, repurchase agreements, or SEC regulated money market funds; e) obligations to the payment of which the full faith and credit of the state is pledged; f) county, municipal, or school district and valorem tax funded debt; g) bonds, notes, or money judgments of a county, municipality, or school district; h) revenue anticipation notes of a public trust of which the municipality is beneficiary; or i) any bond, note, or other debt of any public trust of which the municipality is sole beneficiary, or other entities whose governing boards were appointed by the municipality. The City has no investment policy that would further limit its investment choices. As of June 30, 2012, the City's investments in U.S. treasury mutual funds were all federally insured.

*Concentration of Credit Risk.* The City places no limit on the amount it may invest in any one issuer. More than 5% of the City's investments are in certificates of deposit. The investment is 92% of the City's total investments.

## B. Receivables

Receivables as of June 30, 2012, for the City of Mangum's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Governmental Funds	Mangum Utility Authority	Chemical Dependency Unit	Total
Receivables:					
Taxes	\$ 114,906	\$ 5,038	\$ -	\$ -	\$ 119,944
Accounts	-	-	449,414	-	449,414
Other	41,030	-	-	-	41,030
Due from other governments	-	14,094	-	29,798	43,892
Gross receivables	155,936	19,132	449,414	29,798	654,280
Less: allowance for uncollectibles	-	-	(136,986)	(29,798)	(166,784)
Net total receivables	<u>\$ 155,936</u>	<u>\$ 19,132</u>	<u>\$ 312,428</u>	<u>\$ -</u>	<u>\$ 487,496</u>

## C. Restricted assets

The Mangum Utility Authority's revenue bonds include restricted cash and investments for debt service funds for the repayment of principal and interest when due and debt service reserve funds to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund.

The funds are on deposit with the trustee bank. Additionally, funds in the meter deposit account are restricted for repayment of customer deposits.

The following is a summary of the restricted asset account balances as of June 30, 2012:

	2006 Bonds	Meter Deposit	Totals
Debt service fund	\$ 106,684	\$ -	\$ 106,684
Customer meter deposits	-	155,954	155,954
Totals	<u>\$ 106,684</u>	<u>\$ 155,954</u>	<u>\$ 262,638</u>

## D. Capital assets

Capital asset balances and activities for the year ended June 30, 2012, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 97,778	\$ -	\$ -	\$ 97,778
Construction in progress	8,717	5,000	(8,717)	5,000
Total capital assets, not being depreciated	<u>106,495</u>	<u>5,000</u>	<u>(8,717)</u>	<u>102,778</u>
Capital assets, being depreciated:				
Buildings and improvements	3,292,649	45,919	-	3,338,568
Infrastructure	528,293	-	-	528,293
Equipment	631,918	38,623	-	670,541
Vehicles	592,399	77,296	-	669,695
Other assets	25,600	-	-	25,600
Total capital assets, being depreciated	<u>5,070,859</u>	<u>161,838</u>	<u>-</u>	<u>5,232,697</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,306,662)	(123,276)	-	(1,429,938)
Infrastructure	(181,918)	(26,415)	-	(208,333)
Equipment	(408,349)	(29,759)	-	(438,108)
Vehicles	(483,672)	(49,160)	-	(532,832)
Other assets	(853)	(5,120)	-	(5,973)
Total accumulated depreciation	<u>(2,381,454)</u>	<u>(233,730)</u>	<u>-</u>	<u>(2,615,184)</u>
Total capital assets, being depreciated, net	<u>2,689,405</u>	<u>(71,892)</u>	<u>-</u>	<u>2,617,513</u>
Total governmental activities capital assets, net	<u>\$ 2,795,900</u>	<u>\$ (66,892)</u>	<u>\$ (8,717)</u>	<u>\$ 2,720,291</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ -	\$ 135,573	\$ -	\$ 135,573
Total capital assets, not being depreciated	<u>-</u>	<u>135,573</u>	<u>-</u>	<u>135,573</u>
Capital assets, being depreciated:				
Buildings and improvements	655,089	-	(27,249)	627,840
Utility systems	1,941,902	-	-	1,941,902
Equipment	756,854	-	-	756,854
Vehicles	493,445	23,396	(18,000)	498,841
Total capital assets, being depreciated	<u>3,847,290</u>	<u>23,396</u>	<u>(45,249)</u>	<u>3,825,437</u>
Less accumulated depreciation for:				
Buildings and improvements	(478,328)	(20,717)	10,357	(488,688)
Utility systems	(853,335)	(43,569)	-	(896,904)
Equipment	(613,180)	(22,386)	-	(635,566)
Vehicles	(315,733)	(37,771)	11,387	(342,117)
Total accumulated depreciation	<u>(2,260,576)</u>	<u>(124,443)</u>	<u>21,744</u>	<u>(2,363,275)</u>
Total capital assets, being depreciated, net	<u>1,586,714</u>	<u>(101,047)</u>	<u>(23,505)</u>	<u>1,462,162</u>
Total business-type activities capital assets, net	<u>\$ 1,586,714</u>	<u>\$ 34,526</u>	<u>\$ (23,505)</u>	<u>\$ 1,597,735</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 16,740
Public safety	38,446
Public works	114,314
Culture and recreation	45,138
Total depreciation expense – governmental activities	<u>\$ 214,638</u>
Business-type activities:	
Water	\$ 68,299
Electric	26,255
Sanitation	12,636
Chemical dependency unit	4,537
Golf	12,716
Total depreciation expense – business-type activities	<u>\$ 124,443</u>

### E. Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2012, restricted cash and investments included \$ 155,954 available for refund of customer deposits, while the liability to customers was \$ 149,045.

### F. Long-term debt

Long –term liabilities of the City of Mangum as of June 30, 2012, are summarized as follows:

#### Governmental Activities

Compensated absences	\$ 24,932
Total long-term debt for governmental activities	<u>24,932</u>

#### Business-Type Activities

Compensated absences	\$ 11,913
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#### Capital lease obligations

Capital lease agreement with National City Commercial Leasing; dated November 1, 2009, in the amount of \$ 39,642, payable in 36 monthly installments of \$ 801, plus one final installment of \$ 16,200, including interest at 6.442%, for the lease purchase of golf carts.	18,233
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#### Revenue Bonds:

Mangum Utility Authority Sales Tax Refunding Revenue Bonds, Series 2007, dated July 1, 2007, in the amount of \$ 1,555,000, to defease existing revenue bonds and outstanding bank loan, due and payable in annual installments each October 1 of \$ 20,000 to \$ 150,000, with interest due each March 1 and October 1 at 4.10% to 5.10%.	1,040,000
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Note payable to the Oklahoma Water Resources Board, dated June 13, 2001, in the amount of \$ 2,100,000, due and payable in semi-annual installments including interest at 2.705% plus an administrative fee of .5%, for water system improvements. 1,359,136

Note payable to Oklahoma Department of Commerce, due and payable in monthly installments of \$ 417 with no interest, for sewer improvements. 38,333

Total notes payable 1,397,469

Total business-type activities 2,467,615

Total long-term debt \$ 2,492,547

Long-term liabilities transactions for the year ended June 30, 2012, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 27,358	\$ -	\$ (2,426)	\$ 24,932	\$ -
Total governmental-type activities	27,358	-	(2,426)	24,932	-
<b>Business-type activities</b>					
Capital leases:					
National City Commercial Leasing	26,378	-	(8,145)	18,233	18,233
Revenue bonds:					
2006 Sales tax refunding bonds	1,145,000	-	(105,000)	1,040,000	110,000
Notes payable:					
Great Plains National Bank	49,163	-	(49,163)	-	-
Oklahoma Water Resources Board	1,455,133	-	(95,997)	1,359,136	98,469
Oklahoma Dept of Commerce	43,333	-	(5,000)	38,333	5,000
Compensated absences	24,543	-	(12,630)	11,913	-
Total business-type activities	2,743,550	-	(275,935)	2,467,615	231,702
Total long-term liabilities	\$ 2,770,908	\$ -	\$ (278,361)	\$ 2,492,547	\$ 231,702

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ending June 30,	Business-Type Activities					
	Revenue Bonds		Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 110,000	\$ 47,992	\$ 103,469	\$ 42,348	\$ 18,233	\$ 369
2014	115,000	42,872	106,217	39,600	-	-
2015	120,000	37,408	109,487	36,330	-	-
2016	125,000	31,588	112,863	32,954	-	-
2017	135,000	25,280	116,348	29,469	-	-
2018-2022	435,000	33,609	626,412	91,007	-	-
2023-2027	-	-	222,673	7,778	-	-
Totals	\$ 1,040,000	\$ 218,749	\$ 1,397,469	\$ 279,486	\$ 18,233	\$ 369

## G. Net revenue requirements

The note agreement with the Oklahoma Water Resources Board and the Mangum Utility Authority Sales Tax Refunding Revenue Bonds, Series 2007 require the Mangum Utility Authority to provide utility rates sufficient to provide funds which, together with other revenues pledged, will provide net revenues available for debt service of at least 125% of the annual requirement for debt services.

The net revenue requirement for the year ended June 30, 2012, was as follows:

Operating revenues	\$ 4,789,838
Operating expenses (excluding depreciation and amortization)	<u>(3,250,785)</u>
Net revenues available for debt service	<u>\$ 1,539,053</u>
Average annual debt service:	
Revenue bonds	\$ 157,778
Notes payable	<u>146,663</u>
Total debt service	304,441
	<u>X 125%</u>
Net revenue requirement	<u>380,551</u>
Excess of net revenues available over net revenue requirement	<u>\$ 1,158,502</u>

## H. Debt issuance costs

Costs incurred in issuing revenue bonds are recorded as deferred charges in the financial statements. These costs include attorney fees, trustee fees, financial consultant fees, printing costs and other miscellaneous costs. Debt issuance costs are amortized over the term of the relevant debt on a straight-line basis. As of June 30, 2012, the aggregate debt issuance costs incurred by the Mangum Utility Authority on revenue bonds was \$ 65,126, accumulated amortization was \$ 27,912, and the amount of amortization expense recognized was \$ 4,652 for the year then ended. In addition, the Mangum Utility Authority capitalized \$ 31,100 in bond discount which is being amortized over the term of the bonds. The discount amortized in the current year was \$ 2,221, with accumulated amortization totaling \$ 13,326 as of June 30, 2012.

## I. Compensated absences

Full-time employees with at least one year of service earn vacation of eight to twenty-five days per year depending on years of service completed. In accordance with the guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation as follows:

Governmental activities	\$ 24,932
Business-type activities	<u>11,913</u>
Total accrued compensated absences	<u>\$ 36,845</u>

**J. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major proprietary	General fund	<u>\$ 31,051</u>

The outstanding balances between funds result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payment between funds are made.

Interfund transactions:

<u>Transfer in:</u>	<u>Transfer out:</u>				<u>Totals</u>
	<u>General Fund</u>	<u>Non-major Govern-mental</u>	<u>Mangum Utility Authority</u>	<u>Non-major Proprietary</u>	
General fund	\$ -	\$ 24,970	\$ 1,058,243	\$ 12,266	\$ 1,095,479
Hospital rent & utilities	-	-	37,453	-	37,453
Mangum Utility Authority	-	-	-	191,782	191,782
Non-major proprietary	238,248	-	105,364	-	343,612
<b>Totals</b>	<u>\$ 238,248</u>	<u>\$ 24,970</u>	<u>\$ 1,201,060</u>	<u>\$ 204,048</u>	<u>\$ 1,668,326</u>

The Chemical Dependency Unit also transferred capital assets totaling \$ 19,358 to the City. This transfer is reported in the proprietary fund financial statements, and is shown as a reclassification reconciling item in the government-wide financial statements.

**VI. Revenues, expenditures and expenses**

**A. Sales tax**

The sales tax rate in the City of Mangum is 9.00%. The State of Oklahoma receives 4.50%, the City 3.00% and Greer County 1.50%. The 3.00% for the City of Mangum is broken down as follows:

- 2% remains in the General Fund to fund City operations.
- 1% is transferred to the Mangum Utility Authority for hospital debt service and operations.

The use tax mirrors the sales tax rate and applies to purchases by a resident or business in Mangum for the use, storage or consumption of goods in Oklahoma that were purchased outside of the state.

**VII. Other information**

**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has insurance for the major risks such as property and general liability. Commercial insurance is used to cover

general liability claims and the risk of loss to City buildings and mobile equipment. Judgments against the City may be paid by a property tax assessment over a three-year period.

## **B. Employee retirement systems and pension plans**

The City of Mangum participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, and the Oklahoma Public Employees Retirement System, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma.

### Oklahoma State Police Pension and Retirement System (OPPRS)

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

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary, and the City of Mangum contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2012, for employees and employer were \$ 12,264 and \$ 19,929, respectively, on covered payroll of \$ 153,024. The State of Oklahoma made on-behalf payments to OPPRS totaling \$ 16,402 during the year.

### Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

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

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Mangum contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2012, for employees and employer were \$ 12,400 and \$ 20,149, respectively, on covered payroll of \$ 156,085.

### Oklahoma Public Employees Retirement System (OPERS)

Plan Description – The City participates in OPERS, a state-wide cost sharing multiple-employer pension system which covers eligible employees of participating organizations that are not covered by other plans. All regular, permanent employees who work 1,000 or more hours in a year are eligible for participation in OPERS. Benefits vest after 8 years of service.

Employees who retire at age 62 or after completion of six years of service, if later, are entitled to an annual retirement benefit, payable monthly, equal to 2.0% of final average compensation multiplied by the number of years of credited services. Final average compensation is defined as the average of the three highest years' annual salary out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed ten years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the benefit is actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment. A participant who becomes totally and permanently disabled after completion of eight years of service, is entitled to a disability benefit computed as an early retirement benefit based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age if the employee is also eligible for a disability benefit from Social Security.

Funding Policy – For the year ended June 30, 2012, employees were required to contribute 6.50% of annual compensation while the City contributed 13.50%. Contributions to the Plan for the year ended June 30, 2012, for employees and employer were \$ 58,423 and \$ 118,455, respectively.

For the year ended June 30, 2012, the City's covered payroll was \$ 877,979. Covered payroll refers to all compensation paid by the City of Mangum to active employees covered by the Plan on which contributions are based.

#### Oklahoma Municipal Retirement Fund – Defined Contribution Plan – CMO Plan

Plan Description – In addition to the above plans, the City has provided a defined contribution plan in the form of the OMRF – CMO Plan. The CMO defined contribution plan is available to any person who is in the position of City Administrator.

Funding Policy – Employees are eligible to participate upon employment and voluntarily elect their percentage of contribution with a minimum contribution of 3% of compensation. The City makes contributions to the Plan based on the employment agreement with the employee and employer contributions are immediately vested. The authority to establish and amend the provisions of the Plan rests with the City Commission. Contributions to the Plan for the year ended June 30, 2012, for the employee and employer were \$ 3,553 and \$ 6,832 on covered payroll of \$ 52,250.

### **C. Commitments and contingencies**

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

City employees can carryover unused sick leave. Employees are not compensated for unused sick leave at the time of their termination of employment. However, upon retirement, an employee can possibly convert up to 720 hours of unused sick leave to retirement benefits with OPERS to buy an extra year of benefits. If such a situation exists, then the City would pay to OPERS the amount of hours up to 720 times the employee's pay rate.

**D. Subsequent events**

The City entered into a loan agreement with Great Plains National Bank on August 24, 2012 in the amount of \$ 44,220, for the purchase of twelve (12) golf carts.

**E. Related party transactions**

The City of Mangum used the services of a vendor whose proprietor was the spouse of the City Clerk,. Total payments to the vendor during the year ended June 30, 2012 were \$ 79,063.

**City of Mangum, Oklahoma**  
**Budgetary Comparison Schedule**  
**General Fund and Major Special Revenue Funds (Budgetary Basis)**  
**Year Ended June 30, 2012**

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
<b>Fund balance, beginning</b>	\$ -	\$ -	\$ 1,067,437	\$ 1,067,437
<b>Resources</b>				
Taxes	615,366	615,366	631,202	15,836
Licenses and permits	4,500	4,300	2,630	(1,670)
Intergovernmental	112,264	112,264	58,446	(53,818)
Fines and forfeitures	24,617	25,617	37,653	12,036
Charges for services	394,217	398,127	358,952	(39,175)
Miscellaneous	13,208	29,868	38,745	8,877
Interest	8,782	8,782	8,960	178
Operating transfers	1,156,050	1,166,438	1,095,479	(70,959)
Total resources	<u>2,329,004</u>	<u>2,360,762</u>	<u>2,232,067</u>	<u>(128,695)</u>
Amounts available for appropriation	2,329,004	2,360,762	3,299,504	938,742
<b>Charges to appropriations:</b>				
City commission	20,130	25,324	22,762	2,562
Administration	380,610	391,324	336,166	55,158
City attorney	21,688	23,088	26,603	(3,515)
Municipal judge	3,441	3,441	3,253	188
Police department	466,140	493,468	450,823	42,645
Fire department	274,388	284,314	273,767	10,547
Animal control	44,613	44,189	18,215	25,974
Emergency management	600	600	649	(49)
Street department	214,870	213,744	163,090	50,654
Cemetery	3,650	3,650	1,907	1,743
Community building	4,804	3,804	2,811	993
Community services	84,791	84,791	50,434	34,357
Airport	36,700	37,470	46,623	(9,153)
Code enforcement	78,350	79,350	70,003	9,347
Shop maintenance	45,862	47,062	34,624	12,438
Parks department	116,352	116,352	109,058	7,294
Library	68,959	69,959	76,461	(6,502)
Swimming pool	59,641	59,641	47,905	11,736
Debt service	-	-	-	-
Capital outlay	92,027	96,035	180,275	(84,240)
Operating transfers	280,638	260,725	238,248	22,477
Total charges to appropriations	<u>2,298,254</u>	<u>2,338,331</u>	<u>2,153,677</u>	<u>184,654</u>
<b>Fund balances, ending</b>	<u>\$ 30,750</u>	<u>\$ 22,431</u>	<u>\$ 1,145,827</u>	<u>\$ 1,123,396</u>

See disclaimer in accompanying Independent Auditor's Report.

Hospital Rent & Utilities

Budget		Variance with Final Budget Positive (Negative)	
Original	Final	Actual	(Negative)
\$ -	\$ -	\$ (18,415)	\$ (18,415)
-	-	-	-
-	-	-	-
-	-	-	-
300,000	300,000	325,000	25,000
-	-	-	-
75	75	(38)	(113)
61,500	61,500	37,453	(24,047)
<u>361,575</u>	<u>361,575</u>	<u>362,415</u>	<u>840</u>
361,575	361,575	344,000	(17,575)
-	-	-	-
361,500	361,500	344,000	17,500
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>361,500</u>	<u>361,500</u>	<u>344,000</u>	<u>17,500</u>
<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ (75)</u>

**City of Mangum, Oklahoma**  
**Reconciliation of Budgetary Comparison Schedule on a Budgetary Basis**  
**With Fund Financial Statements on a GAAP Basis**  
**Year Ended June 30, 2012**

<b>Budgetary funds</b>	<u>General Fund</u>	<u>Hospital Rent &amp; Utilities</u>
<b>Financial statement major funds</b>		
<b>Revenues</b>		
Actual amounts (budgetary basis) "resources" from the budgetary comparison schedules	\$ 2,232,067	\$ 362,415
Adjustments:		
<i>Budgetary</i> general fund revenues are reported on the cash basis, rather than the modified accrual basis	16,903	-
State on-behalf pension contributions	16,402	-
Operating transfers in	<u>(1,095,479)</u>	<u>(37,453)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 1,169,893</u>	<u>\$ 324,962</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedules	\$ 2,153,677	\$ 344,000
Adjustments:		
Encumbrances for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP reporting	38,726	-
Operating transfers out	<u>(238,248)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 1,954,155</u>	<u>\$ 344,000</u>
<b>Other financing sources (uses)</b>		
Actual amounts (budgetary basis) from the budgetary comparison schedules	\$ -	\$ -
Adjustments:		
Amounts reported in "resources" and "charges to appropriations" in the budgetary comparison schedule		
Operating transfers in	1,095,479	37,453
Operating transfers out	<u>(238,248)</u>	<u>-</u>
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 857,231</u>	<u>\$ 37,453</u>

See disclaimer in accompanying Independent Auditor's Report.

**City of Mangum, Oklahoma**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

	Special Revenue			
	Riverside Endowment Fund	Library Grant Fund	Street and Alley Fund	Fire Department Grant
<b>Assets</b>				
Cash and cash equivalents	\$ 438	\$ 2,944	\$ 31,456	\$ 9,638
Investments	39,214	-	60,306	-
Receivables:				
Taxes	-	-	5,038	-
Due from othe governments	-	-	-	-
Total assets	<u>\$ 39,652</u>	<u>\$ 2,944</u>	<u>\$ 96,800</u>	<u>\$ 9,638</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted:				
Contractual	39,652	2,944	-	9,638
Laws and regulations	-	-	96,800	-
Committed	-	-	-	-
Assigned:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>39,652</u>	<u>2,944</u>	<u>96,800</u>	<u>9,638</u>
Total liabilities and fund balances	<u>\$ 39,652</u>	<u>\$ 2,944</u>	<u>\$ 96,800</u>	<u>\$ 9,638</u>

Special Revenue				
Busby Trust	Dispatcher Training Equipment	Crime Stoppers	SW Dispute Mediation	Revolving Loan Fund
\$ 16,148	\$ 1,655	\$ 8,242	\$ (18,121)	\$ 84,063
162,366	-	-	-	-
-	-	-	-	-
-	-	-	14,094	-
<u>\$ 178,514</u>	<u>\$ 1,655</u>	<u>\$ 8,242</u>	<u>\$ (4,027)</u>	<u>\$ 84,063</u>
\$ -	\$ -	\$ -	\$ 1,124	\$ -
-	-	-	1,124	-
-	-	-	-	-
178,514	-	-	-	84,063
-	-	-	-	-
-	1,655	8,242	-	-
-	-	-	-	-
-	-	-	(5,151)	-
<u>178,514</u>	<u>1,655</u>	<u>8,242</u>	<u>(5,151)</u>	<u>84,063</u>
<u>\$ 178,514</u>	<u>\$ 1,655</u>	<u>\$ 8,242</u>	<u>\$ (4,027)</u>	<u>\$ 84,063</u>

**City of Mangum, Oklahoma**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

(continued)

	Capital Projects			Total Nonmajor Governmental Funds
	Cemetery Perpetual Care Fund	Friends of the Park	Pool Renovation	
<b>Assets</b>				
Cash and cash equivalents	\$ 8,312	\$ 15,779	\$ 6,078	\$ 166,632
Investments	17,149	-	-	279,035
Receivables:				
Taxes	-	-	-	5,038
Due from other governments				14,094
Total assets	<u>\$ 25,461</u>	<u>\$ 15,779</u>	<u>\$ 6,078</u>	<u>\$ 464,799</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 1,124
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,124</u>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted:				
Contractual	-	15,779	-	330,590
Laws and regulations	25,461	-	-	122,261
Committed	-	-	-	-
Assigned:				
Public safety	-	-	-	9,897
Culture and recreation	-	-	6,078	6,078
Unassigned	-	-	-	(5,151)
Total fund balances	<u>25,461</u>	<u>15,779</u>	<u>6,078</u>	<u>463,675</u>
Total liabilities and fund balances	<u>\$ 25,461</u>	<u>\$ 15,779</u>	<u>\$ 6,078</u>	<u>\$ 464,799</u>

**City of Mangum, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2012**

	Special Revenue			
	Riverside Endowment Fund	Library Grant Fund	Street and Alley Fund	Fire Department Grant
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 7,319	\$ 27,251	\$ 64,520
Charges for services	-	-	-	-
Other	-	2,695	-	912
Interest	432	-	306	-
Total revenues	<u>432</u>	<u>10,014</u>	<u>27,557</u>	<u>65,432</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	1,405
Public works	-	-	-	-
Culture and recreation	-	7,601	-	-
Capital outlay	-	-	-	60,117
Total expenditures	<u>-</u>	<u>7,601</u>	<u>-</u>	<u>61,522</u>
Excess of revenues over (under) expenditures	432	2,413	27,557	3,910
<b>Other financing sources (uses)</b>				
Loan principal receipts	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	432	2,413	27,557	3,910
Fund balances, beginning	<u>39,220</u>	<u>531</u>	<u>69,243</u>	<u>5,728</u>
Fund balances, ending	<u>\$ 39,652</u>	<u>\$ 2,944</u>	<u>\$ 96,800</u>	<u>\$ 9,638</u>

Special Revenue				
Busby Trust	Dispatcher Training Equipment	Crime Stoppers	SW Dispute Mediation	Revolving Loan Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	6,382	694	79,516	-
<u>1,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,081</u>
<u>1,694</u>	<u>6,382</u>	<u>694</u>	<u>79,516</u>	<u>1,081</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	76,686	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>76,686</u>	<u>-</u>
1,694	6,382	694	2,830	1,081
-	-	-	-	20,363
-	-	-	-	-
<u>(6,000)</u>	<u>(18,970)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(6,000)</u>	<u>(18,970)</u>	<u>-</u>	<u>-</u>	<u>20,363</u>
(4,306)	(12,588)	694	2,830	21,444
<u>182,820</u>	<u>14,243</u>	<u>7,548</u>	<u>(7,981)</u>	<u>62,619</u>
<u>\$ 178,514</u>	<u>\$ 1,655</u>	<u>\$ 8,242</u>	<u>\$ (5,151)</u>	<u>\$ 84,063</u>

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**City of Mangum, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2012**

(continued)

	Capital Projects			Total Nonmajor Governmental Funds
	Cemetery Perpetual Care Fund	Friends of the Park	Pool Renovation	
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ 99,090
Charges for services	2,446	155	-	2,601
Other	-	3,520	-	93,719
Interest	218	52	58	3,841
Total revenues	<u>2,664</u>	<u>3,727</u>	<u>58</u>	<u>199,251</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	1,405
Public works	-	-	-	76,686
Culture and recreation	-	-	-	7,601
Capital outlay	-	3,761	18,302	82,180
Total expenditures	<u>-</u>	<u>3,761</u>	<u>18,302</u>	<u>167,872</u>
Excess of revenues over (under) expenditures	2,664	(34)	(18,244)	31,379
<b>Other financing sources (uses)</b>				
Loan principal receipts	-	-	-	20,363
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(24,970)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,607)</u>
<b>Net change in fund balances</b>	2,664	(34)	(18,244)	26,772
Fund balances, beginning	<u>22,797</u>	<u>15,813</u>	<u>24,322</u>	<u>436,903</u>
Fund balances, ending	<u>\$ 25,461</u>	<u>\$ 15,779</u>	<u>\$ 6,078</u>	<u>\$ 463,675</u>

**City of Mangum, Oklahoma**  
**Combining Statement of Net Assets –**  
**Nonmajor Enterprise Funds**  
**June 30, 2012**

	Enterprise		
	Golf Course Fund	MUA Capital Improvements	Hospital Sales Tax
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 132,511	\$ 62,478	\$ 58,220
Investments	-	-	-
Receivables:			
Accounts, net of allowance for uncollectibles	-	-	-
Taxes	-	-	-
Inventories	3,005	-	-
Due from other funds	-	-	31,051
Total current assets	135,516	62,478	89,271
Noncurrent assets:			
Capital assets, net of accumulated depreciation	83,983	-	-
Total noncurrent assets	83,983	-	-
Total assets	219,499	62,478	89,271
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	1,290	-	-
Current portion of long-term obligations	18,233	-	-
Total current liabilities	19,523	-	-
Noncurrent liabilities:			
Capital lease payable	18,233	-	-
Accrued compensated absences	466	-	-
Less: current portion	(18,233)	-	-
Total noncurrent liabilities	466	-	-
Total liabilities	19,989	-	-
<b>Net assets</b>			
Invested in capital assets, net of related debt	65,750	-	-
Restricted:			
Debt service	-	-	89,271
Unrestricted	133,760	62,478	-
Total net assets	\$ 199,510	\$ 62,478	\$ 89,271

Enterprise		Total
Power Plant Capital Improvement	Water Well Improvement and Maintenance	Nonmajor Enterprise Funds
\$ 56,991	\$ 33,515	\$ 343,715
60,442	40,151	100,593
-	-	-
-	-	-
-	-	3,005
-	-	31,051
<u>117,433</u>	<u>73,666</u>	<u>478,364</u>
-	-	83,983
-	-	83,983
<u>117,433</u>	<u>73,666</u>	<u>562,347</u>
-	-	1,290
-	-	18,233
<u>-</u>	<u>-</u>	<u>19,523</u>
-	-	18,233
-	-	466
<u>-</u>	<u>-</u>	<u>(18,233)</u>
<u>-</u>	<u>-</u>	<u>466</u>
<u>-</u>	<u>-</u>	<u>19,989</u>
-	-	65,750
-	-	89,271
<u>117,433</u>	<u>73,666</u>	<u>387,337</u>
<u>\$ 117,433</u>	<u>\$ 73,666</u>	<u>\$ 542,358</u>

**City of Mangum, Oklahoma**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets –**  
**Nonmajor Enterprise Funds**  
**Year Ended June 30, 2012**

	Enterprise		
	Golf Course Fund	MUA Capital Improvements	Hospital Sales Tax
<b>Operating revenues</b>			
Charges for services:			
Golf course	\$ 60,403	\$ -	\$ -
Total operating revenues	<u>60,403</u>	<u>-</u>	<u>-</u>
<b>Operating expenses</b>			
Golf	129,309	-	-
Depreciation and amortization	12,716	-	-
Total operating expenses	<u>142,025</u>	<u>-</u>	<u>-</u>
Net operating income (loss)	(81,622)	-	-
<b>Nonoperating revenues (expenses)</b>			
Miscellaneous	138,124	-	-
Interest	-	367	225
Interest expense and fiscal charges	(1,462)	-	-
Total nonoperating revenues (expenses)	<u>136,662</u>	<u>367</u>	<u>225</u>
<b>Operating transfers</b>			
Transfers in	51,145	14,946	187,103
Transfers (out)	-	(10,091)	(174,139)
Total operating transfers	<u>51,145</u>	<u>4,855</u>	<u>12,964</u>
Net income (loss)	106,185	5,222	13,189
Net assets, beginning	93,325	57,256	76,082
Net assets, ending	<u>\$ 199,510</u>	<u>\$ 62,478</u>	<u>\$ 89,271</u>

Enterprise		Total Nonmajor Enterprise Funds
Power Plant Capital Improvement	Water Well Improvement and Maintenance	
\$ -	\$ -	\$ 60,403
-	-	60,403
-	-	129,309
-	-	12,716
-	-	142,025
-	-	(81,622)
-	-	138,124
830	430	1,852
-	-	(1,462)
830	430	138,514
49,780	40,638	343,612
(3,501)	(16,318)	(204,049)
46,279	24,320	139,563
47,109	24,750	196,455
70,324	48,916	345,903
\$ 117,433	\$ 73,666	\$ 542,358

**City of Mangum, Oklahoma**  
**Combining Statement of Cash Flows –**  
**Nonmajor Enterprise Funds**  
**Year Ended June 30, 2012**

	Enterprise	
	Golf Course Fund	MUA Capital Improvements
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 60,403	\$ -
Payments to suppliers	(94,279)	-
Payments to employees	(34,334)	-
Net cash provided (used) by operating activities	<u>(68,210)</u>	<u>-</u>
<b>Cash flows from noncapital financing activities</b>		
Increase (decrease) in due to/from other funds	-	-
Miscellaneous revenue	138,123	-
Transfers in (out)	51,145	4,855
Net cash provided (used) by noncapital financing activities	<u>189,268</u>	<u>4,855</u>
<b>Cash flows from capital and related financing activities</b>		
Principal paid on long-term debt	(8,145)	-
Interest expense and fiscal charges	(1,462)	-
Net cash provided (used) by capital and related financing activities	<u>(9,607)</u>	<u>-</u>
<b>Cash flows from investing activities</b>		
Interest income	-	367
(Increase) decrease in investments	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>367</u>
Net increase (decrease) in cash and cash equivalents	111,451	5,222
Cash and cash equivalents, beginning	<u>21,060</u>	<u>57,256</u>
Cash and cash equivalents, ending	<u>\$ 132,511</u>	<u>\$ 62,478</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Net operating income (loss)	\$ (81,622)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	12,716	-
Changes in assets and liabilities:		
(Increase) decrease in inventories	(384)	-
Increase (decrease) in accounts payable and accrued liabilities	739	-
Increase (decrease) in accrued compensated absences	341	-
Total adjustments	<u>13,412</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (68,210)</u>	<u>\$ -</u>

	Enterprise			
Hospital Sales Tax	Power Plant Capital Improvement	Water Well Improvement and Maintenance	Total Nonmajor Enterprise Funds	
\$ -	\$ -	\$ -	\$ 60,403	
-	-	-	(94,279)	
-	-	-	(34,334)	
-	-	-	(68,210)	
521	-	-	521	
-	-	-	138,123	
12,964	46,279	24,320	139,563	
13,485	46,279	24,320	278,207	
-	-	-	(8,145)	
-	-	-	(1,462)	
-	-	-	(9,607)	
225	830	430	1,852	
-	(60,442)	(40,151)	(100,593)	
225	(59,612)	(39,721)	(98,741)	
13,710	(13,333)	(15,401)	101,649	
44,510	70,324	48,916	242,066	
\$ 58,220	\$ 56,991	\$ 33,515	\$ 343,715	
\$ -	\$ -	\$ -	\$ (81,622)	
-	-	-	12,716	
-	-	-	(384)	
-	-	-	739	
-	-	-	341	
-	-	-	13,412	
\$ -	\$ -	\$ -	\$ (68,210)	



## Ronald C. Cottrell, CPA

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

December 28, 2012

Board of Commissioners  
City of Mangum  
Mangum, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mangum as of and for the year ended June 30, 2012, which collectively comprise the City of Mangum's basic financial statements, and have issued our report thereon dated December 28, 2012. We did not audit management's discussion and analysis or the budgetary comparison schedules, which are required supplementary information, and therefore expressed no opinion on it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as item nos. 2012-1, 2012-2, 2012-3, and 2012-4 to be material weaknesses.

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A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item nos. 2012-6, 2012-7, 2012-8 and 2012-9 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Mangum'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item no. 2012-5.

We noted certain matters that we reported to management of the City of Mangum in a separate letter dated December 28, 2012.

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

This report is intended solely for the information and use of the city commission and management of the City of Mangum and is not intended to be and should not be used by anyone other than these specified parties.

Ronald C. Cottrell, CPA

**City of Mangum, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

**2012-1 Signing of checks**

Criteria – Disbursement of City funds should be made only for properly approved expenditures. Use of signature stamps should be tightly controlled. City of Mangum checks require two signatures as authorized by the City Commission. Use of signature stamps is allowed by Oklahoma Statutes.

Condition –We examined a total of 1160 cleared checks from five (5) months during the year ended June 30, 2012 and noted the City Manager’s stamp was used on 137 of those checks. The City Manager stated he never personally used the stamp, nor did he authorize anyone else to use it in place of his original signature.

Cause and Effect – The City Manager’s stamp is kept in the vault in City Hall. Unauthorized use of the signature stamp could result in disbursements being made which were not authorized or approved.

Recommendation – All signature stamps should be properly secured and used only by the signor whose name is on the stamp, or in his absence, only with his prior authorization. In such cases, the authorization should be properly documented, as well as the specific checks on which the stamp was to be used.

Management’s Comments – Due to the emphasis of unawareness of the use of signature stamps without proper authorization, management has taken the following action:

- All signature stamps will remain in the vault under locked conditions. For further protection they are now kept in a sealed envelope with the owner’s name and date of seal written across the seal lines of the envelope. If the seal has been broken without written authorization, all use of the stamp will be considered unauthorized and unapproved.
- An additional commission approved signatory was authorized in the event the signors are not available. This position was assigned to the Commissioner of Finance.

**2012-2 Authorization and support for expenditures**

Criteria – City of Mangum accounting policies and procedures for purchasing and disbursement of City funds states that a purchase requisition form shall be prepared for all purchases of \$100 or more. The purchase requisition shall be initiated by the Purchasing Agent or the Department Head wishing to make the purchase. The City Clerk shall review all requisitions to determine whether sufficient funds are available in the account to which the expenditure is being charged and shall sign the requisition if sufficient funds are available. The City Manager shall review and approve the requisition. In his absence, the General Superintendent or City Clerk may approve the purchase request. The City of Mangum Charter states that sealed bids shall be obtained for all purchases of \$5,000 or more. Oklahoma Statutes require a non-collusion affidavit be obtained for all services of \$25,000 or more.

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Condition – From our disbursement sample of 299 items during the year ended June 30, 2012, we made the following observations:

<u>Exception noted:</u>	<u>Number of Occurrences</u>
City clerk signed all 3 lines – ordered, encumbered, and approved on the purchase requisition	26
City Clerk ordered and encumbered on the requisition	10
City Clerk encumbered and approved the requisition	46
City Clerk ordered and encumbered and the City Manager approved the requisition	61
There was a written or typed notation on the ordered or approval lines	19
No evidence of bids for purchases over \$5,000	9
Non-collusion affidavits were not attached for invoices in excess of \$25,000	2
No requisition for item in excess of \$100	3

Several of these exceptions involved a vendor which was a related party to the City Clerk. Also, we noted the use of three (3) different purchase requisition forms during the period.

Cause and Effect – Sufficient final review of purchase orders and supporting documentation, including the purchase requisition, and purchase order approval lists was not made before payment of the items. As a result, unauthorized purchases may have been made, some involving a related party.

Recommendation – Accounting policies and procedures for purchasing and payment of claims should be reviewed to determine if the policies and procedures currently in place are adequate to ensure that all purchases are properly authorized, and all payments made are for valid goods and/or services received or provided and are properly approved before payment. The policies and procedures should be communicated to all parties involved and followed upon implementation.

Management's Comments – Management and Staff, with the exception of the City Clerk, were unaware of the City of Mangum's Accounting and Financial Policies. In response to this problem a meeting was held and the policy book was given to each employee responsible, as listed in the Accounting and Financial policy manual, for the purchasing and accounting process. A sign-in sheet was kept for the meeting and the employees signed a document saying they had been provided the Accounting and Financial Policies.

Management thoroughly reviewed the policies and found several policy issues which conflict with City Charter, Ordinances, and Personnel policies. In response to this the commission should abolish or terminate the Accounting and Financial policies and approve a new Purchasing Policy without all the other policies incorporated into the manual which are conflicting. Special effort should be taken to prevent two signatures of the same person in the purchase requisition process. The Commission should vote and approve the appointment of a Purchasing Agent. The

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City Manager signs final approval on the requisitions and is a signor on the checks. Therefore, the City Manager should not be the purchasing agent. Management now requires all requisition forms to be supplied with the Purchase Order, check, and invoice for signature approval. This is an effort to ensure the signor is aware of any changes that may be made in the purchasing process. The Commission has appointed a purchasing agent.

Management found several requisition forms being used that conflicted in the required approved purchasing amount. Management has destroyed all conflicting forms and is obtaining approval of one designated form by the Commission.

City Charter states anything over \$5000.00 must be bid. Management, including City Manager, City Clerk, Purchasing Agent, and Department Heads must make every effort to insure all purchases are not divided up or provide the appearance of dividing in an effort to keep from exceeding the \$5,000.00 dollar limit.

### **2012-3 Related party transactions**

Criteria – Business conducted by the City should be arms-length transactions where both parties are serving their own self-interests. When related party transactions occur, all parties should be adequately informed as to the circumstances, and such transactions should be authorized and approved by the governing body prior to the transaction being initiated.

Condition – Numerous invoices totaling \$79,063 were paid by the City to The Ultimate IT Guy, LLC during the year ended June 30, 2012. The proprietor of this business is the spouse of the City Clerk. These payments were made for computer-related equipment and information technology services allegedly provided and/or performed by The Ultimate IT Guy, LLC for the City. Often-times, the purchase requisition was initiated and approved by the City Clerk. Invoice amounts were usually small with several invoices being submitted during a month. Some checks used for payment of the invoices used the signature stamp of the City Manager, with the City Clerk being the other signor on the checks.

Cause and Effect – Without proper authorization by management and the governing board of related party transactions the City could pay for goods and services which they did not receive, or at an inflated price.

Recommendation – When the City determines it will do business with a related party, all transactions should be authorized by management and the City Commission prior to ordering the goods or services. All details of the arrangement should be made known to all parties involved before the transaction is authorized and approved. Once the goods or services have been received or provided, management should determine that such was in accordance with the contract or purchase order before payment is made.

Management's Comments – Management shall require all service transactions that exceed \$5,000.00 annually to follow the bid quotation process and be approved by the Commission. A notification/response letter will be provided to all employees to identify any relation to city officials and/or vendors currently used. All reoccurring services must be identified and approved by the Commission.

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### 2012-4 Capital asset inventory

Criteria – Periodic physical inventories of capital assets should be made and reconciled with the capital asset detail records and general ledger control account balances to help ensure that all assets recorded actually exist and all assets owned by the entity are properly recorded.

Condition – A complete physical inventory of capital assets has not been taken and reconciled with the asset detail records and general ledger control account balances for several years.

Cause and Effect - An inventory was taken from the insurance records but did not consider the asset detail records or general ledger balances. Capital assets reported in the financial statements could be misstated if assets recorded are not there or assets owned and used by the City are not recorded.

Recommendation – A complete physical inventory should be taken and compared with the asset detail listing. Any adjustments necessary should be made to the detail listing which should then be reconciled with the general ledger control accounts for capital assets.

Management's Comments – A complete physical inventory will be taken and compared with the asset listing and the insurance listings. All adjustments will then be made to the listings and will be reconciled with the general ledger control accounts for capital assets.

### 2012-5 OWRB monthly reports

Criteria – The loan indenture between the Oklahoma Water Resources Board (OWRB) and the Mangum Utilities Authority requires the MUA to submit a monthly report of utility revenues and expenses, as well as customer and usage information.

Condition – The MUA has not filed the required report since May 2012. Additionally, the information on water produced and sold reported on the monthly reports during the year ended June 30, 2012 did not reconcile with the billing reports. Several of the amounts reported did not change from one month to the next while others were unrealistic volumes.

Cause and Effect – Certain information on the monthly utility billing reports did not appear to be accurate, whether from incorrect input data or problems with the billing software and reporting process. Some of the data reported did not appear to come from the billing reports. Accurate production and usage information is critical for management analysis and decision-making.

Recommendation – The City should prepare and file the missing reports with OWRB as soon as possible. It should also contact the utility billing software technical support concerning the data being reported on the billing reports to ensure the correct data is being captured.

Management's Comments – The city is already in the process of filling out the required reports from OWRB. When these reports are finalized the City will notify utility billing software technical support to ensure correct data is captured.

### 2012-6 Authorization for new bank accounts

Criteria – Any new bank account should be authorized and approved by the governing body prior to the account being established, including the intended use of the account, and the authorized signor(s).

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Condition – The City Clerk set up a Pay-Pal account to be used for the receipt of donations for a library fundraiser. The Clerk was the only authorized signor on the account. We noted no documentation of authorization by the City Commission to open the account. No other city officials, except for the librarian, were aware of the account. The account was not included in the general ledger accounting records.

Cause and Effect – The account was established for the convenience of donors for the library fundraiser. Unauthorized accounts may be hidden from other city officials. Receipts could be used for purposes other than that intended by the donors or the City.

Recommendation – New bank accounts should be established only with the authorization and approval of the City Commission. All accounts should have more than one authorized signor. All bank accounts should be recorded in the general ledger accounting records to include the account balance and all transactions.

Management's Comments – Management was unaware of the account set up through Pay-Pal for library fundraiser donations. The account was immediately terminated and the two payments in the account were reconciled. Department Heads have been notified this will not be tolerated and shall only be approved by the Commission.

### **2012-7 Equipment bids**

Criteria – The City of Mangum charter requires bids for all purchases over \$5,000. Purchases should not be split so as to keep the cost under the required amount for bids.

Condition – The City purchased computers and related equipment and a security system through The Ultimate IT Guy which cost in excess of \$5,000, but we noted no evidence that bids were solicited or received. While none of the individual computer items cost more than \$5,000, several were similar and were purchased at the same time.

Cause and Effect – The purchases were made through a related party. Without formal sealed bids or even quotes, the City has no assurance that it received the best price available for the items purchased.

Recommendation – Bids should be requested for any purchases over \$5,000, as required by the City Charter. Purchases should not be split to avoid the bidding requirement, even if the equipment is to be used by and charged to different departments within the City.

Management's Comments – City Charter states anything over \$5,000.00 must be bid. Management including City Manager, City Clerk, Purchasing Agent and individual Department Heads must make every effort to insure all purchases are not divided up or provide the appearance of division in an effort to keep from exceeding the \$5,000.00 dollar limit.

### **2012-8 Review of bank reconciliations**

Criteria – Reconciliation of account balances per the general ledger should be made with subsidiary records and outside sources. If the reconciliations are prepared by employees who also have conflicting duties, the reconciliation should be reviewed by another employee/official to ensure its accuracy and reliability.

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Condition – Bank account reconciliations were performed by the City Clerk, who also had access to the cash receipts and disbursements, and recording of accounting transactions. No review was performed of the reconciliations upon their completion.

Cause and Effect – To ensure proper segregation of duties, no one employee should have access or control of all the functions in an accounting cycle so that the employee could conceivably commit a fraud and be in the position to also cover it up.

Recommendation – All bank reconciliations should be reviewed by someone other than the one performing the reconciliation to help ensure the accuracy and reliability of the reconciliations.

Management's Comments – The Accounts Payable Clerk shall audit and verify all bank reconciliations once recorded by the City Clerk.

### **2012-9 Airport fuel tanks**

Criteria - Reconciliation of account balances per the general ledger should be made with subsidiary records and outside sources. City policies and procedures require a physical inventory reading of the airport fuel tanks on a weekly basis, as well as a log-in on the Dispenser Totalized Entry Log Sheet.

Condition – During the year ended June 30, 2012 there was documentation of seventeen (17) logged stick readings of the airport fuel tanks. No reconciliation was made of the readings with purchases and sales of fuel.

Cause and Effect – Proper reconciliation of inventory, purchases, and sales/use of fuel at the airport helps ensure that all fuel has been accounted for and may alert the City to losses from possible leaks or theft.

Recommendation – The fuel tanks should be gauged on a weekly basis and the readings converted to gallons on hand in inventory at that time. The inventory should then be reconciled with the previous inventory amount taking into consideration any deliveries received and sales made.

Management's Comments – Management has authorized and instructed a City employee to stick and gauge the airport fuel tank weekly on Wednesday mornings and record the readings. These readings will be reconciled with the gallons of fuel in the tank.

**City of Mangum, Oklahoma**  
**Summary Schedule of Prior Audit Findings**

**Financial Statement Findings**

There were no matters reported in the prior year's audit report.

**Federal Award Findings and Questioned Costs**

**2011-1 – Allowable Costs**

Block Grants for Prevention and Treatment of Substance Abuse; CFDA No. 93.959

Condition – As noted by ODMHSAS in their monitoring review on February 14 and 15, 2011, numerous reimbursed treatment services were provided by staff that did not have the necessary licenses or certifications to provide the services. The total amount of claims paid to New Hope which was not supported with appropriate documentation identifying staff with necessary licenses and certifications to provide the services amounted to \$59,541.88. This covered the period July 1, 2010 through February 3, 2011.

Status – This condition has been resolved.