



City of Mangum, Oklahoma

Report on Audit

Of

Financial Statements

June 30, 2013

Mayor

Donnie Wiggins

Commissioners

Ron Gay

April Gerald

Dick Stickle

Bobby Richardson

City Attorney

Chris Wray

City Manager

Curtis Bogart

City Clerk

Billie Chilson



City of Mangum, Oklahoma
Report on Audit of Financial Statements
June 30, 2013

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Ronald C. Cottrell, CPA

Independent Auditor's Report

Board of Commissioners
City of Mangum
Mangum, Oklahoma

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City of Mangum's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Ronald C. Cottrell, CPA

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mangum as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the managements' discussion and analysis and budgetary comparison information on pages 4-12 and 38-40 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

Other Information

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 combining financial statements for non-major governmental and enterprise funds included as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, on our consideration of 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 internal control over financial reporting or on compliance.

Ronald C. Cottrell, CPA

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mangum's internal control over financial reporting and compliance.

Ronald C. Cottrell, CPA

Ronald C. Cottrell, CPA
Kansas, Oklahoma
February 13, 2014

Required Supplementary Information

City of Mangum, Oklahoma
Management's Discussion and Analysis
June 30, 2013

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, 2013. Please read it in conjunction with the City's financial statements, which begin on page 13.

Financial Highlights

- ❖ The combined assets and deferred outflows of the City of Mangum exceeded its combined liabilities and deferred inflows at the close of the most recent fiscal year by \$ 4,859,019 (net position). Of this amount, \$ 1,206,897 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ The government's total net position increased by \$ 187,462 for the year ended June 30, 2013.
- ❖ As of the close of the current fiscal year the City of Mangum's governmental funds reported combined ending fund balances of \$ 1,928,694, an increase of \$ 239,096 in comparison with the prior year. \$ 1,429,612 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 \$ 1,434,102, or 73 % of total general fund expenditures.
- ❖ The City of Mangum's total debt decreased by \$ 196,909 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 position presents information on all of the City of Mangum's assets, deferred outflows and inflows, and liabilities with the difference reported as net position. 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 position changed during the most recent fiscal year. All changes in net position 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 13–14 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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 which is considered to be a major fund. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Proprietary funds. The City maintains 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, which is considered to be a major fund of the City. Data from the remaining proprietary funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18–20 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 21 of the report.

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

The notes to the financial statements can be found on pages 22–37 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 38–40 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 41–47 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, combined assets and deferred outflows exceeded combined liabilities and deferred inflows by \$ 4,859,019 at the close of the most recent fiscal year.

One portion of the City’s net position (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
Statement of Net Position
June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Assets	\$ 4,639,572	\$ 4,456,521	\$ 3,096,126	\$ 3,252,733	\$ 7,735,698	\$ 7,709,254
Deferred outflows of resources	-	-	-	-	-	-
Combined assets & deferred outflows	<u>4,639,572</u>	<u>4,456,521</u>	<u>3,096,126</u>	<u>3,252,733</u>	<u>7,735,698</u>	<u>7,709,254</u>
Liabilities	25,274	48,760	2,851,405	2,988,937	2,876,679	3,037,697
Deferred inflows of resources	-	-	-	-	-	-
Combined liabilities & deferred inflows	<u>25,274</u>	<u>48,760</u>	<u>2,851,405</u>	<u>2,988,937</u>	<u>2,876,679</u>	<u>3,037,697</u>
Net position:						
Investment in capital assets	2,709,462	2,720,291	283,936	182,034	2,993,398	2,902,325
Restricted	477,336	475,656	181,388	195,954	658,724	671,610
Unrestricted	1,427,500	1,211,814	(220,603)	(114,192)	1,206,897	1,097,622
Total net position	<u>\$ 4,614,298</u>	<u>\$ 4,407,761</u>	<u>\$ 244,721</u>	<u>\$ 263,796</u>	<u>\$ 4,859,019</u>	<u>\$ 4,671,557</u>

An additional portion of the City's net position (14 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$ 1,206,897) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net position increased by \$ 187,462 during the current fiscal year. This increase was due to:

- Repayment of debt obligations.
- Adding new equipment to the City Fleet.

City of Mangum
Statement of Activities
Years Ended June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 605,125	\$ 762,422	\$ 4,575,045	\$ 5,325,407	\$ 5,180,170	\$ 6,087,829
Grants/contributions	171,086	108,678	-	285,310	171,086	393,988
General revenues	<u>851,407</u>	<u>823,006</u>	<u>32,589</u>	<u>206,419</u>	<u>883,996</u>	<u>1,029,425</u>
Total revenues	<u>1,627,618</u>	<u>1,694,106</u>	<u>4,607,634</u>	<u>5,817,136</u>	<u>6,235,252</u>	<u>7,511,242</u>

See disclaimer in accompanying Independent Auditor's Report.

City of Mangum
Statement of Activities
Years Ended June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Expenses:						
General government/administration	467,690	424,914	85,284	97,618	552,974	522,532
Public safety	820,925	902,640	-	-	820,925	902,640
Public works	844,436	907,203	-	-	844,436	907,203
Culture and recreation	290,581	323,811	-	-	290,581	323,811
Electric	-	-	2,561,928	2,609,719	2,561,928	2,609,719
Water	-	-	375,247	350,283	375,247	350,283
Wastewater	-	-	13,405	12,325	13,405	12,325
Sanitation	-	-	450,915	434,253	450,915	434,253
Golf	-	-	129,708	143,487	129,708	143,487
Chemical dependency unit	-	-	7,671	805,509	7,671	805,509
Total expenses	2,423,632	2,558,568	3,624,158	4,453,194	6,047,790	7,011,762
Increase in net position before transfers	(796,014)	(864,462)	983,476	1,363,942	187,462	499,480
Transfers, net	1,002,551	889,072	(1,002,551)	(889,072)	-	-
Increase in net position	206,537	24,610	(19,075)	474,870	187,462	499,480
Net position, beginning	4,407,761	4,383,151	263,796	(211,074)	4,671,557	4,172,077
Net position, ending	<u>\$ 4,614,298</u>	<u>\$ 4,407,761</u>	<u>\$ 244,721</u>	<u>\$ 263,796</u>	<u>\$ 4,859,019</u>	<u>\$ 4,671,557</u>

Decreases in revenues were the result of:

- Low economy resulting in less sales tax revenue.

Changes in expenses were due to:

- Rising cost of materials and supplies.
- Increased cost of health insurance.
- Change in economy affecting sales tax revenue.

Governmental activities. Governmental activities increased the City's net position by \$ 206,537. The key elements of this increase were:

- Due to lower expenses and the transferring of more money.

City of Mangum
Governmental Activities
Years Ended June 30, 2013 and 2012

	Program Revenues		Cost of Services	
	2013	2012	2013	2012
General government	\$ 12,043	\$ 45,998	\$ 467,690	\$ 424,914
Public safety	113,637	142,723	820,925	902,640
Public works	618,159	649,419	844,436	907,203
Culture and recreation	32,372	32,960	290,581	323,811
Total governmental activities	<u>\$ 776,211</u>	<u>\$ 871,100</u>	<u>\$ 2,423,632</u>	<u>\$ 2,558,568</u>

Business-type activities. Business-type activities decreased the City's net position by \$ 19,075. The key elements of this decrease were:

- Less memberships and traffic at Golf Course.

City of Mangum
Business-Type Activities
Years Ended June 30, 2013 and 2012

	Program Revenues		Cost of Services	
	2013	2012	2013	2012
Administration/other services	\$ 161,534	\$ 159,597	\$ 85,284	\$ 97,618
Electric	3,068,686	3,324,223	2,561,928	2,609,719
Water	685,741	710,112	375,247	350,283
Wastewater	206,946	210,810	13,405	12,325
Sanitation	392,690	385,096	450,915	434,253
Golf	55,149	60,403	129,708	143,487
Chemical dependency unit	4,299	760,476	7,671	805,509
Total business-type activities	<u>\$ 4,575,045</u>	<u>\$ 5,610,717</u>	<u>\$ 3,624,158</u>	<u>\$ 4,453,194</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 \$ 1,928,694, an increase of \$ 239,096 in comparison with the prior year. The key element to this increase was:

- Major reason for increase is Telemetry system purchase.

See disclaimer in accompanying Independent Auditor's Report.

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 \$ 1,434,102.

The fund balance of the City's general fund increased \$ 208,180 during the current fiscal year. The key factors in this increase were:

- Cutting money out of each department except electric and water.

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 position of the Mangum Utility Authority as of the end of the year amounted to \$ (642,875). The total increase in net position was \$ 14,783. Operating revenues decreased \$ 274,241 over the previous year due to:

- The lower intake of utility bills.

Operating expenses decreased by \$ 7,807, as a result of:

- The attention of all department heads to keep cost down.

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.

Overall, actual revenues and transfers in on the budgetary basis for the general fund of \$ 2,419,498 were \$ 105,598 more than the estimated revenues in the budget of \$ 2,313,900. Actual expenditures and transfers out of \$ 2,190,670 were \$ 195,483 less than the \$ 2,386,153 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, 2013, amounts to \$ 4,322,191 (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, 2013 and 2012
(net of depreciation)

	Governmental		Activities		Totals	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 97,778	\$ 97,778	\$ 135,573	\$ 135,573	\$ 233,351	\$ 233,351
Construction in progress	45,800	5,000	-	-	45,800	5,000
Buildings and improvements	1,815,340	1,908,630	168,566	139,152	1,983,906	2,047,782
Infrastructure	312,146	319,960	-	-	312,146	319,960
Equipment	243,377	232,433	182,457	121,288	425,834	353,721

See disclaimer in accompanying Independent Auditor's Report.

City of Mangum
 Capital Assets
June 30, 2013 and 2012
 (net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Vehicles	180,513	136,863	124,704	156,724	305,217	293,587
Other assets	14,508	19,627	-	-	14,508	19,627
Utility systems	-	-	1,001,429	1,044,999	1,001,429	1,044,999
Capital assets, net	<u>\$ 2,709,462</u>	<u>\$ 2,720,291</u>	<u>\$ 1,612,729</u>	<u>\$ 1,597,736</u>	<u>\$ 4,322,191</u>	<u>\$ 4,318,027</u>

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

- Purchasing Well Field property.
- Purchasing Track Loader for demolition of declared structures.
- Purchasing three new Police Cruisers.
- 5085 John Dear Tractor.
- Beaver Ms 16 Chipper.

Additional information of the City's capital assets can be found in Note V.D. on pages 31–32 of this report.

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$ 2,258,793. This represents debt secured solely by capital leases of \$ 35,586; revenue bonds of \$ 930,000 and revenue notes of \$ 1,293,207.

City of Mangum
 Outstanding Debt
June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Capital leases	\$ -	\$ -	\$ 35,586	\$ 18,233	\$ 35,586	\$ 18,233
Revenue bonds	-	-	930,000	1,040,000	930,000	1,040,000
Revenue notes payable	-	-	1,293,207	1,397,469	1,293,207	1,397,469
Total outstanding debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,258,793</u>	<u>\$ 2,455,702</u>	<u>\$ 2,258,793</u>	<u>\$ 2,455,702</u>

The City's total debt decreased \$ 196,909 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 32–33 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2014 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 2014.

- ❖ Rising cost of fuel products, materials, and supplies commonly used by the city.
- ❖ Rising cost of health insurance for employees.
- ❖ Effect on economy and the impact on sales tax.

During the current fiscal year, unreserved fund balance in the general fund increased by \$ 208,180.

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.

Basic Financial Statements

City of Mangum, Oklahoma
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 609,184	\$ 672,774	\$ 1,281,958
Investments	1,154,161	119,804	1,273,965
Receivables, net of allowance for uncollectibles	180,820	342,676	523,496
Internal balances	(15,837)	15,837	-
Inventory	-	31,233	31,233
Restricted assets - cash and investments	-	252,958	252,958
Notes receivable	1,782	-	1,782
Debt issuance costs, net of accumulated amortization	-	48,115	48,115
Capital assets, net of accumulated depreciation	<u>2,709,462</u>	<u>1,612,729</u>	<u>4,322,191</u>
Total assets	<u>4,639,572</u>	<u>3,096,126</u>	<u>7,735,698</u>
Deferred outflows of resources			
Combined assets and deferred outflow of resources	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,639,572</u>	<u>3,096,126</u>	<u>7,735,698</u>
Liabilities			
Accounts payable and accrued liabilities	(366)	342,034	341,668
Payable from restricted assets:			
Accrued interest	-	23,400	23,400
Customer deposits	-	152,252	152,252
Noncurrent liabilities:			
Due within one year	-	231,993	231,993
Due in more than one year	<u>25,640</u>	<u>2,101,726</u>	<u>2,127,366</u>
Total liabilities	<u>25,274</u>	<u>2,851,405</u>	<u>2,876,679</u>
Deferred inflows of resources			
Combined liabilities and deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
	<u>25,274</u>	<u>2,851,405</u>	<u>2,876,679</u>
Net position			
Investment in capital assets	2,709,462	283,936	2,993,398
Restricted:			
Expendable	477,336	181,388	658,724
Unrestricted	<u>1,427,500</u>	<u>(220,603)</u>	<u>1,206,897</u>
Total net position	<u>\$ 4,614,298</u>	<u>\$ 244,721</u>	<u>\$ 4,859,019</u>

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

City of Mangum, Oklahoma
Statement of Activities
Year Ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 467,690	\$ 12,043	\$ -	\$ -
Public safety	820,925	23,332	25,433	64,872
Public works	844,436	548,280	31,974	37,905
Culture and recreation	290,581	21,470	8,783	2,119
Total governmental activities	<u>2,423,632</u>	<u>605,125</u>	<u>66,190</u>	<u>104,896</u>
Business-type activities:				
Administration / other services	85,284	161,534	-	-
Electric and power plant	2,561,928	3,068,686	-	-
Water	375,247	685,741	-	-
Wastewater	13,405	206,946	-	-
Sanitation	450,915	392,690	-	-
Golf	129,708	55,149	-	-
Chemical dependency unit	7,671	4,299	-	-
Total business-type activities	<u>3,624,158</u>	<u>4,575,045</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 6,047,790</u>	<u>\$ 5,180,170</u>	<u>\$ 66,190</u>	<u>\$ 104,896</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 position

Net position, beginning

Net position, 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>
\$ (455,647)	\$ -	\$ (455,647)
(707,288)	-	(707,288)
(226,277)	-	(226,277)
(258,209)	-	(258,209)
<u>(1,647,421)</u>	<u>-</u>	<u>(1,647,421)</u>
-	76,250	76,250
-	506,758	506,758
-	310,494	310,494
-	193,541	193,541
-	(58,225)	(58,225)
-	(74,559)	(74,559)
-	(3,372)	(3,372)
<u>-</u>	<u>950,887</u>	<u>950,887</u>
<u>(1,647,421)</u>	<u>950,887</u>	<u>(696,534)</u>
621,198	-	621,198
35,912	-	35,912
73,548	-	73,548
10,508	13,512	24,020
115,245	26,699	141,944
(5,004)	(7,622)	(12,626)
<u>1,002,551</u>	<u>(1,002,551)</u>	<u>-</u>
<u>1,853,958</u>	<u>(969,962)</u>	<u>883,996</u>
206,537	(19,075)	187,462
<u>4,407,761</u>	<u>263,796</u>	<u>4,671,557</u>
<u>\$ 4,614,298</u>	<u>\$ 244,721</u>	<u>\$ 4,859,019</u>

City of Mangum, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 377,875	\$ 231,309	\$ 609,184
Investments	874,427	279,734	1,154,161
Receivables:			
Taxes	115,762	4,787	120,549
Due from other governments	-	5,515	5,515
Other	54,756	-	54,756
Due from other funds	42,617	-	42,617
Total assets	<u>\$ 1,465,437</u>	<u>\$ 521,345</u>	<u>\$ 1,986,782</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ (359)	\$ (7)	\$ (366)
Due to other funds	31,694	26,760	58,454
Total liabilities	<u>31,335</u>	<u>26,753</u>	<u>58,088</u>
Fund balances:			
Nonspendable		-	-
Restricted:			
Contractual	-	345,845	345,845
Laws and regulations	-	131,491	131,491
Committed	-	-	-
Assigned:			
Public safety	-	15,725	15,725
Culture and recreation	-	6,021	6,021
Unassigned	1,434,102	(4,490)	1,429,612
Total fund balances	<u>1,434,102</u>	<u>494,592</u>	<u>1,928,694</u>
Total liabilities and fund balances	<u>\$ 1,465,437</u>	<u>\$ 521,345</u>	<u>\$ 1,986,782</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, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 657,110	\$ -	\$ 657,110
Licenses and permits	3,906	-	3,906
Intergovernmental	137,380	177,667	315,047
Fines and forfeitures	15,155	-	15,155
Charges for services	272,139	301,650	573,789
Other	48,402	8,707	57,109
Interest	7,956	2,550	10,506
Total revenues	<u>1,142,048</u>	<u>490,574</u>	<u>1,632,622</u>
Expenditures			
Current:			
General government	444,512	-	444,512
Public safety	762,681	3,672	766,353
Public works	342,059	371,871	713,930
Culture and recreation	226,245	8,726	234,971
Capital outlay	192,682	64,652	257,334
Total expenditures	<u>1,968,179</u>	<u>448,921</u>	<u>2,417,100</u>
Excess of revenues over (under) expenditures	(826,131)	41,653	(784,478)
Other Financing sources (uses)			
Loan principal receipts	-	21,023	21,023
Transfers in	1,297,122	-	1,297,122
Transfers (out)	(262,811)	(31,760)	(294,571)
Total other financing sources (uses)	<u>1,034,311</u>	<u>(10,737)</u>	<u>1,023,574</u>
Net change in fund balances	208,180	30,916	239,096
Fund balances, beginning	<u>1,225,922</u>	<u>463,676</u>	<u>1,689,598</u>
Fund balances, ending	<u>\$ 1,434,102</u>	<u>\$ 494,592</u>	<u>\$ 1,928,694</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, 2013

Total fund balance - governmental funds	\$ 1,928,694
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	1,782
Capital assets	2,709,462
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds:	
Accrued compensated absences	<u>(25,640)</u>
Net assets of governmental activities	<u><u>\$ 4,614,298</u></u>
Net change in fund balances – total governmental funds	\$ 239,096
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 depreciation exceeded capital outlay expenditures in the current reporting period.	
	(10,828)
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	(21,023)
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	<u>(708)</u>
Change in net assets of governmental activities	<u><u>\$ 206,537</u></u>

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

City of Mangum, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds		Totals
	Mangum Utility Authority	Nonmajor Enterprise Funds	
Assets			
Cash and cash equivalents	\$ 210,845	\$ 461,929	\$ 672,774
Investments	18,180	101,624	119,804
Receivables, net of allowance for uncollectibles	353,251	31,694	384,945
Inventory	25,953	5,280	31,233
Restricted assets - cash and investments	252,958	-	252,958
Debt issuance costs, net of accumulated amortization	48,115	-	48,115
Capital assets, net of accumulated depreciation	1,468,897	143,832	1,612,729
Total assets	<u>2,378,199</u>	<u>744,359</u>	<u>3,122,558</u>
Deferred outflows of resources			
Combined assets and deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,378,199</u>	<u>744,359</u>	<u>3,122,558</u>
Liabilities			
Accounts payable and accrued liabilities	294,293	47,741	342,034
Due to other funds	-	26,432	26,432
Payable from restricted assets:			
Accrued interest	23,400	-	23,400
Customer deposits	152,252	-	152,252
Noncurrent liabilities:			
Due within one year	221,243	10,750	231,993
Due in more than one year	2,076,890	24,836	2,101,726
Total liabilities	<u>2,768,078</u>	<u>109,759</u>	<u>2,877,837</u>
Deferred inflows of resources			
Combined liabilities and deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,768,078</u>	<u>109,759</u>	<u>2,877,837</u>
Net position			
Investment in capital assets	175,690	108,246	283,936
Restricted:			
Expendable	77,306	104,082	181,388
Unrestricted	(642,875)	422,272	(220,603)
Total net position	<u>\$ (389,879)</u>	<u>\$ 634,600</u>	<u>\$ 244,721</u>

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

City of Mangum, Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2013

	Enterprise Funds		Total
	Mangum Utility Authority	Other Enterprise	
Operating revenues			
Charges for services:			
Electric	\$ 3,068,686	\$ -	\$ 3,068,686
Water	685,741	-	685,741
Wastewater	206,946	-	206,946
Sanitation	392,690	-	392,690
Other	161,534	4,299	165,833
Golf course revenue	-	55,149	55,149
Operating grants	-	-	-
Total operating revenues	<u>4,515,597</u>	<u>59,448</u>	<u>4,575,045</u>
Operating expenses			
Purchased power	1,829,578	-	1,829,578
Electric	410,956	-	410,956
Water	256,694	-	256,694
Wastewater treatment	10,923	-	10,923
Sanitation	430,330	-	430,330
Power plant	217,450	-	217,450
General manager	78,412	-	78,412
CDU Services	-	7,671	7,671
Golf	-	111,927	111,927
Depreciation and amortization	113,705	16,354	130,059
Bad debt expense	47,841	-	47,841
Total operating expenses	<u>3,395,889</u>	<u>135,952</u>	<u>3,531,841</u>
Net operating income (loss)	1,119,708	(76,504)	1,043,204
Nonoperating revenues (expenses)			
Gain (loss) on sale of assets	-	(7,622)	(7,622)
Miscellaneous	23,899	2,800	26,699
Interest	11,171	2,466	13,637
Interest expense and fiscal charges	(90,890)	(1,552)	(92,442)
Total nonoperating revenues (expenses)	<u>(55,820)</u>	<u>(3,908)</u>	<u>(59,728)</u>
Operating transfers			
Transfers in	178,647	364,231	542,878
Transfers (out)	(1,227,752)	(317,677)	(1,545,429)
Total operating transfers	<u>(1,049,105)</u>	<u>46,554</u>	<u>(1,002,551)</u>
Net income (loss)	14,783	(33,858)	(19,075)
Net position, beginning	<u>(404,662)</u>	<u>668,458</u>	<u>263,796</u>
Net position, ending	<u>\$ (389,879)</u>	<u>\$ 634,600</u>	<u>\$ 244,721</u>

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

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City of Mangum, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities Enterprise Funds	
	Mangum Utility Authority	Nonmajor Enterprise Funds
Cash flows from operating activities		
Net operating income (loss)	\$ 1,119,708	\$ (76,504)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	113,705	16,354
Changes in assets and liabilities:		
(Increase) decrease in receivables	(30,248)	29,798
(Increase) decrease in inventory	(5,268)	(2,275)
Increase (decrease) in accounts payable and accrued liabilities	16,088	46,450
Increase (decrease) in customers deposits	3,207	-
Increase (decrease) in accrued compensated absences	3,782	(466)
Net cash provided (used) by operating activities	1,220,974	13,357
Cash flows from noncapital financing activities		
(Increase) decrease in interfund balances	(10,575)	(4,009)
Miscellaneous revenues	23,899	2,800
Transfers in (out)	(1,049,105)	46,554
Net cash provided (used) by noncapital financing activities	(1,035,781)	45,345
Cash flows from capital and related financing activities		
Proceeds from capital lease obligation	-	44,220
Principal paid on long-term debt	(222,790)	(26,867)
Interest expense and fiscal charges	(92,046)	(1,552)
(Increase) decrease in restricted assets	9,680	-
(Acquisition) disposition of capital assets	(61,977)	(83,824)
Net cash provided (used) by capital and related financing activities	(367,133)	(68,023)
Cash flows from investing activities		
(Increase) decrease in investments	(154)	(1,031)
Interest income	11,171	2,466
Net cash provided (used) by investing activities	11,017	1,435
Net increase (decrease) in cash and cash equivalents	(170,923)	(7,886)
Cash and cash equivalents, beginning	381,768	469,815
Cash and cash equivalents, ending	\$ 210,845	\$ 461,929

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

	<u>Total</u>
\$	1,043,204
	130,059
	(450)
	(7,543)
	62,538
	3,207
	3,316
	<u>1,234,331</u>
	(14,584)
	26,699
	<u>(1,002,551)</u>
	<u>(990,436)</u>
	44,220
	(249,657)
	(93,598)
	9,680
	<u>(145,801)</u>
	<u>(435,156)</u>
	(1,185)
	<u>13,637</u>
	<u>12,452</u>
	(178,809)
	<u>851,583</u>
\$	<u><u>672,774</u></u>

City of Mangum, Oklahoma
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Trust Fund
	Cafeteria Plans
Assets	
Cash and cash equivalents	\$ 10,970
Total assets	10,970
Liabilities	
Accounts payable	10,970
Total liabilities	10,970
Net position	\$ -

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

City of Mangum, Oklahoma
Notes to Financial Statements
June 30, 2013

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 position 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 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.

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 position*

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 position – Net position is displayed in three components as follows:

- a. *Net investment in capital assets* – 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* – consists of net position 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* – all other net position that does not meet the definitions of “net investment in capital assets” or “restricted”.

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. 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 position, 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	\$ 2,709,462
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	\$ 2,709,462

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 position.

Notes receivable	\$ 1,782
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	\$ 1,782

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	\$ 25,640
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 25,640</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 position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of these differences are as follows:

Capital outlay	\$ 213,231
Depreciation expense	(219,055)
Disposition of capital assets, net	<u>(5,004)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (10,828)</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	\$ 21,023
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 21,023</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	\$ 708
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 708</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 \$ 1,442,204 as of June 30, 2013, and the bank balances totaled \$ 1,519,694. 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, 2013, \$ 1,142,166 of the City's bank balances of \$ 1,519,964 was exposed to custodial credit risk as follows:

Collateral held by the pledging bank not in the City's name	<u>\$ 1,142,166</u>
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Investments

As of June 30, 2013, the City had the following investments.

Investment	Maturities	Fair Value
Certificates of deposit	< 1 year	\$ 1,266,176
U.S. Treasury mutual funds	NA	109,329
Total		<u>\$ 1,375,505</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, 2013, 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 92% of the City's investments are in certificates of deposit.

B. Receivables

Receivables as of June 30, 2013, 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	Total
Receivables:				
Taxes	\$ 115,762	\$ 4,787	\$ -	\$ 120,549
Accounts	-	-	518,671	518,671
Other	54,756	-	3,222	57,978
Due from other governments	-	5,515	-	5,515
Gross receivables	170,518	10,302	521,893	702,713
Less: allowance for uncollectibles	-	-	(179,217)	(179,217)
Net total receivables	<u>\$ 170,518</u>	<u>\$ 10,302</u>	<u>\$ 342,676</u>	<u>\$ 523,496</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.

The following is a summary of the restricted asset account balances as of June 30, 2013:

	2006
	Bonds
Debt service fund	<u>\$ 109,329</u>

D. Capital assets

Capital asset balances and activities for the year ended June 30, 2013, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 97,778	\$ -	\$ -	\$ 97,778
Construction in progress	5,000	40,800	-	45,800
Total capital assets, not being depreciated	<u>102,778</u>	<u>40,800</u>	<u>-</u>	<u>143,578</u>
Capital assets, being depreciated:				
Buildings and improvements	3,338,568	24,531	-	3,363,099
Infrastructure	528,293	19,494	-	547,787
Equipment	670,541	37,458	(22,500)	685,499
Vehicles	669,695	90,948	(124,896)	635,747
Other assets	25,600	-	-	25,600
Total capital assets, being depreciated	<u>5,232,697</u>	<u>172,431</u>	<u>(147,396)</u>	<u>5,257,732</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,429,938)	(117,821)	-	(1,547,759)
Infrastructure	(208,333)	(27,308)	-	(235,641)
Equipment	(438,108)	(26,514)	22,500	(442,122)
Vehicles	(532,832)	(42,292)	119,891	(455,233)
Other assets	(5,973)	(5,120)	-	(11,093)
Total accumulated depreciation	<u>(2,615,184)</u>	<u>(219,055)</u>	<u>142,391</u>	<u>(2,691,848)</u>
Total capital assets, being depreciated, net	<u>2,617,513</u>	<u>(46,624)</u>	<u>(5,005)</u>	<u>2,565,884</u>
Total governmental activities capital assets, net	<u>\$ 2,720,291</u>	<u>\$ (5,824)</u>	<u>\$ (5,005)</u>	<u>\$ 2,709,462</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 135,573	\$ -	\$ -	\$ 135,573
Total capital assets, not being depreciated	<u>135,573</u>	<u>-</u>	<u>-</u>	<u>135,573</u>
Capital assets, being depreciated:				
Buildings and improvements	627,840	47,129	-	674,969
Utility systems	1,941,902	-	-	1,941,902
Equipment	756,854	115,496	(39,642)	832,708
Vehicles	498,841	-	-	498,841
Total capital assets, being depreciated	<u>3,825,437</u>	<u>162,625</u>	<u>(39,642)</u>	<u>3,948,420</u>
Less accumulated depreciation for:				
Buildings and improvements	(488,688)	(17,717)	-	(506,405)
Utility systems	(896,904)	(43,569)	-	(940,473)
Equipment	(635,566)	(29,881)	15,198	(650,249)
Vehicles	(342,117)	(32,020)	-	(374,137)
Total accumulated depreciation	<u>(2,363,275)</u>	<u>(123,187)</u>	<u>15,198</u>	<u>(2,471,264)</u>
Total capital assets, being depreciated, net	<u>1,462,162</u>	<u>39,438</u>	<u>(24,444)</u>	<u>1,477,156</u>
Total business-type activities capital assets, net	<u>\$ 1,597,735</u>	<u>\$ 39,438</u>	<u>\$ (24,444)</u>	<u>\$ 1,612,729</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 16,250
Public safety	42,719
Public works	111,176
Culture and recreation	48,910
Total depreciation expense – governmental activities	<u>\$ 219,055</u>
Business-type activities:	
Water	\$ 66,349
Electric	24,115
Sanitation	16,279
Wastewater	90
Golf	16,354
Total depreciation expense – business-type activities	<u>\$ 123,187</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, 2013, cash and investments included \$ 160,452 available for refund of customer deposits, while the liability to customers was \$ 152,252.

F. Long-term debt

Long-term liabilities of the City of Mangum as of June 30, 2013, are summarized as follows:

Business-Type Activities

Capital lease obligations:

Capital lease agreement with Great Plains National Bank; dated August 24, 2012, in the amount of \$ 42,220, payable in 48 monthly installments of \$ 999, including interest at 3.99%, for the lease purchase of golf carts.	<u>\$ 35,586</u>
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Revenue Bonds:

Mangum Utility Authority Sales Tax Refunding Revenue Bonds, Series 2006, dated July 1, 2006, 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 \$ 115,000 to \$ 150,000, with interest due each March 1 and October 1 at 4.10% to 5.10%.	<u>930,000</u>
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Notes Payable:

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.	1,259,874
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Note payable to Oklahoma Department of Commerce, due and payable in monthly installments of \$ 417 with no interest, for sewer improvements.	<u>33,333</u>
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Total notes payable	<u>1,293,207</u>
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Total business-type activities	<u>2,258,793</u>
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Total long-term debt	<u>\$ 2,258,793</u>
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Long-term liabilities transactions for the year ended June 30, 2013, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Total governmental-type activities	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities					
Capital leases:					
National City Commercial Leasing	18,233	-	(18,233)	-	-
Great Plains National Bank	-	44,220	(8,634)	35,586	10,750
Revenue bonds:					
2006 Sales tax refunding bonds	1,040,000	-	(110,000)	930,000	115,000
Notes payable:					
Oklahoma Water Resources Board	1,359,136	-	(99,262)	1,259,874	101,243
Oklahoma Dept of Commerce	38,333	-	(5,000)	33,333	5,000
Total business-type activities	2,455,702	44,220	(241,129)	2,258,793	231,993
Total long-term liabilities	\$ 2,455,702	\$ 44,220	\$ (241,129)	\$ 2,258,793	\$ 231,993

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
2014	\$ 115,000	\$ 42,872	\$ 106,243	\$ 39,574	\$ 10,750	\$ 1,242
2015	120,000	37,408	109,514	36,307	11,193	799
2016	125,000	31,588	112,890	32,927	11,654	338
2017	135,000	25,280	116,376	29,441	1,989	10
2018	140,000	18,473	119,974	25,843	-	-
2019-2023	295,000	15,136	641,378	71,040	-	-
2024-2028	-	-	86,832	1,677	-	-
Totals	\$ 930,000	\$ 170,757	\$ 1,293,207	\$ 236,809	\$ 35,586	\$ 2,389

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, 2013, was as follows:

Operating revenues	\$ 4,380,604
Operating expenses (excluding depreciation and amortization)	(3,373,074)
Net revenues available for debt service	\$ 1,007,530

Average annual debt service:	
Revenue bonds	\$ 157,993
Notes payable	145,817
Total debt service	<u>303,810</u>
	<u>X 125%</u>
Net revenue requirement	<u>379,763</u>
Excess of net revenues available over net revenue requirement	<u>\$ 627,767</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, 2013, the aggregate debt issuance costs incurred by the Mangum Utility Authority on revenue bonds was \$ 65,126, accumulated amortization was \$ 32,564, 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 \$ 15,547 as of June 30, 2013.

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	\$ 25,640
Business-type activities	15,229
Total accrued compensated absences	<u>\$ 40,869</u>

J. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Non-major governmental	\$ 26,760
General fund	Non-major proprietary	15,857
Non-major proprietary	General fund	31,694
Mangum Utility Authority	Non-major proprietary	10,575
Totals		<u>\$ 84,886</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:

Transfer in:	Transfer out:				Totals
	General Fund	Non-major Governmental	Mangum Utility Authority	Non-major Proprietary	
General fund	\$ (125)	\$ 31,760	\$ 1,126,457	\$ 139,030	\$ 1,297,122
Mangum Utility Authority	-	-	-	178,647	178,647
Non-major proprietary	262,811	-	101,420	-	364,231
Totals	<u>\$ 262,686</u>	<u>\$ 31,760</u>	<u>\$ 1,227,877</u>	<u>\$ 317,677</u>	<u>\$ 1,840,000</u>

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, 2013, for employees and employer were \$ 12,314 and \$ 20,010, respectively, on covered payroll of \$ 142,933. The State of Oklahoma made on-behalf payments to OPPRS totaling \$ 17,996 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, 2013, for employees and employer were \$ 12,332 and \$ 20,040, respectively, on covered payroll of \$ 154,153.

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, 2013, 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, 2013, for employees and employer were \$ 52,948 and \$ 107,300, respectively.

For the year ended June 30, 2013, the City's covered payroll was \$ 794,815. 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, 2013, for the employee and employer were \$ 2,122 and \$ 4,080 on covered payroll of \$ 32,648.

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

Management of the City of Mangum has evaluated subsequent events through February 13, 2014, the date which the financial statements were available to be issued.

Required Supplementary Information

City of Mangum, Oklahoma
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds (Budgetary Basis)
Year Ended June 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
Fund balance, beginning	\$ -	\$ 135,600	\$ 1,069,988	\$ 934,388
Resources				
Taxes	634,500	634,500	656,254	21,754
Licenses and permits	2,600	2,600	3,506	906
Intergovernmental	45,400	86,258	118,964	32,706
Fines and forfeitures	25,300	25,300	15,155	(10,145)
Charges for services	278,835	278,835	272,139	(6,696)
Miscellaneous	20,700	37,250	48,402	11,152
Interest	8,700	8,700	7,956	(744)
Operating transfers	1,240,457	1,240,457	1,297,122	56,665
Total resources	<u>2,256,492</u>	<u>2,313,900</u>	<u>2,419,498</u>	<u>105,598</u>
Amounts available for appropriation	2,256,492	2,449,500	3,489,486	1,039,986
Charges to appropriations:				
City commission	21,460	21,460	16,281	5,179
Administration	343,491	389,451	363,617	25,834
Customer service	35,605	35,853	25,926	9,927
City attorney	20,688	33,278	32,247	1,031
Municipal judge	3,441	3,441	3,249	192
Police department	495,349	489,645	440,425	49,220
Fire department	269,956	272,775	275,554	(2,779)
Animal control	21,345	21,345	16,375	4,970
Emergency management	800	800	679	121
Street department	176,114	176,114	170,891	5,223
Cemetery	2,935	2,935	894	2,041
Community services	79,810	86,913	60,862	26,051
Airport	37,880	34,985	12,102	22,883
Code enforcement	46,816	46,816	39,503	7,313
Shop maintenance	57,983	60,028	55,220	4,808
Parks department	110,638	110,280	106,867	3,413
Library	81,904	96,152	72,675	23,477
Swimming pool	62,440	60,895	41,810	19,085
Debt service	-	-	-	-
Capital outlay	129,150	180,819	192,682	(11,863)
Operating transfers	258,687	262,168	262,811	(643)
Total charges to appropriations	<u>2,256,492</u>	<u>2,386,153</u>	<u>2,190,670</u>	<u>195,483</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 63,347</u>	<u>\$ 1,298,816</u>	<u>\$ 1,235,469</u>

See disclaimer in accompanying Independent Auditor's Report.

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, 2013

	General Fund
Budgetary funds	
Financial statement major funds	
Revenues	
Actual amounts (budgetary basis) "resources" from the budgetary comparison schedules	\$ 2,419,498
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	(1,095,479)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	\$ 1,357,324
Expenditures	
Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedules	\$ 2,190,670
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	(238,248)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	\$ 1,991,148
Other financing sources (uses)	
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
Operating transfers out	(238,248)
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	\$ 857,231

See disclaimer in accompanying Independent Auditor's Report.

City of Mangum, Oklahoma
Notes to Budgetary Comparison Schedules
Year Ended June 30, 2013

Budgetary Accounting: The annual operating budgets are prepared and presented on the modified accrual basis of accounting. The City of Mangum utilizes encumbrance accounting during the year on a limited basis for certain purchase orders and other commitments for the expenditure of funds which are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at year-end, therefore, encumbrances outstanding at year-end are not considered expenditures for budgetary purposes, as the City of Mangum will provide for supplemental appropriations in the following budget year.

Other Supplementary Information

City of Mangum, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue			
	Riverside Endowment Fund	Library Grant Fund	Street and Alley Fund	Miscellaneous Grant Fund
Assets				
Cash and cash equivalents	\$ 440	\$ 5,120	\$ 58,703	\$ 10,742
Investments	39,501	-	60,738	-
Receivables:				
Taxes	-	-	4,787	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 39,941</u>	<u>\$ 5,120</u>	<u>\$ 124,228</u>	<u>\$ 10,742</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	20,000	-
Total liabilities	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Fund balances				
Nonspendable	-	-	-	-
Restricted:				
Contractual	39,941	5,120	-	10,742
Laws and regulations	-	-	104,228	-
Committed	-	-	-	-
Assigned:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>39,941</u>	<u>5,120</u>	<u>104,228</u>	<u>10,742</u>
Total liabilities and fund balances	<u>\$ 39,941</u>	<u>\$ 5,120</u>	<u>\$ 124,228</u>	<u>\$ 10,742</u>

Special Revenue

Busby Trust	Dispatcher Training Equipment	Crime Stoppers	SW Dispute Mediation	Revolving Loan Fund	Hospital Rent & Utilities
\$ 12,335	\$ 7,737	\$ 8,748	\$ (10,012)	\$ 105,507	\$ -
162,366	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5,515	-	-
<u>\$ 174,701</u>	<u>\$ 7,737</u>	<u>\$ 8,748</u>	<u>\$ (4,497)</u>	<u>\$ 105,507</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (7)	\$ -	\$ -
6,000	760	-	-	-	-
<u>6,000</u>	<u>760</u>	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
168,701	-	-	-	105,507	-
-	-	-	-	-	-
-	-	-	-	-	-
-	6,977	8,748	-	-	-
-	-	-	-	-	-
-	-	-	(4,490)	-	-
<u>168,701</u>	<u>6,977</u>	<u>8,748</u>	<u>(4,490)</u>	<u>105,507</u>	<u>-</u>
<u>\$ 174,701</u>	<u>\$ 7,737</u>	<u>\$ 8,748</u>	<u>\$ (4,497)</u>	<u>\$ 105,507</u>	<u>\$ -</u>

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City of Mangum, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(continued)

	Capital Projects			Total Nonmajor Governmental Funds
	Cemetery Perpetual Care Fund	Friends of the Park	Pool Renovation	
Assets				
Cash and cash equivalents	\$ 10,134	\$ 15,834	\$ 6,021	\$ 231,309
Investments	17,129	-	-	279,734
Receivables:				
Taxes	-	-	-	4,787
Due from other governments				5,515
Total assets	<u>\$ 27,263</u>	<u>\$ 15,834</u>	<u>\$ 6,021</u>	<u>\$ 521,345</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ (7)
Due to other funds	-	-	-	26,760
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,753</u>
Fund balances				
Nonspendable	-	-	-	-
Restricted:				
Contractual	-	15,834	-	345,845
Laws and regulations	27,263	-	-	131,491
Committed	-	-	-	-
Assigned:				
Public safety	-	-	-	15,725
Culture and recreation	-	-	6,021	6,021
Unassigned	-	-	-	(4,490)
Total fund balances	<u>27,263</u>	<u>15,834</u>	<u>6,021</u>	<u>494,592</u>
Total liabilities and fund balances	<u>\$ 27,263</u>	<u>\$ 15,834</u>	<u>\$ 6,021</u>	<u>\$ 521,345</u>

City of Mangum, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	Special Revenue			
	Riverside Endowment Fund	Library Grant Fund	Street and Alley Fund	Miscellaneous Grant Fund
Revenues				
Intergovernmental	\$ -	\$ 8,783	\$ 26,997	\$ 69,356
Charges for services	-	-	-	-
Other	-	2,119	-	-
Interest	289	-	431	-
Total revenues	<u>289</u>	<u>10,902</u>	<u>27,428</u>	<u>69,356</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	3,672
Public works	-	-	-	-
Culture and recreation	-	8,726	-	-
Capital outlay	-	-	-	64,580
Total expenditures	<u>-</u>	<u>8,726</u>	<u>-</u>	<u>68,252</u>
Excess of revenues over (under) expenditures	289	2,176	27,428	1,104
Other financing sources (uses)				
Loan principal receipts	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	(20,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balances	289	2,176	7,428	1,104
Fund balances, beginning	<u>39,652</u>	<u>2,944</u>	<u>96,800</u>	<u>9,638</u>
Fund balances, ending	<u>\$ 39,941</u>	<u>\$ 5,120</u>	<u>\$ 104,228</u>	<u>\$ 10,742</u>

Special Revenue

Busby Trust	Dispatcher Training Equipment	Crime Stoppers	SW Dispute Mediation	Revolving Loan Fund	Hospital Rent & Utilities
\$ -	\$ -	\$ -	\$ 72,531	\$ -	\$ -
-	-	-	-	-	300,000
-	6,082	506	-	-	-
1,187	-	-	-	421	-
<u>1,187</u>	<u>6,082</u>	<u>506</u>	<u>72,531</u>	<u>421</u>	<u>300,000</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	71,871	-	300,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>71,871</u>	<u>-</u>	<u>300,000</u>
1,187	6,082	506	660	421	-
-	-	-	-	21,023	-
-	-	-	-	-	-
<u>(11,000)</u>	<u>(760)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(11,000)</u>	<u>(760)</u>	<u>-</u>	<u>-</u>	<u>21,023</u>	<u>-</u>
(9,813)	5,322	506	660	21,444	-
178,514	1,655	8,242	(5,150)	84,063	-
<u>\$ 168,701</u>	<u>\$ 6,977</u>	<u>\$ 8,748</u>	<u>\$ (4,490)</u>	<u>\$ 105,507</u>	<u>\$ -</u>

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Page 2 of 2

City of Mangum, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

(continued)

	Capital Projects			Total Nonmajor Governmental Funds
	Cemetery Perpetual Care Fund	Friends of the Park	Pool Renovation	
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ 177,667
Charges for services	1,650	-	-	301,650
Other	-	-	-	8,707
Interest	152	55	15	2,550
Total revenues	<u>1,802</u>	<u>55</u>	<u>15</u>	<u>490,574</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	3,672
Public works	-	-	-	371,871
Culture and recreation	-	-	-	8,726
Capital outlay	-	-	72	64,652
Total expenditures	<u>-</u>	<u>-</u>	<u>72</u>	<u>448,921</u>
Excess of revenues over (under) expenditures	1,802	55	(57)	41,653
Other financing sources (uses)				
Loan principal receipts	-	-	-	21,023
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(31,760)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,737)</u>
Net change in fund balances	1,802	55	(57)	30,916
Fund balances, beginning	<u>25,461</u>	<u>15,779</u>	<u>6,078</u>	<u>463,676</u>
Fund balances, ending	<u>\$ 27,263</u>	<u>\$ 15,834</u>	<u>\$ 6,021</u>	<u>\$ 494,592</u>

City of Mangum, Oklahoma
Combining Statement of Net Position –
Nonmajor Enterprise Funds
June 30, 2013

	Enterprise		
	Golf Course Fund	MUA Capital Improvements	Hospital Sales Tax
Assets			
Cash and cash equivalents	\$ 124,573	\$ 77,675	\$ 88,245
Investments	-	-	-
Receivables, net of allowance for uncollectibles	-	-	31,694
Inventories	5,280	-	-
Due from other funds	-	-	-
Capital assets, net of accumulated depreciation	143,832	-	-
Total assets	<u>273,685</u>	<u>77,675</u>	<u>119,939</u>
Deferred outflows of resources	-	-	-
Combined assets and deferred outflows of resources	<u>273,685</u>	<u>77,675</u>	<u>119,939</u>
Liabilities			
Accounts payable and accrued liabilities	47,741	-	-
Due to other funds	-	-	15,857
Noncurrent liabilities:			
Due within one year	10,750	-	-
Due in more than one year	24,836	-	-
Total liabilities	<u>83,327</u>	<u>-</u>	<u>15,857</u>
Deferred inflows of resources	-	-	-
Combined assets and deferred inflows of resources	<u>83,327</u>	<u>-</u>	<u>15,857</u>
Net position			
Investment in capital assets	108,246	-	-
Restricted:			
Expendable	-	-	104,082
Unrestricted	82,112	77,675	-
Total net position	<u>\$ 190,358</u>	<u>\$ 77,675</u>	<u>\$ 104,082</u>

Enterprise			Total Nonmajor Enterprise Funds
Power Plant Capital Improvement	Water Well Improvement and Maintenance	Chemical Dependency Unit	
\$ 97,468	\$ 73,968	\$ -	\$ 461,929
61,233	40,391	-	101,624
-	-	-	31,694
-	-	-	5,280
-	-	-	-
-	-	-	143,832
<u>158,701</u>	<u>114,359</u>	<u>-</u>	<u>744,359</u>
-	-	-	-
<u>158,701</u>	<u>114,359</u>	<u>-</u>	<u>744,359</u>
-	-	-	47,741
-	10,575	-	26,432
-	-	-	10,750
-	-	-	24,836
-	10,575	-	109,759
-	-	-	-
-	10,575	-	109,759
-	-	-	108,246
-	-	-	104,082
158,701	103,784	-	422,272
<u>\$ 158,701</u>	<u>\$ 103,784</u>	<u>\$ -</u>	<u>\$ 634,600</u>

City of Mangum, Oklahoma
Combining Statement of Revenues, Expenses, and Changes in Net Position –
Nonmajor Enterprise Funds
Year Ended June 30, 2013

	Enterprise		
	Golf Course Fund	MUA Capital Improvements	Hospital Sales Tax
Operating revenues			
Charges for services:			
Golf course	\$ 55,149	\$ -	\$ -
Other	-	-	-
Total operating revenues	<u>55,149</u>	<u>-</u>	<u>-</u>
Operating expenses			
CDU services	-	-	-
Golf	111,927	-	-
Depreciation and amortization	16,354	-	-
Total operating expenses	<u>128,281</u>	<u>-</u>	<u>-</u>
Net operating income (loss)	(73,132)	-	-
Nonoperating revenues (expenses)			
Gain (loss) on sale of assets	(7,622)	-	-
Miscellaneous	2,800	-	-
Interest	-	251	341
Interest expense and fiscal charges	(1,552)	-	-
Total nonoperating revenues (expenses)	<u>(6,374)</u>	<u>251</u>	<u>341</u>
Operating transfers			
Transfers in	70,354	14,946	192,457
Transfers (out)	-	-	(177,987)
Total operating transfers	<u>70,354</u>	<u>14,946</u>	<u>14,470</u>
Net income (loss)	(9,152)	15,197	14,811
Net position, beginning	<u>199,510</u>	<u>62,478</u>	<u>89,271</u>
Net position, ending	<u>\$ 190,358</u>	<u>\$ 77,675</u>	<u>\$ 104,082</u>

	Enterprise		
Power Plant Capital Improvement	Water Well Improvement and Maintenance	Chemical Dependency Unit	Total Nonmajor Enterprise Funds
\$ -	\$ -	\$ -	\$ 55,149
-	-	4,299	4,299
-	-	4,299	59,448
-	-	7,671	7,671
-	-	-	111,927
-	-	-	16,354
-	-	7,671	135,952
-	-	(3,372)	(76,504)
-	-	-	(7,622)
-	-	-	2,800
1,010	419	445	2,466
-	-	-	(1,552)
1,010	419	445	(3,908)
46,200	40,274	-	364,231
(5,942)	(10,575)	(123,173)	(317,677)
40,258	29,699	(123,173)	46,554
41,268	30,118	(126,100)	(33,858)
117,433	73,666	126,100	668,458
\$ 158,701	\$ 103,784	\$ -	\$ 634,600

City of Mangum, Oklahoma
Combining Statement of Cash Flows –
Nonmajor Enterprise Funds
Year Ended June 30, 2013

	Enterprise		
	Golf Course Fund	MUA Capital Improvements	Hospital Sales Tax
Cash flows from operating activities			
Net operating income (loss)	\$ (73,132)	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	16,354	-	-
Changes in assets and liabilities:			
(Increase) decrease in receivables	-		
(Increase) decrease in inventories	(2,275)	-	-
Increase (decrease) in accounts payable and accrued liabilities	46,450	-	-
Increase (decrease) in accrued compensated absences	(466)	-	-
Net cash provided (used) by operating activities	<u>(13,069)</u>	<u>-</u>	<u>-</u>
Cash flows from noncapital financing activities			
Increase (decrease) in due to/from other funds	-	-	15,214
Miscellaneous revenue	2,800	-	-
Transfers in (out)	70,354	14,946	14,470
Net cash provided (used) by noncapital financing activities	<u>73,154</u>	<u>14,946</u>	<u>29,684</u>
Cash flows from capital and related financing activities			
Proceeds from capital lease obligations	44,220	-	-
Principal paid on long-term debt	(26,867)	-	-
Interest expense and fiscal charges	(1,552)	-	-
(Acquisition) disposition of capital assets	(83,824)	-	-
Net cash provided (used) by capital and related financing activities	<u>(68,023)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest income	-	251	341
(Increase) decrease in investments	-	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>251</u>	<u>341</u>
Net increase (decrease) in cash and cash equivalents	(7,938)	15,197	30,025
Cash and cash equivalents, beginning	<u>132,511</u>	<u>62,478</u>	<u>58,220</u>
Cash and cash equivalents, ending	<u>\$ 124,573</u>	<u>\$ 77,675</u>	<u>\$ 88,245</u>

	Enterprise		
Power Plant Capital Improvement	Water Well Improvement and Maintenance	Chemical Dependency Unit	Total Nonmajor Enterprise Funds
\$ -	\$ -	\$ (3,372)	\$ (76,504)
-	-	-	16,354
-	-	29,798	29,798
-	-	-	(2,275)
-	-	-	46,450
-	-	-	(466)
<u>-</u>	<u>-</u>	<u>26,426</u>	<u>13,357</u>
-	10,575	(29,798)	(4,009)
-	-	-	2,800
<u>40,258</u>	<u>29,699</u>	<u>(123,173)</u>	<u>46,554</u>
<u>40,258</u>	<u>40,274</u>	<u>(152,971)</u>	<u>45,345</u>
-	-	-	44,220
-	-	-	(26,867)
-	-	-	(1,552)
-	-	-	(83,824)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,023)</u>
1,010	419	445	2,466
(791)	(240)	-	(1,031)
<u>219</u>	<u>179</u>	<u>445</u>	<u>1,435</u>
40,477	40,453	(126,100)	(7,886)
<u>56,991</u>	<u>33,515</u>	<u>126,100</u>	<u>469,815</u>
<u>\$ 97,468</u>	<u>\$ 73,968</u>	<u>\$ -</u>	<u>\$ 461,929</u>

Compliance and Internal Control



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

Board of Commissioners
City of Mangum
Mangum, Oklahoma

We have audited, in accordance with the 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 of the United States, 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, Oklahoma, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise City of Mangum's basic financial statements, and have issued our report thereon dated February 13, 2014. We did not audit management's discussion and analysis and the budgetary comparison information which is required supplementary information, and therefore expressed no opinion on it.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mangum's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Mangum's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Mangum's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2013-1, 2013-2, 2013-3, and 2013-4 that we consider to be significant deficiencies.

Ronald C. Cottrell, CPA

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item nos. 2013-5 and 2013-6.

City of Mangum's Response to Findings

The City of Mangum's response to the findings in our audit are described in the accompanying schedule findings and responses. The City of Mangum's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Ronald C. Cottrell, CPA

Ronald C. Cottrell, CPA
Kansas, Oklahoma
February 13, 2014

City of Mangum, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2013

2013-1 Budget and Availability of Funds

Criteria – Oklahoma Statutes state that purchases may be made only if funds are available and properly appropriated in an approved budget.

Condition – Expenditures were made for roof replacement at the library and charged to three (3) different expense line items rather than being properly recorded as capital outlay for the library. Adequate funds had not been appropriated for library capital outlay. Additionally, several requisitions were noted as indicating “No funds available”, yet services were still ordered and performed.

Cause and Effect – Certain budget line items did not have adequate amounts available for expenditure prior to the goods or services being ordered or purchased. The expenditures were charged to other budget line items which had available appropriations. Procurement of goods or services without proper authority via the budget process can result in unauthorized or unnecessary expenditures being made by the City.

Recommendation – Procedures and controls should be established and followed to ensure that goods or services are ordered only when adequate appropriations are available in the particular fund, department, and expenditure category for which the expenditure should be charged.

Management’s Response – City Clerk will ensure funds are available in expenditure categories before allowing a purchase by any employee. If needed, Department Head will have to transfer funds from one line item to the next so adequate funds are available.

2013-2 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 – Due to findings the City Manager has scheduled a complete physical inventory to begin April 1, 2014. Adjustments will be made to the detail listing and will be reconciled with the general ledger control accounts for capital assets.

2013-3 – Purchase Requisitions

Criteria – The City’s purchasing policies and procedures require a properly approved purchase requisition form for all purchases of \$ 100 or more.

Condition – From our sample of 59 expenditures, we noted thirteen (13) non-recurring expenditures over \$100 that were not supported by an approved purchase requisition.

Cause and Effect – Purchases could be made that were not properly authorized.

Recommendation – Established procedures should be followed to ensure that all purchases of \$100 or more be properly supported by an approved requisition in accordance with the City’s policies and procedures.

Management’s Response – City Manager will reiterate to city employees the procedure set forth in accounting and financial policy. Explain if this continues to be a recurring problem that disciplinary procedures will be taken.

2013-4 Court Reconciliation

Criteria – Account balances in the general ledger accounting records should be periodically reconciled with the supporting detail records to help ensure that all transactions are properly recorded and that all transactions recorded actually occurred.

Condition – No reconciliations were made between the municipal court recordkeeping system and the general ledger accounting system INCODE.

Cause and Effect – Differences between the court system records and the general ledger occurred during the year, and as a result, fees reported to CLEET, AFIS, and the OSBI forensic fees did not agree with the general ledger, as follows:

	<u>General Ledger</u>	<u>Reported</u>	<u>Difference</u>
AFIS	108	92	16
CLEET	105	100	5
Forensic fee	103	98	5

The total estimated underpayment of fees was \$ 170.00

Recommendation – Procedures and controls should be established to reconcile the court records system with the general ledger and CLEET and OSBI reports prepared to ensure that all transactions are properly recorded and all fees paid.

Management’s Response – The Billing Clerks had entered incorrect amounts for the category. We have had extensive explanation on the amounts to enter since the incident. The Deputy Court Clerk will run the initial report and Court Clerk will verify all amounts are correct before sending to the State Department.

2013-5 Cemetery Lot Sales

Criteria – Oklahoma Statutes require “not less than 12.5% of all monies from cemetery lot sales and interments be segregated and set aside as a permanent fund to be known as the “Cemetery Care Fund.”

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Condition – The City put 25% of lot sales only into its perpetual care fund. The City also had \$ 6,193 of other cemetery services revenue during the year. Total collections of \$ 12,793 (lot sales plus other cemetery revenues) at 12.5% would be \$ 1,500, while the City actually put \$ 1,650 from 25% of lot sales only.

Cause and Effect – Funds are required to be set aside into a cemetery care fund for future capital items for the cemetery such as expansion and improvements.

Recommendation – The City should transfer at least 12.5% of all cemetery revenues into the perpetual care fund, as required by Oklahoma Statutes.

Management's Response – We are in the process of changing wording in the ordinance to include 25% on opening and closing, headstone placement, and plot sales. The approval of ordinance tentatively will be March 4, 2014 commission meeting.

2013-6 Departmental Budgets

Criteria – Oklahoma Statutes require cities to appropriate funds for expenditure by approved budgets. The budgets are generally approved by expenditure categories for each department and fund of the city. Procurement of goods or services may not be made without adequate appropriation for that particular line item in the budget. Budget appropriations may generally be transferred between budget categories and departments, or additional amounts may be budgeted from new unanticipated revenue sources or other previously unappropriated funds.

Condition – Encumbrances and expenditures in three different departments in the general fund were made in excess of the approved budget appropriation as follows:

Fire	\$	2,779
Capital outlay		11,863
Transfers out		643

Cause and Effect – Unauthorized expenditures could be made if not properly budgeted.

Recommendation – Necessary budget adjustments should be approved and made before goods or services are ordered or purchased in accordance with Oklahoma Statutes.

Management's Response – It is normal practice for the City of Mangum to make budget amendments prior to the appropriation of funds. These three items were overlooked and special attention will be given to prevent the spending of funds before the funds are available.

City of Mangum, Oklahoma
Summary Schedule of Prior Audit Findings

Financial Statement Findings

2012-1 Signing of checks

Condition – We examined a total of 1160 cleared checks from five (5) months during the year ended June 30, 2013 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.

Status – This condition has been resolved.

2012-2 Authorization and support for expenditures

Condition – From our disbursement sample of 299 items during the year ended June 30, 2013, 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.

Status – This condition has been resolved.

2012-3 Related party transactions

Condition – Numerous invoices totaling \$79,063 were paid by the City to The Ultimate IT Guy, LLC during the year ended June 30, 2013. 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-

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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.

Status – This condition has been resolved.

2012-4 Capital asset inventory

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.

Status – This condition still exists.

2012-5 OWRB monthly reports

Condition – The MUA has not filed the required report since May 2013. Additionally, the information on water produced and sold reported on the monthly reports during the year ended June 30, 2013 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.

Status – This condition has been resolved.

2012-6 Authorization for new bank accounts

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.

Status – This condition has been resolved.

2012-7 Equipment 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.

Status – This condition has been resolved.

2012-8 Review of bank reconciliations

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.

Status – This condition has been resolved.

2012-9 Airport fuel tanks

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.

Status – This condition has been resolved.

Federal Award Findings and Questioned Costs

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