

MODIFIED CASH BASIS
FINANCIAL STATEMENTS AND REPORTS OF THE
CITY OF THOMAS,
CUSTER COUNTY, OKLAHOMA
JUNE 30, 2013

FSW&B CPA's-PLLC
1011 Texas
Woodward, OK 73801



CITY OF THOMAS
CUSTER COUNTY, OKLAHOMA
PRINCIPAL OFFICIALS
JUNE 30, 2013

COUNCIL MEMBERS

Mayor	Jeff Gose
Vice Mayor	Darrel Merkey
Member	Jeanne Lewis
Member	Tana Burton
Member	Bruce Potter

TREASURER
Kelly London

ENCUMBRANCE / MINUTE CLERK
Becky Christensen

CITY OF THOMAS
CUSTER COUNTY, OKLAHOMA
JUNE 30, 2013

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CITY OF THOMAS
CUSTER COUNTY, OKLAHOMA
JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Thomas, OK

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of each major fund, the aggregate remaining fund information, and the aggregate discretely presented component units of the City of Thomas, OK, as of and for the year ended June 30, 2013, and the related notes to the financial statements, as shown on pages 4–27, which collectively comprise a portion of the City's basic financial statements required by accounting principles generally accepted in the United States of America, as applied to the City's modified cash basis of accounting.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1C. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 opinion.

Basis for Adverse Opinion

As described in Note 1, management has not presented government-wide financial statement to display the modified cash basis financial position and changes in modified cash basis financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles applicable to the City's modified cash basis of accounting require the presentation of government-wide financial statement. The amounts that would be reported in government-wide financial statements resulting from modified cash basis transactions or events for the City's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable. Additionally, as discussed in Note 1A, the City has elected to exclude the Thomas Economic Development Authority's (TEDA) financial statement from the City's basic financial statement. In accordance with accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, the TEDA's financial activities should be included in the City's basic financial statements as a discretely presented component unit. Also, as disclosed in Note 1C, the governmental funds statement utilizes the economic resources measurement focus instead of the current financial resources measurement focus, which is the measurement focus that should be used by governmental funds in order to conform with accounting principles applicable to the City's modified cash basis of accounting. Because the governmental fund statements do not use the current financial resources measurement focus the sources and uses of available spendable financial resources during the year and the available spendable financial resources at year end are not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1C, the modified cash basis financial position of the City of Thomas, OK, as of June 30, 2013, or the changes in its modified cash basis financial position or, when applicable, its cash flows for the year then ended.

Other Matters

Our audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise the City of Thomas, OK's basic financial statements. The modified cash basis budgetary comparison schedules, modified cash basis combining statements, and individual fund support schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The modified cash basis combining statements and individual fund support schedules 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter discussed in the "Basis for Adverse Opinion" section, it is inappropriate to, and we do not, express an opinion on this supplemental information.

We have applied certain limited procedures to the modified cash basis budgetary comparison schedules 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.

Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014, on our consideration of the City of Thomas, OK'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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Thomas, OK's internal control over financial reporting and compliance.

FSW&B CPAs - PLLC

FSW&B CPA's-PLLC

Woodward, OK

October 8, 2014

CITY OF THOMAS, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 392,778.12	\$ 17,866.44	\$ 410,644.56
Investments	272,011.78	0.00	272,011.78
Total current assets	\$ 664,789.90	\$ 17,866.44	\$ 682,656.34
Noncurrent assets:			
Land	\$ 15,019.50	-	\$ 15,019.50
Other capital assets, net of accumulated depreciation	452,251.95	121,846.25	574,098.20
Construction in progress	7,000.00	0.00	7,000.00
Total noncurrent assets	\$ 474,271.45	\$ 121,846.25	\$ 596,117.70
TOTAL ASSETS	\$ 1,139,061.35	\$ 139,712.69	\$ 1,278,774.04
LIABILITIES:			
Current liabilities:			
Deferred Revenue	\$ 7,048.02	-	\$ 7,048.02
Payroll taxes payable	1,650.13	0.00	1,650.13
Total current liabilities	\$ 8,698.15	\$ -	\$ 8,698.15
TOTAL LIABILITIES	\$ 8,698.15	\$ -	\$ 8,698.15
NET POSITION:			
Invested in capital assets, net of related debt	\$ 474,271.45	\$ 121,846.25	\$ 596,117.70
Unrestricted, reported in:			
General fund	656,091.75	0.00	656,091.75
Special revenue funds	0.00	17,865.29	17,865.29
Capital project funds	0.00	1.15	1.15
TOTAL NET POSITION	\$ 1,130,363.20	\$ 139,712.69	\$ 1,270,075.89

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:			
Taxes:			
Sales tax	\$ 346,920.72	\$ -	\$ 346,920.72
Alcohol beverage tax	6,812.35	-	6,812.35
Cigarette tax	4,467.15	-	4,467.15
Franchise tax fees	34,012.39	-	34,012.39
Gas excise tax	-	2,207.31	2,207.31
Motor vehicle tax	-	8,438.66	8,438.66
Use tax	40,090.96	-	40,090.96
Fire department services	14,975.00	-	14,975.00
Fines and forfeitures	4,260.00	-	4,260.00
Licenses, permits, and fees	2,975.00	-	2,975.00
Rental income	3,085.00	-	3,085.00
Grant income	11,484.35	56,088.00	67,572.35
Investment income	1,907.44	8.13	1,915.57
Donations	2,800.00	28,967.28	31,767.28
Swimming pool	7,982.00	-	7,982.00
Insurance proceeds	0.00	-	0.00
Mowing	0.00	-	0.00
Miscellaneous	917.26	-	917.26
Total revenues	\$ 482,689.62	\$ 95,709.38	\$ 578,399.00
Expenditures:			
Current:			
General government	\$ 125,494.68	\$ -	\$ 125,494.68
Public safety and protection:			
Police	58,426.71	-	58,426.71
Fire	33,125.63	-	33,125.63
Judge fees	1,800.00	-	1,800.00
Ambulance	827.53	-	827.53
Emergency management	3,537.03	5.00	3,542.03
Transportation:			
Streets	-	15,293.50	15,293.50
Airport	-	-	-
Cultural, parks and recreation:			
Swimming pool	22,146.77	-	22,146.77
Parks/Beautification	1,589.46	1,106.58	2,696.04
Economic development	525.50	-	525.50
Depreciation	40,226.05	10,428.30	50,654.35
Total expenditures	\$ 287,699.36	\$ 26,833.38	\$ 314,532.74
Excess (deficiency) of revenues over expenditures	\$ 194,990.26	\$ 68,876.00	\$ 263,866.26
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(86,730.19)	(56,088.00)	(142,818.19)
Transfers in - capital assets	-	-	-
Transfers out - capital assets	-	-	-
Gain (loss) on disposition of capital assets	-	-	-
Total other financing sources (uses)	\$ (86,730.19)	\$ (56,088.00)	\$ (142,818.19)
Change in net position	\$ 108,260.07	\$ 12,788.00	\$ 121,048.07
Total net position - beginning	1,022,103.13	126,924.69	1,149,027.82
Total net position - ending	\$ 1,130,363.20	\$ 139,712.69	\$ 1,270,075.89

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS and DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2013

	ENTERPRISE FUND		TOTAL PROPRIETARY FUNDS	COMPONENT UNITS THOMAS AIRPORT AUTHORITY	
	PUBLIC WORKS AUTHORITY				
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 114,126.90		\$ 114,126.90		\$ 46,495.94
Investments	93,133.72		93,133.72		0.00
Restricted cash and cash equivalents	14,100.57		14,100.57		0.00
Restricted investments	23,664.43		23,664.43		0.00
Notes receivable	20,000.04		20,000.04		0.00
Total current assets	\$ 265,025.66		\$ 265,025.66		\$ 46,495.94
Noncurrent assets:					
Restricted cash and cash equivalents	\$ -		\$ -		\$ -
Land	414,458.98		414,458.98		0.00
Other capital assets, net of accumulated depreciation	551,674.70		551,674.70		854,831.60
Notes receivable	148,332.83		148,332.83		0.00
Total noncurrent assets	\$ 1,114,466.51		\$ 1,114,466.51		\$ 854,831.60
TOTAL ASSETS	\$ 1,379,492.17		\$ 1,379,492.17		\$ 901,327.54
LIABILITIES:					
Current liabilities:					
Warrants payable	\$ -		\$ -		\$ -
Payroll taxes payable	3,662.29		3,662.29		0.00
Bonds, notes and loans payable	269,931.13		269,931.13		0.00
Meter deposits payable	37,765.00		37,765.00		0.00
Total current liabilities	\$ 311,358.42		\$ 311,358.42		\$ -
Noncurrent liabilities:					
Bonds, notes and loans payable	\$ 209,174.32		\$ 209,174.32		\$ -
Total noncurrent liabilities	\$ 209,174.32		\$ 209,174.32		\$ -
TOTAL LIABILITIES	\$ 520,532.74		\$ 520,532.74		\$ -
NET POSITION:					
Invested in capital assets, net of related debt	\$ 655,361.10		\$ 655,361.10		\$ 854,831.60
Invested in community development projects	0.00		0.00		0.00
Restricted	0.00		0.00		0.00
Unrestricted	203,598.33		203,598.33		46,495.94
TOTAL NET POSITION	\$ 858,959.43		\$ 858,959.43		\$ 901,327.54

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS
PROPRIETARY FUNDS and DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>ENTERPRISE FUND</u>		<u>COMPONENT UNITS</u>	
	<u>PUBLIC WORKS AUTHORITY</u>	<u>TOTAL PROPRIETARY FUNDS</u>	<u>THOMAS AIRPORT AUTHORITY</u>	
Operating revenues:				
Charges for services:				
Water	\$ 236,228.23	\$ 236,228.23	\$ -	
Sewer	123,863.46	123,863.46	-	
Sanitation	149,448.25	149,448.25	-	
Late penalties	11,551.25	11,551.25	-	
Other	50,900.49	50,900.49	-	
Miscellaneous	2,632.53	2,632.53	-	
Rental/lease income	0.00	0.00	5,521.89	
Oil royalty	7,000.00	7,000.00	4,489.86	
	<hr/>			
Total operating revenues	\$ 581,624.21	\$ 581,624.21	\$ 10,011.75	
	<hr/>			
Operating expenses:				
Sanitation	\$ 117,787.32	\$ 117,787.32	\$ -	
Ambulance	41,350.00	41,350.00	-	
Administration/General	337,308.85	337,308.85	7,695.64	
Depreciation	26,089.61	26,089.61	46,344.82	
Amortization	-	-	-	
	<hr/>			
Total operating expenses	\$ 522,535.78	\$ 522,535.78	\$ 54,040.46	
	<hr/>			
Operating income (loss)	\$ 59,088.43	\$ 59,088.43	\$ (44,028.71)	
	<hr/>			
Non-operating revenues (expenses):				
Investment income	\$ 962.21	\$ 962.21	\$ -	
Sales tax income	0.00	0.00	0.00	
Grant income	79,500.00	79,500.00	0.00	
Contributions	0.00	0.00	14,106.35	
Sale of assets	0.00	0.00	0.00	
Interest income (expense)	(15,950.08)	(15,950.08)	0.00	
Economic development	0.00	0.00	0.00	
	<hr/>			
Total non-operating revenues (expenses)	\$ 64,512.13	\$ 64,512.13	\$ 14,106.35	
	<hr/>			
Net income (loss) before contributions and transfers	\$ 123,600.56	\$ 123,600.56	\$ (29,922.36)	
	<hr/>			
Capital contributions	\$ -	\$ -	\$ -	
Transfers in	-	-	56,088.00	
Transfers out				
Prior period adjustment - meter deposits payable		-	-	
	<hr/>			
Change in net position	\$ 123,600.56	\$ 123,600.56	\$ 26,165.64	
	<hr/>			
Total net position - beginning	735,358.87	735,358.87	875,161.90	
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Total net position - ending	\$ 858,959.43	\$ 858,959.43	\$ 901,327.54	

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS and DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>ENTERPRISE FUND</u>		<u>COMPONENT UNITS</u>	
	<u>PUBLIC WORKS AUTHORITY</u>	<u>TOTAL PROPRIETARY FUNDS</u>	<u>THOMAS AIRPORT AUTHORITY</u>	
Cash flows from operating activities:				
Receipts from customers	\$ 574,624.21	\$ 574,624.21	\$ -	
Receipts from rental/lease activities	7,000.00	7,000.00	5,521.89	
Payments to suppliers	(331,980.48)	(331,980.48)	(7,695.64)	
Payments to employees	(129,526.88)	(129,526.88)		
Payments for taxes, duties, fines, and other fees or penalties	(10,084.18)	(10,084.18)		
Other operating cash payments	(24,576.92)	(24,576.92)		
Other operating cash receipts	-	-	4,489.86	
	<hr/>			
Net cash provided by (used in) operating activities	\$ 85,455.75	\$ 85,455.75	\$ 2,316.11	
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	\$ -	\$ -	\$ 56,088.00	
Sales tax	-	-		
Receipts of customer utility deposits	7,725.71	7,725.71		
Refunds of customer utility deposits	(7,255.71)	(7,255.71)		
	<hr/>			
Net cash provided by noncapital financing activities	\$ 470.00	\$ 470.00	\$ 56,088.00	
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ (394,339.69)	\$ (394,339.69)	\$ (58,625.00)	
Construction in progress	(14,390.00)	(14,390.00)		
Sale of assets	-	-		
Proceeds from capital debt	75,488.00	75,488.00		
Grant income	79,500.00	79,500.00		
Contributions	-	-	14,106.35	
Principal paid on capital debt	(4,715.42)	(4,715.42)		
Interest paid on capital debt	(15,950.08)	(15,950.08)		
Loans for community development	-	-		
Repayment of community development loans	-	-		
Cash outlay for economic development	-	-		
	<hr/>			
Net cash used in capital and related financing activities	\$ (274,407.19)	\$ (274,407.19)	\$ (44,518.65)	
Cash flows from investing activities:				
Interest and dividends	\$ 962.21	\$ 962.21	\$ -	
Purchase of investments	(521.77)	(521.77)	-	
	<hr/>			
Net cash provided by investing activities	\$ 440.44	\$ 440.44	\$ -	
	<hr/>			
Net increase in cash and cash equivalents	\$ (188,041.00)	\$ (188,041.00)	\$ 13,885.46	
	<hr/>			
Balance - beginning of the year	316,268.47	316,268.47	32,610.48	
	<hr/>			
Balance - end of the year	\$ 128,227.47	\$ 128,227.47	\$ 46,495.94	
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Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 59,088.43	\$ 59,088.43	\$ (44,028.71)	
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	26,089.61	26,089.61	46,344.82	
Amortization expense	-	-	-	
Change in assets and liabilities:				
Warrants payable	-	-		
Payroll taxes payable	277.71	277.71		
	<hr/>			
Net cash provided by (used in) operating activities	\$ 85,455.75	\$ 85,455.75	\$ 2,316.11	

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America. These financial statements do not include the government-wide financial statements or management's discussion and analysis, which should be included in order to conform with accounting principles generally accepted in the United States of America. Since the government-wide financial statements are not presented, the governmental funds have utilized the economic resources measurement focus instead of the current financial resources measurement focus, which should be utilized by governmental funds to conform with accounting principles generally accepted in the United States of America. This is further discussed in Note 1.C. Also, since the government-wide financial statements are not presented, the City has included the Thomas Airport Authority on the proprietary fund financial statements. As discussed further in Note 1.A, the Thomas Airport Authority is a discretely presented component unit of the City and should only be included on the government-wide financial statements to conform with accounting principles generally accepted in the United States of America.

A. Financial Reporting Entity

In evaluating how to define the City of Thomas, Oklahoma for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of

special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Component units may be presented as either a blended component unit or a discretely presented component unit. A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. A discretely presented component unit is a separate legal entity that meets the component unit criteria but does not meet the criteria for blending.

Based on the foregoing criteria, the City has presented the Thomas Public Works Authority as a blended component unit in the basic financial statements. The Thomas Public Works Authority was created to finance, develop, and operate the water, wastewater, and solid waste activities of the City. The City Council serves as the trustees of the Authority. Operations of the Public Works Authority are reported as an Enterprise Fund and do not issue separately audited component unit financial statements.

Secondly, based on the foregoing criteria, the Thomas Economic Development Authority qualifies as a discretely presented component unit. The Thomas Economic Development Authority was created to promote and encourage development of industry and commerce and other related activities on behalf of the City. Trustees are appointed by the Mayor and confirmed by the Board of Trustees and may be removed at will by the Board of Trustees. The City assumes no responsibility for the Economic Development Authority's day-to-day operations and the Authority's Trustees are responsible for management contracts. In addition, the City has no obligation for the debt of the Authority. The City feels that financial accountability does exist between the City and Economic Development Authority.

At the direction of the Board of Trustees, a separate audit was conducted by another firm. A copy of that report is available at the City Hall in Thomas, Oklahoma. The City has elected to exclude the Thomas Economic Development Board from the audited financial statements.

Thirdly, based on the foregoing criteria, the City has presented the Thomas Airport Authority as a discretely presented component unit. The Thomas Airport Authority was created to plan, establish, develop, construct, enlarge, improve, maintain, equip, operate, regulate, and provide and acquire financing for the Thomas Airport and air navigation facilities. Trustees are appointed by the Mayor and City Council of the City of Thomas. Trustees may be removed from office for cause. The beneficiary of the Trust is the City of Thomas, Oklahoma.

B. Basis of Presentation – Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital project funds).

General Fund – The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds that are reported as nonmajor funds: Street and Alley Fund, Police Department Fund, and the Beautification Account Fund.

Capital Project Funds – Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity has included the following capital project funds that are reported as nonmajor funds: CDBG Grant Fund, CENA Grant Fund and the FAA Grant Fund.

For governmental fund types, where restricted resources are available for appropriation, the City appropriates restricted resources to the extent they are available prior to utilizing unrestricted resources.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the City (Internal Service Funds). The City presently has no internal service funds. For all business-type activities and enterprise funds the City applies FASB pronouncements issued after November 30, 1989.

Enterprise Fund – Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Public Works Authority, which is reported as a major fund.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The current financial resources measurement focus generally only includes current financial assets and liabilities on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. The fund balance is the measure of available spendable financial resources at the end of the period.

The accounting objective of the economic resources measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Fund equity is classified as net position.

The fund financial statements of the City utilize the economic resources measurement focus for both the governmental funds and the proprietary funds. Under generally accepted accounting principles in the United States of America, the governmental funds should utilize the current financial resources measurement focus.

Basis of Accounting

The fund financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting.

D. Assets, Liabilities, and Equity

Cash and Cash Equivalents – Cash and cash equivalents consist of cash on hand, demand deposit accounts, and interest-bearing checking accounts.

Notes Receivable – All notes receivable arising from cash transactions that are to be repaid from third parties are reported as assets.

Investments – Investments consist of certificate of deposits or direct obligations of the United States Government and Agencies with maturities greater than three months. All investments are recorded at cost, which approximates market value.

Capital Assets – Capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, or if donated, at the estimated fair value on the date of donation.

Generally, the organization only capitalizes assets that have an estimated life greater than one year and a cost of \$1,500 or more. Major maintenance activities, if they extend the expected useful life of the asset, are capitalized

and depreciated. Capitalization decisions will be made based on the recommendation of the consulting accounting firm.

Depreciation of all exhaustible capital assets arising from cash transactions are recorded as an allocated expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives by type of asset are as follows:

Buildings	40 years
Land Improvements	20 years
Leasehold Improvements	20 years
Machinery and Equipment	5-20 years
Water, Sewer, and Drainage Systems	20 years
Furniture and Fixtures	5-10 years

Warrants Payable – Warrants are issued to meet the obligations for goods and services provided to the City. The City recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the City's treasurer.

Payroll Taxes Payable – The City recognizes a liability for any taxes that have been withheld from employee's earnings but that have not been paid at year-end.

Long and Short-term Debt – All long and short-term debt arising from cash transactions to be repaid from governmental and proprietary resources is reported as liabilities.

Meter Deposits Payable – The City recognizes a liability for the amount of meter deposits that are due to customers.

Equity Classification – Equity is classified as net position and displayed in the following three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets.
- b. Restricted net position – 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 net position – The balance of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

E. Revenues, Expenditures, and Expenses

Revenues consist of the money derived from within the boundaries of the City or from parties outside the City’s taxpayers and are available to the City for its use. The City has used the following categories of revenues in the Statement of Revenues, Expenses, and Changes in Fund Net Position for governmental funds: Taxes; Charges for services; Fines and forfeitures; Licenses, permits, and fees; Rental income; Grant income; Investment income; Donations; and Miscellaneous. Revenues are used for the following expenditures: General government; Public safety and protection; Transportation; Cultural, parks and recreation; and Economic development.

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. Also included are all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. Interfund Transactions

Interfund transactions are either loans or transfers. Loans are reported as receivables and payables, as appropriate, while interfund transactions are presented as transfers. There were no loans during fiscal year 2013. The following transfers occurred in fiscal year 2013: The General Fund transferred \$86,730.19 to the Thomas Economic Development Authority for sales tax collected; and the FAA Grant Fund transferred \$56,088.00 to the Thomas Airport Authority for grant funds received.

G. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

H. Allowance for Doubtful Accounts

There is not an allowance for doubtful accounts receivable or notes receivable because in estimation of the City, based on historical trends, all receivables shown on the financial statements will be collectible.

Note 2. Deposit and Investment Risk Management

In accordance with Title 62, Section 516.3 of the Oklahoma statutes, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral which includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. All financial institutions pledging collateral to the City must have a written collateral agreement approved. The City's time, savings and demand deposits as of June 30, 2013, were completely insured or collateralized by federal deposit insurance, direct obligations of the United States Government, or securities held by the City or by its agent in the City's name.

Time and savings deposits – The City's time and savings deposits at June 30, 2013 are categorized to give an indication of the level of risk assumed by the City at year-end. The City's time deposits consist of certificates of deposits. It should be noted that the FDIC defines savings deposits as including all interest-bearing checking accounts.

Demand deposits – The City's demand deposits consist of non-interest-bearing checking accounts at June 30, 2013 and are categorized to give an indication of the level of risk assumed by the City at year-end.

Deposit Categories of Credit Risk

- (A) Insured by Federal Deposit Insurance
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name
- (C) Uncollateralized

	Category			Bank Balance or Cost
	A	B	C	
Time & savings deposits	\$ 609,184.67	\$ 318,437.37	\$ -	\$ 927,622.04
Demand deposits	46,555.86	-	-	46,555.86
Total	\$ 655,740.53	\$ 318,437.37	\$ -	\$ 974,177.90

Schedule of deposits and investments by Type - June 30, 2013 (Modified Cash Basis)

	Carrying Value	Maturity Date
Deposits:		
Demand deposits - non-interest-bearing	\$ 46,498.09	N/A
Demand deposits - interest-bearing	478,032.95	N/A
Savings deposits	60,779.16	N/A
Time deposit	101,959.97	3/19/2014
Time deposit	30,000.00	5/05/2014
Time deposit	30,000.00	5/05/2014
Time deposit	21,763.40	8/22/2013
Time deposit	33,335.15	11/28/2013
Time deposit	54,953.26	8/15/2013
Time deposit	61,176.00	3/09/2014
Time deposit	23,904.02	11/14/2013
Time deposit	10,012.95	8/17/2013
Time deposit	10,016.02	7/13/2013
Time deposit	11,689.16	9/28/2013
Petty cash on hand	57.77	N/A
Total	\$ 974,177.90	

Reconciliation to the statements of net position (Modified Cash Basis)

Governmental Funds:	
Cash and cash equivalents	\$ 410,644.56
Investments	272,011.78
Proprietary Funds:	
Cash and cash equivalents	128,227.47
Investments	116,798.15
Component Units:	
Cash and cash equivalents	46,495.94
Investments	-
	<hr/>
Total	<u>\$ 974,177.90</u>

Note 3. Restricted Assets

The amount reported as restricted assets for the Public Works authority are composed of the amounts held for utility deposits (refunded upon termination of service or applied to final bill), of \$37,765.00.

Note 4. Capital Assets

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2013 was as follows:

	Balance at 6/30/2012	Additions (Deletions)	Balance at 6/30/2013
Governmental activities:			
General Fund:			
Capital assets not being depreciated:			
Construction in Progress	\$ -	\$ 7,000.00	\$ 7,000.00
Land	5,000.00	10,019.50	15,019.50
Total capital assets not being depreciated	\$ 5,000.00	\$ 17,019.50	\$ 22,019.50
Other capital assets:			
Buildings	\$ 130,613.37	\$ 4,517.90	\$ 135,131.27
Land Improvements	298,088.62	-	298,088.62
Machinery and Equipment	202,771.16	30,781.88	233,553.04
Drainage System	8,473.00	-	8,473.00
Furniture and Fixtures	40,095.86	-	40,095.86
Total other capital assets	\$ 680,042.01	\$ 35,299.78	\$ 715,341.79
Less accumulated depreciation for:			
Buildings	\$ 14,214.23	\$ 3,303.57	\$ 17,517.80
Land Improvements	80,209.99	14,904.43	95,114.42
Machinery and Equipment	115,707.75	18,342.64	134,050.39
Drainage System	5,472.10	423.65	5,895.75
Furniture and Fixtures	7,259.72	3,251.76	10,511.48
Total accumulated depreciation	\$ 222,863.79	\$ 40,226.05	\$ 263,089.84
Other capital assets, net	\$ 457,178.22	\$ (4,926.27)	\$ 452,251.95
Street and Alley Fund:			
Other capital assets:			
Machinery and Equipment	\$ 23,192.25	\$ -	\$ 23,192.25
Total other capital assets	\$ 23,192.25	\$ -	\$ 23,192.25
Less accumulated depreciation for:			
Machinery and Equipment	\$ 13,416.95	\$ 1,159.61	\$ 14,576.56
Total accumulated depreciation	\$ 13,416.95	\$ 1,159.61	\$ 14,576.56
Other capital assets, net	\$ 9,775.30	\$ (1,159.61)	\$ 8,615.69

	Balance at 6/30/2012	Additions (Deletions)	Balance at 6/30/2013
Police Department Fund:			
Other capital assets:			
Buildings	\$ -		\$ -
Machinery and Equipment	15,289.32		15,289.32
Furniture and Fixtures	4,464.05	-	4,464.05
Total other capital assets	\$ 19,753.37	\$ -	\$ 19,753.37
Less accumulated depreciation for:			
Buildings	\$ -	\$ -	\$ -
Machinery and Equipment	15,054.67	234.65	15,289.32
Furniture and Fixtures	4,078.82	73.37	4,152.19
Total accumulated depreciation	\$ 19,133.49	\$ 308.02	\$ 19,441.51
Other capital assets, net	\$ 619.88	\$ (308.02)	\$ 311.86
Beautification Fund:			
Other capital assets:			
Land Improvements	\$ 41,190.04	\$ 10,280.95	51,470.99
Machinery and Equipment	71,249.29	3,258.97	74,508.26
Total other capital assets	\$ 112,439.33	\$ 13,539.92	\$ 125,979.25
Less accumulated depreciation for:			
Land Improvements	\$ 1,707.87	\$ 2,524.98	4,232.85
Machinery and Equipment	9,350.05	4,649.75	13,999.80
Total accumulated depreciation	\$ 11,057.92	\$ 7,174.73	\$ 18,232.65
Other capital assets, net	\$ 101,381.41	\$ 6,365.19	\$ 107,746.60
Emergency Management Fund:			
Other capital assets:			
Machinery and Equipment	\$ -	\$ 2,651.74	\$ 2,651.74
Total other capital assets	\$ -	\$ 2,651.74	\$ 2,651.74
Less accumulated depreciation for:			
Machinery and Equipment	\$ -	\$ 486.15	\$ 486.15
Total accumulated depreciation	\$ -	\$ 486.15	\$ 486.15
Other capital assets, net	\$ -	\$ 2,165.59	\$ 2,165.59
CENA Grant Fund:			
Other capital assets:			
Furniture and Fixtures	\$ 12,997.85	\$ -	\$ 12,997.85
Total other capital assets	\$ 12,997.85	\$ -	\$ 12,997.85
Less accumulated depreciation for:			
Furniture and Fixtures	\$ 8,691.55	\$ 1,299.79	\$ 9,991.34
Total accumulated depreciation	\$ 8,691.55	\$ 1,299.79	\$ 9,991.34
Other capital assets, net	\$ 4,306.30	\$ (1,299.79)	\$ 3,006.51

	Balance at 6/30/2012	Additions (Deletions)	Balance at 6/30/2013
Business -type activities:			
Public Works Authority:			
Capital assets not being depreciated:			
Land	\$ 251,848.98	\$ 162,610.00	\$ 414,458.98
Construction in progress: Lagoon	153,682.11	14,390.00	168,072.11
Total capital assets not being depreciated	\$ 405,531.09	\$ 177,000.00	\$ 582,531.09
Other capital assets:			
Buildings	\$ -	\$ 156,241.69	\$ 156,241.69
Machinery and Equipment	166,536.41	75,488.00	242,024.41
Water and Sewer System	607,352.48	-	607,352.48
Total other capital assets	\$ 773,888.89	\$ 231,729.69	\$ 1,005,618.58
Less accumulated depreciation for:			
Buildings	\$ -	\$ 2,278.52	\$ 2,278.52
Machinery and Equipment	101,912.37	14,570.79	116,483.16
Water and Sewer System	494,014.01	9,240.30	503,254.31
Total accumulated depreciation	\$ 595,926.38	\$ 26,089.61	\$ 622,015.99
Other capital assets, net	\$ 177,962.51	\$ 205,640.08	\$ 383,602.59
Component Units:			
Airport Authority:			
Capital assets not being depreciated:			
Construction in progress: Runway Improvements	\$ 50,000.00	\$ (50,000.00)	\$ -
Other capital assets:			
Land Improvements	\$ 881,698.41	\$ 108,625.00	\$ 990,323.41
Machinery and Equipment	45,198.00		45,198.00
Total other capital assets	\$ 926,896.41	\$ 108,625.00	\$ 1,035,521.41
Less accumulated depreciation for:			
Land Improvements	\$ 116,077.46	\$ 44,084.92	\$ 160,162.38
Machinery and Equipment	18,267.53	2,259.90	20,527.43
Total accumulated depreciation	\$ 134,344.99	\$ 46,344.82	\$ 180,689.81
Other capital assets, net	\$ 792,551.42	\$ 62,280.18	\$ 854,831.60

Note 5. Bonds, Notes and Loans Payable

Bonds, notes and loans payable consist of notes payable for the Public Works Authority briefly described as follows:

Bank of the West - Under the loan agreement dated September 16, 2009, the Authority obtained financing in the amount of \$240,000.00. The loan is a 6% interest loan with a term of eighteen months. The Authority is to remit monthly interest payments beginning October 16, 2009 with a final payment of outstanding principal plus all accrued interest on March 16, 2011. It should be noted that the loan was renewed on March 9, 2011 with a new maturity of September 16, 2012. However, on October 31, 2012 the note was extended. The terms of the note include monthly interest payments, with principal due at maturity on October 17, 2013. The balance on this loan as of June 30, 2013 is \$240,000.00.

The loan is secured by the following collateral:

1. A real estate mortgage on the southwest quarter (SW1/4) of Section 29, Township 15 North, Range 14 W.I.M., Custer County, Oklahoma.
2. Certificate of Deposit #54278 at The Bank Of The West dated September 6, 1997, issued in the amount of \$10,071.44, at the rate of 2%, maturing on August 22, 2009, and any subsequent addition, replacement, renewal, or extension thereof.
3. Certificate of Deposit #54333 at The Bank Of The West dated January 31, 1998, issued in the amount of \$10,004.39, at the rate of 1.6%, maturing on January 16, 2010, and any subsequent addition, replacement, renewal, or extension thereof.

Oklahoma Department of Commerce/Division of Community Affairs and Development (ODOC/DCAD) – This loan was made to the Thomas Economic Development Authority, with the Public Works Authority being the primary obligor in the event of default. Therefore, this loan is presented with a corresponding receivable to the Public Works Authority from the Thomas Economic Development Authority.

Under the loan agreement dated August 24, 1999, the Thomas Economic Development Authority obtained financing in the amount of \$400,000.00. The loan is a 0% interest loan with a term of twenty years. The Authority is to remit principal payments in the amount of \$1,666.67 in two hundred forty equal monthly installments beginning in fiscal year 2002. The balance on this loan as of June 30, 2013 is \$168,332.87.

Caterpillar Financial Services - Under the loan agreement dated December 5, 2012, the Authority obtained financing in the amount of \$75,488.00. The loan is a 3.20% interest loan with a term of eighty-four months. The Authority is to remit monthly payments beginning January 20, 2013 with a final payment of outstanding principal plus all accrued interest on December 20, 2019. The balance on this loan as of June 30, 2013 is \$70,772.58.

The loan is secured by the following collateral:

(1) New 416F Caterpillar Backhoe Loader KSF00599

The following is a summary of the debt transactions of the Public Works Authority for the year ended June 30, 2013:

Balance – July 1, 2012	\$ 429,999.58
Restatement of ODOC Note with TEDA	-
Additions	75,488.00
Retirements	<u>26,382.13</u>
Balance – June 30, 2013	<u>\$ 479,105.45</u>

Reconciliation to Statement of Net Position:

Current Liabilities: Bonds, notes and loans payable	\$ 269,931.13
Noncurrent Liabilities: Bonds, notes, and loans payable	<u>209,174.32</u>
Balance - June 30, 2013	<u>\$ 479,105.45</u>

The annual debt service requirements for retirement of principal and payment of interest are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 269,931.13	\$ 6,419.96	\$ 276,351.09
2015	30,253.63	1,797.41	32,051.04
2016	30,586.60	1,464.44	32,051.04
2017	30,930.37	1,120.67	32,051.04
2018	31,285.34	765.70	32,051.04
Thereafter	86,118.38	457.70	86,576.08
Totals	\$ 479,105.45	\$ 12,025.88	\$ 491,131.33

Interest expense on debt incurred during the current year totaled \$15,950.08.

Note 6. Employee Retirement System

The City, as the employer, participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

During the year ending June 30, 2013, the City was required to contribute \$60.00 per volunteer. The City contributed \$1,920.00 during the current year, which represents 100% of the required contribution.

The City participates in the Oklahoma Municipal Retirement Fund for their employees. Participating employees have a mandatory contribution of 5.25%. During the year ended June 30, 2013, the City had an employer funding rate of 19.04%. The City and employees made the following contributions to the plan during the current year:

City	\$31,368.24
Employees	<u>8,501.22</u>
Total Contributions	<u>\$39,869.46</u>

The City's contribution represented 100% of their required contribution.

Note 7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee' health and life; and natural disasters.

As of June 30, 2013, the City of Thomas had the following policies in force:

Surety Bonds

The City has a public employee blanket bond with CNA Surety Company. The bond number is 1259827 for the one-year period from November 1, 2011, to November 1, 2012, and for the one-year period from November 1, 2012 to November 1, 2013. The Bond amount is \$7,500.00.

Workers Compensation Insurance and Employees' Liability Insurance

Covered by CompSource Oklahoma, policy number 00006255-10-1, for the one-year period from July 1, 2012 to July 1, 2013.

General & Auto Liability and Auto & Equipment Physical Damage Insurance

Oklahoma Municipal Assurance Group, policy number 11-513-10-0167, for the period from November 1, 2011 to November 1, 2012 and policy number 12-513-10-0167, for the period from November 1, 2012, to November 1, 2013.

Commercial Property Insurance and General Liability

Oklahoma Municipal Assurance Group, policy number 11-0167-1016, for the period from November 1, 2011 to November 1, 2012, and policy number 12-0167-1016, for the period from November 1, 2012, to November 1, 2013. The policy insures buildings and business personal property.

Airport Property Insurance

Hangar #1 is insured by Avemco Insurance Agency, Inc, policy number 5096N956-10 effective April 28, 2012 to April 28, 2013 and April 28, 2013 to April 28, 2014.

Fire Vehicle Liability

DCAM Risk Management – Fire District Program, policy number 2025-000 for the policy period of September 1, 2011 to August 31, 2012, and for the period of September 1, 2012 to August 31, 2013. The policy covers eleven vehicles.

Volunteer Fire Department Accident/Disability

Nationwide Insurance Company by policy number 902037300073450001 for the period of November 2, 2011 to November 2, 2012 and November 2, 2012 to November 2, 2013.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 8. Contingencies

The City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Note 9. Litigation

City officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the City.

Note 10. Construction in Progress

The Public Works Authority is currently involved in a construction in progress project to build a new sewer lagoon. As of June 30, 2013, this amount totaled \$168,072.11.

The City is also involved in the construction of the new sewer lagoon. As of June 30, 2013, this amount totaled \$7,000.00.

Note 11. Commitments

Dependency on the City

The Economic Development Authority is dependent upon funding from the City to fund its operations. The Authority received \$86,730.19 from the City during the year. The funds represent a one-percent City sales tax that is transferred from the City's General Fund. Although due to Oklahoma law the City may not obligate beyond its fiscal year, the City has agreed to consider budgeting and appropriating, on a year-to-year basis, this one-percent sales tax to the Authority. If the City were to not budget and appropriate this one-percent sales tax, the Authority may not be able to meet its debt service requirements.

Note 12. Contracts

On September 24, 2012 the City of Thomas entered into an agreement with Carter Professional Care, P.C. and CIP Thomas, LLC for the sale of property known as 100 S. 2nd Street, Thomas OK 73669 for \$1.00. In consideration for the sale, the parties entered into a Note and Mortgage Agreement for \$150,000.00 at a rate of 5% interest (APR), with a term of thirty years. Payments are to be made on a monthly basis beginning October 1, 2012.

As further consideration, Carter Professional agrees to provide medical services to the community for thirty years from October 1, 2012. For every month that a Clinic is maintained, the City shall waive the corresponding mortgage payment. In the event Carter Professional fails to maintain the Clinic as agreed upon, mortgage payments will no longer be waived and will begin to accrue.

Note 13. Subsequent Events

Management has evaluated subsequent events through October 8, 2014 and believes that there are no subsequent events that need to be disclosed. October 8, 2014 is the date that the financial statements were available to be issued.

OTHER INFORMATION

CITY OF THOMAS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL	FINAL	
Beginning budgetary fund balance	\$ 559,924.91	\$ 559,924.91	\$ 559,924.91
Resources (inflows):			
Taxes:			
Sales tax	\$ 275,000.00	\$ 300,000.00	\$ 346,920.72
Alcohol beverage tax	6,500.00	6,500.00	6,812.35
Cigarette tax	5,000.00	5,000.00	4,467.15
Franchise tax fees	40,000.00	40,000.00	34,012.39
Use tax	30,000.00	30,000.00	40,090.96
Total taxes	<u>\$ 356,500.00</u>	<u>\$ 381,500.00</u>	<u>\$ 432,303.57</u>
Charges for services:			
Mowing	\$ 600.00	\$ 600.00	
Fire department			14,975.00
Total charges for services	<u>\$ 600.00</u>	<u>\$ 600.00</u>	<u>\$ 14,975.00</u>
Fines and forfeitures	<u>\$ 4,000.00</u>	<u>\$ 4,000.00</u>	<u>\$ 4,260.00</u>
Licenses, permits, and fees:			
Occupation license	\$ 1,300.00	\$ 1,300.00	\$ 1,180.00
Permits/fees	1,500.00	1,500.00	1,795.00
Total licenses, permits, and fees	<u>\$ 2,800.00</u>	<u>\$ 2,800.00</u>	<u>\$ 2,975.00</u>
Grant income:			
CIP grant	\$ -	\$ -	
Fire department grant			4,484.35
REAP grant	-	-	-
Other	-	7,000.00	7,000.00
Total grant income	<u>\$ -</u>	<u>\$ 7,000.00</u>	<u>\$ 11,484.35</u>
Donations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,800.00</u>
Investment income	<u>\$ 2,500.00</u>	<u>\$ 2,500.00</u>	<u>\$ 1,907.44</u>

See accompanying notes to the budgetary comparison schedule.

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL	FINAL	
Miscellaneous:			
Airport	\$ -	\$ -	\$ -
Swimming pool	2,400.00	2,400.00	7,982.00
Insurance proceeds		0.00	
Rental revenue	2,400.00	2,400.00	3,085.00
Other		0.00	917.26
Total miscellaneous	\$ 4,800.00	\$ 4,800.00	\$ 11,984.26
Sale of assets	\$ -	\$ -	
Contributions from other funds		\$ -	\$ -
Total Resources (inflows):	\$ 371,200.00	\$ 403,200.00	\$ 482,689.62
Amounts available for appropriation	\$ 931,124.91	\$ 963,124.91	\$ 1,042,614.53
Charges to appropriations (outflows):			
Police department:			
Personal services	\$ 67,000.00	\$ 67,000.00	\$ 48,167.67
Maintenance and operations	14,000.00	14,000.00	10,259.04
Capital outlay	-	-	-
Total police department	\$ 81,000.00	\$ 81,000.00	\$ 58,426.71
Fire department:			
Personal services	\$ -	\$ -	\$ -
Maintenance and operations	25,000.00	35,000.00	33,125.63
Capital outlay	-	-	-
Fire department grant	-	-	-
Insurance proceeds	-	-	-
Total fire department	\$ 25,000.00	\$ 35,000.00	\$ 33,125.63
General government:			
Personal services	\$ 116,900.00	\$ 116,900.00	\$ 78,966.58
Maintenance and operations	51,000.00	50,675.97	48,853.60
Capital outlay	100,000.00	90,000.00	45,319.28
CDBG grant	0.00	7,000.00	7,000.00
Contributions to other funds	65,000.00	90,000.00	86,730.19
Total general government	\$ 332,900.00	\$ 354,575.97	\$ 266,869.65
Swimming Pool/Parks department:			
Personal services	\$ 11,000.00	\$ 11,000.00	\$ 11,101.25
Maintenance and operations	15,100.00	15,100.00	12,634.98
Capital outlay	-	-	-
Total parks department	\$ 26,100.00	\$ 26,100.00	\$ 23,736.23

See accompanying notes to the budgetary comparison schedule.

	BUDGETED AMOUNTS		ACTUAL
	ORIGINAL	FINAL	AMOUNTS
Ambulance:			
Personal services	\$ -	\$ -	\$ -
Maintenance and operations	600.00	924.03	827.53
Capital outlay	-	-	-
Total ambulance:	<u>\$ 600.00</u>	<u>\$ 924.03</u>	<u>\$ 827.53</u>
Airport:			
Personal services	\$ -	\$ -	\$ -
Maintenance and operations	0.00	0.00	0.00
Capital outlay	-	-	-
Total airport:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Emergency Management:			
Personal services	\$ -	\$ -	\$ -
Maintenance and operations	5,500.00	5,500.00	3,537.03
Capital outlay	-	-	-
Total emergency management:	<u>\$ 5,500.00</u>	<u>\$ 5,500.00</u>	<u>\$ 3,537.03</u>
Total charges to appropriations	\$ 471,100.00	\$ 503,100.00	\$ 386,522.78
Change in Fund Balance	<u>(99,900.00)</u>	<u>(99,900.00)</u>	<u>96,166.84</u>
Ending budgetary fund balance	<u>\$ 460,024.91</u>	<u>\$ 460,024.91</u>	<u>\$ 656,091.75</u>
Change in Fund Balance per Budgetary Comparison Schedule			\$ 96,166.84
Depreciation expense			(40,226.05)
Capital asset purchases capitalized			<u>52,319.28</u>
Change in Net Position per Statement of Revenues, Expenses, and Changes in Fund Net Position			<u>\$ 108,260.07</u>

See accompanying notes to the budgetary comparison schedule.

**CITY OF THOMAS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 STREET & ALLEY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
Beginning budgetary fund balance	\$ 9,984.02	\$ 9,984.02	\$ 9,984.02
Resources (inflows):			
Taxes:			
Gas excise tax	\$ 1,650.00	\$ 1,650.00	\$ 2,207.31
Motor vehicle tax	8,800.00	8,800.00	8,438.66
Total taxes	<u>\$ 10,450.00</u>	<u>\$ 10,450.00</u>	<u>\$ 10,645.97</u>
Investment income	\$ -	\$ -	\$ 6.17
Total Resources (inflows):	<u>\$ 10,450.00</u>	<u>\$ 10,450.00</u>	<u>\$ 10,652.14</u>
Amounts available for appropriation	<u>\$ 20,434.02</u>	<u>\$ 20,434.02</u>	<u>\$ 20,636.16</u>
Charges to appropriations (outflows):			
Transportation:			
Streets	<u>\$ 16,450.00</u>	<u>\$ 16,450.00</u>	<u>\$ 15,293.50</u>
Total charges to appropriations	\$ 16,450.00	\$ 16,450.00	\$ 15,293.50
Change in Fund Balance	(6,000.00)	(6,000.00)	(4,641.36)
Ending budgetary fund balance	<u>\$ 3,984.02</u>	<u>\$ 3,984.02</u>	<u>\$ 5,342.66</u>

See accompanying notes to the budgetary comparison schedule.

CITY OF THOMAS, OKLAHOMA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2013

Note 1. The city is required by state law to prepare an annual budget. The mayor submits an annual budget to the City council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the council for review and public hearings are held to address priorities and the allocation of resources. In June, the council adopts the annual fiscal year budget. This budget is prepared in accordance with the modified cash basis of accounting. Budgeted expenditures may not exceed total appropriations for the fund. The mayor is authorized to transfer any unexpended and unencumbered appropriations from one line item to another or one department to another within a fund, without further approval by the City Council. All supplemental appropriations or decrease in the total appropriation of a fund shall be adopted at a meeting of the City Council and filed with the State Auditor and Inspector.

The legal level of control is by department within the fund. Expenditures may not exceed appropriations at this level. The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the new year's budget.

Note 2. As stated in the Independent Auditor's Report on page 2, this information is not a required part of the basic financial statements but is other information. Certain limited procedures have been applied to this information which consisted principally of inquiries of management regarding the methods of measurement and presentation. This information has not been audited.

SUPPLEMENTARY INFORMATION

CITY OF THOMAS, OKLAHOMA
 COMBINING STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	STREET AND ALLEY	POLICE DEPARTMENT	BEAUTIFICATION ACCOUNT	EMERGENCY MANAGEMENT	FAA GRANT	CENA GRANT			
ASSETS:									
Current assets:									
Cash and cash equivalents	\$ 5,342.66	\$ 1.00	\$ 12,216.59	\$ 305.04	\$ 1.00	\$ 1.00	\$ 0.15	\$ 0.15	\$ 17,866.44
Total current assets	\$ 5,342.66	\$ 1.00	\$ 12,216.59	\$ 305.04	\$ 1.00	\$ 1.00	\$ 0.15	\$ 0.15	\$ 17,866.44
Noncurrent assets:									
Other capital assets, net of accumulated depreciation	\$ 8,615.69	\$ 311.86	\$ 107,746.60	\$ 2,165.59	\$ -	\$ -	\$ 3,006.51	\$ 3,006.51	\$ 121,846.25
Construction in progress	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total noncurrent assets	\$ 8,615.69	\$ 311.86	\$ 107,746.60	\$ 2,165.59	\$ -	\$ -	\$ 3,006.51	\$ 3,006.51	\$ 121,846.25
TOTAL ASSETS	\$ 13,958.35	\$ 312.86	\$ 119,963.19	\$ 2,470.63	\$ 1.00	\$ 1.00	\$ 3,006.66	\$ 3,006.66	\$ 139,712.69
LIABILITIES:									
Current liabilities:									
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION:									
Invested in capital assets, net of related debt	\$ 8,615.69	\$ 311.86	\$ 107,746.60	\$ 2,165.59	\$ -	\$ -	\$ 3,006.51	\$ 3,006.51	\$ 121,846.25
Unrestricted, reported in:									
Special revenue funds	5,342.66	1.00	12,216.59	305.04	1.00	1.00	0.00	0.00	17,865.29
Capital project funds	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.15	1.15
TOTAL NET POSITION	\$ 13,958.35	\$ 312.86	\$ 119,963.19	\$ 2,470.63	\$ 1.00	\$ 1.00	\$ 3,006.66	\$ 3,006.66	\$ 139,712.69

CITY OF THOMAS, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS						CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	STREET AND ALLEY	POLICE DEPARTMENT	BEAUTIFICATION ACCOUNT	EMERGENCY MANAGEMENT	FAA GRANT	CENA GRANT				
Revenues:										
Taxes:										
Gas excise tax	2,207.31	-	-	-	-	-	-	-	-	2,207.31
Motor vehicle tax	8,438.66	-	-	-	-	-	-	-	-	8,438.66
Grant income	6.17	-	1.96	-	56,088.00	-	-	-	-	56,088.00
Investment income	-	-	-	-	-	-	-	-	-	8.13
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Donations	-	-	26,005.50	2,961.78	-	-	-	-	-	28,967.28
Total revenues	\$ 10,652.14	\$ -	\$ 26,007.46	\$ 2,961.78	\$ 56,088.00	\$ -	\$ -	\$ -	\$ -	\$ 95,709.38
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety and protection:										
Police	-	-	-	-	-	-	-	-	-	-
Emergency management	-	-	-	5.00	-	-	-	-	-	5.00
Transportation:										
Streets	15,293.50	-	-	-	-	-	-	-	-	15,293.50
Airport	-	-	-	-	-	-	-	-	-	-
Culture and recreation:										
Parks	-	-	-	-	-	-	-	-	-	-
Beautification	-	-	1,106.58	-	-	-	-	-	-	1,106.58
Economic development	-	-	-	-	-	-	-	-	-	-
Depreciation	1,159.61	308.02	7,174.73	486.15	-	-	1,299.79	-	-	10,428.30
Total expenditures	\$ 16,453.11	\$ 308.02	\$ 8,281.31	\$ 491.15	\$ -	\$ -	\$ 1,299.79	\$ -	\$ -	\$ 26,833.38
Excess (deficiency) of revenues over expenditures	\$ (5,800.97)	\$ (308.02)	\$ 17,726.15	\$ 2,470.63	\$ 56,088.00	\$ (1,299.79)	\$ -	\$ -	\$ -	\$ 68,876.00
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Transfers in - capital assets	-	-	-	-	(56,088.00)	-	-	-	-	(56,088.00)
Transfers out - capital assets	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposition of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ (56,088.00)	\$ -	\$ -	\$ -	\$ -	\$ (56,088.00)
Change in net position	\$ (5,800.97)	\$ (308.02)	\$ 17,726.15	\$ 2,470.63	\$ -	\$ (1,299.79)	\$ -	\$ -	\$ -	\$ 12,788.00
Net position - beginning	19,759.32	620.88	102,237.04	-	1.00	4,306.45	-	-	-	126,924.59
Net position - ending	\$ 13,958.35	\$ 312.86	\$ 119,963.19	\$ 2,470.63	\$ 1.00	\$ 3,006.66	\$ -	\$ -	\$ -	\$ 139,712.69

See accompanying notes to the financial statements.

**CITY OF THOMAS, OKLAHOMA
GENERAL FUND - CLASSIFICATION OF REVENUE
JUNE 30, 2013**

		<u>ACTUAL COLLECTIONS</u>
Local Sources:		
Sales tax	\$	346,920.72
Alcohol beverage tax		6,812.35
Cigarette tax		4,467.15
Franchise tax fees		34,012.39
Use tax		40,090.96
Donations		
Rent/Lease		3,085.00
Occupation license		1,180.00
Permits		1,795.00
Insurance proceeds		
Oil royalty		917.26
Interest		1,907.44
Airport revenue		
Swimming pool		7,982.00
Mowing		
Miscellaneous		
Fire Department:		
Donations	\$	2,800.00
Services		14,975.00
Total Fire Department		<u>17,775.00</u>
Police Department:		
Court Fines	\$	3,585.00
Miscellaneous		675.00
Total Police Department		<u>4,260.00</u>
Total Local Sources	\$	<u>471,205.27</u>
State Sources:		
Fire department grants	\$	4,484.35
CIP		
Total State Sources	\$	<u>4,484.35</u>
Federal Sources:		
CDBG Grant	\$	7,000.00
Total Federal Sources	\$	<u>7,000.00</u>
TOTAL REVENUE COLLECTED	\$	<u><u>482,689.62</u></u>

See accompanying notes to the financial statements.

**CITY OF THOMAS, OKLAHOMA
GENERAL FUND - CLASSIFICATION OF EXPENDITURES
JUNE 30, 2013**

			<u>EXPENDITURES</u>
Personal Services:			
Salaries:			
General Government	\$	24,245.00	
Police		42,175.00	
Total Salaries			\$ 66,420.00
Payroll taxes			5,415.23
Retirement			9,930.11
Medical and life insurance			7,520.41
Legal and professional fees			18,092.83
Trustee fees			7,800.00
Judge fees			1,800.00
Fire fighter pension			1,920.00
Fire fighter bonus/run allowance			8,955.00
Pool Manager			10,620.00
Total Personal Services			<u>\$ 138,473.58</u>
Maintenance and Operation:			
Services and contracts			\$ 18,012.93
Utilities			15,226.27
Office supplies			4,443.81
Insurance			14,808.09
Economic development			525.50
Emergency management			3,537.03
Ambulance			827.53
Police department:			
Fuel	\$	4,313.68	
Utilities		1,752.99	
Repairs and maintenance		970.40	
Services and contracts		2,926.72	
Office supplies		295.25	
Animal control		5,992.67	
Miscellaneous		0.00	
Total police department			16,251.71
Fire department:			
Fuel, mileage reimbursement	\$	5,616.52	
Insurance		773.39	
Repairs, maintenance, and supplies		7,189.03	
Utilities		2,678.03	
Dues		1,130.00	
Telephone/Paging		2,394.66	
Training		2,469.00	
Meals			
Total fire department			22,250.63
Culture & recreation:			
Repairs and maintenance	\$	11,526.77	
Utilities		1,589.46	
Total culture & recreation			13,116.23
Depreciation			40,226.05
Total Maintenance and Operations			<u>\$ 149,225.78</u>
Capital Outlay:			
Total Capital Outlay			<u>\$ -</u>
TOTAL GENERAL FUND			<u>\$ 287,699.36</u>

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
STREET AND ALLEY - CLASSIFICATION OF REVENUE
JUNE 30, 2013

	ACTUAL COLLECTIONS
Local Sources:	
Gas excise tax	\$ 2,207.31
Motor vehicle tax	8,438.66
Interest	6.17
Total Local Sources	\$ 10,652.14
State Sources:	
Grants	\$ -
Total State Sources	\$ -
Federal Sources:	
FEMA assistance	\$ -
Total Federal Sources	\$ -
TOTAL REVENUE COLLECTED	\$ 10,652.14

CITY OF THOMAS, OKLAHOMA
STREET AND ALLEY - CLASSIFICATION OF EXPENDITURES
JUNE 30, 2013

	<u>EXPENDITURES</u>
Personal Services:	
Salaries	\$ -
Payroll taxes	-
	-
Total Personal Services	\$ -
Maintenance and Operation:	
Repairs and maintenance	\$ 7,943.94
Utilities	7,349.56
Depreciation	1,159.61
Total Maintenance and Operations	\$ 16,453.11
Capital Outlay:	
Buildings and equipment	\$ -
Total Capital Outlay	\$ -
 TOTAL STREET AND ALLEY FUND	 \$ 16,453.11

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
 POLICE DEPARTMENT FUND - CLASSIFICATION OF REVENUE
 JUNE 30, 2013

	ACTUAL COLLECTIONS
Local Sources:	
Donations	
Total Local Sources	\$ -
State Sources:	
Grants	
Total State Sources	\$ -
Federal Sources:	
Grants	
Total Federal Sources	\$ -
TOTAL REVENUE COLLECTED	\$ -

CITY OF THOMAS, OKLAHOMA
 POLICE DEPARTMENT FUND - CLASSIFICATION OF EXPENDITURES
 JUNE 30, 2013

	<u>EXPENDITURES</u>
Personal Services:	
Salaries	\$ -
Payroll taxes	-
	-
Total Personal Services	\$ -
Maintenance and Operation:	
Supplies	
Office supplies	
Repairs, maintenance	
Labor	
Depreciation	308.02
Total Maintenance and Operations	\$ 308.02
Capital Outlay:	
Equipment	\$ -
Total Capital Outlay	\$ -
TOTAL POLICE DEPARTMENT FUND	\$ 308.02

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
 BEAUTIFICATION ACCOUNT FUND - CLASSIFICATION OF REVENUE
 JUNE 30, 2013

	<u>ACTUAL COLLECTIONS</u>
Local Sources:	
Interest	\$ 1.96
Donations	26,005.50
Reimbursements	-
Total Local Sources	\$ 26,007.46
State Sources:	
Grants	\$ -
Total State Sources	\$ -
Federal Sources:	
Grants	\$ -
Total Federal Sources	\$ -
TOTAL REVENUE COLLECTED	\$ 26,007.46

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
 BEAUTIFICATION ACCOUNT FUND - CLASSIFICATION OF EXPENDITURES
 JUNE 30, 2013

	<u>EXPENDITURES</u>
Personal Services:	
Salaries	\$ -
Payroll taxes	-
	-
Total Personal Services	\$ -
Maintenance and Operation:	
Supplies	\$ 1,106.58
Depreciation	7,174.73
Total Maintenance and Operations	\$ 8,281.31
Capital Outlay:	
Equipment	\$ -
Total Capital Outlay	\$ -
 TOTAL BEAUTIFICATION ACCOUNT FUND	 \$ 8,281.31

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
EMERGENCY MANAGEMENT FUND - CLASSIFICATION OF REVENUE
JUNE 30, 2013

	<u>ACTUAL COLLECTIONS</u>
Local Sources:	
Donations	<u>\$ 2,961.78</u>
Total Local Sources	<u>\$ 2,961.78</u>
State Sources:	
Grants	<u>\$ -</u>
Total State Sources	<u>\$ -</u>
Federal Sources:	
Grants	<u>\$ -</u>
Total Federal Sources	<u>\$ -</u>
TOTAL REVENUE COLLECTED	<u><u>\$ 2,961.78</u></u>

CITY OF THOMAS, OKLAHOMA
 EMERGENCY MANAGEMENT FUND - CLASSIFICATION OF EXPENDITURES
 JUNE 30, 2013

	<u>EXPENDITURES</u>
Personal Services:	
Salaries	\$ -
Payroll taxes	-
	-
Total Personal Services	\$ -
Maintenance and Operation:	
Supplies	\$ -
Office supplies	5.00
Repairs, maintenance	-
Labor	-
Depreciation	486.15
Total Maintenance and Operations	\$ 491.15
Capital Outlay:	
Equipment	\$ -
Total Capital Outlay	\$ -
TOTAL POLICE DEPARTMENT FUND	\$ 491.15

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
 FAA GRANT FUND - CLASSIFICATION OF REVENUE
 JUNE 30, 2013

	ACTUAL COLLECTIONS
Local Sources:	
Interest	\$ -
Total Local Sources	\$ -
State Sources:	
Grants	\$ -
Total State Sources	\$ -
Federal Sources:	
FAA Airport Improvement Program Grant	\$ 56,088.00
Total Federal Sources	\$ 56,088.00
TOTAL REVENUE COLLECTED	\$ 56,088.00

CITY OF THOMAS, OKLAHOMA
 FAA GRANT FUND - CLASSIFICATION OF EXPENDITURES
 JUNE 30, 2013

	<u>EXPENDITURES</u>
Personal Services:	
Engineering	\$ -
Total Personal Services	\$ -
Maintenance and Operation:	
Remittance of excess funds	\$ -
Depreciation	-
Total Maintenance and Operations	\$ -
Capital Outlay:	
Construction	\$ -
Total Capital Outlay	\$ -
TOTAL FAA GRANT FUND	\$ -

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
 CENA GRANT FUND - CLASSIFICATION OF REVENUE
 JUNE 30, 2013

	ACTUAL COLLECTIONS
Local Sources:	
Interest	\$ -
Total Local Sources	\$ -
State Sources:	
Community Expansion of Nutrition Assistance '12	
Total State Sources	\$ -
Federal Sources:	
Grants	\$ -
Total Federal Sources	\$ -
TOTAL REVENUE COLLECTED	\$ -

CITY OF THOMAS, OKLAHOMA
 CENA GRANT FUND - CLASSIFICATION OF EXPENDITURES
 JUNE 30, 2013

	<u>EXPENDITURES</u>
Personal Services:	
Administration fees	\$ -
Total Personal Services	\$ -
Maintenance and Operation:	
Repairs and maintenance	\$ -
Supplies	
Food/Meals	-
Depreciation	1,299.79
Total Maintenance and Operations	\$ 1,299.79
Capital Outlay:	
Equipment	\$ -
Total Capital Outlay	\$ -
TOTAL CENA GRANT FUND	\$ 1,299.79

See accompanying notes to the financial statements.

**CITY OF THOMAS, OKLAHOMA
PUBLIC WORKS AUTHORITY - CLASSIFICATION OF REVENUE
JUNE 30, 2013**

	ACTUAL COLLECTIONS
Local Sources:	
Water	\$ 236,228.23
Sewer	123,863.46
Garbage	149,448.25
Late penalties	11,551.25
Meter installations	270.00
Sewer taps	100.00
Interest	962.21
Rental	-
Insurance proceeds	-
Ambulance fees	50,530.49
Miscellaneous	2,632.53
Oil lease	7,000.00
Sale of Assets	-
	-
Total Local Sources	\$ 582,586.42
State Sources:	
REAP grant	\$ 79,500.00
Total State Sources	\$ 79,500.00
Federal Sources:	
Grants	\$ -
Total Federal Sources	\$ -
TOTAL REVENUE COLLECTED	\$ 662,086.42

See accompanying notes to the financial statements.

**CITY OF THOMAS, OKLAHOMA
PUBLIC WORKS AUTHORITY - CLASSIFICATION OF EXPENDITURES
JUNE 30, 2013**

	<u>EXPENDITURES</u>
Personal Services:	
Salaries:	
Administration	\$ 97,446.88
Public works	32,080.00
Total Salaries	\$ 129,526.88
Payroll taxes	10,361.94
Retirement	21,438.13
Employee medical and life insurance	24,576.92
Legal and professional fees	2,550.00
Total Personal Services	\$ 188,453.87
 Maintenance and Operation:	
Sanitation fees	\$ 117,787.32
Ambulance coverage	41,350.00
Service and contracts	76,437.15
Fuel and oil	9,232.93
Utilities	24,231.88
Office supplies	5,589.08
Insurance	17,821.10
Accounting/Bookkeeping	15,542.84
Depreciation	26,089.61
Interest	15,950.08
Total Maintenance and Operations	\$ 350,031.99
 Capital Outlay:	
Equipment	\$ -
Lagoon - Construction in Progress	14,390.00
Lagoon - Land Additions	162,610.00
Warehouse	156,241.69
Total Capital Outlay	\$ 333,241.69
 TOTAL PUBLIC WORKS AUTHORITY	\$ 871,727.55

See accompanying notes to the financial statements.

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Governmental
Auditing Standards***



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*

To the Honorable Mayor and Members of the City Council
City of Thomas, OK

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 General of the United States, the modified cash basis financial statements of each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of City of Thomas, OK, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise a portion of City of Thomas, OK's basic financial statements and have issued our report thereon dated October 8, 2014. As reported in the "Basis for Adverse Opinion" paragraph of our audit report, we expressed an adverse opinion on the modified cash basis financial statements for the following reasons: (1) failure to present government-wide financial statements, (2) failure to include all discretely presented component units of the City, and (3) failure to use the current financial resources measurement focus on the governmental fund financial statements. As discussed in Note 1C, City of Thomas, OK prepares its financial statement on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Thomas, OK'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 Thomas, OK's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Thomas, OK'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Thomas, OK's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FSW&B CPA's-PLLC

FSW&B CPA's-PLLC

Woodward, OK
October 8, 2014