



City of Mangum, Oklahoma

Report on Audit

Of

Financial Statements

June 30, 2011

Mayor

Kathy Tebow

Commissioners

Ron Gay

Zac Zachary

Dick Stickle

Ben Locklear

City Attorney

Chris Wray

City Manager

Paul Southwick

City Clerk

Shelly Davis



City of Mangum, Oklahoma
Report on Audit of Financial Statements
June 30, 2011

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Ronald C. Cottrell, CPA

Independent Auditor's Report

October 5, 2011

Board of Commissioners
City of Mangum
Mangum, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mangum, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Mangum's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mangum's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to 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, Oklahoma, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011, on our consideration of the City of Mangum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Ronald C. Cottrell, CPA

Management's discussion and analysis and the budgetary comparison information on pages 3–11 and 38–39, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mangum's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of state awards and the combining and individual nonmajor fund financial statements listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of OMB Circular A-133 or the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ronald C. Cottrell, CPA

City of Mangum, Oklahoma
Management's Discussion and Analysis
June 30, 2011

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, 2011. Please read it in conjunction with the City's financial statements, which begin on page 12.

Financial Highlights

- ❖ The assets of the City of Mangum exceeded its liabilities at the close of the most recent fiscal year by \$ 4,172,077 (net assets). Of this amount, \$ 1,667,832 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ The government's total net assets increased by \$ 1,022,298 for the year ended June 30, 2011.
- ❖ As of the close of the current fiscal year the City of Mangum's governmental funds reported combined ending fund balances of \$ 1,571,441, an increase of \$ 308,268 in comparison with the prior year. \$ 975,118 of the ending fund balance is available for spending at the government's discretion (unreserved fund balance).
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 979,290, or 37 % of total general fund expenditures.
- ❖ The City of Mangum's total debt decreased by \$ 329,696 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

See disclaimer in accompanying Independent Auditor's Report.

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

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

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

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

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

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

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

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

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

Proprietary fund. The City maintains three 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 fund provides 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.

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$ 4,172,077 at the close of the most recent fiscal year.

One portion of the City’s net assets (40 %) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Mangum
Net Assets
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 1,572,188	\$ 1,263,280	\$ 1,401,193	\$ 1,372,148	\$ 2,973,381	\$ 2,635,428
Capital and other noncurrent assets	2,839,068	2,405,325	1,648,575	1,680,466	4,487,643	4,085,791
Total assets	<u>4,411,256</u>	<u>3,668,605</u>	<u>3,049,768</u>	<u>3,052,614</u>	<u>7,461,024</u>	<u>6,721,219</u>
Current liabilities	747	71,724	702,553	644,335	703,300	716,059
Long-term liabilities	27,358	27,315	2,558,289	2,828,065	2,585,647	2,855,380
Total liabilities	<u>28,105</u>	<u>99,039</u>	<u>3,260,842</u>	<u>3,472,400</u>	<u>3,288,947</u>	<u>3,571,439</u>
Net assets:						
Invested in capital assets, net of related debt	2,795,900	2,270,810	(1,132,293)	(1,304,038)	1,663,607	966,772
Restricted	631,943	493,481	208,695	295,454	840,638	788,935
Unrestricted	955,308	805,275	712,524	588,798	1,667,832	1,394,073
Total net assets	<u>\$ 4,383,151</u>	<u>\$ 3,569,566</u>	<u>\$ (211,074)</u>	<u>\$ (\$419,786)</u>	<u>\$ 4,172,077</u>	<u>\$ 3,149,780</u>

An additional portion of the City's net assets (20 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 1,667,832) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$ 1,022,298 during the current fiscal year. This increase was due to:

- The City's successful collection efforts and ability to contain costs.
- Repayment of debt obligations associated with capital assets.
- Completion of airport and street improvement projects.
- Receipt of reimbursement funds from FEMA for the 2010 ice storm.

City of Mangum
Statement of Activities
Years Ended June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 699,558	\$ 761,397	\$ 5,220,983	\$ 5,164,721	\$ 5,920,541	\$ 5,926,118
Grants/contributions	1,008,605	111,901	369,058	342,633	1,377,663	454,534
General revenues	839,079	812,209	46,661	60,641	885,740	872,850
Total revenues	<u>2,547,242</u>	<u>1,685,507</u>	<u>5,636,702</u>	<u>5,567,995</u>	<u>8,183,944</u>	<u>7,253,502</u>

See disclaimer in accompanying Independent Auditor's Report.

City of Mangum
Statement of Activities
Years Ended June 30, 2011 and 2010

	Governmental		Business-Type		Totals	
	2011	2010	2011	2010	2011	2010
Expenses:						
General government/administration	339,757	353,134	265,258	428,507	605,015	781,641
Public safety	755,455	712,886	-	-	755,455	712,886
Public works	1,248,284	926,300	-	-	1,248,284	926,300
Culture and recreation	258,161	186,123	-	-	258,161	186,123
Electric	-	-	2,316,758	2,186,835	2,316,758	2,186,835
Water	-	-	336,186	344,239	336,186	344,239
Wastewater	-	-	12,881	32,077	12,881	32,077
Sanitation	-	-	388,538	387,646	388,538	387,646
Golf	-	-	120,827	130,083	120,827	130,083
Chemical dependency unit	-	-	1,118,778	1,175,637	1,118,778	1,175,637
Other	763	1,494	-	-	763	1,494
Total expenses	2,602,420	2,179,937	4,559,226	4,685,024	7,161,646	6,864,961
Increase in net assets before transfers	(55,178)	(494,430)	1,077,476	882,971	1,022,298	388,541
Transfers, net	868,764	511,805	(868,764)	(511,805)	-	-
Increase in net assets	813,586	17,375	208,712	371,166	1,022,298	388,541
Net assets, beginning	3,569,565	3,552,191	(419,786)	(790,952)	3,149,779	2,761,239
Net assets, ending	\$ 4,383,151	\$ 3,569,566	\$ (211,074)	\$ (419,786)	\$ 4,172,077	\$ 3,149,780

Increases in revenues were the result of:

- Increased grant funding for airport, street and housing projects.
- Receipt of reimbursement funds from FEMA for the 2010 ice storm

Changes in expenses were due to:

- Grant expenditures for airport, street and housing projects.

Governmental activities. Governmental activities increased the City's net assets by \$ 813,586. The key elements of this increase were:

- The City's successful collection efforts and ability to contain costs.
- Repayment of debt obligations associated with capital assets.
- Completion of airport and street improvement projects.
- Receipt of reimbursement funds from FEMA for the 2010 ice storm.

See disclaimer in accompanying Independent Auditor's Report.

City of Mangum
 Governmental Activities
Years Ended June 30, 2011 and 2010

	Program Revenues		Cost of Services	
	2011	2010	2011	2010
General government	\$ 76,343	\$ 56,809	\$ 339,757	\$ 353,134
Public safety	52,563	54,288	755,455	712,886
Public works	1,532,329	724,518	1,248,284	926,300
Culture and recreation	46,928	37,683	258,161	186,123
Interest on long-term debt	-	-	763	1,494
Total governmental activities	<u>\$ 1,708,163</u>	<u>\$ 873,298</u>	<u>\$ 2,602,420</u>	<u>\$ 2,179,937</u>

Business-type activities. Business-type activities increased the City's net assets by \$ 208,712. The key elements of this increase were:

- Increased fees received for power plant operations.
- Purchase of equipment for the utility departments.

City of Mangum
 Business-Type Activities
Years Ended June 30, 2011 and 2010

	Program Revenues		Cost of Services	
	2011	2010	2011	2010
Administration/other services	\$ 166,228	\$ 69,502	\$ 265,258	\$ 428,507
Electric	3,096,061	3,003,832	2,316,758	2,186,835
Water	666,775	692,155	336,186	344,239
Wastewater	159,864	157,878	12,881	32,077
Sanitation	368,918	350,313	388,538	387,646
Golf	76,515	77,725	120,827	130,083
Chemical dependency unit	1,055,680	1,155,949	1,118,778	1,175,637
Total business-type activities	<u>\$ 5,590,041</u>	<u>\$ 5,507,354</u>	<u>\$ 4,559,226</u>	<u>\$ 4,685,024</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 \$ 1,571,441, an increase of \$ 308,268 in comparison with the prior year. The key elements to this increase were:

- The City's ability to reduce and control costs.
- Receipt of reimbursement funds from FEMA for the 2010 ice storm.

The general fund is the chief operating fund of the City. As of the end of the current fiscal year, unreserved fund balance of the general fund was \$ 979,290.

The fund balance of the City's general fund increased \$ 311,181 during the current fiscal year. The key factors in this decrease were:

- The City's ability to reduce and control costs.
- Receipt of reimbursement funds from FEMA for the 2010 ice storm.

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

Unrestricted net assets of the Mangum Utility Authority as of the end of the year amounted to \$ 361,890. The total increase in net assets was \$ 241,357. Operating revenues increased \$ 184,166 over the previous year due to:

- Increased fees received for power plant operations.
- Increased revenues for sanitation services.

Operating expenses decreased by \$ 86,324, as a result of:

- Attrition of personnel through retirement and/or resignation.
- The City's ability to reduce and control costs.

The Chemical Dependency Unit had unrestricted net assets of \$ 151,271 at year end. Operating revenues of \$ 1,055,680 were \$ 100,269 less than the previous year, while current expenses of \$ 1,148,576 were \$ 27,061 less than the year before.

General Fund Budgetary Highlights

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

Overall, actual revenues on the budgetary basis for the general fund of \$ 3,220,971 were \$ 54,160 less than the estimated revenues in the budget of \$ 3,275,131. This resulted from collecting less in tax receipts and grant revenues than what was anticipated in the budget.

Actual expenditures of \$ 3,086,087 were \$ 754 less than the \$ 3,086,843 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, 2011, amounts to \$ 4,382,614 (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, 2011 and 2010
(net of depreciation)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 97,778	\$ 97,778	\$ -	\$ -	\$ 97,778	\$ 97,778
Construction in progress	8,717	-	-	-	8,717	-
Buildings and improvements	1,985,987	1,615,494	176,760	196,322	2,162,747	1,811,816
Infrastructure	346,375	255,244	-	-	346,375	255,244
Equipment	223,569	234,325	143,675	119,586	367,244	353,911
Vehicles	108,727	139,586	177,712	163,688	286,439	303,274
Other assets	24,747	-	-	-	24,747	-
Utility systems	-	-	1,088,567	1,132,136	1,088,567	1,132,136
Capital assets, net	<u>\$ 2,795,900</u>	<u>\$ 2,342,427</u>	<u>\$ 1,586,714</u>	<u>\$ 1,611,732</u>	<u>\$ 4,382,614</u>	<u>\$ 3,954,159</u>

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

- Airport improvement project.
- Street improvement project.
- Purchase of an electric bucket truck.
- Purchase of electronic handheld meter reading devices.
- Purchase of a towable generator.

Additional information of the City's capital assets can be found in Note V.D. on pages 29–30 of this report.

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$ 2,770,908. This represents debt secured solely by capital leases of \$ 26,378; revenue bonds of \$ 1,145,000; revenue notes of \$ 1,547,629; and accrued compensated absences of \$ 51,901.

City of Mangum
Outstanding Debt
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Capital leases	\$ -	\$ 71,618	\$ 26,378	\$ 34,630	\$ 26,378	\$ 106,248
Revenue bonds	-	-	1,145,000	1,250,000	1,145,000	1,250,000
Revenue notes payable	-	-	1,547,629	1,696,510	1,547,629	1,696,510
Compensated absences	27,358	27,315	24,543	20,531	51,901	47,846
Total outstanding debt	<u>\$ 27,358</u>	<u>\$ 98,933</u>	<u>\$ 2,743,550</u>	<u>\$ 3,001,671</u>	<u>\$ 2,770,908</u>	<u>\$ 3,100,604</u>

The City's total debt decreased \$ 329,696 during the current fiscal year. Key factor in this decrease was due to the payment of scheduled debt obligations.

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

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2012 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 2012.

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

During the current fiscal year, unreserved fund balance in the general fund increased by \$ 140,981.

Requests for Information

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

City of Mangum, Oklahoma
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 949,950	\$ 608,257	\$ 1,558,207
Investments	532,023	71,548	603,571
Receivables:			
Accounts, net of allowance for uncollectibles	26,808	399,495	426,303
Taxes	116,924	-	116,924
Internal balances	(53,517)	53,517	-
Inventory	-	18,887	18,887
Restricted assets - cash and investments	-	249,489	249,489
Total current assets	<u>1,572,188</u>	<u>1,401,193</u>	<u>2,973,381</u>
Noncurrent assets:			
Notes receivable	43,168	-	43,168
Debt issuance costs, net of accumulated amortization	-	61,861	61,861
Capital assets, net of accumulated depreciation	<u>2,795,900</u>	<u>1,586,714</u>	<u>4,382,614</u>
Total noncurrent assets	<u>2,839,068</u>	<u>1,648,575</u>	<u>4,487,643</u>
Total assets	<u>4,411,256</u>	<u>3,049,768</u>	<u>7,461,024</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	747	271,468	272,215
Payable from restricted assets:			
Accrued interest	-	27,332	27,332
Customer deposits	-	141,737	141,737
Current portion of long-term obligations	-	262,016	262,016
Total current liabilities	<u>747</u>	<u>702,553</u>	<u>703,300</u>
Noncurrent liabilities:			
Capital lease obligations	-	26,378	26,378
Notes payable	-	1,547,629	1,547,629
Revenue bonds payable	-	1,145,000	1,145,000
Deferred gain on refunding	-	76,755	76,755
Accrued compensated absences	27,358	24,543	51,901
Less: current portion	-	(262,016)	(262,016)
Total noncurrent liabilities	<u>27,358</u>	<u>2,558,289</u>	<u>2,585,647</u>
Total liabilities	<u>28,105</u>	<u>3,260,842</u>	<u>3,288,947</u>
Net assets			
Invested in capital assets, net of related debt	2,795,900	(1,132,293)	1,663,607
Restricted:			
Enabling legislation	-	-	-
Statutes	92,040	-	92,040
Debt service	-	180,537	180,537
Contractual	539,903	28,158	568,061
Unrestricted	955,308	712,524	1,667,832
Total net assets	<u>\$ 4,383,151</u>	<u>\$ (211,074)</u>	<u>\$ 4,172,077</u>

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

City of Mangum, Oklahoma
Statement of Activities
Year Ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 339,757	\$ 50,743	\$ -	\$ 25,600
Public safety	755,455	24,162	17,711	10,690
Public works	1,248,284	602,083	193,298	736,948
Culture and recreation	258,161	22,570	24,358	-
Interest on long-term debt	763	-	-	-
Total governmental activities	<u>2,602,420</u>	<u>699,558</u>	<u>235,367</u>	<u>773,238</u>
Business-type activities:				
Administration / other services	265,258	166,228	-	-
Electric and power plant	2,316,758	3,096,061	-	-
Water	336,186	666,775	-	-
Wastewater	12,881	159,864	-	-
Sanitation	388,538	368,918	-	-
Golf	120,827	76,515	-	-
Chemical dependency unit	1,118,778	686,622	369,058	-
Total business-type activities	<u>4,559,226</u>	<u>5,220,983</u>	<u>369,058</u>	<u>-</u>
Total government	<u>\$ 7,161,646</u>	<u>\$ 5,920,541</u>	<u>\$ 604,425</u>	<u>\$ 773,238</u>

General revenues:

Taxes:

 Sales and use

 Franchise

 Other

Interest income

Miscellaneous

Gain (loss) on bond defeasement

Transfers

 Total general revenues and transfers

 Change in net assets

Net assets, beginning

Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (263,414)	\$ -	\$ (263,414)
(702,892)	-	(702,892)
284,045	-	284,045
(211,233)	-	(211,233)
(763)	-	(763)
<u>(894,257)</u>	<u>-</u>	<u>(894,257)</u>
-	(99,030)	(99,030)
-	779,303	779,303
-	330,589	330,589
-	146,983	146,983
-	(19,620)	(19,620)
-	(44,312)	(44,312)
-	(63,098)	(63,098)
<u>-</u>	<u>1,030,815</u>	<u>1,030,815</u>
<u>(894,257)</u>	<u>1,030,815</u>	<u>136,558</u>
590,267	-	590,267
38,222	-	38,222
70,340	-	70,340
16,570	13,647	30,217
123,680	24,485	148,165
-	8,529	8,529
<u>868,764</u>	<u>(868,764)</u>	<u>-</u>
<u>1,707,843</u>	<u>(822,103)</u>	<u>885,740</u>
813,586	208,712	1,022,298
<u>3,569,565</u>	<u>(419,786)</u>	<u>3,149,779</u>
<u>\$ 4,383,151</u>	<u>\$ (211,074)</u>	<u>\$ 4,172,077</u>

City of Mangum, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 754,248	\$ 195,702	\$ 949,950
Investments	313,943	218,080	532,023
Receivables:			
Taxes	112,225	4,699	116,924
Other	26,808	-	26,808
Due from other funds	28,055	-	28,055
Total assets	\$ 1,235,279	\$ 418,481	\$ 1,653,760
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 754	\$ (7)	\$ 747
Due to other funds	81,572	-	81,572
Total liabilities	82,326	(7)	82,319
Fund balances:			
Reserved for:			
Capital improvements	-	62,459	62,459
Encumbrances/other	173,663	360,201	533,864
Unreserved, designated for reported in:			
Special revenue funds	-	(4,172)	(4,172)
Unreserved, undesignated for reported in:			
General fund	979,290	-	979,290
Total fund balances	1,152,953	418,488	1,571,441
Total liabilities and fund balances	\$ 1,235,279	\$ 418,481	\$ 1,653,760

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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 628,490	\$ -	\$ 628,490
Licenses and permits	4,620	-	4,620
Intergovernmental	1,005,437	119,652	1,125,089
Fines and forfeitures	17,423	-	17,423
Charges for services	385,544	277,289	662,833
Other	66,813	12,437	79,250
Interest	11,437	5,134	16,571
Total revenues	<u>2,119,764</u>	<u>414,512</u>	<u>2,534,276</u>
Expenditures			
Current:			
General government	321,383	73,777	395,160
Public safety	707,758	1,594	709,352
Public works	744,146	345,000	1,089,146
Culture and recreation	207,186	8,852	216,038
Economic development	-	-	-
Debt service:			
Principal	71,618	-	71,618
Interest	763	-	763
Capital outlay	594,513	37,911	632,424
Total expenditures	<u>2,647,367</u>	<u>467,134</u>	<u>3,114,501</u>
Excess of revenues over (under) expenditures	(527,603)	(52,622)	(580,225)
Other Financing sources (uses)			
Loan principal receipts	-	19,729	19,729
Transfers in	1,103,841	56,871	1,160,712
Transfers (out)	(265,057)	(26,891)	(291,948)
Total other financing sources (uses)	<u>838,784</u>	<u>49,709</u>	<u>888,493</u>
Net change in fund balances	311,181	(2,913)	308,268
Fund balances, beginning	<u>841,772</u>	<u>421,401</u>	<u>1,263,173</u>
Fund balances, ending	<u>\$ 1,152,953</u>	<u>\$ 418,488</u>	<u>\$ 1,571,441</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, 2011

Total fund balance - governmental funds	\$ 1,571,441
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	43,168
Capital assets	2,795,900
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds:	
Accrued compensated absences	(27,358)
	(27,358)
Net assets of governmental activities	\$ 4,383,151
Net change in fund balances – total governmental funds	\$ 308,268
Adjustments for the statement of activities:	
Governmental funds report capital outlays and debt issuance costs as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation or amortization expense. This is the amount by which capital outlay expenditures and debt issuance costs exceeded depreciation in the current reporting period.	
Capital outlay expenditures, net	640,834
Depreciation expense	(187,361)
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	(19,729)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Principal payments on capital lease obligations	71,618
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	(44)
	(44)
Change in net assets of governmental activities	\$ 813,586

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

City of Mangum, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds		
	Mangum Utility Authority	Chemical Dependency Unit	Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 258,293	\$ 107,898	\$ 242,066
Investments	71,548	-	-
Receivables:			
Accounts, net of allowance for uncollectibles	343,261	56,234	-
Due from other funds	50,000	-	31,572
Inventory	16,266	-	2,621
Restricted assets - cash and investments	249,489	-	-
Total current assets	<u>988,857</u>	<u>164,132</u>	<u>276,259</u>
Noncurrent assets:			
Debt issuance costs, net of accumulated amortization	61,861	-	-
Capital assets, net of accumulated depreciation	1,461,973	28,042	96,699
Total noncurrent assets	<u>1,523,834</u>	<u>28,042</u>	<u>96,699</u>
Total assets	<u>2,512,691</u>	<u>192,174</u>	<u>372,958</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	270,895	22	551
Payable from restricted assets:			
Accrued interest	27,332	-	-
Customer deposits	139,837	1,900	-
Due to other funds	28,055	-	-
Current portion of long-term obligations	253,871	-	8,145
Total current liabilities	<u>719,990</u>	<u>1,922</u>	<u>8,696</u>
Noncurrent liabilities:			
Capital lease payable	-	-	26,378
Notes payable	1,547,629	-	-
Revenue bonds payable (net of unamortized premium)	1,145,000	-	-
Deferred gain on bond refunding	76,755	-	-
Accrued compensated absences	14,828	9,589	126
Less: current portion	(253,871)	-	(8,145)
Total noncurrent liabilities	<u>2,530,341</u>	<u>9,589</u>	<u>18,359</u>
Total liabilities	<u>3,250,331</u>	<u>11,511</u>	<u>27,055</u>
Net assets			
Invested in capital assets, net of related debt	(1,230,656)	28,042	70,321
Restricted:			
Debt service	104,455	-	76,082
Encumbrance/other	26,671	1,350	137
Unrestricted	361,890	151,271	199,363
Total net assets	<u>\$ (737,640)</u>	<u>\$ 180,663</u>	<u>\$ 345,903</u>

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

Totals

\$ 608,257
71,548

399,495
81,572
18,887
249,489

1,429,248

61,861
1,586,714

1,648,575

3,077,823

271,468

27,332
141,737
28,055
262,016

730,608

26,378

1,547,629

1,145,000

76,755

24,543

(262,016)

2,558,289

3,288,897

(1,132,293)

180,537

28,158

712,524

\$ (211,074)

City of Mangum, Oklahoma
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Enterprise Funds		
	Mangum Utility Authority	Chemical Dependency Unit	Other Enterprise
Operating revenues			
Charges for services:			
Electric	\$ 3,096,061	\$ -	\$ -
Water	666,775	-	-
Wastewater	159,864	-	-
Sanitation	368,918	-	-
Other	166,228	686,622	-
Golf course revenue	-	-	76,515
Operating grants	-	369,058	-
Total operating revenues	<u>4,457,846</u>	<u>1,055,680</u>	<u>76,515</u>
Operating expenses			
Purchased power	1,720,157	-	-
Electric	386,845	-	-
Water	227,263	-	-
Wastewater treatment	12,881	-	-
Sanitation	374,963	-	-
Power plant	181,844	-	-
General manager	84,516	-	-
CDU Services	-	1,113,584	-
Other	2,054	-	27,000
Golf	-	-	106,447
Depreciation and amortization	107,701	5,194	12,852
Bad debt expense	48,107	29,798	-
Total operating expenses	<u>3,146,331</u>	<u>1,148,576</u>	<u>146,299</u>
Net operating income (loss)	1,311,515	(92,896)	(69,784)
Nonoperating revenues (expenses)			
Gain on bond defeasement	8,529	-	-
Miscellaneous	20,270	4,215	-
Interest	9,695	1,985	1,967
Interest expense and fiscal charges	(116,492)	-	(1,528)
Total nonoperating revenues (expenses)	<u>(77,998)</u>	<u>6,200</u>	<u>439</u>
Operating transfers			
Transfers in	182,376	-	362,662
Transfers (out)	(1,174,536)	-	(239,266)
Total operating transfers	<u>(992,160)</u>	<u>-</u>	<u>123,396</u>
Net income (loss)	241,357	(86,696)	54,051
Net assets, beginning	<u>(978,997)</u>	<u>267,359</u>	<u>291,852</u>
Net assets, ending	<u>\$ (737,640)</u>	<u>\$ 180,663</u>	<u>\$ 345,903</u>

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

Total

\$	3,096,061
	666,775
	159,864
	368,918
	852,850
	76,515
	369,058
	<u>5,590,041</u>
	1,720,157
	386,845
	227,263
	12,881
	374,963
	181,844
	84,516
	1,113,584
	29,054
	106,447
	125,747
	77,905
	<u>4,441,206</u>
	1,148,835
	8,529
	24,485
	13,647
	<u>(118,020)</u>
	<u>(71,359)</u>
	545,038
	<u>(1,413,802)</u>
	<u>(868,764)</u>
	208,712
	<u>(419,786)</u>
\$	<u><u>(211,074)</u></u>

City of Mangum, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities Enterprise Funds	
	Mangum Utility Authority	Chemical Dependency Unit
Cash flows from operating activities		
Receipts from customers	\$ 4,456,642	\$ 1,055,680
Payments to suppliers	(2,639,722)	(516,532)
Payments to employees	(344,432)	(496,260)
Net cash provided (used) by operating activities	<u>1,472,488</u>	<u>42,888</u>
Cash flows from noncapital financing activities		
(Increase) decrease in interfund balances	(1,932)	-
Miscellaneous revenues	20,270	4,215
Transfers in (out)	(992,160)	-
Net cash provided (used) by noncapital financing activities	<u>(973,822)</u>	<u>4,215</u>
Cash flows from capital and related financing activities		
Proceeds from long-term debt	44,900	-
Principal paid on long-term debt	(298,781)	-
Interest expense and fiscal charges	(115,000)	-
(Increase) decrease in restricted assets	(12,863)	-
(Acquisition) disposition of capital assets	(88,856)	(5,000)
Net cash provided (used) by capital and related financing activities	<u>(470,600)</u>	<u>(5,000)</u>
Cash flows from investing activities		
(Increase) decrease in investments	50,406	-
Interest income	9,695	1,985
Net cash provided (used) by investing activities	<u>60,101</u>	<u>1,985</u>
Net increase (decrease) in cash and cash equivalents	88,167	44,088
Cash and cash equivalents, beginning	<u>170,126</u>	<u>63,810</u>
Cash and cash equivalents, ending	<u>\$ 258,293</u>	<u>\$ 107,898</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Net operating income (loss)	\$ 1,311,515	\$ (92,896)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	107,701	5,194
Changes in assets and liabilities:		
(Increase) decrease in receivables	(1,204)	129,938
(Increase) decrease in inventory	(2,081)	-
Increase (decrease) in accounts payable and accrued liabilities	41,264	(1,254)
Increase (decrease) in customers deposits	11,174	1,900
Increase (decrease) in accrued compensated absences	4,119	6
Total adjustments	<u>160,973</u>	<u>135,784</u>
Net cash provided (used) by operating activities	<u>\$ 1,472,488</u>	<u>\$ 42,888</u>

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

Business-type Activities
Enterprise Funds

Nonmajor Enterprise Funds	Total
\$ 76,515	\$ 5,588,837
(85,489)	(3,241,743)
(50,176)	(890,868)
<u>(59,150)</u>	<u>1,456,226</u>
(5,661)	(7,593)
-	24,485
123,396	(868,764)
<u>117,735</u>	<u>(851,872)</u>
-	44,900
(8,252)	(307,033)
(1,528)	(116,528)
-	(12,863)
-	(93,856)
<u>(9,780)</u>	<u>(485,380)</u>
-	50,406
1,967	13,647
<u>1,967</u>	<u>64,053</u>
50,772	183,027
<u>191,294</u>	<u>425,230</u>
<u>\$ 242,066</u>	<u>\$ 608,257</u>
\$ (69,784)	\$ 1,148,835
12,852	125,747
-	128,734
(2,621)	(4,702)
515	40,525
-	13,074
(112)	4,013
<u>10,634</u>	<u>307,391</u>
<u>\$ (59,150)</u>	<u>\$ 1,456,226</u>

City of Mangum, Oklahoma
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Trust Fund
	Cafeteria Plans
Assets	
Cash and cash equivalents	\$ 12,786
Total assets	12,786
Liabilities	
Accounts payable	12,786
Due to other funds	-
Total liabilities	12,786
Net assets	\$ -

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

City of Mangum, Oklahoma
Notes to Financial Statements
June 30, 2011

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 was taken over by the City of Mangum from the Mangum City Hospital Authority. The CDU operates a chemical dependency program in Mangum and several other communities. It is funded primarily from grants from the State of Oklahoma Department of Mental Health. The CDU is governed by the City Commission. It is included as an enterprise fund of the City of Mangum. The CDU does not issue separate financial statements.

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

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

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

fiscal affairs, financial data of the Housing Authority of the City of Mangum are not included in the accompanying financial statements.

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported, instead, as general revenues.

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

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

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

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

Sales and use taxes, property 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.

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Mangum Utility Authority enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

Investments for the City, as well as for its component units are reported at fair value.

2. Receivables and payables

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

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

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

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

3. Restricted assets

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

4. Capital assets

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

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

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

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

5. *Compensated absences*

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

6. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

III. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

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

Capital assets, net of accumulated depreciation	\$ 2,795,900
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 2,795,900</u>

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

Notes receivable	\$ 43,168
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 43,168</u>

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	\$ 27,358
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 27,358</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of these differences are as follows:

Capital outlay	\$ 640,834
Depreciation expense	<u>(187,361)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 453,473</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 goes to reduce the asset balance.

Principal received on notes receivable	\$ 19,729
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 19,729</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net assets. The details of this difference are as follows:

Principal repayments:	
Capital lease obligations	\$ 71,618
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>71,618</u>
	<u>\$ 71,618</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	\$ 44
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>44</u>
	<u>\$ 44</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 \$ 1,592,334 as of June 30, 2011, and the bank balances totaled \$ 1,580,364. 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, 2011, \$ 917,481 of the City’s bank balances of \$ 1,580,364 was exposed to custodial credit risk as follows:

Collateral held by the pledging bank not in the City’s name	<u>\$ 917,481</u>
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Investments

As of June 30, 2011, the City had the following investments.

Investment	Maturities	Fair Value
Certificates of deposit	< 1 year	\$ 724,469
U.S. Treasury mutual funds	NA	104,455
Total		<u>\$ 828,924</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, 2011, the City’s investments in U.S. treasury mutual funds were all federally insured.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer. More than 5% of the City’s investments are in certificates of deposit. The investment is 87% of the City’s total investments.

B. Receivables

Receivables as of June 30, 2011, for the City of Mangum’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Governmental Funds	Mangum Utility Authority	Chemical Dependency Unit	Total
Receivables:					
Taxes	\$ 112,225	\$ 4,699	\$ -	\$ -	\$ 116,924
Accounts	26,808	-	463,169	29,798	519,775
Other	-	-	1,921	-	1,921
Due from other governments	-	-	-	56,234	56,234
Gross receivables	139,033	4,699	465,090	86,032	694,854
Less: allowance for uncollectibles	-	-	(121,829)	(29,798)	(151,627)
Net total receivables	<u>\$ 139,033</u>	<u>\$ 4,699</u>	<u>\$ 343,261</u>	<u>\$ 56,234</u>	<u>\$ 543,227</u>

C. Restricted assets

The Mangum Utility Authority's revenue bonds include restricted cash and investments for debt service funds for the repayment of principal and interest when due and debt service reserve funds to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund. The funds are on deposit with the trustee bank. Additionally, funds in the meter deposit account are restricted for repayment of customer deposits.

The following is a summary of the restricted asset account balances as of June 30, 2011:

	2006 Bonds	Meter Deposit	Totals
Debt service fund	\$ 104,455	\$ -	\$ 104,455
Customer meter deposits	-	145,034	145,034
Totals	<u>\$ 104,455</u>	<u>\$ 145,034</u>	<u>\$ 249,489</u>

D. Capital assets

Capital asset balances and activities for the year ended June 30, 2011, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 97,778	\$ -	\$ -	\$ 97,778
Construction in progress		8,717	-	8,717
Total capital assets, not being depreciated	<u>97,778</u>	<u>8,717</u>	<u>-</u>	<u>106,495</u>
Capital assets, being depreciated:				
Buildings and improvements	2,821,650	470,999	-	3,292,649
Infrastructure	410,747	117,546	-	528,293
Equipment	613,946	17,972	-	631,918
Vehicles	592,399	-	-	592,399
Other assets	-	25,600	-	25,600
Total capital assets, being depreciated	<u>4,438,742</u>	<u>632,117</u>	<u>-</u>	<u>5,070,859</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,206,156)	(100,506)	-	(1,306,662)
Infrastructure	(155,503)	(26,415)	-	(181,918)
Equipment	(379,621)	(28,728)	-	(408,349)
Vehicles	(452,813)	(30,859)	-	(483,672)
Other assets	-	(853)	-	(853)
Total accumulated depreciation	<u>(2,194,093)</u>	<u>(187,361)</u>	<u>-</u>	<u>(2,381,454)</u>
Total capital assets, being depreciated, net	<u>2,244,649</u>	<u>444,756</u>	<u>-</u>	<u>2,689,405</u>
Total governmental activities capital assets, net	<u>\$ 2,342,427</u>	<u>\$ 453,473</u>	<u>\$ -</u>	<u>\$ 2,795,900</u>
Business-type activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 655,089	\$ -	\$ -	\$ 655,089
Utility systems	1,941,902	-	-	1,941,902
Equipment	712,899	43,955	-	756,854
Vehicles	443,545	49,900	-	493,445
Total capital assets, being depreciated	<u>3,753,435</u>	<u>93,855</u>	<u>-</u>	<u>3,847,290</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and improvements	(458,767)	(19,561)	-	(478,328)
Utility systems	(809,766)	(43,569)	-	(853,335)
Equipment	(593,313)	(19,867)	-	(613,180)
Vehicles	(279,857)	(35,876)	-	(315,733)
Total accumulated depreciation	(2,141,703)	(118,873)	-	(2,260,576)
Total capital assets, being depreciated, net	1,611,732	(25,018)	-	1,586,714
Total business-type activities capital assets, net	<u>\$ 1,611,732</u>	<u>\$ (25,018)</u>	<u>\$ -</u>	<u>\$ 1,586,714</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 18,330
Public safety	33,136
Public works	93,772
Culture and recreation	42,123
Total depreciation expense – governmental activities	<u>\$ 187,361</u>
Business-type activities:	
Water	\$ 63,167
Electric	25,023
Sanitation	12,637
Chemical dependency unit	5,194
Golf	12,852
Total depreciation expense – business-type activities	<u>\$ 118,873</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, 2011, restricted cash and investments included \$ 145,034 available for refund of customer deposits, while the liability to customers was \$ 139,837.

F. Long-term debt

Capital leases – The City has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Capital lease obligations at June 30, 2011 are as follows:

Business-Type Activities

Capital lease agreement with National City Commercial Leasing; dated November 1, 2009, in the amount of \$ 39,642, payable in 36 monthly installments of \$ 801, plus one final installment of \$ 16,200, including interest at 6.442%, for the lease purchase of golf carts. \$ 26,378

The assets acquired through capital leases are as follows:

Asset:	Business-Type Activities
Golf carts	\$ 39,642
Total	39,642
Less: accumulated depreciation	(7,268)
Net	<u>\$ 32,374</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

Year Ending June 30,	Business-Type Activities
2012	\$ 9,606
2013	18,602
Total required payments	28,208
Less: amount representing interest	(1,830)
Total principal payments	<u>\$ 26,378</u>

Business-type activities

Mangum Utility Authority

Revenue Bonds:

Mangum Utility Authority Sales Tax Refunding Revenue Bonds, Series 2007, dated July 1, 2007, in the amount of \$ 1,555,000, to defease existing revenue bonds and outstanding bank loan, due and payable in annual installments each October 1 of \$ 20,000 to \$ 150,000, with interest due each March 1 and October 1 at 4.10% to 5.10%. \$ 1,145,000

Notes payable:

Note payable to Great Plains National Bank, dated December 3, 2009, in the amount of \$ 150,000, due and payable in annual installments of \$ 50,000 including interest at 4.85%, beginning September 15, 2011 to make renovations and repairs to the old Armory building for use as a Department of Corrections work center. 49,163

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. 1,455,133

Note payable to Oklahoma Department of Commerce, due and payable in monthly installments of \$ 417 with no interest, for sewer improvements. 43,333

Total notes payable 1,547,629

Total business-type activities \$ 2,692,629

Long-term liabilities transactions for the year ended June 30, 2011, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Capital leases:					
Banc of America Leasing	\$ 71,618	\$ -	\$ (71,618)	\$ -	\$ -
Compensated absences	27,315	43	-	27,358	-
Total governmental-type activities	98,933	43	(71,618)	27,358	-
Business-type activities					
Capital leases:					
Great Plains National Bank	-	44,900	(44,900)	-	-
National City Commercial Leasing	34,630	-	(8,252)	26,378	8,145
Revenue bonds:					
2006 Sales tax refunding bonds	1,250,000	-	(105,000)	1,145,000	105,000
Notes payable:					
Great Plains National Bank	100,000	-	(50,837)	49,163	49,163
Oklahoma Water Resources Board	1,548,177	-	(93,044)	1,455,133	94,708
Oklahoma Dept of Commerce	48,333	-	(5,000)	43,333	5,000
Compensated absences	20,531	4,012	-	24,543	-
Total business-type activities	3,001,671	48,912	(307,033)	2,743,550	262,016
Total long-term liabilities	\$ 3,100,604	\$ 48,955	\$ (378,651)	\$ 2,770,908	\$ 262,016

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

Year Ending June 30,	Business-Type Activities			
	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2012	\$ 105,000	\$ 52,778	\$ 149,788	\$ 41,839
2013	110,000	47,992	103,282	36,848
2014	115,000	42,872	106,014	34,118
2015	120,000	37,408	108,821	31,310
2016	125,000	31,588	111,706	28,425
2017-2021	570,000	58,889	598,028	95,962
2022-2026	-	-	369,990	17,465
Totals	\$ 1,145,000	\$ 271,527	\$ 1,547,629	\$ 285,967

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, 2011, was as follows:

Operating revenues	\$ 4,457,846
Operating expenses (excluding depreciation and amortization)	<u>(3,038,630)</u>
Net revenues available for debt service	<u><u>\$ 1,419,216</u></u>
Average annual debt service:	
Revenue bonds	\$ 162,345
Notes payable	<u>201,335</u>
Total debt service	363,680
	x 125%
Net revenue requirement	<u>454,600</u>
Excess of net revenues available over net revenue requirement	<u><u>\$ 964,616</u></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, 2011, the aggregate debt issuance costs incurred by the Mangum Utility Authority on revenue bonds was \$ 65,126, accumulated amortization was \$ 23,260, 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 \$ 11,105 as of June 30, 2011.

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	\$ 27,358
Business-type activities	<u>24,543</u>
Total accrued compensated absences	<u><u>\$ 51,901</u></u>

J. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Mangum Utility Authority	\$ 28,055
Mangum Utility Authority	General fund	50,000
Non-major proprietary	General fund	<u>31,572</u>
Totals		<u><u>\$ 109,627</u></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	\$ -	\$ 26,891	\$ 1,020,060	\$ 56,890	\$ 1,103,841
Non-major governmental	8,321	-	48,550	-	56,871
Mangum Utility Authority	-	-	-	182,376	182,376
Non-major proprietary	256,736	-	105,926	-	362,662
Totals	<u>\$ 265,057</u>	<u>\$ 26,891</u>	<u>\$ 1,174,536</u>	<u>\$ 239,266</u>	<u>\$ 1,705,750</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% and the City receives 3.00% and Greer County receives 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, 2011, for employees and employer were \$ 10,190 and \$ 16,558, respectively, on covered payroll of \$ 127,373. The State of Oklahoma made on-behalf payments to OPPRS totaling \$ 12,967 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, 2011, for employees and employer were \$ 12,240 and \$ 19,890, respectively, on covered payroll of \$ 153,000.

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, 2011, 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, 2011, for employees and employer were \$ 83,135 and \$ 168,386, respectively.

For the year ended June 30, 2011, the City's covered payroll was \$ 1,247,305. 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 OMRP – 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, 2011, for the employee and employer were \$ 3,671 and \$ 7,059 on covered payroll of \$ 56,473.

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.

The City entered into a contract in 2005 with Nurse Finders on behalf of the Mangum Hospital. Blackhawk, the operator of the hospital during the year ended June 30, 2011, utilized the services of Nurse Finders under the contract the City had executed, but did not pay for such services. Nurse Finders sued the City for payment of approximately \$ 75,842 in services. The eventual outcome of the litigation is unknown and the City has not accrued any liability or expense in the accompanying financial statements for this contingency.

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

D. Subsequent events

The City entered into a contract with Great Plains Health Services, LLC, effective October 1, 2011 to transfer the operation of the New Hope chemical dependency unit and contract with the State of Oklahoma Department of Mental Health and Substance Abuse. The City will subcontract with Great Plains Services, LLC until they are certified by the State. The City will continue to lease the facility and equipment in Mangum to Great Plains Health Services, LLC.

On September 24, 2011, a fire destroyed the clubhouse at the Mangum City Golf Course. The building and its contents were totally destroyed, although the value of the contents has not yet been determined. Both the building and contents were covered by insurance.

City of Mangum, Oklahoma
Budgetary Comparison Schedule
General Fund (Budgetary Basis)
Year Ended June 30, 2011

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
Fund balance, beginning	\$ -	\$ -	\$ 706,180	\$ 706,180
Resources				
Taxes	559,000	641,195	634,789	(6,406)
Licenses and permits	2,500	4,700	4,620	(80)
Intergovernmental	493,086	1,018,242	1,005,437	(12,805)
Fines and forfeitures	8,200	17,560	17,423	(137)
Charges for services	360,285	389,021	385,544	(3,477)
Miscellaneous	9,500	67,221	57,880	(9,341)
Interest	7,500	12,500	11,437	(1,063)
Operating transfers	1,098,297	1,124,692	1,103,841	(20,851)
Total resources	<u>2,538,368</u>	<u>3,275,131</u>	<u>3,220,971</u>	<u>(54,160)</u>
Amounts available for appropriation	2,538,368	3,275,131	3,927,151	652,020
Charges to appropriations:				
City commission	20,565	17,895	17,541	354
Administration	420,805	565,573	564,112	1,461
City attorney	20,999	19,499	19,485	14
Municipal judge	3,255	3,255	3,250	5
Police department	435,390	409,340	409,205	135
Fire department	264,311	271,390	271,111	279
Animal control	10,466	34,600	34,521	79
Emergency management	700	600	820	(220)
Street department	187,949	199,358	201,840	(2,482)
Cemetery	37,069	10,470	10,406	64
Community building	5,056	3,445	3,284	161
Community services	68,761	120,362	120,267	95
Airport	29,400	39,658	39,406	252
Code enforcement	100,217	90,760	90,753	7
Shop maintenance	43,743	41,188	40,885	303
Parks department	67,683	98,084	97,950	134
Library	62,169	75,858	76,403	(545)
Swimming pool	23,509	47,027	46,425	602
Debt service	18,676	72,384	72,381	3
Capital outlay	434,695	701,039	700,985	54
Operating transfers	282,950	265,058	265,057	1
Total charges to appropriations	<u>2,538,368</u>	<u>3,086,843</u>	<u>3,086,087</u>	<u>756</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 188,288</u>	<u>\$ 841,064</u>	<u>\$ 652,776</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, 2011

Budgetary funds	<u>General Fund</u>
Financial statement major funds	
Revenues	
Actual amounts (budgetary basis) "resources" from the budgetary comparison schedules	\$ 3,220,971
Adjustments:	
<i>Budgetary</i> general fund revenues are reported on the cash basis, rather than the modified accrual basis	2,634
Operating transfers in	<u>(1,103,841)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,119,764</u>
Expenditures	
Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedules	\$ 3,086,087
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	(173,663)
Operating transfers out	<u>(265,057)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,647,367</u>
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	1,103,841
Operating transfers out	<u>(265,057)</u>
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 838,784</u>

See disclaimer in accompanying Independent Auditor's Report.

City of Mangum, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue			
	Riverside Endowment Fund	Library Grant Fund	Street and Alley Fund	Fire Department Grant
Assets				
Cash and cash equivalents	\$ 436	\$ 531	\$ 64,544	\$ 5,728
Investments	38,784	-	-	-
Receivables:				
Taxes	-	-	4,699	-
Total assets	<u>\$ 39,220</u>	<u>\$ 531</u>	<u>\$ 69,243</u>	<u>\$ 5,728</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Reserved for:				
Capital improvements	-	-	-	-
Encumbrances/other	39,220	531	69,243	5,728
Unreserved:				
Designated	-	-	-	-
Total fund balances	<u>39,220</u>	<u>531</u>	<u>69,243</u>	<u>5,728</u>
Total liabilities and fund balances	<u>\$ 39,220</u>	<u>\$ 531</u>	<u>\$ 69,243</u>	<u>\$ 5,728</u>

Special Revenue

Busby Trust	Hospital Rent & Utilities	Dispatcher Training Equipment	Crime Stoppers	SW Dispute Mediation	Revolving Loan Fund
\$ 20,454	\$ (18,415)	\$ 14,243	\$ 7,548	\$ (7,988)	\$ 62,619
162,366	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 182,820</u>	<u>\$ (18,415)</u>	<u>\$ 14,243</u>	<u>\$ 7,548</u>	<u>\$ (7,988)</u>	<u>\$ 62,619</u>
\$ -	\$ -	\$ -	\$ -	\$ (7)	\$ -
-	-	-	-	(7)	-
-	-	-	-	-	-
182,820	-	-	7,548	(7,981)	62,619
-	(18,415)	14,243	-	-	-
<u>182,820</u>	<u>(18,415)</u>	<u>14,243</u>	<u>7,548</u>	<u>(7,981)</u>	<u>62,619</u>
<u>\$ 182,820</u>	<u>\$ (18,415)</u>	<u>\$ 14,243</u>	<u>\$ 7,548</u>	<u>\$ (7,988)</u>	<u>\$ 62,619</u>

City of Mangum, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

(continued)

	Capital Projects			
	Cemetery Perpetual Care Fund	Friends of the Park	Armory Renovation	Pool Renovation
Assets				
Cash and cash equivalents	\$ 5,867	\$ 15,813	\$ -	\$ 24,322
Investments	16,930	-	-	-
Receivables:				
Taxes	-	-	-	-
Total assets	<u>\$ 22,797</u>	<u>\$ 15,813</u>	<u>\$ -</u>	<u>\$ 24,322</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Reserved for:				
Capital improvements	22,797	15,340	-	24,322
Encumbrances/other	-	473	-	-
Unreserved:				
Designated	-	-	-	-
Total fund balances	<u>22,797</u>	<u>15,813</u>	<u>-</u>	<u>24,322</u>
Total liabilities and fund balances	<u>\$ 22,797</u>	<u>\$ 15,813</u>	<u>\$ -</u>	<u>\$ 24,322</u>

Total
Nonmajor
Governmental
Funds

\$ 195,702
218,080

4,699

\$ 418,481

\$ (7)

(7)

62,459
360,201

(4,172)

418,488

\$ 418,481

City of Mangum, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue			
	Riverside Endowment Fund	Library Grant Fund	Street and Alley Fund	Fire Department Grant
Revenues				
Intergovernmental	\$ -	\$ 8,858	\$ 26,002	\$ 4,398
Charges for services	-	-	-	-
Other	-	-	-	346
Interest	583	-	-	-
Total revenues	<u>583</u>	<u>8,858</u>	<u>26,002</u>	<u>4,744</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	1,394
Public works	-	-	-	-
Culture and recreation	-	8,852	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>8,852</u>	<u>-</u>	<u>1,394</u>
Excess of revenues over (under) expenditures	583	6	26,002	3,350
Other financing sources (uses)				
Loan principal receipts	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	(17,546)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(17,546)</u>	<u>-</u>
Net change in fund balances	583	6	8,456	3,350
Fund balances, beginning	<u>38,637</u>	<u>525</u>	<u>60,787</u>	<u>2,378</u>
Fund balances, ending	<u>\$ 39,220</u>	<u>\$ 531</u>	<u>\$ 69,243</u>	<u>\$ 5,728</u>

Special Revenue					
Busby Trust	Hospital Rent & Utilities	Dispatcher Training Equipment	Crime Stoppers	SW Dispute Mediation	Revolving Loan Fund
\$ -	\$ -	\$ -	\$ -	\$ 80,394	\$ -
-	275,000	-	-	-	-
-	-	11,520	571	-	-
2,331	(30)	-	-	-	1,715
<u>2,331</u>	<u>274,970</u>	<u>11,520</u>	<u>571</u>	<u>80,394</u>	<u>1,715</u>
-	-	-	-	73,777	-
-	-	-	200	-	-
-	345,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>345,000</u>	<u>-</u>	<u>200</u>	<u>73,777</u>	<u>-</u>
2,331	(70,030)	11,520	371	6,617	1,715
-	-	-	-	-	19,729
-	48,550	-	-	-	-
(6,529)	-	(2,666)	-	-	-
<u>(6,529)</u>	<u>48,550</u>	<u>(2,666)</u>	<u>-</u>	<u>-</u>	<u>19,729</u>
(4,198)	(21,480)	8,854	371	6,617	21,444
187,018	3,065	5,389	7,177	(14,598)	41,175
<u>\$ 182,820</u>	<u>\$ (18,415)</u>	<u>\$ 14,243</u>	<u>\$ 7,548</u>	<u>\$ (7,981)</u>	<u>\$ 62,619</u>

City of Mangum, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

(continued)

	Capital Projects			
	Cemetery Perpetual Care Fund	Friends of the Park	Armory Renovation	Pool Renovation
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	1,905	384	-	-
Other	-	-	-	-
Interest	260	119	-	156
Total revenues	<u>2,165</u>	<u>503</u>	<u>-</u>	<u>156</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	12,193	8,347	17,371
Total expenditures	<u>-</u>	<u>12,193</u>	<u>8,347</u>	<u>17,371</u>
Excess of revenues over (under) expenditures	2,165	(11,690)	(8,347)	(17,215)
Other financing sources (uses)				
Loan principal receipts	-	-	-	-
Transfers in	-	-	8,321	-
Transfers (out)	-	(150)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(150)</u>	<u>8,321</u>	<u>-</u>
Net change in fund balances	2,165	(11,840)	(26)	(17,215)
Fund balances, beginning	<u>20,632</u>	<u>27,653</u>	<u>26</u>	<u>41,537</u>
Fund balances, ending	<u>\$ 22,797</u>	<u>\$ 15,813</u>	<u>\$ -</u>	<u>\$ 24,322</u>

<u>Total Nonmajor Governmental Funds</u>	
\$	119,652
	277,289
	12,437
	<u>5,134</u>
	<u>414,512</u>
	73,777
	1,594
	345,000
	8,852
	<u>37,911</u>
	<u>467,134</u>
	(52,622)
	19,729
	56,871
	<u>(26,891)</u>
	<u>49,709</u>
	(2,913)
	<u>421,401</u>
\$	<u><u>418,488</u></u>

City of Mangum, Oklahoma
Combining Statement of Net Assets –
Nonmajor Proprietary Funds
June 30, 2011

	Enterprise		
	Golf Course Fund	MUA Capital Improvements	Hospital Sales Tax
Assets			
Current assets:			
Cash and cash equivalents	\$ 21,060	\$ 57,256	\$ 44,510
Receivables:			
Accounts, net of allowance for uncollectibles	-	-	-
Taxes	-	-	-
Inventories	2,621	-	-
Due from other funds	-	-	31,572
Total current assets	<u>23,681</u>	<u>57,256</u>	<u>76,082</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	96,699	-	-
Total noncurrent assets	<u>96,699</u>	<u>-</u>	<u>-</u>
Total assets	<u>120,380</u>	<u>57,256</u>	<u>76,082</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	551	-	-
Due to other funds	-	-	-
Current portion of long-term obligations	8,145	-	-
Total current liabilities	<u>8,696</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:			
Capital lease payable	26,378	-	-
Accrued compensated absences	126	-	-
Less: current portion	(8,145)	-	-
Total noncurrent liabilities	<u>18,359</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>27,055</u>	<u>-</u>	<u>-</u>
Net assets			
Invested in capital assets, net of related debt	70,321	-	-
Restricted:			
Capital improvements	-	-	-
Debt service	-	-	76,082
Encumbrances/other	137	-	-
Unrestricted	22,867	57,256	-
Total net assets	<u>\$ 93,325</u>	<u>\$ 57,256</u>	<u>\$ 76,082</u>

Enterprise		Total
Power Plant Capital Improvement	Water Well Improvement and Maintenance	Nonmajor Enterprise Funds
\$ 70,324	\$ 48,916	\$ 242,066
-	-	-
-	-	-
-	-	2,621
-	-	31,572
<u>70,324</u>	<u>48,916</u>	<u>276,259</u>
-	-	96,699
-	-	96,699
<u>70,324</u>	<u>48,916</u>	<u>372,958</u>
-	-	551
-	-	-
-	-	8,145
<u>-</u>	<u>-</u>	<u>8,696</u>
-	-	26,378
-	-	126
-	-	(8,145)
<u>-</u>	<u>-</u>	<u>18,359</u>
<u>-</u>	<u>-</u>	<u>27,055</u>
-	-	70,321
-	-	-
-	-	76,082
-	-	137
<u>70,324</u>	<u>48,916</u>	<u>199,363</u>
<u>\$ 70,324</u>	<u>\$ 48,916</u>	<u>\$ 345,903</u>

City of Mangum, Oklahoma
Combining Statement of Revenues, Expenses, and Changes in Net Assets –
Nonmajor Proprietary Funds
Year Ended June 30, 2011

	Enterprise		
	Golf Course Fund	MUA Capital Improvements	Hospital Sales Tax
Operating revenues			
Charges for services:			
Golf course	\$ 76,515	\$ -	\$ -
Total operating revenues	<u>76,515</u>	<u>-</u>	<u>-</u>
Operating expenses			
Power plant	-	-	-
Other	-	-	27,000
Golf	106,447	-	-
Depreciation and amortization	12,852	-	-
Total operating expenses	<u>119,299</u>	<u>-</u>	<u>27,000</u>
Net operating income (loss)	(42,784)	-	(27,000)
Nonoperating revenues (expenses)			
Miscellaneous	-	-	-
Loss on sale of assets	-	-	-
Interest	-	572	463
Interest expense and fiscal charges	(1,528)	-	-
Total nonoperating revenues (expenses)	<u>(1,528)</u>	<u>572</u>	<u>463</u>
Operating transfers			
Transfers in	70,020	14,946	186,716
Transfers (out)	-	(3,009)	(216,662)
Total operating transfers	<u>70,020</u>	<u>11,937</u>	<u>(29,946)</u>
Net income (loss)	25,708	12,509	(56,483)
Net assets, beginning	<u>67,617</u>	<u>44,747</u>	<u>132,565</u>
Net assets, ending	<u>\$ 93,325</u>	<u>\$ 57,256</u>	<u>\$ 76,082</u>

Enterprise		Total Nonmajor Enterprise Funds
Power Plant Capital Improvement	Water Well Improvement and Maintenance	
\$ -	\$ -	\$ 76,515
-	-	76,515
-	-	-
-	-	27,000
-	-	106,447
-	-	12,852
-	-	146,299
-	-	(69,784)
-	-	-
-	-	-
651	281	1,967
-	-	(1,528)
651	281	439
50,048	40,932	362,662
(19,595)	-	(239,266)
30,453	40,932	123,396
31,104	41,213	54,051
39,220	7,703	291,852
\$ 70,324	\$ 48,916	\$ 345,903

City of Mangum, Oklahoma
Combining Statement of Cash Flows –
Nonmajor Proprietary Funds
Year Ended June 30, 2011

	Enterprise	
	Golf Course Fund	MUA Capital Improvements
Cash flows from operating activities		
Receipts from customers	\$ 76,515	\$ -
Payments to suppliers	(58,489)	-
Payments to employees	(50,176)	-
Net cash provided (used) by operating activities	<u>(32,150)</u>	<u>-</u>
Cash flows from noncapital financing activities		
Increase (decrease) in due to/from other funds	(7,431)	-
Transfers in (out)	70,020	11,937
Net cash provided (used) by noncapital financing activities	<u>62,589</u>	<u>11,937</u>
Cash flows from capital and related financing activities		
Principal paid on long-term debt	(8,252)	-
Interest expense and fiscal charges	(1,528)	-
Net cash provided (used) by capital and related financing activities	<u>(9,780)</u>	<u>-</u>
Cash flows from investing activities		
Interest income	-	572
Net cash provided (used) by investing activities	<u>-</u>	<u>572</u>
Net increase (decrease) in cash and cash equivalents	20,659	12,509
Cash and cash equivalents, beginning	401	44,747
Cash and cash equivalents, ending	<u>\$ 21,060</u>	<u>\$ 57,256</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Net operating income (loss)	\$ (42,784)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	12,852	-
Changes in assets and liabilities:		
(Increase) decrease in inventories	(2,621)	-
Increase (decrease) in accounts payable and accrued liabilities	515	-
Increase (decrease) in accrued compensated absences	(112)	-
Total adjustments	<u>10,634</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (32,150)</u>	<u>\$ -</u>

	Enterprise		
Hospital Sales Tax	Power Plant Capital Improvement	Water Well Improvement and Maintenance	Total Nonmajor Enterprise Funds
\$ -	\$ -	\$ -	\$ 76,515
(27,000)	-	-	(85,489)
-	-	-	(50,176)
<u>(27,000)</u>	<u>-</u>	<u>-</u>	<u>(59,150)</u>
1,770	-	-	(5,661)
(29,946)	30,453	40,932	123,396
<u>(28,176)</u>	<u>30,453</u>	<u>40,932</u>	<u>117,735</u>
-	-	-	(8,252)
-	-	-	(1,528)
-	-	-	<u>(9,780)</u>
463	651	281	1,967
<u>463</u>	<u>651</u>	<u>281</u>	<u>1,967</u>
(54,713)	31,104	41,213	50,772
<u>99,223</u>	<u>39,220</u>	<u>7,703</u>	<u>191,294</u>
<u>\$ 44,510</u>	<u>\$ 70,324</u>	<u>\$ 48,916</u>	<u>\$ 242,066</u>
\$ (27,000)	\$ -	\$ -	\$ (69,784)
-	-	-	12,852
-	-	-	(2,621)
-	-	-	515
-	-	-	(112)
-	-	-	<u>10,634</u>
<u>\$ (27,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (59,150)</u>



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*

October 5, 2011

Board of Commissioners
City of Mangum
Mangum, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mangum as of and for the year ended June 30, 2011, which collectively comprise the City of Mangum's basic financial statements, and have issued our report thereon dated October 5, 2011. We did not audit management's discussion and analysis or the budgetary comparison schedules, which are required supplementary information, and therefore expressed no opinion on it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Mangum in a separate letter dated October 5, 2011.

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

Ronald C. Cottrell, CPA



Ronald C. Cottrell, CPA

Independent Auditor's Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

October 5, 2011

Board of Commissioners
City of Mangum
Mangum, Oklahoma

Compliance

We have audited the compliance of City of Mangum, Oklahoma with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Mangum's major federal programs for the year ended June 30, 2011. The City of Mangum's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Mangum's management. Our responsibility is to express an opinion on the City of Mangum's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mangum's, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Mangum's compliance with those requirements.

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, the City of Mangum did not comply with requirements regarding allowable costs that are applicable to its substance abuse program. Compliance with such requirements is necessary, in our opinion, for the City of Mangum to comply with the requirements of that program

In our opinion, except for the non-compliance described in the preceding paragraph, the City of Mangum complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

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

This report is intended solely for the information and use of the city commissioners and management of the City of Mangum, Oklahoma, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ronald C. Cottrell, CPA

City of Mangum, Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>Federal Programs</u>			
<u>U. S. Department of Health and Human Services</u>			
Pass-Through Program From:			
Oklahoma Dept of Mental Health - Block Grants for Prevention and Treatment of Substance Abuse	93.959	10070910/FY11	\$ 316,148
Temporary Assistance for Needy Families (44AB)	93.558	10070910/FY11	8,219
Total U.S. Department of Health and Human Services			<u>324,367</u>
<u>Office of Library Services</u>			
Pass-Through Program From:			
Oklahoma Department of Libraries Grants to States	45.310	FY 11	8,852
Total Office of Library Services			<u>8,852</u>
<u>U.S. Department of Homeland Security</u>			
Pass-Through Program From:			
Oklahoma Department of Emergency Management - Disaster Grants - Public Assistance	97.036	FEMA 1883-DR-OK	193,298
Total U.S. Department of Homeland Security			<u>193,298</u>
<u>U.S. Department of Transportation - Direct Program:</u>			
Airport Improvement Program	20.106	AIP-3-40-0055-004-2010	382,534
Total U.S. Department of Transportation			<u>382,534</u>
<u>U. S. Department of Justice</u>			
Direct Program:			
Bureau of Justice Assistance - Edward Byrne Memorial Justice Assistance Grant - ARRA	16.803		5,252
Total U.S. Department of Justice			<u>5,252</u>
<u>U. S. Department of Housing and Urban Development</u>			
Pass-Through Program From:			
Oklahoma Department of Commerce - Community Development Block Grant	14.228	13799 CDBG-CIP 09	25,600
Oklahoma Housing Finance Agency - HOME Investment Partnership Program	14.239		254,414
Total U.S. Department of Housing and Urban Development			<u>280,014</u>
Total Expenditures of Federal Awards			<u>\$ 1,194,317</u>

The accompanying notes are an integral part of this schedule.

City of Mangum, Oklahoma
Schedule of Expenditures of State Awards
Year Ended June 30, 2011

State Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>State Programs</u>			
<u>Oklahoma Department of Mental Health and Substance Abuse Services</u>			
State Substance Abuse (OP/Halfway Residential) (02AC)		10070910/FY11	\$ 15,979
Drug Court Residential (42AS)		10070910/FY11	123,062
Drug Court Jacson/Greer (20AA)		10070910/FY11	124,060
Drug Court Custer/Washita (20AB)		10070910/FY11	119,848
Total Oklahoma Department of Mental Health and Substance Abuse Services			<u>382,949</u>
<u>Oklahoma Department of Commerce</u>			
Pass-Through Programs From:			
South Western Oklahoma Development Authority - Rural Economic Action Plan			100,000
Total Oklahoma Department of Commerce			<u>100,000</u>
<u>Oklahoma Department of Agriculture</u>			
Rural Fire Defense Program		2010	1,394
Total Oklahoma Department of Agriculture			<u>1,394</u>
Total Expenditures of State Awards			<u>\$ 484,343</u>

The accompanying notes are an integral part of this schedule.

City of Mangum, Oklahoma
Notes to the Schedules of Expenditures of Federal Awards
Year Ended June 30, 2011

I. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Mangum, Oklahoma and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Expenditures

Expenditures represent the current year federal grant/contract portion only.

III. Noncash Awards

City of Mangum, Oklahoma expended no form of noncash assistance during the year and had no loan or loan guarantees outstanding at June 30, 2011, which are required by OMB Circular A-133 to be included in the schedule of expenditures of federal awards.

IV. Subrecipients

City of Mangum, Oklahoma provided no federal awards to subrecipients.

City of Mangum, Oklahoma
Summary Schedule of Prior Audit Findings

Financial Statement Findings

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

Federal Award Findings and Questioned Costs

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

City of Mangum, Oklahoma
Schedule of Findings and Questioned Costs
Years Ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants – Public Assistance
20.106	Airport Improvement Grant
14.239	HOME Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 300,000</u>
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Auditee qualified as low-risk auditee?	No
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Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

2011-1 – Allowable Costs

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

Criteria – OAC Title 450:18 and New Hope of Mangum’s contract with Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS), Section III, Subsection C requires outpatient claims submitted for payment be supported by appropriate clinical documentation.

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

Cause and Effect – New Hope utilized personnel who were not properly licensed or certified to provide treatment services.

Questioned Costs - \$59,541.88

Recommendation – Procedures should be established and implemented to ensure that only properly licensed and certified staff provide treatment services in accordance with OAC Title 450:18 and the Contract for Treatment Services and Other integrated Services – Fixed Rate FY11, Section III, Subsection C.

Management’s Response – The City has addressed this problem by hiring a Compliance Director who developed a corrective action plan that was implemented and approved by the Department of Mental Health and Substance Abuse Services. The Department also conducted a review to ensure compliance.