

RINGLING, OKLAHOMA

Financial Statements

Year-End June 30, 2011

RHJ

Town of Ringling, Oklahoma
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For the Fiscal Year Ended June 30, 2011

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TOWN OF RINGLING, OKLAHOMA
List of Elected and Appointed Officials
June 30, 2011

Elected Officials

Mayor
Vice Mayor
Council Member
Council Member
Council Member

Jack Grace
Terrie Blackwell
Linda Law
Jolene Mullikin
Jeremy Cunningham

Elected Officials

Town Clerk
Town Treasurer

Lucy Block
Lisha Scifres



INDEPENDENT AUDITORS' REPORT

Members of the Town Council
Town of Ringling, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Ringling, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on those 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

As discussed in Note I (B), the Town of Ringling prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions- modified cash basis of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ringling, Oklahoma, as of June 30, 2011, and the respective changes in financial positions- modified cash basis, and where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note I(B).

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As discussed in Note XII to the financial statements, the 2010 financial statements have been restated to correct a misstatement.

In accordance with *Government Auditing Standards*, we have issued our report dated February 13, 2012, on our consideration of Town of Ringling'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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ringling, Oklahoma's financial statements taken as a whole. The accompanying Introductory Section, Schedule of Funding Progress, Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget to Actual and combining nonmajor fund financial statements, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget to Actual and combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory Section and Schedule of Funding Progress has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them..

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
February 13, 2012

Town of Ringling, Oklahoma
Government-Wide Statement of Assets, Liabilities and Net Assets – Modified Cash Basis
June 30, 2011

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit
ASSETS				
Current Assets				
Cash and Cash Equivalent	\$ 165,281	\$ 174,519	\$ 339,800	\$ 5,201
Restricted Cash and Cash Equivalent	-	43,193	43,193	-
Total Current Assets	<u>165,281</u>	<u>217,712</u>	<u>382,993</u>	<u>5,201</u>
Noncurrent Assets				
Capital Assets				
Land, Land Improvements				
and Construction in Progress	34,650	44,500	79,150	6,000
Other Capital Assets, Net of Depreciation	755,351	984,337	1,739,688	11,196
Restricted Cash	-	68,753	68,753	-
Total Noncurrent Assets	<u>790,001</u>	<u>1,097,590</u>	<u>1,818,838</u>	<u>17,196</u>
Total Assets	<u>955,282</u>	<u>1,315,302</u>	<u>2,201,831</u>	<u>22,397</u>
LIABILITIES AND EQUITY				
Current Liabilities				
Employee Payroll Taxes Withheld	\$ 2,248	\$ 1,245	\$ 3,493	\$ -
Refundable Meter Deposits	-	42,593	42,593	-
Capital Lease Obligations - Current	11,668	-	11,668	-
Notes Payable - Current	-	36,782	36,782	-
Total Current Liabilities	<u>13,916</u>	<u>80,620</u>	<u>94,536</u>	<u>-</u>
Noncurrent Liabilities				
Capital Lease Obligation	35,425	-	35,425	-
Notes Payable	-	466,504	466,504	-
Total Noncurrent Liabilities	<u>35,425</u>	<u>466,504</u>	<u>501,929</u>	<u>-</u>
Total Liabilities	<u>49,341</u>	<u>547,124</u>	<u>596,465</u>	<u>-</u>
Net Assets				
Invested in Capital Assets	742,908	525,551	1,268,459	17,196
Restricted				
Street and Alley	63,665	-	63,665	-
Library	13,985	-	13,985	-
Grants	367	-	367	-
Cemetery	9,016	-	9,016	-
Unrestricted	76,000	242,627	318,627	5,201
Total Net Assets	<u>\$ 905,941</u>	<u>\$ 768,178</u>	<u>\$ 1,674,119</u>	<u>\$ 22,397</u>

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

Town of Ringling, Oklahoma
Government-Wide Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis
For the Year Ended June 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Functions/Programs	Expenses							
Primary Government								
Governmental Activities								
General Government	\$ 175,205	\$ 3,110	\$ -	\$ 198,723	\$ 26,628	\$ -	\$ 26,628	\$ -
Garbage	123,074	173,576	-	-	50,502	-	50,502	-
Highways and Streets	13,365	-	-	-	(13,365)	-	(13,365)	-
Public Safety	121,491	24,339	-	-	(97,152)	-	(97,152)	-
Culture and Recreation	65,976	7,996	7,061	-	(50,919)	-	(50,919)	-
Cemetery / Parks	10,790	12,700	-	-	1,910	-	1,910	-
Interest	975	-	-	-	(975)	-	(975)	-
Total Governmental Activities	<u>510,876</u>	<u>221,721</u>	<u>7,061</u>	<u>198,723</u>	<u>(83,371)</u>	<u>-</u>	<u>(83,371)</u>	<u>-</u>
Business-Type Activities								
Water, and Sewer	245,788	336,098	-	-	-	90,310	90,310	-
Depreciation Expense	61,508	-	-	-	-	(61,508)	(61,508)	-
Interest Expense	19,131	-	-	-	-	(19,131)	(19,131)	-
Total Business Type Activities	<u>326,427</u>	<u>336,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,671</u>	<u>9,671</u>	<u>-</u>
Total Primary Government	<u>\$ 837,303</u>	<u>\$ 557,819</u>	<u>\$ 7,061</u>	<u>\$ 198,723</u>	<u>\$ (83,371)</u>	<u>9,671</u>	<u>(73,700)</u>	<u>-</u>
Component Unit								
Ringling Economic Development Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues								
Taxes					152,366	48,760	201,126	-
Interest					657	349	1,006	-
Miscellaneous					9,673	8,285	17,958	-
Transfers					48,760	(48,760)	-	-
Total General Revenues and Transfers					<u>211,456</u>	<u>8,634</u>	<u>220,090</u>	<u>-</u>
Change in Net Assets					<u>128,085</u>	<u>18,305</u>	<u>146,390</u>	<u>-</u>
Net Assets - Beginning, as restated					<u>777,856</u>	<u>749,873</u>	<u>1,527,729</u>	<u>22,397</u>
Net Assets - Ending					<u>\$ 905,941</u>	<u>\$ 768,178</u>	<u>\$ 1,674,119</u>	<u>\$ 22,397</u>

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

Town of Ringling, Oklahoma
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis
Governmental Funds
June 30, 2011

	General Fund	Grant Fund	Other Governmental Funds	Total
Assets				
Cash	\$ 59,586	\$ 376	\$ 105,322	\$ 165,284
Due from Other Funds	202	-	-	202
Total Assets	<u>\$ 59,788</u>	<u>\$ 376</u>	<u>\$ 105,322</u>	<u>\$ 165,486</u>
Liabilities				
Employee Payroll Taxes Withheld	\$ 2,251	\$ -	\$ -	\$ 2,251
Due to Other Funds	-	-	202	202
Total Liabilities	<u>\$ 2,251</u>	<u>\$ -</u>	<u>\$ 202</u>	<u>\$ 2,453</u>
Fund Balances				
Restricted	\$ -	\$ 367	\$ 103,956	104,323
Assigned	-	9	1,164	1,173
Unassigned	57,537	-	-	57,537
Total Fund Balances	<u>\$ 57,537</u>	<u>\$ 376</u>	<u>\$ 105,120</u>	<u>\$ 163,033</u>
Total Liabilities and Fund Balances	<u>\$ 59,788</u>	<u>\$ 376</u>	<u>\$ 105,322</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.				790,001
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds				<u>(47,093)</u>
Net assets of governmental activities.				<u>\$ 905,941</u>

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

Town of Ringling, Oklahoma
Statement of Revenues, Expenditures and
Changes in Net Assets – Modified Cash Basis – Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Grant Fund	Other Governmental Funds	Total
REVENUE				
Taxes	\$ 105,077	\$ -	\$ 47,288	\$ 152,365
Charges for Services	10,759	-	937	11,696
Interest	602	9	47	658
Cemetery	11,900	-	-	11,900
License and Permits	170	-	-	170
Fines	21,369	-	-	21,369
Garbage Fees	173,576	-	-	173,576
Grants	32,370	166,353	7,061	205,784
Miscellaneous	11,699	-	980	12,679
Total Revenue	<u>367,522</u>	<u>166,362</u>	<u>56,313</u>	<u>590,197</u>
EXPENDITURES				
Current				
General Government	\$ 284,472	\$ -	17,251	301,723
Highways and Streets	-	-	-	-
Public Safety	72,455	-	-	72,455
Cemetery / Parks	9,838	-	10,531	20,369
Culture and Recreation	25,666	7,100	12,139	44,905
Capital Outlay				
General Government	13,045	-	1,562	14,607
Cemetery / Parks	-	-	-	-
Culture and Recreation	-	159,253	-	159,253
Public Health and Welfare	-	-	-	-
Public Safety	1,310	-	47,246	48,556
Debt Service				
Principal	5,228	-	-	5,228
Interest	975	-	-	975
Total Expenditures	<u>412,989</u>	<u>166,353</u>	<u>88,729</u>	<u>668,071</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(45,467)</u>	<u>9</u>	<u>(32,416)</u>	<u>(77,874)</u>
Other Financing Sources				
Capital Related Lease Debt	\$ -	-	30,000	30,000
Transfers In	48,760	-	-	48,760
Total Other Financing Sources	<u>48,760</u>	<u>-</u>	<u>30,000</u>	<u>78,760</u>
Net Change in Fund Balances	3,293	9	(2,416)	886
Fund Balances - Beginning	<u>54,244</u>	<u>367</u>	<u>107,536</u>	<u>162,147</u>
Fund Balances - Ending	<u>\$ 57,537</u>	<u>\$ 376</u>	<u>\$ 105,120</u>	<u>\$ 163,033</u>

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

Town of Ringling, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Net Assets – Modified Cash Basis – Governmental Funds
to the Statement of Revenue, Expenses and Changes in Net Assets – Modified Cash Basis
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$ 886
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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. This is the amount by which capital outlays exceeded depreciation expense in the current period.	151,971
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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. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(24,772)</u>
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Change in net assets of governmental activities.	<u><u>\$ 128,085</u></u>
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The notes to the financial statements are an integral part of this statement

Town of Ringling, Oklahoma
Statement of Assets, Liabilities, Net Assets – Modified Cash Basis – Proprietary Fund
June 30, 2011

	<u>Ringling Municipal Authority</u>
ASSETS	
Current Assets	
Cash and Cash Equivalent	\$ 174,519
Restricted Cash and Cash Equivalent	43,193
Total Current Assets	<u>\$ 217,712</u>
Noncurrent Assets	
Restricted Cash	\$ 68,753
Capital Assets	
Land	44,500
Other Capital Assets, Net of Depreciation	984,337
Total Noncurrent Assets	<u>\$ 1,097,590</u>
Total Assets	<u><u>\$ 1,315,302</u></u>
LIABILITIES AND EQUITY	
Current Liabilities	
Employee Payroll Taxes Withheld	\$ 1,245
Refundable Meter Deposits	42,593
Notes Payable - Current	36,782
Total Current Liabilities	<u>\$ 80,620</u>
Noncurrent Liabilities	
Notes Payable	<u>466,504</u>
Total Liabilities	<u>\$ 547,124</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 525,551
Restricted for Debt Service , nonspendable	68,753
Unrestricted	173,874
Total Net Assets	<u><u>\$ 768,178</u></u>

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

Town of Ringling, Oklahoma
Statement of Revenue, Expenses and Changes in Net Assets – Modified Cash Basis – Proprietary Fund
For the Year Ended June 30, 2011

	Ringling Municipal Authority
Operating Revenues:	
Water	\$ 209,599
Sewer	126,499
Miscellaneous	8,285
Total Operating Revenue	<u>344,383</u>
Operating Expenses:	
Water and Sewer	245,788
Depreciation	61,508
Total Operating Expenses	<u>307,296</u>
Operating Income (Loss)	<u>37,087</u>
Nonoperating Revenues (Expenses):	
Transfers	(48,760)
Taxes	48,760
Interest Income	349
Interest Expense	<u>(19,131)</u>
Total Nonoperating Revenues (Expenses)	<u>(18,782)</u>
Net Change in Net Assets	18,305
Total Net Assets - Beginning, as restated	749,873
Total Net Assets - Ending	<u><u>\$ 768,178</u></u>

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

Town of Ringling, Oklahoma
Statement of Cash Flows – Modified Cash Basis – Proprietary Fund
For the Year Ended June 30, 2011

	Ringling Municipal Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 345,128
Payments to Employees for Services	(115,101)
Payments to Vendors for Goods and Services	(136,047)
Net Cash Provided by Operating Activities	<u>\$ 93,980</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes collected for Noncapital Purposes	\$ 48,760
Interfund Transfers to Other Funds	(48,760)
Net Cash Used by Noncapital Financing Activities	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	\$ (2,395)
Principal Paid on Capital Debt	(38,583)
Interest Paid on Capital Debt	(19,132)
Net Cash Used by Capital Financing Activities	<u>\$ (60,110)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	\$ 349
Net Cash Provided by Investing Activities	<u>\$ 349</u>
Net Increase in Cash and Cash Equivalents	\$ 34,219
Cash and Cash Equivalents, Beginning of Year	252,246
Cash and Cash Equivalents, End of Year	<u><u>\$ 286,465</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 37,087
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	61,508
Increase in Payroll Liabilities Withheld	(5,360)
Increase in Refundable Meter Deposits	745
Total Adjustments	<u>56,893</u>
Net Cash Provided by Operating Activities	<u><u>\$ 93,980</u></u>

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

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Town of Ringling, Oklahoma, (the Town) is a charter Town operating under a Council-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the Town is the Town Council comprised of five elected members. The appointed Town Manager is the administrative head of the Town.

The accompanying financial statements present the Town of Ringling and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit

The Ringling Municipal Authority was created pursuant to a Trust indenture as authorized by Title 60 of the Oklahoma Statutes, for the use and benefit of the beneficiary, Town of Ringling, to furnish, construct, administer and finance any public works facilities or improvements for public purposes under the laws of the State of Oklahoma. The Town Council of the Town of Ringling acts as the Board of Trustees of the Ringling Municipal Authority. The rates for user charges and bond issuance authorizations are approved by the government council and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Authority is reported as an enterprise fund.

Discretely Presented Component Units

The Ringling Economic Development Authority (REDA) is a discretely presented component unit, created pursuant to Title 60, Oklahoma statutes 1984, section 176-180.3, inclusive, and the Oklahoma Trust Act. REDA is responsible for economic development in the Town. The complete financial statement can be obtained from the Town of Ringling.

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of assets, liabilities and net assets-modified cash basis and the statement of revenues, expenses and changes in net assets – modified cash basis) 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*.

The government-wide financial statements of the Town are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid are recorded as liabilities.

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

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resources measurement thus capital assets and debt is not recorded.

The Town reports the following major government funds:

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

Grant Fund - is a special revenue fund which accounts for grant funds restricted to approved uses under the grant or grants.

Nonmajor Governmental Funds are the Cemetery, Street and Alley Fund , Emergency Fund and Library Fund.

The Town reports the Ringling Municipal Authority (RMA) as a major proprietary fund. RMA accounts for the activities related to the provision of water and sewer services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations.

Proprietary funds are accounted for using the modified cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid are recorded as liabilities.

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Government-wide and fund financial statements (continued)

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 Town's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Deposits and investments

For purposes of the statement of cash flows, the Town considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents

Oklahoma Statutes authorize the Town to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposits of financial institutions located in the state of Oklahoma or fully-insured certificates of deposits of financial institutions located outside the state; savings accounts, and county, municipal or school district general obligation debt.

The Town does not have a specific policy limiting the concentration amount that may be invested with one issuer. The Town has no formal policy on managing credit risk.

Public trusts created under Oklahoma Statutes Title 60 are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

D. Interfund transactions

Interfund receivables and payables arise from interfund transactions and are recorded in the period transacted. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. Restricted assets

Certain proceeds of the Authority's note payable with the Oklahoma Water Resources Board, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of assets, liabilities and net assets- modified cash basis because they are maintained in separate bank accounts and their use is limited by applicable loan covenants. The debt service reserve account is used to report resources set aside to make up potential futures deficiencies, or to meet unexpected contingencies or to fund asset renewals and replacements. Customer utility deposits are also reported as restricted cash.

F. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$1,000 (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.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Infrastructure	25
System infrastructure	30
Vehicles	5
Machinery and equipment	10

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

G. Fund equity

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town did not have any nonspendable resources as of June 30, 2011.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has restricted resources by state law and from grants as of June 30, 2011.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town did not have any committed resources as of June 30, 2011.

Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to the clerk through the budgetary process. The Town has assigned resources of interest earnings in special revenue funds as of June 30, 2011.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

G. Fund equity (continued)

As of June 30, 2011, fund balances are composed of the following:

	General Fund	Grant Fund	NonMajor Governmental Funds	Total Governmental Funds
Restricted				
Cemetery	\$ -	\$ -	\$ 9,016	\$ 9,016
Grants	-	367		367
Street and Alley	-	-	63,665	63,665
Emergency	-	-	17,290	17,290
Library	-	-	13,985	13,985
Assigned	-	-		-
Cemetery	-	-	313	313
Grants	-	9		9
Library	-	-	851	851
Unassigned	57,537	-	-	57,537
	<u>\$ 57,537</u>	<u>\$ 376</u>	<u>\$ 105,120</u>	<u>\$ 163,033</u>

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of assets, liabilities and net assets-modified cash basis

The governmental fund balance sheet includes a reconciliation of the \$742,908 difference between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of assets, liabilities and net assets- modified cash basis.

One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.”

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of assets, liabilities and net assets-modified cash basis (continued)

Capital lease obligations outstanding	<u><u>\$(47,093)</u></u>
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Another element of that reconciliation is capital assets used in governmental activities that are not financial resources.

Capital assets, not being depreciated	\$ 34,650
Capital assets, being depreciated	957,910
Less Accumulated Depreciation	<u>(202,559)</u>
	<u><u>\$ 790,001</u></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 revenues, expenses and changes in net assets – modified cash basis.

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$127,199 difference 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 revenues, expenses, and changes in net assets- modified cash basis.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 222,416
Depreciation Expense	<u>(70,445)</u>
	<u><u>\$ 151,971</u></u>

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

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of revenues, expenses and changes in net assets – modified cash basis. (continued)

Capital lease proceeds	\$ 30,000
Capital lease principal payments	5,228
	<u>\$ 35,228</u>

III. Budgetary information

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

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

IV. Deposits

Deposit Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town follows state statutes regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2011, the bank balance was \$260,534. The Town was not exposed to custodial credit risk at June 30, 2011.

V. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

V. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Government Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 34,650	\$ -	\$ -	\$ 34,650
Total capital assets, not being depreciated	<u>34,650</u>	<u>-</u>	<u>-</u>	<u>34,650</u>
<i>Capital assets, being depreciated</i>				
Buildings	362,993	-	-	362,993
Vehicles	38,137	-	-	38,137
Infrastructure	-	170,348	-	170,348
Machinery and Equipment	344,764	52,068	10,400	386,432
Total capital assets, being depreciated	<u>745,894</u>	<u>222,416</u>	<u>10,400</u>	<u>957,910</u>
Less Accumulated Depreciation	<u>142,514</u>	<u>70,445</u>	<u>10,400</u>	<u>202,559</u>
Total capital assets, being depreciated, net	<u>603,380</u>	<u>151,971</u>	<u>-</u>	<u>755,351</u>
Governmental activities capital assets, net	<u>\$ 638,030</u>	<u>\$ 151,971</u>	<u>\$ -</u>	<u>\$ 790,001</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 44,500	\$ -	\$ -	\$ 44,500
Total capital assets, not being depreciated	<u>44,500</u>	<u>-</u>	<u>-</u>	<u>44,500</u>
<i>Capital assets, being depreciated</i>				
Buildings	33,748	-	-	33,748
Vehicles	112,712	-	-	112,712
Office Equipment	21,861	2,395	-	24,256
Fire Equipment	63,125	-	-	63,125
Infrastructure	2,313,623	-	-	2,313,623
Total capital assets, being depreciated	<u>2,545,069</u>	<u>2,395</u>	<u>-</u>	<u>2,547,464</u>
Less Accumulated Depreciation	<u>1,501,619</u>	<u>61,508</u>	<u>-</u>	<u>1,563,127</u>
Total capital assets, being depreciated, net	<u>1,043,450</u>	<u>(59,113)</u>	<u>-</u>	<u>984,337</u>
Business activities capital assets, net	<u>1,087,950</u>	<u>(59,113)</u>	<u>-</u>	<u>1,028,837</u>
Total Primary Government	<u>\$ 1,725,980</u>	<u>\$ 92,858</u>	<u>\$ -</u>	<u>\$ 1,818,838</u>

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

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

V. Capital assets (continued)

Government activities:

General Government	\$ 1,305
Public safety	44,283
Cemetery	952
Culture and Recreation	21,071
Highways and streets	<u>2,834</u>

Total depreciation expense - governmental activities	<u><u>\$ 70,445</u></u>
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Business-type activities

Water and Sewer	<u>\$ 61,508</u>
Total depreciation expense - business-type activities	<u><u>\$ 61,508</u></u>

VI. Interfund receivables, payables, and transfers

Interfund transfers:

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 48,760	
Ringling Municipal Authority		\$ 48,760

VII. Long-term liabilities

A summary of long-term liability activity for the year ended June 30, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental Activities					
Capital Lease Obligations	\$ 22,321	\$ 30,000	\$ 5,228	\$ 47,093	\$ 11,668
Business-Type Activities					
Notes Payable	<u>541,869</u>	<u>-</u>	<u>38,583</u>	<u>503,286</u>	<u>36,782</u>
	<u><u>\$ 564,190</u></u>	<u><u>\$ 30,000</u></u>	<u><u>\$ 43,811</u></u>	<u><u>\$ 550,379</u></u>	<u><u>\$ 48,450</u></u>

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

VII. Long-term liabilities (continued)

Business-type activities long-term liabilities at June 30, 2011, consisted of the following:

Type of Indebtedness(purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
<u>Business-Type Activities</u>					
Oklahoma Water Resources Board (financed costs of sewer system construction and improvements)	August, 2015	Variable , Currently 1.55%	Variable	\$ 420,000	\$ 139,200
USDA Rural Development (financed costs of sewer improvements)	July , 2035	4.50%	2,021	455,000	364,086
					\$ 503,286

As of June 30, 2011, annual debt service requirements of the business-type activities to maturity are as follows:

Year Ending June 30	Principal	Interest
2012	\$ 36,782	\$ 18,213
2013	39,401	17,386
2014	42,387	16,505
2015	45,591	15,564
2016	19,063	14,675
2017-2021	55,111	66,149
2022-2026	68,988	52,272
2027-2031	86,359	34,901
2032-2036	108,104	13,156
2037-2041	1,500	6
	\$ 503,286	\$ 248,827

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

VII. Long-term liabilities (continued)

The Oklahoma Water Resources Board Note contains the following covenants:

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

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

Governmental Activities Capital Lease Obligations

The Town has entered into lease agreements as lessee for financing the acquisition of certain equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a cancellation clause which gives the Town the ability to terminate the lease agreement at the end of each fiscal year.

The assets under capital lease are as follows;

Vehicles	\$ 62,052
less accumulated depreciation	<u>(20,271)</u>
	<u><u>\$ 41,781</u></u>

The general fund has been used to liquidate this debt.

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30 are as follows:

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

VII. Long-term liabilities (continued)

	Year Ending June 30	
	2012	\$ 12,844
	2013	12,845
	2014	12,824
	2015	6,642
	2016	6,666
Present value of future minimum lease payments		\$ 51,821
less: Interest		(4,728)
Net Minimum lease payments		\$ 47,093
Current portion		(11,668)
Long-term portion		\$ 35,425

VIII. Restricted Assets

Restricted cash as of June 30, 2011 is as follows:

Funds restricted for debt service reserves	
Oklahoma Water Resources Board	\$ 43,460
Rural Development Reserves	25,293
	<u>\$ 68,753</u>
Funds restricted for other purposes	
Meter deposits	43,193
	<u>\$ 43,193</u>

IX. Pension plans

Municipal Retirement Plan

Plan Description: The Town of Ringling participates in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund. OMRF provides retirement, disability and death benefits to plan members and their beneficiaries. OMRF is authorized to establish and amend all plan provisions. All regular full-time employees, except those covered under another retirement system are eligible after ninety (90) days. Employees are vested at 10 years.

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

IX. Pension plans (continued)

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

Funding Policy: The contribution requirements of Town of Ringling and Ringling Municipal Authority and employees are established and may be amended by the OMRF board. Rates are actuarially determined. At June 30, 2011, employees are required to contribute 2.25 percent of their annual covered salary after tax. Town of Ringling and Ringling Municipal Authority are required to contribute 6.48 percent of covered payroll.

Annual Pension Cost: For 2010-11, Town of Ringling and Ringling Municipal Authority's annual pension cost of \$12,445 was equal to the required contributions. The required contribution was determined as part of the January 1, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 percent investment rate of return, (II) projected salary increases due to inflation of 3 percent, compounded annually, and (III) projected salary increases due to age/seniority, compounded annually. Asset valuation method was actuarial method.

The funded status of the plan as of January 1, 2011, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2011	\$ 121,139	\$ 193,804	\$ 72,665	62.51%	\$ 120,668	60.22%

The schedule of funding progress presented as supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

IX. Pension plans (continued)

Trend Information:

Year Ending June 30	Contributio n Rate	City		Net Pension Obligation
		Cost (APC)	Contributed	
2011	8.73%	\$ 12,445	100%	\$ -
2010	7.15%	\$ 10,256	100%	-
2009	4.48%	2,968	100%	-

Policemen's Retirement Plan

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

The contribution rates for the Town and its employees are established by Statute. The Town is required to contribute 13% for the year ended June 30, 2011. Participating members are required to contribute 8%.

The Oklahoma State Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the System and is required by statute to make appropriations as necessary to insure benefit payments are made.

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share	On-Behalf Payments
2011	\$ 14,250	\$ 2,992	\$ 1,852	\$ 1,140	\$ 1,411

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

IX. Pension plans (continued)

Additional information can be obtained by writing Oklahoma Police Pension and Retirement Board, 1001 N.W. 63rd, Suite 305, Oklahoma City, OK 73116.

X. Contingencies

Federal Programs

The Town participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The final acceptance of the audits of these programs including the year ended June 30, 2011, has not been given. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the Town expects such amounts, if any, to be immaterial.

XI. Risk Management

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

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

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

Town of Ringling, Oklahoma
Notes to Financial Statements
June 30, 2011

XII. Correction of Error

The Town noted a difference in employee payroll taxes withheld during the current year in the amount of \$20,865 in the Ringling Municipal Authority. This difference related to a prior year and had no effect on current year change in net assets. The difference has been corrected. The following shows the effect of this correction on June 30, 2009 amounts:

	As Previously <u>Reported</u>	<u>Restatement</u>	As <u>Restated</u>
Business-type Activities			
Employee Payroll Taxes Withheld	\$ 27,470	\$ (20,865)	\$ 6,605
Net Assets	729,008	20,865	749,873
Proprietary Fund			
Ringling Municipal Authority			
Employee Payroll Taxes Withheld	27,470	(20,865)	6,605
Net Assets	729,008	20,865	749,873

Town of Ringling, Oklahoma
Oklahoma Municipal Retirement Fund
Supplemental Schedule of Funding Progress
June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2002	\$ 89,110	\$ 111,488	\$ 22,378	79.93%	\$ 186,444	12.00%
1/1/2003	86,005	106,983	20,978	80.39%	158,794	13.21%
1/1/2004	93,514	122,602	29,088	76.27%	188,961	15.39%
1/1/2005	111,740	149,716	37,976	74.63%	179,180	21.19%
1/1/2006	123,326	136,804	13,478	90.15%	125,042	10.78%
1/1/2007	124,905	137,999	13,094	90.51%	115,377	11.35%
1/1/2008	136,931	125,590	(11,341)	109.03%	122,906	(9.23%)
1/1/2009	116,626	171,759	55,133	67.90%	106,635	51.70%
1/1/2010	115,370	182,407	67,037	63.25%	150,665	44.49%
1/1/2011	121,139	193,804	72,665	62.51%	120,668	60.22%

Town of Ringling, Oklahoma
Supplemental Schedule
Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget to Actual
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUE				
Taxes	\$ 100,000	\$ 100,000	\$ 105,077	\$ 5,077
Charges for Services	5,500	5,500	10,759	5,259
Garbage Fees	173,800	173,800	173,576	(224)
Cemetery	7,900	7,900	11,900	4,000
License and Permits	100	100	170	70
Fines	8,000	8,000	20,126	12,126
Miscellaneous	4,900	6,300	11,699	5,399
Interest	900	900	602	(298)
Grants	-	35,000	32,370	(2,630)
Total Revenue	<u>\$ 301,100</u>	<u>\$ 337,500</u>	<u>\$ 366,279</u>	<u>\$ 28,779</u>
EXPENDITURES				
Current				
General Government	\$ 103,544	\$ 139,944	\$ 161,398	\$ (21,454)
Garbage	129,100	129,100	123,074	6,026
Public Safety	108,987	108,987	72,455	36,532
Culture and Recreation	29,890	29,890	25,666	4,224
Cemetery	13,721	13,721	9,838	3,883
Capital Outlay	14,355	14,355	14,355	-
Debt Service	6,203	6,203	6,203	-
Total Expenditures	<u>\$ 405,800</u>	<u>\$ 442,200</u>	<u>\$ 412,989</u>	<u>\$ 29,211</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (104,700)</u>	<u>\$ (104,700)</u>	<u>\$ (46,710)</u>	<u>\$ 57,990</u>
Other Financing Sources (Uses)				
Transfers In	\$ 50,700	\$ 50,700	\$ 48,760	\$ (1,940)
Transfers Out	(1,000)	(1,000)	-	1,000
Total Other Financing Sources (Uses)	<u>\$ 49,700</u>	<u>\$ 49,700</u>	<u>\$ 48,760</u>	<u>\$ (940)</u>
Net Change in Fund Balances	\$ (55,000)	\$ (55,000)	\$ 2,050	\$ 57,050
Fund Balance - Beginning	54,244	54,244	54,244	-
Fund Balance - Ending	<u>\$ (756)</u>	<u>\$ (756)</u>	<u>\$ 56,294</u>	<u>\$ 57,050</u>

Town of Ringling, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Net Assets – Modified Cash Basis
Nonmajor Governmental Special Revenue Funds
June 30, 2011

	<u>Cemetery</u>	<u>Street and Alley</u>	<u>Emergency Fund</u>	<u>Library</u>	<u>Total</u>
Assets					
Cash	\$ 9,329	\$ 63,867	\$ 17,290	\$ 14,836	\$ 105,322
Total Assets	<u>\$ 9,329</u>	<u>\$ 63,867</u>	<u>\$ 17,290</u>	<u>\$ 14,836</u>	<u>\$ 105,322</u>
Liabilities					
Due to Other Funds	\$ -	\$ 202	\$ -	\$ -	\$ 202
Total Liabilities	<u>-</u>	<u>202</u>	<u>-</u>	<u>-</u>	<u>202</u>
Fund Balances					
Restricted	9,016	63,665	17,290	13,985	103,956
Assigned	<u>313</u>	<u>-</u>	<u>-</u>	<u>851</u>	<u>1,164</u>
Total Fund Balances	<u>9,329</u>	<u>63,665</u>	<u>17,290</u>	<u>14,836</u>	<u>105,120</u>
Total Liabilities and Fund Balances	<u>\$ 9,329</u>	<u>\$ 63,867</u>	<u>\$ 17,290</u>	<u>\$ 14,836</u>	<u>\$ 105,322</u>

Town of Ringling, Oklahoma
Supplemental Schedule
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Nonmajor Governmental Special Revenue Funds
For the Year Ended June 30, 2011

	<u>Cemetery</u>	<u>Street and Alley</u>	<u>Emergency Fund</u>	<u>Library</u>	<u>Total</u>
REVENUE					
Charges for Services	\$ 800	\$ -	\$ -	\$ 137	\$ 937
Taxes	-	16,813	24,380	6,095	47,288
Interest	18	-	-	29	47
Miscellaneous	295	-	-	685	980
Grants	-	-	-	7,061	7,061
Total Revenue	<u>\$ 1,113</u>	<u>\$ 16,813</u>	<u>\$ 24,380</u>	<u>\$ 14,007</u>	<u>\$ 56,313</u>
EXPENDITURES					
Current					
General Government	\$ -	\$ -	\$ 17,251	\$ -	\$ 17,251
Culture and Recreation	-	-	-	12,139	12,139
Highways and Streets	-	10,531	-	-	10,531
Capital Outlay					
Highways and Streets	-	1,562	-	-	1,562
Public Safety	-	-	47,246	-	47,246
Total Expenditures	<u>\$ -</u>	<u>\$ 12,093</u>	<u>\$ 64,497</u>	<u>\$ 12,139</u>	<u>\$ 88,729</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,113</u>	<u>4,720</u>	<u>(40,117)</u>	<u>1,868</u>	<u>(32,416)</u>
Other Financing Sources					
Capital Related Debt	-	-	30,000	-	30,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Net Change in Fund Balances	\$ 1,113	\$ 4,720	\$ (10,117)	\$ 1,868	\$ (2,416)
Fund Balances - Beginning, as restated	8,216	58,945	27,407	12,968	107,536
Fund Balances - Ending	<u>\$ 9,329</u>	<u>\$ 63,665</u>	<u>\$ 17,290</u>	<u>\$ 14,836</u>	<u>\$ 105,120</u>



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*

Town Council
Town of Ringling
Ringling, Oklahoma 73446

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Ringling, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated February 13, 2012. Our report was modified because the Town prepared its financial statements on the modified cash basis. 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

In planning and performing our audit, we considered Town of Ringling's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Ringling's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ringling's internal control over financial reporting.

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

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2011-1 and 2011-3 described in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2011-2, 2011-4, and 2011-5 described in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Ringling'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2011-6.

Town of Ringling's response to findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town Council, management 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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
February 13, 2012

Town of Ringling, Oklahoma
Schedule of Findings and Responses
June 30, 2011

Financial Reporting

2011-1 Condition – Material adjustments were necessary to prepare the financial statements. In addition the Town does not have a financial reporting system in place for preparation of the financial statements and related notes.

Criteria –Effective internal control over financial reporting includes the identification of the risk of material misstatements in the financial statements. Management of the Town is responsible for designing a system to manage the risks of preparation of the financial statements. The responsibility remains with management even when the preparation is transferred to a service provider. An individual with sufficient awareness of or experience in accounting principles and disclosure requirements should be designated to oversee the preparation of the financial statements

Context – Adjustments were necessary to correct payroll taxes, debt payments, trust account activity and depreciation expense.

Effect – The trial balance provided for the year-end financial reporting did not include all final journal entries.

Cause –The internal control structure of the Town focuses primarily on daily operations. The Town does not currently have a control system in place to detect and correct misstatements in the year –end financial statements or for determining the appropriate financial statement disclosures.

Recommendation – We recommend that the Town evaluate the cost of engaging a third party with sufficient awareness of and experience in accounting principles related to municipalities to ensure that all journal entries are recorded on a timely basis and that supporting financial records agree to the general ledger system for all accounts. In addition, this person should be responsible for determining year-end financial disclosures are adequate.

Management Response – Management has currently engaged an outside certified public accountant to assist in financial questions. This consultant will assist in ensuring the year-end trial balance is complete and will review the year-end financial disclosures.

Town of Ringling, Oklahoma
Schedule of Findings and Responses
June 30, 2011

Budget

2011-2 Condition Expenditures for the general government department within the general fund were over budget.

Criteria – Budget to actual comparison statements by legal level of budgetary control should be reviewed by the Council to monitor compliance with Oklahoma Statutes in avoidance of over expenditure of appropriations.

Context – The General Government department within the general fund exceeded budget by \$21,454.

Cause – The addition of some grant expenditure in excess of grant reimbursement were not included in a supplemental budget amendment.

Recommendation – Monthly budget to actual reports need to be generated and reviewed to determine that budget amendments are filed in a timely manner.

Management Response – Management will work with the outside consultant to develop the appropriate reports to monitor this situation.

Cash Receipts

2011-3 Condition Daily utility cash receipts reports are not reconciled to the bank deposits.

Criteria – Cash receipts should be reconciled daily to receipts issued, the bank deposit and general ledger posting.

Context – Two of sixty daily receipts tested could not be reconciled to the bank deposit.

Cause – The treasurer records utility receipts based on the bank deposits rather than the daily utility receipt reports.

Recommendation – A procedure needs to be designed to account for each receipt book which would include accounting for all receipt numbers and reconciling issued receipts to amounts deposited and recorded in the general ledger.

Management Response – Management will work to develop a system to properly reconcile issued receipts to amounts deposited and recorded.

Town of Ringling, Oklahoma
Schedule of Findings and Responses
June 30, 2011

Capitalization Policy

2011-4 Condition – The Town does not have a formal asset capitalization policy or process for capturing asset additions.

Criteria – The entity should have a capitalization and useful lives and policy that is communicated to departments that request capital asset purchases. Capital asset acquisitions should be budgeted as capital outlay and tracked.

Effect – No formal control process used in acquiring and safeguarding capital assets.

Recommendation – The Town should develop an official policy and maintain documentation of asset purchases

Management Response – Management will work with outside consultant to develop a policy for capitalization and for capturing asset additions.

Utility Account Adjustments

2011-5 Condition Utility account adjustments were not authorized by someone that was not responsible for posting the receipts.

Criteria – Adequate segregation of duties should exist between those that collect accounts receivable and authorization of adjustments.

Context – Five out of twenty-five adjustments reviewed did not have evidence of authorization.

Cause – The Mayor failed to note authorization on all of the adjustments.

Recommendation – Utility account adjustments could be provided to the council each month and noted as approved as part of official Council action.

Management Response – Management will present a detail of utility account adjustments to the Council for their review and approval.

Town of Ringling, Oklahoma
Schedule of Findings and Responses
June 30, 2011

Purchases

2011-6 Condition Purchases occurred prior to proper written approval of the purchasing officer through the issuance of a purchase order. In addition, purchases were approved for payment without signed invoices or delivery tickets acknowledging receipt.

Criteria – Oklahoma Statute 62-310.1:310.9 “Unless otherwise provided by ordinance, municipalities are required to follow...Purchase orders shall have written approval of a purchasing officer prior to release.” “In addition, the individual receiving the merchandise shall acknowledge that fact by signing the invoice or delivery ticket”

Context – Twenty of twenty-five purchase orders were not issued prior to the date of purchase. Fourteen of twenty-five purchases did not have acknowledgement of individual receiving delivery.

Cause – Purchase orders have not been issued until the date the invoice is presented for payment. Delivery tickets are not always attached to the invoices.

Recommendation – The Town should develop an ordinance which allows for a purchasing policy that will meet the needs of the Town and complies with state law. Department heads could be given purchasing responsibility for their department. Requisitions could be used which are approved by the department head who then monitors against their individual department budgets. A copy of the requisition should be supplied to the purchasing agent as evidence of approval.

All delivery tickets or invoices should be signed by the individual receiving the delivery of the merchandise. If merchandise is picked up directly from a vendor, the invoice or ticket should be returned to Town Hall or other approved Town delivery sites for verification by another employee of satisfactory delivery by signing and dating the invoice or delivery ticket.

Management Response – Management will work with the outside consultant to develop a purchasing ordinance that will allow for the daily function of the Town and comply with state law.