

**MODIFIED CASH BASIS
FINANCIAL STATEMENTS AND REPORTS OF THE
CITY OF THOMAS,
CUSTER COUNTY, OKLAHOMA
JUNE 30, 2010**

**Derrel S. White, CPA
1011 Texas Avenue
Woodward, OK 73801**

CITY OF THOMAS
CUSTER COUNTY, OKLAHOMA
JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditor's Report</u>	1
<u>Fund Financial Statements</u>	
Statement of Net Assets -- Modified Cash Basis -- Governmental Funds	3
Statement of Revenues, Expenses, and Changes in Fund Net Assets -- Modified Cash Basis -- Governmental Funds	4
Statement of Net Assets -- Modified Cash Basis -- Proprietary Funds	5
Statement of Revenues, Expenses, and Changes in Fund Net Assets -- Modified Cash Basis -- Proprietary Funds	6
Statement of Cash Flows -- Modified Cash Basis -- Proprietary Funds	7
<u>Notes to the Basic Financial Statements</u>	8
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule -- Modified Cash Basis -- General Fund	30
Notes to the Budgetary Comparison Schedule	33
<u>Other Supplementary Information</u>	
Combining Statement of Net Assets -- Modified Cash Basis -- Nonmajor Governmental Funds	34
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets -- Modified Cash Basis -- Nonmajor Governmental Funds	35
Optional Individual Fund Support Schedules	36

CITY OF THOMAS
CUSTER COUNTY, OKLAHOMA
JUNE 30, 2010

TABLE OF CONTENTS

Internal Control and Compliance and Other Matters Reports

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	50
---	----

Derrel S. White, CPA

P.O. Box 842
Woodward, OK 73802
(580) 256-6830

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Thomas, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Thomas, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Thomas, Oklahoma'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 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 1, City of Thomas, Oklahoma, 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 position—modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Thomas, Oklahoma, as of June 30, 2010, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the City of Thomas, State of Oklahoma'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.

Management has elected to omit management's discussion and analysis which 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Thomas, State of Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Derrel S. White, CPA

Woodward, Oklahoma

December 12, 2011

CITY OF THOMAS, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2010

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 169,901.43	\$ 35,839.36	\$ 205,740.79
Investments	167,487.35	0.00	167,487.35
Total current assets	<u>\$ 337,388.78</u>	<u>\$ 35,839.36</u>	<u>\$ 373,228.14</u>
Noncurrent assets:			
Land	\$ -	\$ -	\$ -
Other capital assets, net of accumulated depreciation	456,967.55	39,104.06	496,071.61
Construction in progress	0.00	0.00	0.00
Total noncurrent assets	<u>\$ 456,967.55</u>	<u>\$ 39,104.06</u>	<u>\$ 496,071.61</u>
TOTAL ASSETS	<u>\$ 794,356.33</u>	<u>\$ 74,943.42</u>	<u>\$ 869,299.75</u>
LIABILITIES:			
Current liabilities:			
Warrants payable	\$ -	\$ -	\$ -
Payroll taxes payable	1,615.26	0.00	1,615.26
Total current liabilities	<u>\$ 1,615.26</u>	<u>\$ -</u>	<u>\$ 1,615.26</u>
TOTAL LIABILITIES	<u>\$ 1,615.26</u>	<u>\$ -</u>	<u>\$ 1,615.26</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 456,967.55	\$ 39,104.06	\$ 496,071.61
Unrestricted, reported in:			
General fund	335,773.52	0.00	335,773.52
Special revenue funds	0.00	35,838.21	35,838.21
Capital project funds	0.00	1.15	1.15
TOTAL NET ASSETS	<u>\$ 792,741.07</u>	<u>\$ 74,943.42</u>	<u>\$ 867,684.49</u>

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:			
Taxes:			
Sales tax	\$ 272,531.71	\$ -	\$ 272,531.71
Alcohol beverage tax	6,592.32	-	6,592.32
Cigarette tax	3,762.32	-	3,762.32
Franchise tax fees	33,086.00	-	33,086.00
Gas excise tax	-	2,282.25	2,282.25
Motor vehicle tax	-	8,834.38	8,834.38
Use tax	21,158.74	-	21,158.74
Charges for services	-	-	0.00
Fines and forfeitures	6,206.70	-	6,206.70
Licenses, permits, and fees	2,306.00	-	2,306.00
Rental income	2,001.00	-	2,001.00
Grant income	28,689.00	430,759.00	459,458.00
Investment income	3,122.57	86.07	3,210.64
Donations	1,000.00	6,200.46	7,200.46
Miscellaneous	9,446.02	-	9,446.02
Total revenues	\$ 389,912.38	\$ 448,164.16	\$ 838,076.54
Expenditures:			
Current:			
General government	\$ 128,600.60	\$ 39.52	\$ 128,640.12
Public safety and protection:			
Police	52,544.35	1,250.54	53,794.89
Fire	15,956.26	-	15,956.26
Judge fees	1,800.00	-	1,800.00
Ambulance	545.55	-	545.55
Transportation:			
Streets	-	9,489.81	9,489.81
Airport	-	-	-
Cultural, parks and recreation:			
Swimming pool	13,856.81	-	13,856.81
Parks/Beautification	1,655.94	-	1,655.94
Economic development	-	-	-
Depreciation	55,301.74	11,363.35	66,665.09
Total expenditures	\$ 270,263.25	\$ 22,143.22	\$ 292,406.47
Excess (deficiency) of revenues over expenditures	\$ 119,649.13	\$ 426,020.94	\$ 545,670.07
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(68,132.94)	(430,759.00)	(498,891.94)
Transfers in - capital assets	-	-	-
Transfers out - capital assets	-	-	-
Gain (loss) on disposition of capital assets	(18,942.24)	(2,686.94)	(21,629.18)
Total other financing sources (uses)	\$ (87,075.18)	\$ (433,445.94)	\$ (520,521.12)
Change in net assets	\$ 32,573.95	\$ (7,425.00)	\$ 25,148.95
Total net assets - beginning	760,167.12	82,368.42	842,535.54
Total net assets - ending	\$ 792,741.07	\$ 74,943.42	\$ 867,684.49

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2010

	ENTERPRISE FUND		COMPONENT UNITS	
	PUBLIC WORKS AUTHORITY	TOTAL PROPRIETARY FUNDS	ECONOMIC DEVELOPMENT AUTHORITY	THOMAS AIRPORT AUTHORITY
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 294,752.14	\$ 294,752.14	\$ 112,861.45	\$ 17,132.61
Investments	54,943.59	54,943.59	0.00	0.00
Restricted cash and cash equivalents	0.00	0.00	136,175.25	0.00
Notes receivable	0.00	0.00	3,199.46	0.00
Total current assets	\$ 349,695.73	\$ 349,695.73	\$ 252,236.16	\$ 17,132.61
Noncurrent assets:				
Restricted cash and cash equivalents	\$ 32,515.00	\$ 32,515.00	\$ -	\$ -
Land	251,848.98	251,848.98	63,393.00	0.00
Other capital assets, net of accumulated depreciation	204,580.92	204,580.92	1,994,178.81	789,192.42
Loan and bond issue costs, net of accumulated amortization	0.00	0.00	14,378.61	0.00
Notes receivable	0.00	0.00	24,227.92	0.00
Total noncurrent assets	\$ 488,944.90	\$ 488,944.90	\$ 2,096,178.34	\$ 789,192.42
TOTAL ASSETS	\$ 838,640.63	\$ 838,640.63	\$ 2,348,414.50	\$ 806,325.03
LIABILITIES:				
Current liabilities:				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Payroll taxes payable	2,599.60	2,599.60	0.00	0.00
Bonds, notes and loans payable	240,000.00	240,000.00	135,038.09	0.00
Total current liabilities	\$ 242,599.60	\$ 242,599.60	\$ 135,038.09	\$ -
Noncurrent liabilities:				
Meter deposits payable	\$ 32,515.00	\$ 32,515.00	\$ -	\$ -
Bonds, notes and loans payable	0.00	0.00	811,656.93	0.00
Total noncurrent liabilities	\$ 32,515.00	\$ 32,515.00	\$ 811,656.93	\$ -
TOTAL LIABILITIES	\$ 275,114.60	\$ 275,114.60	\$ 946,695.02	\$ -
NET ASSETS:				
Invested in capital assets, net of related debt	\$ 216,429.90	\$ 216,429.90	\$ 1,125,255.40	\$ 789,192.42
Invested in community development projects	0.00	0.00	27,427.38	0.00
Restricted	0.00	0.00	136,175.25	0.00
Unrestricted	347,096.13	347,096.13	112,861.45	17,132.61
TOTAL NET ASSETS	\$ 563,526.03	\$ 563,526.03	\$ 1,401,719.48	\$ 806,325.03

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUND		COMPONENT UNITS	
	PUBLIC WORKS AUTHORITY	TOTAL PROPRIETARY FUNDS	ECONOMIC DEVELOPMENT AUTHORITY	THOMAS AIRPORT AUTHORITY
Operating revenues:				
Charges for services:				
Water	\$ 218,198.56	\$ 218,198.56	\$ -	\$ -
Sewer	122,498.18	122,498.18	-	-
Sanitation	148,268.40	148,268.40	-	-
Late penalties	11,237.75	11,237.75	-	-
Other	41,357.06	41,357.06	-	-
Miscellaneous	785.36	785.36	345.57	-
Rental/lease income	4,572.00	4,572.00	179,259.84	3,664.30
Oil royalty	5,020.00	5,020.00	-	5,930.87
Total operating revenues	\$ 551,937.31	\$ 551,937.31	\$ 179,605.41	\$ 9,595.17
Operating expenses:				
Sanitation	\$ 108,235.87	\$ 108,235.87	\$ -	\$ -
Ambulance	39,312.00	39,312.00	-	-
Administration/General	286,984.30	286,984.30	12,303.47	1,616.03
Depreciation	22,524.72	22,524.72	124,137.72	19,378.49
Amortization	-	-	2,557.41	-
Total operating expenses	\$ 457,056.89	\$ 457,056.89	\$ 138,998.60	\$ 20,994.52
Operating Income (loss)	\$ 94,880.42	\$ 94,880.42	\$ 40,606.81	\$ (11,399.35)
Non-operating revenues (expenses):				
Investment income	\$ 1,896.33	\$ 1,896.33	\$ 3,970.57	\$ -
Sales tax income	0.00	0.00	0.00	0.00
Grant income	0.00	0.00	0.00	0.00
Contributions	-	-	-	12,356.11
Interest income (expense)	(10,880.00)	(10,880.00)	(44,606.38)	-
Economic development	-	0.00	(406.50)	0.00
Total non-operating revenues (expenses)	\$ (8,983.67)	\$ (8,983.67)	\$ (41,042.31)	\$ 12,356.11
Net income (loss) before contributions and transfers	\$ 85,896.75	\$ 85,896.75	\$ (435.50)	\$ 956.76
Capital contributions	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	68,132.94	430,759.00
Transfers out	-	-	-	-
Prior period adjustment - meter deposits payable	6,700.66	6,700.66	-	-
Change in net assets	\$ 92,597.41	\$ 92,597.41	\$ 67,697.44	\$ 431,715.76
Total net assets - beginning	470,928.62	470,928.62	1,334,022.04	374,609.27
Total net assets - ending	\$ 563,526.03	\$ 563,526.03	\$ 1,401,719.48	\$ 806,325.03

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUND		COMPONENT UNITS	
	PUBLIC WORKS AUTHORITY	TOTAL PROPRIETARY FUNDS	ECONOMIC DEVELOPMENT AUTHORITY	THOMAS AIRPORT AUTHORITY
Cash flows from operating activities:				
Receipts from customers	\$ 542,199.21	\$ 542,199.21	\$ 179,259.84	\$ -
Receipts from rental/lease activities	9,592.00	9,592.00		
Payments to suppliers	(255,736.30)	(255,736.30)	(12,303.47)	(1,616.03)
Payments to employees	(133,545.76)	(133,545.76)	-	
Payments for taxes, duties, fines, and other fees or penalties	(12,082.78)	(12,082.78)	-	
Other operating cash payments	(34,077.77)	(34,077.77)	-	
Other operating cash receipts	239.60	239.60	345.57	9,595.17
Net cash provided by (used in) operating activities	\$ 116,588.20	\$ 116,588.20	\$ 167,301.94	\$ 7,979.14
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	\$ -	\$ -	\$ 68,132.94	\$ 430,759.00
Sales tax	-	-	-	
Receipts of customer utility deposits	6,820.00	6,820.00	-	
Refunds of customer utility deposits	(6,560.00)	(6,560.00)	-	
Net cash provided by noncapital financing activities	\$ 260.00	\$ 260.00	\$ 68,132.94	\$ 430,759.00
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ (239,939.98)	\$ (239,939.98)	\$ (33,108.40)	\$ -
Construction in progress	(11,570.25)	(11,570.25)		\$ (450,786.21)
Proceeds from capital debt	240,000.00	240,000.00	-	
Grant income	-	-	-	
Contributions	-	-		12,356.11
Principal paid on capital debt	-	-	(119,610.14)	
Interest paid on capital debt	(10,880.00)	(10,880.00)	(44,606.36)	
Loans for community development	-	-	-	
Repayment of community development loans	-	-	3,391.90	
Cash outlay for economic development	-	-	(406.50)	
Net cash used in capital and related financing activities	\$ (22,390.23)	\$ (22,390.23)	\$ (194,339.52)	\$ (436,430.10)
Cash flows from investing activities:				
Interest and dividends	\$ 1,896.33	\$ 1,896.33	\$ 3,970.57	
Purchase of investments	(531.47)	(531.47)	-	
Net cash provided by investing activities	\$ 1,364.86	\$ 1,364.86	\$ 3,970.57	\$ -
Net increase in cash and cash equivalents	\$ 95,822.83	\$ 95,822.83	\$ 45,065.93	\$ 308.04
Balance - beginning of the year	231,444.31	231,444.31	203,970.77	16,824.57
Balance - end of the year	\$ 327,267.14	\$ 327,267.14	\$ 249,036.70	\$ 17,132.61
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 94,880.42	\$ 94,880.42	\$ 40,606.81	\$ (11,399.35)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	22,524.72	22,524.72	124,137.72	19,378.49
Amortization expense	-	-	2,557.41	
Change in assets and liabilities:				
Warrants payable	-	-	-	
Payroll taxes payable	(816.94)	(816.94)	-	
Net cash provided by (used in) operating activities	\$ 116,588.20	\$ 116,588.20	\$ 167,301.94	\$ 7,979.14

See accompanying notes to the financial statements.

CITY OF THOMAS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

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

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

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

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

B. Basis of Presentation – Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

D. Assets, Liabilities, and Equity

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

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

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

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

The Economic Development Authority reflects donated assets within leasehold improvements, \$28,574.00 of which represent donated land preparation costs that are not of a depreciable nature.

Generally, the organization only capitalizes assets that have an estimated life greater than one year and a cost of \$1,500 or more. Major maintenance activities, if they extend the expected useful life of the asset, are capitalized and depreciated. Capitalization decisions will be made based on the recommendation of the consulting accounting firm.

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

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

Loan and Bond Issue Costs – Loan costs are capitalized and amortized using the straight-line method over the life of the loan. At June 30, 2010, accumulated amortization of loan costs is \$18,552.24. Bond issue costs are capitalized and amortized using the straight-line method over the terms of the respective bonds. At June 30, 2010, accumulated amortization of bond issuance costs is \$8,824.40.

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

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

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

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

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

E. Revenues, Expenditures, and Expenses

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

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

F. Interfund Transactions

Interfund transactions are either loans or transfers. Loans are reported as receivables and payables, as appropriate, while interfund transactions are presented as transfers. There were no loans during fiscal year 2010. The following transfers occurred in fiscal year 2010: The General Fund transferred \$68,132.94 to the Thomas Economic Development Authority for sales tax collected; and the FAA Grant Fund transferred \$430,759.00 to the Thomas Airport Authority for grant funds received.

G. Use of Estimates

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

H. Allowance for Doubtful Accounts

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

Note 2. Deposit and Investment Risk Management

In accordance with Title 62, Section 516.3 of the Oklahoma statutes, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral which includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. All financial institutions pledging collateral to the City must have a written collateral agreement approved. The City's time, savings and demand deposits as of June 30, 2010, were not completely insured or collateralized by federal deposit insurance, direct obligations of the United States Government, or securities held by the City or by its agent in the City's name.

Time and savings deposits – The City's time and savings deposits at June 30, 2010 are categorized to give an indication of the level of risk assumed by the City at year-end. The City's time deposits consist of certificates of deposits. It should be noted that the FDIC defines savings deposits as including all interest-bearing checking accounts.

Demand deposits – The City's demand deposits consist of non-interest-bearing checking accounts at June 30, 2010 and are categorized to give an indication of the level of risk assumed by the City at year-end.

Deposit Categories of Credit Risk

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

	Category			Bank Balance or Cost
	A	B	C	
Time & savings deposits	\$ 766,361.65	\$ 128,155.19	\$ 100,739.02	\$ 995,255.86
Demand deposits	26,352.32	-	-	26,352.32
Total	\$ 792,713.97	\$ 128,155.19	\$ 100,739.02	\$ 1,021,608.18

Schedule of deposits and investments by Type - June 30, 2010 (Modified Cash Basis)

	Carrying Value	Maturity Date
Deposits:		
Demand deposits - non-interest-bearing	\$ 26,252.32	N/A
Demand deposits - interest-bearing	752,943.07	N/A
Savings deposits	19,881.85	N/A
Time deposit	30,000.00	5/05/2011
Time deposit	30,000.00	5/05/2011
Time deposit	21,261.31	8/26/2010
Time deposit	32,540.63	6/02/2011
Time deposit	53,685.41	2/17/2011
Time deposit	23,396.18	11/18/2010
Time deposit	10,054.01	8/21/2010
Time deposit	10,071.69	7/17/2010
Time deposit	11,421.71	9/28/2010
Petty cash on hand	100.00	N/A
Total	\$ 1,021,608.18	

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

Governmental Funds:	
Cash and cash equivalents	\$ 205,740.79
Investments	167,487.35
Proprietary Funds:	
Cash and cash equivalents	327,267.14
Investments	54,943.59
Component Units:	
Cash and cash equivalents	266,169.31
Investments	-
	<hr/>
Total	<u>\$1,021,608.18</u>

Note 3. Restricted Assets

The amount reported as restricted assets for the Public Works authority are composed of the amounts held for utility deposits (refunded upon termination of service or applied to final bill), of \$32,515.00.

The Economic Development Authority has cash and cash equivalents at June 30, 2010 of \$136,175.25 restricted by a bond indenture. The bond indenture agreement is with the Bank of Oklahoma (the trustee) and restricts the use of monies for the payment of principal and interest on the 1998 Series Bonds discussed in Note 7. At June 30, 2010, \$62,115.23 was on deposit with the trustee and restricted for these purposes. The bond indenture agreement also created a gross revenue account, the funds of which are on deposit with a local banking institution. All revenues derived by the Authority related to the bond indenture are deposited into this account. The indenture specifies that these monies are to be used for principal and interest payments on the Authority's bonds and other indebtedness discussed in the bond indenture, maintenance of the assets pledged under the bond indenture and certain other proper purposes. The amount on deposit at June 30, 2010 in this account is \$74,060.02.

Note 4. Capital Assets

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2010 was as follows:

	Balance at 6/30/2009	Additions (Deletions)	Balance at 6/30/2010
Governmental activities:			
General Fund:			
Other capital assets:			
Buildings	\$ 92,999.57	\$ -	\$ 92,999.57
Land Improvements	274,896.39	16,692.23	291,588.62
Machinery and Equipment	201,171.09	(3,888.34)	197,282.75
Drainage System	8,473.00	-	8,473.00
Furniture and Fixtures	12,077.78	3,253.78	15,331.56
Total other capital assets	<u>\$ 589,617.83</u>	<u>\$ 16,057.67</u>	<u>\$ 605,675.50</u>
Less accumulated depreciation for:			
Buildings	\$ 5,812.48	\$ 2,324.99	\$ 8,137.47
Land Improvements	40,242.27	10,646.36	50,888.63
Machinery and Equipment	62,106.89	19,742.13	81,849.02
Drainage System	4,201.15	423.65	4,624.80
Furniture and Fixtures	2,877.52	330.51	3,208.03
Total accumulated depreciation	<u>\$ 115,240.31</u>	<u>\$ 33,467.64</u>	<u>\$ 148,707.95</u>
Other capital assets, net	<u>\$ 474,377.52</u>	<u>\$ (17,409.97)</u>	<u>\$ 456,967.55</u>
Street and Alley Fund:			
Other capital assets:			
Machinery and Equipment	\$ 23,192.25	\$ -	\$ 23,192.25
Total other capital assets	<u>\$ 23,192.25</u>	<u>\$ -</u>	<u>\$ 23,192.25</u>
Less accumulated depreciation for:			
Machinery and Equipment	\$ 9,938.12	\$ 1,159.61	\$ 11,097.73
Total accumulated depreciation	<u>\$ 9,938.12</u>	<u>\$ 1,159.61</u>	<u>\$ 11,097.73</u>
Other capital assets, net	<u>\$ 13,254.13</u>	<u>\$ (1,159.61)</u>	<u>\$ 12,094.52</u>

	Balance at 6/30/2009	Additions (Deletions)	Balance at 6/30/2010
Police Department Fund:			
Other capital assets:			
Buildings	\$ 114.00	\$ (114.00)	\$ -
Machinery and Equipment	19,589.32	(4,300.00)	15,289.32
Furniture and Fixtures	4,464.05	-	4,464.05
Total other capital assets	<u>\$ 24,167.37</u>	<u>\$ (4,414.00)</u>	<u>\$ 19,753.37</u>
Less accumulated depreciation for:			
Buildings	\$ 24.94	\$ (24.94)	\$ -
Machinery and Equipment	8,055.58	5,845.01	13,900.59
Furniture and Fixtures	3,484.24	446.27	3,930.51
Total accumulated depreciation	<u>\$ 11,564.76</u>	<u>\$ 6,266.34</u>	<u>\$ 17,831.10</u>
Other capital assets, net	<u>\$ 12,602.61</u>	<u>\$ (10,680.34)</u>	<u>\$ 1,922.27</u>
Beautification Fund:			
Other capital assets:			
Machinery and Equipment	\$ 20,659.29		\$ 20,659.29
Total other capital assets	<u>\$ 20,659.29</u>	<u>\$ -</u>	<u>\$ 20,659.29</u>
Less accumulated depreciation for:			
Machinery and Equipment	\$ 1,567.35	\$ 910.55	\$ 2,477.90
Total accumulated depreciation	<u>\$ 1,567.35</u>	<u>\$ 910.55</u>	<u>\$ 2,477.90</u>
Other capital assets, net	<u>\$ 19,091.94</u>	<u>\$ (910.55)</u>	<u>\$ 18,181.39</u>
CENA Grant Fund:			
Other capital assets:			
Furniture and Fixtures	\$ 12,997.85	\$ -	\$ 12,997.85
Total other capital assets	<u>\$ 12,997.85</u>	<u>\$ -</u>	<u>\$ 12,997.85</u>
Less accumulated depreciation for:			
Furniture and Fixtures	\$ 4,792.18	\$ 1,299.79	\$ 6,091.97
Total accumulated depreciation	<u>\$ 4,792.18</u>	<u>\$ 1,299.79</u>	<u>\$ 6,091.97</u>
Other capital assets, net	<u>\$ 8,205.67</u>	<u>\$ (1,299.79)</u>	<u>\$ 6,905.88</u>

	<u>Balance at 6/30/2009</u>	<u>Additions (Deletions)</u>	<u>Balance at 6/30/2010</u>
Business -type activities:			
Public Works Authority:			
Capital assets not being depreciated:			
Land	\$ 11,909.00	\$ 239,939.98	\$ 251,848.98
Construction in progress: Lagoon	27,117.00	11,570.25	38,687.25
Total capital assets not being depreciated	<u>\$ 39,026.00</u>	<u>\$ 251,510.23</u>	<u>\$ 290,536.23</u>
Other capital assets:			
Machinery and Equipment	123,914.12	-	123,914.12
Water and Sewer System	607,352.48	-	607,352.48
Total other capital assets	<u>\$ 731,266.60</u>	<u>\$ -</u>	<u>\$ 731,266.60</u>
Less accumulated depreciation for:			
Machinery and Equipment	\$ 76,555.10	\$ 13,284.42	\$ 89,839.52
Water and Sewer System	466,293.11	9,240.30	475,533.41
Total accumulated depreciation	<u>\$ 542,848.21</u>	<u>\$ 22,524.72</u>	<u>\$ 565,372.93</u>
Other capital assets, net	<u>\$ 188,418.39</u>	<u>\$ 217,415.26</u>	<u>\$ 165,893.67</u>

	Balance at 6/30/2009	Additions (Deletions)	Balance at 6/30/2010
Component Units:			
Economic Development Authority:			
Capital assets not being depreciated:			
Land	\$ 63,393.00		\$ 63,393.00
Other capital assets:			
Buildings	\$ 2,141,977.45	\$ -	\$ 2,141,977.45
Drainage System	2,406.13		2,406.13
Furniture and Fixtures	50,482.18		50,482.18
Land Improvements	314,727.50	33,108.40	347,835.90
Leasehold Improvements	153,995.20		153,995.20
Machinery and Equipment	386,968.84	-	386,968.84
Water and Sewer System	61,200.21	-	61,200.21
Total other capital assets	\$ 3,111,757.51	\$ 33,108.40	\$ 3,144,865.91
Less accumulated depreciation for:			
Buildings	\$ 469,107.80	\$ 53,549.44	\$ 522,657.24
Drainage System	1,022.63	120.31	1,142.94
Furniture and Fixtures	41,135.64	5,048.22	46,183.86
Land Improvements	129,825.13	17,391.80	147,216.93
Leasehold Improvements	55,484.54	6,271.06	61,755.60
Machinery and Equipment	304,728.56	38,696.88	343,425.44
Water and Sewer System	25,245.08	3,060.01	28,305.09
Total accumulated depreciation	\$ 1,026,549.38	\$ 124,137.72	\$ 1,150,687.10
Other capital assets, net	\$ 2,085,208.13	\$ (91,029.32)	\$ 1,994,178.81

	Balance at 6/30/2009	Additions (Deletions)	Balance at 6/30/2010
Airport Authority:			
Capital assets not being depreciated:			
Construction in progress: Runway Improvements	\$ 6,000.00	\$ 450,786.21	\$ 456,786.21
Other capital assets:			
Land Improvements	\$ 342,371.72		\$ 342,371.72
Machinery and Equipment	45,198.00	-	45,198.00
Total other capital assets	\$ 387,569.72	\$ -	\$ 387,569.72
Less accumulated depreciation for:			
Land Improvements	\$ 24,297.19	\$ 17,118.59	\$ 41,415.78
Machinery and Equipment	11,487.83	2,259.90	13,747.73
Total accumulated depreciation	\$ 35,785.02	\$ 19,378.49	\$ 55,163.51
Other capital assets, net	\$ 351,784.70	\$ (19,378.49)	\$ 332,406.21

Note 5. Notes Receivable

Notes receivable consists of all outstanding loans made to third parties. The following briefly describes the notes receivable:

JDP Senior Housing Investments, LP – A loan in the amount of \$35,057.05 was made for the purpose of community development by the Economic Development Authority. Under the promissory note, the loan is to be repaid over 120 consecutive monthly payments of \$371.83 each. The note has a stated interest rate of 5%. Payments began March 2008 with the final payment being due in February 2018. The promissory note is secured by a mortgage on real estate located at 601 E. Frisco, Thomas, Oklahoma. The balance on this note as of June 30, 2010 is \$27,427.38.

Note 6. Current Liabilities

Current liabilities of the City consist of a loan payable for the Public Works Authority. Under the loan agreement dated September 16, 2009, the Authority obtained financing in the amount of \$240,000.00. The loan is a 6% interest loan with a term of eighteen months. The Authority is to remit monthly interest payments beginning October 16, 2009 with a final payment of outstanding principal plus all accrued interest on March 16, 2011. It should be noted that the loan was renewed on March 9, 2011 with a new maturity of September 16, 2012.

Note 7. Long-term Debt

Long-term debt of the City consists of bonds and notes payable for the Economic Development Authority.

The following briefly describes the bonds and notes payable for the Economic Development Authority:

Bank of Western Oklahoma – This loan was designed to be an advancing line of credit up to \$1,000,000.00 for the purpose of constructing a building. This loan was renewed at maturity on February 1, 2001, for the principal amount of \$1,000,000.00. This loan is a 9% interest loan with a term of fifteen years. The Authority is to remit monthly payments in the amount of \$10,216.65 for principal and interest. The loan is secured by a title insured first lien on a tract of land, building and site improvements, subject to appraisal title opinion, environmental assessments and survey acceptable to the bank and assignments of rents from W.W. Manufacturing, a Kansas Corporation. The balance on this loan as of June 30, 2010 is \$511,695.36.

Sales Tax Revenue Bonds, Series 1998 - \$385,000.00 of these bonds was issued on February 26, 1998. The bonds specify interest payments payable semiannually on February 1 and August 1 of each year through maturity with interest rates ranging from 4.1% to 6%. Principal payments range from \$10,000.00 to \$30,000.00 and are payable on February 1, through the year 2018. Maturity of the bonds is on February 1, 2018.

Bonds maturing through February 1, 2003, are not subject to early redemption. Bonds redeemed February 1, 2003, through January 31, 2005 may be redeemed at 102% and 101%, respectively. Thereafter, the bonds may be redeemed at par. Any early redemption of bonds must be made in multiples of \$5,000.00. The bonds maturing on February 1, 2008, and 2018, shall be subject to mandatory annual sinking fund payments ranging from \$15,000.00 to \$30,000.00. The bonds are secured with the parity first leasehold mortgage discussed above, as well as sales tax revenues received from the City (See Note 10.B) and any funds on deposit with the bond trustee or legally available for payment on the bonds.

The balance on the bonds as of June 30, 2010 is \$205,000.00.

Oklahoma Department of Commerce/Division of Community Affairs and Development (ODOC/DCAD) – Under the loan agreement dated August 24, 1999, the Authority obtained financing in the amount of \$400,000.00. The loan is a 0% interest loan with a term of twenty years. The Authority is to remit principal payments in the amount of \$1,666.67 in two hundred forty

equal monthly installments beginning in fiscal year 2002. The balance on this loan as of June 30, 2010 is \$229,999.66.

The Authority has the following non-commitment (conduit) debt outstanding at June 30, 2010.

	Original Issue	Outstanding June 30, 2010
TEDA – Thomas-Fay-Custer USD	\$5,035,000.00	\$5,035,000.00

This debt is considered non-commitment (conduit) debt, since the payments are made directly by Thomas-Fay-Custer Unified Public Schools to Bancfirst. The Bonds are generally based upon an underlying lease agreement that is the funding source for the bonds. These bonds do not constitute obligation, legal or moral, or debts, general or special of the Authority. The Authority receives administrative fees for facilitating these bonds.

As a result of the non-commitment determination, the authority's indebtedness and related receivables are not reflected in the financial statements.

The following is a summary of the long-term debt transactions of the Economic Development Authority for the year ended June 30, 2010:

	Notes and Bonds Payable
Balance, July 1, 2009	\$1,066,305.16
Additions	-
Retirements	(119,610.14)
Balance, June 30, 2010	<u>\$ 946,695.02</u>

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 136,704.76	\$ 39,861.75	\$ 176,566.51
2012	140,329.63	33,370.21	173,699.84
2013	151,517.78	25,982.06	177,499.84
2014	158,087.54	17,912.30	175,999.84
2015	141,722.52	32,777.32	174,499.84
Thereafter	218,332.79	10,800.00	229,132.79
Totals	\$ 946,695.02	\$160,703.64	\$1,107,398.66

Interest expense on general long-term debt incurred during the current year totaled \$44,606.38.

Note 8. Employee Retirement System

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

During the year ending June 30, 2010, the City was required to contribute \$60.00 per volunteer. The City contributed \$840.00 during the current year, which represents 100% of the required contribution.

The City participates in the Oklahoma Municipal Retirement Fund for their employees. Participating employees have a mandatory contribution of 5.25%. During the year ended June 30, 2010, the City had an employer funding rate of 12.89%. The City and employees made the following contributions to the plan during the current year:

City	\$25,538.68
Employees	<u>10,358.60</u>
Total Contributions	<u>\$35,897.28</u>

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

Note 9. Risk Management

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

As of June 30, 2010, the City of Thomas had the following policies in force:

Surety Bonds

The City has a public employee blanket bond with CNA Surety Company. The bond number is 1259827 for the one-year period from November 1, 2008, to November 1, 2009, and for the one-year period from November 1, 2009 to November 1, 2010. The Bond amount is \$7,500.00.

Workers Compensation Insurance and Employees' Liability Insurance

Covered by CompSource Oklahoma, policy number 00006255-10-1, for the one-year period from July 1, 2009 to July 1, 2010.

General & Auto Liability and Auto & Equipment Physical Damage Insurance

Oklahoma Municipal Assurance Group, policy number 09-513-10-0167, for the period from November 1, 2008 to November 1, 2009 and policy number 10-513-10-0167, for the period from November 1, 2009, to November 1, 2010.

Commercial Property Insurance and General Liability

Oklahoma Municipal Assurance Group, policy number 09-513-10-0167, for the period from November 1, 2008 to November 1, 2009, and policy number 10-513-10-0167, for the period from November 1, 2009, to November 1, 2010. The policy insures buildings and business personal property.

The Elder Design building is insured by Scottsdale Insurance Company, policy number 60473-67-67, for the period of May 8, 2009 to May 8, 2010 and for the period of May 8, 2010 to May 8, 2011. This policy covers the building and contents for the Elder Design building.

W-W Capital Corporation provides coverage for the personal property for the W-W building. This property is insured by Travelers Insurance Company, policy number 630-516K6446, for the period of July 1, 2009 to July 1, 2010.

J & C has coverage on the J & C building with the Farmers Insurance Group, policy number 60222-09-59, for the period of March 20, 2009 to March 20, 2010 and for the period of March 20, 2010 to March 20, 2011.

The clinic is insured by Farmers Insurance Group, policy number 604333233, for the period of February 25, 2009 to February 25, 2010 and for the period of February 25, 2010 to February 25, 2011.

Airport Property Insurance

Hangar #1 is insured by Avemco Insurance Agency, Inc, policy number 5096N956-10 effective April 28, 2009 to April 28, 2010 and April 28, 2010 to April 28, 2011.

Fire Vehicle Liability

Department of Central Services - Risk Management Division, deposit code 477101-1810-5000007-26000-55, for the policy period of September 1, 2008 to August 31, 2009, and policy number 2025-000 for the period of September 1, 2009 to August 31, 2010. The policy covers nine vehicles.

Volunteer Fire Department Accident/Disability

Nationwide Insurance Company by policy number 902037300073450001 for the period of November 2, 2008 to November 2, 2009 and November 2, 2009 to November 2, 2010.

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

Note 10. Commitments

A. Lease Commitments

The City, as lessor, entered into a lease agreement with the Economic Development Authority on February 24, 1998, in which the Authority leased real property to develop an industrial facility to be leased to a tenant. No rental payments are required under the terms of the lease. The consideration shall be the installation, construction, and operation of improvements to the leased property. At the end of the lease term, the Authority has the option to renew the lease for a like term.

On November 11, 1988, the Economic Development Authority, as lessor, entered into a lease agreement for the lease of the industrial facility referred to in the above paragraph. The original term of the lease commenced on May 1, 1998. The lease specifies rental payments of \$600.00 per month. Due to federal restrictions placed on certain governmental leases financed with tax-exempt monies, the term of the lease may not exceed thirty days; however, the lessee shall have the option to renew the lease agreement for a period of an additional thirty days at the end of each lease term. The Authority requires that the lessee maintain insurance on the leased premises in the minimum amount of \$500,000.00.

The Economic Development Authority has entered into a lease agreement with an industrial company for the lease of a facility, which the Authority constructed with funding from loans, federal grants and federal zero percent interest loans, as well as donated services of state and county governments. The lease payments are to be the amount equal to the amount required to service the debt on loans related to this project. The term of the lease commenced on the first day of the month succeeding initial occupancy of the facility, which was April 1, 2003, and shall extend for fifteen years thereafter or until all the loans related to this project have been paid.

On September 2, 2003, the Economic Development Authority, as lessor, entered into a lease agreement for the lease of real property. The lease commenced on September 1, 2003, and is for the term of ten years. The lease specifies payments of \$178.13 per month and an additional amount to be paid each month to insurance and ad valorem taxes. This lease terminated in May 2009, and upon termination the Economic Development Authority began leasing the property to a new lessee. The new lease was entered into on May 8, 2009 and commenced on May 11, 2009 for a term of two years. The lease specifies payments of \$350.00 per month.

On February 1, 2008 the Economic Development Authority, as lessor, entered into a lease agreement for the lease of a portion of the Thomas Medical Clinic to Dr. Richard Carter, lessee. The lease commenced on February 1, 2008 and is for the term of thirty-five months, terminating on December 31, 2010. The lease specifies payments of \$855.00 per month.

B. Dependency on the City

The Economic Development Authority is dependent upon funding from the City to fund its operations. The Authority received \$68,132.94 from the City during the year. The funds represent a one-percent City sales tax that is transferred from the City's General Fund. Although due to Oklahoma law the City may not obligate beyond its fiscal year, the City has agreed to consider budgeting and appropriating, on a year-to-year basis, this one-percent sales tax to the Authority. If the City were to not budget and appropriate this one-percent sales tax, the Authority may not be able to meet its debt service requirements.

Note 11. Contingencies

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

Note 12. Litigation

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

Note 13. Construction in Progress

The Airport Authority is currently involved in a construction in progress project to widen and improve the runway. As of June 30, 2010, this amount totaled \$456,786.21.

The Public Works Authority is currently involved in a construction in progress project to build a new sewer lagoon. As of June 30, 2010, this amount totaled \$38,687.25.

Note 14. Depreciation Adjustments

During this fiscal year, the City evaluated the depreciable capital assets. Several of the older assets were determined to have unreasonable useful lives, resulting in overstated net asset values. These assets were adjusted to correct asset values as of June 30, 2010. The adjustments resulted in a total increase in depreciation of \$42,292.43; comprised of a \$25,819.26 increase to the City, \$6,185.85 increase to the Special Revenue Funds, and a \$10,287.32 increase to the Thomas Public Works Authority for the current fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF THOMAS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
Beginning budgetary fund balance	\$ 285,789.60	\$ 285,789.60	\$ 285,789.60
Resources (inflows):			
Taxes:			
Sales tax	\$ 264,000.00	\$ 264,000.00	\$ 272,531.71
Alcohol beverage tax	6,600.00	6,600.00	6,592.32
Cigarette tax	4,400.00	4,400.00	3,762.32
Franchise tax fees	41,400.00	41,400.00	33,086.00
Use tax	24,000.00	24,000.00	21,158.74
Total taxes	<u>\$ 340,400.00</u>	<u>\$ 340,400.00</u>	<u>\$ 337,131.09</u>
Charges for services:			
Mowing	\$ 2,000.00	\$ 2,000.00	\$ 896.08
Total charges for services	<u>\$ 2,000.00</u>	<u>\$ 2,000.00</u>	<u>\$ 896.08</u>
Fines and forfeitures	<u>\$ 2,600.00</u>	<u>\$ 2,600.00</u>	<u>\$ 6,206.70</u>
Licenses, permits, and fees:			
Occupation license	\$ 1,600.00	\$ 1,600.00	\$ 1,361.00
Permits/fees	1,400.00	1,400.00	945.00
Total licenses, permits, and fees	<u>\$ 3,000.00</u>	<u>\$ 3,000.00</u>	<u>\$ 2,306.00</u>
Grant income:			
Hazardous mitigation	\$ 2,550.00	\$ 2,550.00	\$ 13,599.00
Fire department grant	2,550.00	2,550.00	15,100.00
REAP grant	-	-	-
FEMA	-	-	-
Total grant income	<u>\$ 5,100.00</u>	<u>\$ 5,100.00</u>	<u>\$ 28,699.00</u>
Donations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000.00</u>
Investment income	<u>\$ 2,400.00</u>	<u>\$ 2,400.00</u>	<u>\$ 3,122.57</u>

Miscellaneous:				
Airport	\$	-	\$	-
Swimming pool		4,100.00		4,100.00
Insurance proceeds		0.00		0.00
Ballpark rental		1,200.00		1,200.00
Other		1,000.00		1,000.00
Total miscellaneous	\$	6,300.00	\$	6,300.00
			\$	10,550.94
Sale of surplus property	\$	-	\$	-
Contributions from other funds	\$	-	\$	-
Amounts available for appropriation	\$	647,589.60	\$	647,589.60
			\$	677,278.98
Charges to appropriations (outflows):				
Police department:				
Personal services	\$	50,000.00	\$	50,000.00
Maintenance and operations		24,500.00		24,500.00
Capital outlay		-		-
Total police department	\$	74,500.00	\$	74,500.00
			\$	52,544.35
Fire department:				
Personal services	\$	-	\$	-
Maintenance and operations		18,000.00		18,000.00
Capital outlay		-		-
Total fire department	\$	18,000.00	\$	18,000.00
			\$	15,956.26
General government:				
Personal services	\$	90,600.00	\$	90,600.00
Maintenance and operations		51,300.00		51,100.00
Capital outlay		100,000.00		100,000.00
Total general government	\$	241,900.00	\$	241,700.00
			\$	186,262.18
Swimming Pool/Parks department:				
Personal services	\$	10,500.00	\$	10,500.00
Maintenance and operations		7,500.00		7,500.00
Capital outlay		-		-
Total parks department	\$	18,000.00	\$	18,000.00
			\$	15,514.75
Ambulance:				
Personal services	\$	-	\$	-
Maintenance and operations		500.00		700.00
Capital outlay		-		-
Total ambulance:	\$	500.00	\$	700.00
			\$	545.55

Airport:					
Personal services	\$	-	\$	-	\$ -
Maintenance and operations		0.00		0.00	0.00
Capital outlay		-		-	-
Total airport:	\$	-	\$	-	\$ -
Emergency Management:					
Personal services	\$	-	\$	-	\$ -
Maintenance and operations		500.00		500.00	0.00
Capital outlay		-		-	-
Total emergency management:	\$	500.00	\$	500.00	\$ -
Grant expense:					
Hazardous mitigation	\$	-	\$	-	\$ 2,549.43
Total grant expense	\$	-	\$	-	\$ 2,549.43
Uncategorized					
	\$	-	\$	-	\$ -
Contributions to other funds	\$	66,000.00	\$	66,000.00	\$ 68,132.94
Total charges to appropriations	\$	419,400.00	\$	419,400.00	\$ 341,505.46
Ending budgetary fund balance	\$	228,189.60	\$	228,189.60	\$ 335,773.52

CITY OF THOMAS, OKLAHOMA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2010

Note 1. The city is required by state law to prepare an annual budget. The mayor submits an annual budget to the City council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the council for review and public hearings are held to address priorities and the allocation of resources. In June, the council adopts the annual fiscal year budget. This budget is prepared in accordance with the modified cash basis of accounting, which is utilized by the General Fund. The object category level maintains budgetary control by department within the General Fund. Budgeted expenditures may not exceed total appropriations for the General Fund. All transfers of appropriations between departments and object categories require City Council approval. Supplemental appropriations that need to be added to the original appropriation also require City Council approval.

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

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF THOMAS, OKLAHOMA
 COMBINING STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	STREET AND ALLEY	POLICE DEPARTMENT	BEAUTIFICATION ACCOUNT	FAA GRANT	CENA GRANT			
ASSETS:								
Current assets:								
Cash and cash equivalents	\$ 20,816.41	\$ 828.30	\$ 14,193.50	\$ 1.00	\$ 1.00	\$ 0.15	\$ 35,839.36	
Total current assets	\$ 20,816.41	\$ 828.30	\$ 14,193.50	\$ 1.00	\$ 1.00	\$ 0.15	\$ 35,839.36	
Noncurrent assets:								
Other capital assets, net of accumulated depreciation	\$ 12,094.52	\$ 1,922.27	\$ 18,181.39	\$ -	\$ 6,905.88	\$ 39,104.06		
Construction in progress	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Total noncurrent assets	\$ 12,094.52	\$ 1,922.27	\$ 18,181.39	\$ -	\$ 6,905.88	\$ 39,104.06		
TOTAL ASSETS	\$ 32,910.93	\$ 2,750.57	\$ 32,374.89	\$ 1.00	\$ 6,906.03	\$ 74,943.42		
LIABILITIES:								
Current liabilities:								
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
NET ASSETS:								
Invested in capital assets, net of related debt	\$ 12,094.52	\$ 1,922.27	\$ 18,181.39	\$ -	\$ 6,905.88	\$ 39,104.06		
Unrestricted, reported in:								
Special revenue funds	20,816.41	828.30	14,193.50	0.00	0.00	0.15	35,838.21	
Capital project funds	0.00	0.00	0.00	1.00	0.15	1.15	1.15	
TOTAL NET ASSETS	\$ 32,910.93	\$ 2,750.57	\$ 32,374.89	\$ 1.00	\$ 6,906.03	\$ 74,943.42		

CITY OF THOMAS, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	STREET AND ALLEY	POLICE DEPARTMENT	BEAUTIFICATION ACCOUNT	FAA GRANT	CENA GRANT				
Revenues:									
Taxes:									
Gas excise tax	2,282.25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,282.25
Motor vehicle tax	8,834.38	-	-	-	-	-	-	-	8,834.38
Grant income	0.00	-	-	430,759.00	-	-	-	-	430,759.00
Investment income	29.51	-	58.56	-	-	-	-	-	88.07
Miscellaneous	-	-	-	-	-	-	-	-	-
Donations	-	2,000.00	4,200.46	-	-	-	-	-	6,200.46
Total revenues	\$ 11,146.14	\$ 2,000.00	\$ 4,259.02	\$ 430,759.00	\$ -	\$ -	\$ -	\$ -	\$ 448,164.16
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	39.52	39.52
Public safety and protection:									
Police	-	1,250.54	-	-	-	-	-	-	1,250.54
Transportation:									
Streets	9,489.81	-	-	-	-	-	-	-	9,489.81
Airport	-	-	-	-	-	-	-	-	-
Culture and recreation:									
Parks	-	-	-	-	-	-	-	-	-
Beautification	-	-	0.00	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Depreciation	1,159.61	7,993.40	910.55	-	1,299.79	-	-	-	11,353.35
Total expenditures	\$ 10,649.42	\$ 9,243.94	\$ 910.55	\$ -	\$ 1,339.31	\$ -	\$ -	\$ -	\$ 22,143.22
Excess (deficiency) of revenues over expenditures	\$ 496.72	\$ (7,243.94)	\$ 3,348.47	\$ 430,759.00	\$ (1,339.31)	\$ -	\$ -	\$ -	\$ (426,020.94)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(430,759.00)	-	-	-	-	(430,759.00)
Transfers in - capital assets	-	-	-	-	-	-	-	-	-
Transfers out - capital assets	-	-	-	-	-	-	-	-	-
Gain (loss) on disposition of capital assets	-	(2,686.94)	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ (2,686.94)	\$ -	\$ (430,759.00)	\$ -	\$ -	\$ -	\$ -	\$ (433,445.94)
Net change in fund balances	\$ 496.72	\$ (9,930.88)	\$ 3,348.47	\$ -	\$ (1,339.31)	\$ -	\$ -	\$ -	\$ (7,425.00)
Fund balances - beginning	32,414.21	12,681.45	29,026.42	1.00	8,245.34	-	-	-	82,368.42
Funds balances - ending	\$ 32,910.93	\$ 2,750.57	\$ 32,374.89	\$ 1.00	\$ 6,906.03	\$ -	\$ -	\$ -	\$ 74,943.42

CITY OF THOMAS, OKLAHOMA
GENERAL FUND - CLASSIFICATION OF REVENUE
JUNE 30, 2010

	<u>ACTUAL COLLECTIONS</u>
Local Sources:	
Sales tax	\$ 272,531.71
Alcohol beverage tax	6,592.32
Cigarette tax	3,762.32
Franchise tax fees	33,086.00
Use tax	21,158.74
Donations	0.00
Rent/Lease	2,001.00
Occupation license	1,361.00
Permits	945.00
Insurance proceeds	500.00
Oil royalty	0.00
Interest	3,122.57
Airport revenue	0.00
Swimming pool	6,510.00
Mowing	896.08
Miscellaneous	1,539.94
Fire Department:	
Donations	\$ 1,000.00
Total Fire Department	\$ 1,000.00
Police Department:	
Court Fines	\$ 5,448.70
Miscellaneous	758.00
Total Police Department	\$ 6,206.70
 Total Local Sources	 \$ 361,213.38
State Sources:	
Fire department grants	\$ 15,100.00
Hazardous mitigation grant	13,599.00
Total State Sources	\$ 28,699.00
Federal Sources:	
FEMA assistance	\$ -
Total Federal Sources	\$ -
 TOTAL REVENUE COLLECTED	 \$ 389,912.38

**CITY OF THOMAS, OKLAHOMA
GENERAL FUND - CLASSIFICATION OF EXPENDITURES
JUNE 30, 2010**

		<u>EXPENDITURES</u>
Personal Services:		
Salaries:		
General Government	\$ 30,820.00	
Police	<u>39,250.00</u>	
Total Salaries		\$ 70,070.00
Payroll taxes		5,658.42
Retirement		8,051.42
Medical and life insurance		17,551.68
Legal and professional fees		11,093.03
Trustee fees		7,700.00
Judge fees		1,800.00
Fire fighter pension		840.00
Fire fighter bonus		1,650.00
Pool Manager		<u>10,500.00</u>
Total Personal Services		<u>\$ 134,914.55</u>
Maintenance and Operation:		
Services and contracts		\$ 21,222.43
Utilities		11,975.73
Office supplies		2,608.81
Insurance		11,919.08
Economic development		0.00
Airport		0.00
Ambulance		545.55
Police department:		
Fuel	\$ 2,543.67	
Utilities	1,778.10	
Repairs and maintenance	324.95	
Services and contracts	2,697.07	
Office supplies	526.93	
Animal control	5,423.63	
Miscellaneous	<u>0.00</u>	
Total police department		13,294.35
Fire department:		
Fuel, mileage reimbursement	\$ 3,987.41	
Insurance	659.87	
Repairs, maintenance, and supplies	2,185.98	
Utilities	2,198.35	
Dues	784.00	
Telephone/Paging	2,357.39	
Training	1,118.00	
Meals	<u>175.26</u>	
Total fire department		13,466.26
Culture & recreation:		
Repairs and maintenance	\$ 3,358.81	
Utilities	<u>1,655.94</u>	
Total culture & recreation		5,014.75
Depreciation		<u>55,301.74</u>
Total Maintenance and Operations		<u>\$ 135,348.70</u>
Capital Outlay:		
Total Capital Outlay		<u>\$ -</u>
TOTAL GENERAL FUND		<u>\$ 270,263.25</u>

CITY OF THOMAS, OKLAHOMA
 STREET AND ALLEY - CLASSIFICATION OF REVENUE
 JUNE 30, 2010

	ACTUAL COLLECTIONS
Local Sources:	
Gas excise tax	\$ 2,282.25
Motor vehicle tax	8,834.38
Interest	29.51
Total Local Sources	\$ 11,146.14
State Sources:	
Grants	\$ -
Total State Sources	\$ -
Federal Sources:	
FEMA assistance	\$ -
Total Federal Sources	\$ -
TOTAL REVENUE COLLECTED	\$ 11,146.14

CITY OF THOMAS, OKLAHOMA
STREET AND ALLEY - CLASSIFICATION OF EXPENDITURES
JUNE 30, 2010

	<u>EXPENDITURES</u>
Personal Services:	
Salaries	\$ -
Payroll taxes	-
Total Personal Services	\$ -
Maintenance and Operation:	
Repairs and maintenance	\$ 2,790.93
Utilities	6,698.88
Depreciation	1,159.61
Total Maintenance and Operations	\$ 10,649.42
Capital Outlay:	
Buildings and equipment	\$ -
Total Capital Outlay	\$ -
TOTAL STREET AND ALLEY FUND	\$ 10,649.42

CITY OF THOMAS, OKLAHOMA
 POLICE DEPARTMENT FUND - CLASSIFICATION OF REVENUE
 JUNE 30, 2010

	ACTUAL COLLECTIONS
Local Sources:	
Donations	\$ 2,000.00
Total Local Sources	\$ 2,000.00
State Sources:	
Grants	\$ -
Total State Sources	\$ -
Federal Sources:	
Grants	\$ -
Total Federal Sources	\$ -
TOTAL REVENUE COLLECTED	\$ 2,000.00

CITY OF THOMAS, OKLAHOMA
POLICE DEPARTMENT FUND - CLASSIFICATION OF EXPENDITURES
JUNE 30, 2010

	<u>EXPENDITURES</u>
Personal Services:	
Salaries	\$ -
Payroll taxes	-
Total Personal Services	\$ -
Maintenance and Operation:	
Supplies	\$ 817.51
Office supplies	-
Repairs, maintenance	433.03
Labor	-
Depreciation	7,993.40
Total Maintenance and Operations	\$ 9,243.94
Capital Outlay:	
Equipment	\$ -
Total Capital Outlay	\$ -
TOTAL POLICE DEPARTMENT FUND	\$ 9,243.94

CITY OF THOMAS, OKLAHOMA
 BEAUTIFICATION ACCOUNT FUND - CLASSIFICATION OF REVENUE
 JUNE 30, 2010

	ACTUAL COLLECTIONS
Local Sources:	
Interest	\$ 58.56
Donations	4,200.46
Reimbursements	-
Total Local Sources	\$ 4,259.02
State Sources:	
Grants	\$ -
Total State Sources	\$ -
Federal Sources:	
Grants	\$ -
Total Federal Sources	\$ -
TOTAL REVENUE COLLECTED	\$ 4,259.02

CITY OF THOMAS, OKLAHOMA
 BEAUTIFICATION ACCOUNT FUND - CLASSIFICATION OF EXPENDITURES
 JUNE 30, 2010

	<u>EXPENDITURES</u>
Personal Services:	
Salaries	\$ -
Payroll taxes	-
Total Personal Services	\$ -
Maintenance and Operation:	
Supplies	\$ -
Depreciation	910.55
Total Maintenance and Operations	\$ 910.55
Capital Outlay:	
Equipment	\$ -
Total Capital Outlay	\$ -
TOTAL BEAUTIFICATION ACCOUNT FUND	\$ 910.55

CITY OF THOMAS, OKLAHOMA
 FAA GRANT FUND - CLASSIFICATION OF REVENUE
 JUNE 30, 2010

	ACTUAL COLLECTIONS
Local Sources:	
Interest	\$ -
Total Local Sources	\$ -
State Sources:	
Grants	\$ -
Total State Sources	\$ -
Federal Sources:	
FAA Airport Improvement Program Grant	\$ 430,759.00
Total Federal Sources	\$ 430,759.00
TOTAL REVENUE COLLECTED	\$ 430,759.00

CITY OF THOMAS, OKLAHOMA
 FAA GRANT FUND - CLASSIFICATION OF EXPENDITURES
 JUNE 30, 2010

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

CITY OF THOMAS, OKLAHOMA
 CENA GRANT FUND - CLASSIFICATION OF REVENUE
 JUNE 30, 2010

	ACTUAL COLLECTIONS
Local Sources:	
Interest	\$ -
Total Local Sources	\$ -
State Sources:	
Community Expansion of Nutrition Assistance '07	\$ -
Community Expansion of Nutrition Assistance '08	-
Total State Sources	\$ -
Federal Sources:	
Grants	\$ -
Total Federal Sources	\$ -
TOTAL REVENUE COLLECTED	\$ -

CITY OF THOMAS, OKLAHOMA
 CENA GRANT FUND - CLASSIFICATION OF EXPENDITURES
 JUNE 30, 2010

	<u>EXPENDITURES</u>
Personal Services:	
Administration fees	\$ -
Total Personal Services	\$ -
Maintenance and Operation:	
Repairs and maintenance	\$ -
Supplies	39.52
Food/Meals	-
Depreciation	1,299.79
Total Maintenance and Operations	\$ 1,339.31
Capital Outlay:	
Equipment	\$ -
Total Capital Outlay	\$ -
 TOTAL CENA GRANT FUND	 \$ 1,339.31

**CITY OF THOMAS, OKLAHOMA
PUBLIC WORKS AUTHORITY - CLASSIFICATION OF REVENUE
JUNE 30, 2010**

	<u>ACTUAL COLLECTIONS</u>
Local Sources:	
Water	\$ 218,198.56
Sewer	122,498.18
Garbage	148,268.40
Late penalties	11,237.75
Meter installations	683.09
Sewer taps	0.00
Interest	1,896.33
Rental	4,572.00
Insurance proceeds	0.00
Ambulance fees	40,673.97
Miscellaneous	785.36
Oil lease	<u>5,020.00</u>
Total Local Sources	<u>\$ 553,833.64</u>
State Sources:	
REAP grant	<u>\$ -</u>
Total State Sources	<u>\$ -</u>
Federal Sources:	
Grants	<u>\$ -</u>
Total Federal Sources	<u>\$ -</u>
TOTAL REVENUE COLLECTED	<u><u>\$ 553,833.64</u></u>

**CITY OF THOMAS, OKLAHOMA
PUBLIC WORKS AUTHORITY - CLASSIFICATION OF EXPENDITURES
JUNE 30, 2010**

		<u>EXPENDITURES</u>
Personal Services:		
Salaries:		
Administration	\$ 29,447.71	
Public works	<u>104,098.05</u>	
Total Salaries		\$ 133,545.76
Payroll taxes		10,850.84
Retirement		17,487.26
Employee medical and life insurance		33,984.27
Legal and professional fees		<u>2,090.00</u>
Total Personal Services		<u>\$ 197,958.13</u>
 Maintenance and Operation:		
Sanitation fees		\$ 108,235.87
Ambulance coverage		39,312.00
Service and contracts		32,735.28
Fuel and oil		4,893.87
Utilities		23,439.48
Office supplies		4,060.30
Insurance		13,768.91
Accounting/Bookkeeping		8,913.33
Property taxes		415.00
Depreciation		22,524.72
Interest		<u>10,880.00</u>
Total Maintenance and Operations		<u>\$ 269,178.76</u>
 Capital Outlay:		
Equipment		\$ 800.00
Lagoon - Construction in Progress		<u>11,570.25</u>
Total Capital Outlay		<u>\$ 12,370.25</u>
 TOTAL PUBLIC WORKS AUTHORITY		 <u><u>\$ 479,507.14</u></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 *Governmental
Auditing Standards***

Derrel S. White, CPA

P.O. Box 842
Woodward, OK 73802
(580) 256-6830

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Thomas, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Thomas, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise City of Thomas, Oklahoma's basic financial statements and have issued our report thereon dated December 12, 2011. 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 City of Thomas, Oklahoma's internal control over financial reporting as a basis for designing 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 City of Thomas, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Thomas, Oklahoma'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 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.

Our consideration of 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Thomas, Oklahoma'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 is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as Finding 2010-1.

City of Thomas, Oklahoma's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit City of Thomas, Oklahoma's response and, accordingly, we express no opinion on it.

ALG (2/11)

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

A handwritten signature in black ink, appearing to read "D. White CPA". The signature is fluid and cursive.

Derrel S. White, CPA

Woodward, OK
December 12, 2011

Statement of Findings and Responses

Finding 2010-1

Condition: The TPWA had deposits in a bank that were not insured by the Federal Deposit Insurance Corporation (FDIC) or secured with proper collateral which is in violation of 62 O.S. § 516.3.

Effect: Public funds are at risk of being lost in the instance of bank failure.

Status: As of June 2, 2011 the collateral used to secure the excess deposits not insured by the FDIC was increased and the TPWA was in compliance.

Recommendation: We recommend that management implement a control to make sure that all funds in excess of FDIC limits are fully collateralized at all times.

Management Response: Management is aware of the risk of having uninsured and uncollateralized funds and will take the appropriate steps to make sure this does not occur again in the future.