

City of Tishomingo, Oklahoma  
Annual Financial Report

For the Fiscal Year Ended  
June 30, 2011

**City of Tishomingo, Oklahoma**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2011**  
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***INTRODUCTORY SECTION***

**City of Tishomingo, Oklahoma**  
**List of Elected and Appointed Officials**  
**June 30, 2011**

*Elected Officials*

Mayor	Lewis Parkhill
Vice Mayor	Jimmy Sweat
Council Member	Joyce Medina
Council Member	Rhonda Brown
Council Member	Rex Morrell
City Clerk / Treasurer	Sherry Upton

*Appointed Officials*

City Manager	Jack Yates
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***FINANCIAL SECTION***

## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Tishomingo, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tishomingo, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 the 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.C., the City of Tishomingo, 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, each major fund, and the aggregate remaining fund information of the City of Tishomingo, Oklahoma, as of June 30, 2011, and the respective changes in financial position—modified cash basis, and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, on our consideration of the City'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 an opinion on the basic financial statements as a whole. The introductory section and other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 any assurance on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tishomingo's financial statements as a whole. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was 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 on the basis of accounting described in Note 1.C.

*Angel, Johnston & Blessingame, P.C.*

Chickasha, Oklahoma  
March 14, 2012

**City of Tishomingo, Oklahoma**  
**Statement of Net Assets – Modified Cash Basis**  
**June 30, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalent	\$ 395,940	\$ 270,648	\$ 666,588
Restricted Cash and Cash Equivalent	-	156,075	156,075
Interfund Balances	(8,493)	8,493	-
<b>Total Current Assets</b>	<b>387,447</b>	<b>435,216</b>	<b>822,663</b>
<b>Noncurrent Assets</b>			
Land	203,000	6,750	209,750
Building	1,222,268	133,600	1,355,868
Equipment	582,619	329,458	912,077
Vehicles	523,085	42,340	565,425
Computers and Electronics	36,433	47,764	84,197
Land Improvements	1,376,584	3,356	1,379,940
Water System	-	10,367,680	10,367,680
Sewer System and Plant	-	7,531,526	7,531,526
Infrastructure	1,084,335	-	1,084,335
Construction in Progress	-	30,092	30,092
Accumulated Depreciation	(2,970,677)	(15,210,187)	(18,180,864)
<b>Total Noncurrent Assets</b>	<b>2,057,647</b>	<b>3,282,379</b>	<b>5,340,026</b>
<b>Other Assets</b>			
Debt Issue Costs	-	36,320	36,320
<b>Total Assets</b>	<b>2,445,094</b>	<b>3,753,915</b>	<b>6,199,009</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Refundable Meter Deposits	-	90,699	90,699
Capital Leases, Current Portion	22,473	338	22,811
Notes Payable, Current Portion	-	464,664	464,664
<b>Total Liabilities</b>	<b>22,473</b>	<b>555,701</b>	<b>578,174</b>
<b>Noncurrent Liabilities</b>			
Capital Leases / Notes Payable	27,808	1,888,399	1,916,207
<b>Total Liabilities</b>	<b>50,281</b>	<b>2,444,100</b>	<b>2,494,381</b>
<b>Net Assets</b>			
Invested in Capital Assets	2,007,366	928,978	2,936,344
Restricted for Debt Service	-	62,476	62,476
Restricted for Other Purposes	214,264	-	214,264
Unrestricted	173,183	318,361	491,544
<b>Total Net Assets</b>	<b>\$ 2,394,813</b>	<b>\$ 1,309,815</b>	<b>\$ 3,704,628</b>

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

**City of Tishomingo, Oklahoma**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended June 30, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary Government							
Governmental Activities							
General Government	\$ 288,193	\$ 34,373	\$ -	\$ -	\$ (253,820)	\$ -	\$ (253,820)
Public Safety	854,619	142,915	13,725	21,959	(676,020)	-	(676,020)
Streets	205,800	-	-	198,068	(7,732)	-	(7,732)
Culture and Recreation	25,346	-	1,300	229,677	205,631	-	205,631
Cemetery and Parks	100,045	-	-	-	(100,045)	-	(100,045)
Water and Sewer	-	-	-	247,417	247,417	-	247,417
Total Governmental Activities	<u>1,474,003</u>	<u>177,288</u>	<u>15,025</u>	<u>697,121</u>	<u>(584,569)</u>	<u>-</u>	<u>(584,569)</u>
Business-Type Activities							
Garbage	245,508	305,063	-	-	-	59,555	59,555
Sewer	412,139	275,069	-	-	-	(137,070)	(137,070)
Water	393,339	541,238	-	-	-	147,899	147,899
Administrative	<u>140,827</u>	<u>32,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,735)</u>	<u>(108,735)</u>
Total Business Type Activities	<u>1,191,813</u>	<u>1,153,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,351)</u>	<u>(38,351)</u>
Total Primary Government	<u>\$ 2,665,816</u>	<u>\$ 1,330,750</u>	<u>\$ 15,025</u>	<u>\$ 697,121</u>	<u>(584,569)</u>	<u>(38,351)</u>	<u>(622,920)</u>
General Revenues							
Taxes					1,143,156	-	1,143,156
Interest					503	277	780
Miscellaneous					52,918	-	52,918
Transfers					(3,959)	3,959	-
Total General Revenues and Transfers					<u>1,192,618</u>	<u>4,236</u>	<u>1,196,854</u>
Change in Net Assets					608,049	(34,115)	573,934
Contributed Capital					(279,802)	279,802	-
Net Assets - Beginning					<u>2,066,566</u>	<u>1,064,128</u>	<u>3,130,694</u>
Net Assets - Ending					<u>\$ 2,394,813</u>	<u>\$ 1,309,815</u>	<u>\$ 3,704,628</u>

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

**City of Tishomingo, Oklahoma**  
**Balance Sheet – Governmental Funds – Modified Cash Basis**  
**June 30, 2011**

	General	Grant	Sales Tax Water	ODOT Enhancement	Other Governmental	Total
<b>Assets</b>						
Cash and Cash Equivalent	\$ 182,006	\$ 121,852	\$ 37,575	\$ 100	\$ 54,407	\$ 395,940
Total Assets	\$ 182,006	\$ 121,852	\$ 37,575	\$ 100	\$ 54,407	\$ 395,940
<b>Liabilities</b>						
Due To Other Funds	\$ 2,904	\$ -	\$ -	\$ -	\$ 5,589	\$ 8,493
Total Liabilities	2,904	-	-	-	5,589	8,493
<b>Fund Balances</b>						
Restricted	1,849	121,852	37,575	-	52,988	214,264
Committed	-	-	-	-	240	240
Assigned	91,143	-	-	100	-	91,243
Unassigned	86,110	-	-	-	(4,410)	81,700
Total Fund Balances	179,102	121,852	37,575	100	48,818	387,447
<b>Total Liabilities and Fund Balances</b>	<b>\$ 182,006</b>	<b>\$ 121,852</b>	<b>\$ 37,575</b>	<b>\$ 100</b>	<b>\$ 54,407</b>	

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.	2,057,647
in the funds.	(50,281)
Net assets of governmental activities.	<b>\$ 2,394,813</b>

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

**City of Tishomingo, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds – Modified Cash Basis**  
**For the Year Ended June 30, 2011**

	General	Grant	Sales Tax Water	ODOT Enhancement	Other Governmental	Total
<b>REVENUE</b>						
Taxes	\$ 858,203	\$ -	\$ 213,714	\$ -	\$ 71,239	\$ 1,143,156
Intergovernmental	537	554,587	-	153,212	3,810	712,146
License & Permits	7,695	-	-	-	-	7,695
Charges for Service	13,832	-	-	-	-	13,832
Fines & Forfeitures	142,915	-	-	-	-	142,915
Rent	12,846	-	-	-	-	12,846
Miscellaneous	52,026	1	1	-	890	52,918
Interest	132	-	31	-	340	503
Total Revenue	<u>1,088,186</u>	<u>554,588</u>	<u>213,746</u>	<u>153,212</u>	<u>76,279</u>	<u>2,086,011</u>
<b>EXPENDITURES</b>						
Current						
General Government	179,372	26	89,379	-	200	268,977
Public Safety	716,306	31,300	-	-	680	748,286
Streets	71,776	2,946	-	-	3,674	78,396
Culture and Recreation	18,106	1,940	-	-	-	20,046
Cemetery and Parks	78,804	1,020	-	-	-	79,824
Capital Outlay						
General Government	2,687	106,528	-	-	-	109,215
Public Safety	70,454	8,203	-	-	-	78,657
Streets	39,777	31,046	-	268,527	10,629	349,979
Cemetery and Parks	1,996	-	-	-	-	1,996
Water / Sewer	13,515	247,416	65,566	-	-	326,497
Debt Service	<u>17,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,053</u>	<u>28,756</u>
Total Expenditures	<u>1,210,496</u>	<u>430,425</u>	<u>154,945</u>	<u>268,527</u>	<u>26,236</u>	<u>2,090,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,310)	124,163	58,801	(115,315)	50,043	(4,618)
Other Financing Sources						
Capital Lease Financing	48,867	-	-	-	-	48,867
Transfers In	87,356	8,461	112	59,746	-	155,675
Transfers Out	<u>(16,585)</u>	<u>(45,436)</u>	<u>(79,837)</u>	<u>-</u>	<u>(17,776)</u>	<u>(159,634)</u>
Total Other Financing Sources	119,638	(36,975)	(79,725)	59,746	(17,776)	44,908
Net Change in Fund Balances	(2,672)	87,188	(20,924)	(55,569)	32,267	40,290
Fund Balances - Beginning	<u>181,774</u>	<u>34,664</u>	<u>58,499</u>	<u>55,669</u>	<u>16,551</u>	<u>347,157</u>
Fund Balances - Ending	<u>\$ 179,102</u>	<u>\$ 121,852</u>	<u>\$ 37,575</u>	<u>\$ 100</u>	<u>\$ 48,818</u>	<u>\$ 387,447</u>

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

**City of Tishomingo, Oklahoma**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds – Modified Cash Basis to the Statement of Activities**  
**For the Year Ended June 30, 2011**

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

Net change in assets - total governmental funds \$ 40,290

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs 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. 589,326

The issuance of long-term debt (e.g., 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. This amount is the net effect of these differences in the treatment of long-term debt and related items. (21,567)

Change in net assets of governmental activities. \$ 608,049

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

**City of Tishomingo, Oklahoma**  
**Statement of Net Assets – Proprietary Funds – Modified Cash Basis**  
**June 30, 2011**

	Tishomingo Municipal Authority
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalent	\$ 270,648
Restricted Cash and Cash Equivalent	156,075
Due from Other Funds	8,493
Total Current Assets	435,216
Noncurrent Assets	
Land	6,750
Construction in Progress	30,092
Buildings	133,600
Vehicles	42,340
Computers and Electronics	47,764
Land Improvements	3,356
Water System	10,367,680
Sewer System	7,531,526
Equipment	329,458
Accumulated Depreciation	(15,210,187)
Total Noncurrent Assets	3,282,379
Other Assets	
Debt Issue Costs	36,320
Total Assets	3,753,915
<b>LIABILITIES</b>	
Current Liabilities	
Refundable Meter Deposits	90,699
Capital Leases, Current	338
Notes Payable, Current	464,664
Total Current Liabilities	555,701
Noncurrent Liabilities	
Capital Leases / Notes Payable	1,888,399
Total Noncurrent Liabilities	1,888,399
Total Liabilities	2,444,100
<b>NET ASSETS</b>	
Invested in Capital Assets	928,978
Restricted for Debt Service	62,476
Unrestricted	318,361
Total Net Assets	\$ 1,309,815

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

**City of Tishomingo, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds – Modified Cash Basis**  
**For the Year Ended June 30, 2011**

	<u>Tishomingo Municipal Authority</u>
Operating Revenues:	
Garbage	\$ 305,063
Sewer	275,069
Water	541,238
Administrative	<u>32,092</u>
Total Operating Revenue	1,153,462
 Operating Expenses:	
Garbage	245,508
Sewer	180,316
Water	285,048
Administrative	140,827
Depreciation	<u>263,075</u>
Total Operating Expenses	<u>1,114,774</u>
 Operating Income (Loss)	 38,688
 Nonoperating Revenues (Expenses):	
Interest Revenue	277
Interest Expense	<u>(77,039)</u>
Total Nonoperating Revenues (Expenses)	<u>(76,762)</u>
 Income (Loss) before Transfers	 (38,074)
 Other Financing Sources (Uses):	
Contributed Capital	279,802
Transfers In	107,601
Transfers Out	<u>(103,642)</u>
Total Other Financing Sources	<u>283,761</u>
 Net Change in Net Assets	 245,687
 Total Net Assets - Beginning	 <u>1,064,128</u>
Total Net Assets - Ending	<u><u>\$ 1,309,815</u></u>

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

**City of Tishomingo, Oklahoma**  
**Statement of Cash Flows – Proprietary Funds – Modified Cash Basis**  
**For the Year Ended June 30, 2011**

*CASH FLOWS FROM OPERATING ACTIVITIES*

Operating Revenues Received	\$ 1,153,462
Vendors and Others Paid	<u>(847,046)</u>
Net Cash Provided by Operating Activities	<u>306,416</u>

*CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES*

Transfers, Net	<u>3,959</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,959</u>

*CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES*

Payment of Debt	(150,980)
Purchase of Property, Plant and Equipment	<u>(68,429)</u>
Net Cash Used by Capital Financing Activities	<u>(219,409)</u>

*CASH FLOWS FROM INVESTING ACTIVITIES*

Interest Expense	(77,039)
Interest Income	<u>277</u>
Net Cash Used by Investing Activities	<u>(76,762)</u>

Net Increase in Cash and Cash Equivalents	14,204
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Cash and Cash Equivalents, July 1, 2010	<u>412,519</u>
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Cash and Cash Equivalents, June 30, 2011	<u><u>\$ 426,723</u></u>
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**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities**

Operating Income	<u>\$ 38,688</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization	263,075
Increase in Due from Other Funds	-
Increase in Meter Deposits	<u>4,653</u>
	<u>267,728</u>
Net Cash Provided by Operating Activities	<u><u>\$ 306,416</u></u>

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

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

The City of Tishomingo is a charter city created under Title 11 of the Oklahoma Statutes. The governing body of the City is the City Council comprised of five elected members. The City Clerk/Treasurer is also elected. The appointed City Manager is the executive officer of the City.

For financial reporting purposes the financial statements included all funds and account groups over which the City Council exercises oversight responsibility. The criteria used to determine whether or not to include other entities in the financial statements were (1) the selection of governing authority, (2) designation of management, (3) ability to significantly influence operations, and (4) accountability for fiscal matters. Based on this criteria, the Tishomingo Municipal Authority is included.

The Tishomingo Municipal Authority is a Title 60.O.S. public trust created May 12, 1986, and activated during the 1993-94 fiscal year to finance the water improvement facilities. The current City Council serves as the governing body. The Tishomingo Municipal Authority is a blended component unit.

**B. Government-wide and Fund Financial Statements**

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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*.

**City of Tishomingo, Oklahoma**  
**Notes to the 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 the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level. The proprietary fund also uses the economic resources measurement focus.

The statement of net assets and activities and the fund financial statements are reported on a modified basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- Capital assets and the depreciation of those assets, where applicable
- Debt issue cost and the amortization of those costs, where applicable
- Long-term debt
- Cash-based interfund receivables and payables
- Other cash-based receivable and payables

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued***

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued**

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The government 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* – accounts for grant revenues received and their related expenditures.

*Water Sales Tax Fund* – accounts for voter designated sales tax to be used for capital expenditures and debt service in the Tishomingo Municipal Authority.

*ODOT Enhancement Fund* – accounts for grant revenues received through the ODOT program and the expenditure of those revenues.

The government reports the Tishomingo Municipal Authority as a major proprietary fund. It accounts for activities related to operating the water, wastewater and sanitation systems.

The government reports the following nonmajor governmental funds:

*Special Revenue Funds*

- Cemetery Care
- Emergency
- Trails Project
- Sales Tax Street
- Uniform Building Code
- Downtown Sidewalk

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued**

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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City'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.

**D. Assets, Liabilities and Net Assets or Equity**

*Deposits and Investments*

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

The City does not have a written investment policy that limits its investment choices other than the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trust bonds whose beneficiary is a county, municipality or school district, except industrial development bonds; direct obligations of the United States; and certificates of deposit. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**D. Assets, Liabilities and Net Assets or Equity – continued**

*Deposits and Investments - continued*

Investments for the government, as well as for its component units, are reported at cost, which approximates fair value.

*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 government as assets with an initial individual cost of more than \$500 (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.

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, is depreciated using the straight line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings	50
Infrastructure	30
Vehicles	5
Computer Equipment	5
Machinery and Equipment	10

*Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued***

**D. Assets, Liabilities and Net Assets or Equity – continued**

*Fund Equity*

Government-wide Statements

Equity is classified as net assets and displayed in three components:

1. *Invested in capital assets* – consists of capital assets net of accumulated depreciation.
2. *Restricted net assets* – consists of net assets with constraints on the use either by (1) external groups or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

Fund Statements

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 City is bound to honor constraints on 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.
- *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.
- *Committed*: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action 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 (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.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued***

**D. Assets, Liabilities and Net Assets or Equity – continued**

*Fund Equity - continued*

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned interest earnings to the funds where earned for the purposes defined by the fund.
  
- 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.

The City would typically use Restricted fund balances first, followed by Committed resources, and then 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.

*Estimates*

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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 Net Assets**

The governmental fund balance sheet includes a reconciliation of the \$2,007,336 difference between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets.

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

Capital Leases	\$ <u>50,281</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	
	\$ <u><u>(50,281)</u></u>

Another element of that reconciliation is capital assets used in governmental activities that are not financial resources.

Land	\$ 203,000
Building	1,222,268
Equipment	582,619
Vehicles	523,085
Computers and Electronics	36,433
Land Improvements	1,376,584
Infrastructure	1,084,335
	5,028,324
Accumulated Depreciation	<u>(2,970,677)</u>
Capital Assets, Net	<u><u>\$ 2,057,647</u></u>

**City of Tishomingo, Oklahoma**  
**Notes to the 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 Activities**

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$567,759 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 activities.

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

Capital Outlay	573,027
Capital Assets Transferred to Enterprise Fund	293,317
Depreciation Expense	<u>(277,018)</u>
Net adjustment to increase net change in <i>fund balance - total governmental funds</i> to arrive at changes in <i>net assets -</i> <i>governmental activities</i>	<u>\$ 589,326</u>

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

Capital Lease Principal Payments	\$ 27,300
Capital Lease Proceeds	(35,352)
Capital Lease Proceeds Transferred to Enterprise Fund	<u>(13,515)</u>
Net adjustment to increase net change in <i>fund balance - total governmental funds</i> to arrive at changes in <i>net assets -</i> <i>governmental activities</i>	<u>\$ (21,567)</u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**II. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* required collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2011, the City's bank balances of \$851,760 were not exposed to custodial credit risk.

*Investment Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trust. The City's investments at June 30, 2011 consisted of \$62,476 in Cavanal Hill U.S. Treasury money market mutual funds with a Moody's credit rating of Aaa.

*Concentration of Credit Risk*

The City places no limit on the amount it may invest in any one issuer.

*Restricted Cash*

Restricted cash in the TMA at June 30, 2011 consists of the Debt Service Fund in the amount of \$62,476, refundable meter deposits of \$93,599.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III.DETAILED NOTES ON ALL FUNDS - continued**

**A. Capital Assets**

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

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 203,000	\$ -	\$ -	\$ 203,000
Construction in Progress	221,309	-	221,309	-
Total Capital Assets, not being depreciated	<u>424,309</u>	<u>-</u>	<u>221,309</u>	<u>203,000</u>
Capital Assets, being depreciated:				
Building	1,176,940	45,328	-	1,222,268
Equipment	518,641	63,978	-	582,619
Vehicles	473,553	49,532	-	523,085
Computers and Electronics	36,433	-	-	36,433
Land Improvements	1,270,056	106,528	-	1,376,584
Infrastructure	555,365	528,970	-	1,084,335
Total Capital Assets, being depreciated	4,030,988	794,336	-	4,825,324
Less Accumulated Depreciation	<u>2,693,659</u>	<u>277,018</u>	<u>-</u>	<u>2,970,677</u>
Total Capital Assets, being depreciated, net	<u>1,337,329</u>	<u>517,318</u>	<u>-</u>	<u>1,854,647</u>
Governmental Activities Capital Assets, net	<u>\$ 1,761,638</u>	<u>\$ 517,318</u>	<u>\$ 221,309</u>	<u>\$ 2,057,647</u>
<b>Business Type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ -	\$ 6,750	\$ -	\$ 6,750
Construction in Progress	373,467	30,092	373,467	30,092
Total Capital Assets, not being depreciated	<u>373,467</u>	<u>36,842</u>	<u>373,467</u>	<u>36,842</u>
Capital Assets, being depreciated:				
Building	130,200	3,400	-	133,600
Equipment	300,628	28,830	-	329,458
Vehicles	19,850	22,490	-	42,340
Computers and Electronics	47,764	-	-	47,764
Land Improvements	-	3,356	-	3,356
Water System	10,361,783	5,897	-	10,367,680
Sewer Plant	6,910,643	620,883	-	7,531,526
Total Capital Assets, being depreciated	17,770,868	684,856	-	18,455,724
Less Accumulated Depreciation	<u>14,951,581</u>	<u>258,606</u>	<u>-</u>	<u>15,210,187</u>
Total Capital Assets, being depreciated, net	<u>2,819,287</u>	<u>426,250</u>	<u>-</u>	<u>3,245,537</u>
Business Type Activities Capital Assets, net	<u>\$ 3,192,754</u>	<u>\$ 463,092</u>	<u>\$ 373,467</u>	<u>\$ 3,282,379</u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**B. Capital Assets - continued**

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

*Governmental Activities:*

General Government	\$	26,351
Public Safety		99,105
Streets		126,721
Culture and Recreation		4,620
Cemetery and Parks		20,221
Total Depreciation Expense - Governmental Activities		277,018

*Business Type Activities:*

Water	\$	94,046
Sewer		164,560
Total Depreciation Expense - Business Type Activities		258,606

**C. Interfund Receivables, Payables and Transfers**

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

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>	<i>Purpose</i>
General Fund	Street and Alley Fund	\$ 2,498	Deposit Error
Sales Tax Street	General Fund	2,905	Deposit Error
Tishomingo Municipal Authority	Downtown Sidewalk	8,494	Deposit in Transit

*Interfund Transfers*

**Transfers Out:**

<i>Transfers In:</i>	<i>General</i>	<i>Enterprise</i>	<i>Other Governmental</i>	<i>Total</i>
General Fund	\$ -	\$ 66,858	\$ 20,498	\$ 87,356
Other Governmental	16,069	25,630	26,620	68,319
Enterprise	516	11,154	95,931	107,601
	\$ 16,585	\$ 103,642	\$ 143,049	\$ 263,276

Reason / Purpose – all transfers are operating transfers.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt**

*Oklahoma Water Resources Board Note Payable*

During 1997-1998 the Tishomingo Municipal Authority refinanced the Utility Revenue Note Payable to Bank of Southern Oklahoma with the Series 1996 Promissory Note to Oklahoma Water Resources Board dated September 30, 1997. The interest rate is variable as set periodically by the Water Resources Board (subject to optional conversion to a fixed term rate). The current rate of interest is 1.550% with monthly payments of \$3,545. These monthly payments are made to Bank of Oklahoma, N.A., the trustee, who then pays the Oklahoma Water Resources Board on a 6 month basis.

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2012	\$ 44,850	\$ 2,216
2013	48,550	1,500
2014	52,450	726
2015	<u>13,650</u>	<u>53</u>
Total	<u>\$ 159,500</u>	<u>\$ 4,495</u>

Provisions of the Note which are pertinent to the financial statements are as follows:

*Pledged Revenues* - Net water and sewer revenues generated from the 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 Tishomingo 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 Debt Service Reserve was fully funded at June 30, 2011, with a balance of \$54,889. The revenues are pledged as collateral for the note.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt - continued**

*Small Community Drinking Water State Revolving Fund Note Payable*

During 1998-1999 the Tishomingo Municipal Authority entered into a second Utility Revenue note payable to Oklahoma Water Resources Board for \$1,353,727. Proceeds from the note provided financing for improvements to the sanitary sewer system. The interest rate is fixed at 2.74% plus an administration rate of 0.5%. The Tishomingo Municipal Authority, began in September 2000 depositing approximately \$10,933 per month into the TMA Capital Improvement account to be used to pay the semi-annual payments when due. The effective interest rate at June 30, 2011 is 2.74%. Principal maturities for the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Admin Fees</i>
2012	\$ 69,766	\$ 19,532	\$ 3,564
2013	72,138	17,526	3,198
2014	74,528	15,506	2,830
2015	76,996	13,418	2,449
2016	79,511	11,291	2,060
2017-2021	<u>345,407</u>	<u>22,025</u>	<u>4,019</u>
Total	<u>\$ 718,346</u>	<u>\$ 99,298</u>	<u>\$ 18,120</u>

Provisions of the Note which are pertinent to the financial statements are as follows:

*Pledged Revenues* - Net water and sewer revenues generated from the operation of the System 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 Tishomingo Municipal Authority at all times will maintain schedules of rates and charges for service of the System 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 derived from the System are pledged as collateral for the note.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt - continued**

*Oklahoma Water Resources Board Note Payable*

During 2006-2007 the Tishomingo Municipal Authority entered into the TMA Series 2006 CWSRF note payable with the Oklahoma Water Resources Board dated September 30, 2006, for sewer system improvements. The total principal available on the loan is \$1,115,000. The interest rate is variable as set periodically by the Water Resources Board (subject to optional conversion to a fixed term rate). Total principal drawn down at June 30, 2011 was \$1,114,335 and the current rate of interest is 2.60%. Principal and interest maturities are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Admin Fees</i>
2012	\$ 46,076	\$ 24,613	\$ 4,733
2013	47,615	23,322	4,485
2014	49,123	22,057	4,242
2015	50,679	20,752	3,991
2016	52,222	19,458	3,742
2017-2021	287,286	75,338	14,488
2022-2026	335,786	34,660	6,665
2027-2030	<u>73,677</u>	<u>1,464</u>	<u>282</u>
 Total	 <u>\$ 942,464</u>	 <u>\$ 221,664</u>	 <u>\$ 42,628</u>

Provisions of the Note which are pertinent to the financial statements are as follows:

*Pledged Revenues* - Net water and sewer revenues generated from the 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 Tishomingo 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.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt - continued**

Utility revenues pledged for the \$535,000 Series 1996 promissory note to OWRB, the \$1,353,727 Series 1999 SCCW SRF promissory note to OWRB, and the \$1,115,000 Series 2006 CW SRF promissory note to OWRB had the following comparison:

For the current year, principal and interest paid and total water and sewer utility net revenues were \$206,720 and \$350,943, respectively.

*Other Notes Payable*

The Enterprise Fund incurs bank, association, and individual debt to purchase equipment. The notes have various maturities with rates of 3.25% to 14.06% percent annum.

Landmark Bank - 4.74% interest, monthly payments of \$1,736. Matures October 2027. Proceeds used for the purchase and installation of the water meter system. Secured by Pledged Sales Tax.	\$ 237,479
Landmark Bank - 3.25% interest, one time payment of principal and all accrued interest due May 2012. Proceeds used for Sewer Collection System Improvements. Secured by pledged Sales Tax	<u>294,192</u>
Total Other Notes Payable	<u><u>\$ 531,671</u></u>

Principal maturities for the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2012	\$ 303,972	\$ 20,607
2013	10,255	10,572
2014	10,750	10,075
2015	11,271	9,554
2016	11,818	9,008
2017-2021	68,251	35,880
2022-2026	86,464	17,667
2027-2030	<u>28,890</u>	<u>1,053</u>
Total	<u><u>\$ 531,671</u></u>	<u><u>\$ 114,416</u></u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt - continued**

Pledged Revenues - Assignment of .75 cent utility sales tax collection passed October 2007. For the current year, principal and interest paid and total 3/4% sales tax revenue were \$34,563 and \$213,714, respectively.

*Flow of Funds* - The disposition of gross revenues are restricted in the bond indenture to the following order of priority:

1. Payment of the cost and expenses of and incidental to the operation and ordinary maintenance of the mortgaged property.
2. Use of any remainder for any proper purpose considered appropriate by the Authority.

*Capital Leases*

The City has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date.

The assets acquired through capital leases are as follows:

<i>Assets:</i>	<b><i>Governmental Activities</i></b>	<b><i>Business-Type Activities</i></b>
Computers and Electronics	\$ 3,720	\$ 5,079
Equipment	35,352	-
Vehicles	80,553	-
	119,625	5,079
Less Accumulated Depreciation	(63,331)	(1,439)
	\$ 56,294	\$ 3,640

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt - continued**

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

<i>Year Ending June 30,</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
2012	\$ 22,784	\$ 516
2013	10,343	516
2014	8,989	516
2015	<u>8,480</u>	<u>258</u>
Total minimum lease payments	50,596	1,806
Less amount representing interest	<u>(315)</u>	<u>(386)</u>
Present value of minimum lease payments	<u>\$ 50,281</u>	<u>\$ 1,420</u>

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

<i>Business Type Activities</i>		<i>Governmental Activities</i>	
Water	\$ 14,508	Streets	\$ 304
Sewer	<u>62,531</u>	Public Safety	<u>1,153</u>
	<u>\$ 77,039</u>		<u>\$ 1,457</u>

*Changes in Long-Term Liabilities*

Long term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital Leases	\$ 31,391	\$ 35,352	\$ 16,462	\$ 50,281	\$ 22,473
Notes Payable	<u>10,838</u>	<u>-</u>	<u>10,838</u>	<u>-</u>	<u>-</u>
Total Long Term Liabilities	<u>\$ 42,229</u>	<u>\$ 35,352</u>	<u>\$ 27,300</u>	<u>\$ 50,281</u>	<u>\$ 22,473</u>
<b>Business Type Activities:</b>					
OWRB Note Payable FAP-96-0030-L	\$ 200,950	\$ -	\$ 41,450	\$ 159,500	\$ 44,850
OWRB Note Payable ORF-97-0022-CW	785,950	-	67,604	718,346	69,766
OWRB Note Payable ORF-04-0003-CW	987,272	-	44,808	942,464	46,076
Notes Payable / Capital Leases	<u>530,210</u>	<u>13,515</u>	<u>10,634</u>	<u>533,091</u>	<u>304,310</u>
Total Long Term Liabilities	<u>\$ 2,504,382</u>	<u>\$ 13,515</u>	<u>\$ 164,496</u>	<u>\$ 2,353,401</u>	<u>\$ 465,002</u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS - continued**

**D. Long Term Debt – continued**

*Debt Service Coverage Requirement*

The OWRB debt agreement requires that Net Revenue Available for Debt Service must equal 125% of maximum annual debt service. Actual coverage was as follows:

***Net Revenue Available for Debt Service:***

Operating Revenue	\$ 1,153,462
Less: Garbage Revenue	<u>(305,063)</u>
Total Operating Revenue	848,399
Operating Expenses	1,114,774
Less: Garbage Expense	(245,508)
Less: Administrative Expense	(37,249)
Less: Depreciation Expense	<u>(263,075)</u>
Total Operating Expenses	568,942
Interest Revenue	<u>277</u>
Net Revenue Available for Debt Service	<u><u>\$ 279,734</u></u>

***Maximum Annual Debt Service Requirements:***

OWRB Note Payable FAP-96-0030-L	\$ 53,176
OWRB Note Payable ORF-97-0022-CW	92,846
OWRB Note Payable ORF-04-0003-CW	<u>75,422</u>
Total Debt Service Requirement	<u><u>\$ 221,444</u></u>

Coverage	<u>126%</u>
Coverage Requirement	<u>125%</u>

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**E. Fund Equity**

*Net Assets Restricted by Enabling Legislation*

The government-wide statement of net assets reports \$214,269 of restricted net assets, of which \$92,160 is restricted by enabling legislation.

***Enabling Legislation:***

Street and Alley	\$	1,849
Cemetery Care Fund		4,887
Sales Tax - Street		47,849
Sales Tax - Water		37,575
		37,575
	\$	92,160

*Deficit Fund Balance:*

The Downtown Sidewalk Fund had a deficit fund balance of \$4,410 as of June 30, 2011.

*Governmental Fund Balance Classifications*

As of June 30, 2011, fund balances of the Governmental Funds were classified as follows:

	General	Grant	Sales Tax Water	ODOT Enhancement	Other Governmental	Total
<b>Restricted</b>						
Cemetery Capital Purchases	\$ -	\$ -	\$ -	\$ -	\$ 4,887	\$ 4,887
Grant Fund Expenditures	-	121,852	-	-	168	122,020
Capital Projects	-	-	-	-	-	-
Capital Projects	-	-	37,575	-	47,849	85,424
Street and Alley	1,849	-	-	-	-	1,849
Special Assessments	-	-	-	-	84	84
<b>Committed</b>						
Public Safety	-	-	-	-	240	240
<b>Assigned</b>						
Capital Projects	-	-	-	100	-	100
Debt Service	50,304	-	-	-	-	50,304
Public Safety	40,839	-	-	-	-	40,839
<b>Unassigned</b>	86,110	-	-	-	(4,410)	81,700
	\$ 179,102	\$ 121,852	\$ 37,575	\$ 100	\$ 48,818	\$ 387,447

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**F. Pension Plans**

*Firefighters' Retirement Plan*

Fire department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Firefighters' Pension Fund, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City 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 equal to 2.5% of the average compensation of the highest 30 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 City and its employees are established by Statute. The City is required to contribute 13% per the year June 30, 2011. Participating members are required to contribute 8%.

Three Year Trend Information:

Year Ending June 30,	Covered Payroll	Total Pension Cost	City Share	Employee Share
2011	\$ 81,359	\$ 17,085	\$ 10,577	\$ 6,508
2010	85,588	17,974	11,127	6,847
2009	66,007	13,861	8,581	5,280

The Firefighters Statewide Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing Oklahoma Firefighters Pension and Retirement System, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK, 73105-3414.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**F. Pension Plans – continued**

*Policemen’s Retirement Plan*

Police department employees in Oklahoma 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 City, the State of Oklahoma, and the participating employees. The City 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 City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2011. Participating members are required to contribute 8%.

Three Year Trend Information:

Year Ending June 30,	Covered Payroll	Total Pension Cost	City Share	Employee Share
2011	\$ 173,848	\$ 36,508	\$ 22,600	\$ 13,908
2010	150,644	31,616	19,572	12,044
2009	130,256	27,354	16,933	10,421

The Police Officers Statewide Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing Oklahoma Police Pension and Retirement System, 1001 NW 63<sup>rd</sup> Street, Suite 605, Oklahoma City, OK, 73116-7335.

*Municipal Retirement Plan*

The City of Tishomingo continues to provide for a defined contribution retirement plan with the Oklahoma Municipal Retirement Fund for all employees who elect to participate voluntarily. However, the City no longer contributes to this plan.

Effective July 1, 2004, City of Tishomingo implemented a defined benefit plan with the Oklahoma Municipal Retirement Fund, an agent multiple employer defined pension plan.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**F. Pension Plans – continued**

*Municipal Retirement Plan - continued*

The City of Tishomingo and its employees participate in the Oklahoma Municipal Retirement Fund. All regular full time employees, except those covered under another retirement system, are eligible. Employees are vested at 5 years.

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

Funding Policy: The contribution requirements of City of Tishomingo, Tishomingo Municipal Authority, and employees are established and may be amended by the OMRF board. Employees are required to contribute 3% of their annual covered salary. City of Tishomingo and Tishomingo Municipal Authority are required to contribute at an actuarially determined rate; the rate at June 30, 2011 is 9.48 percent of covered payroll.

Annual Pension Cost: For 2010-2011, City of Tishomingo and Tishomingo Municipal Authority’s annual pension cost of \$29,648 equal to the required and actual contributions. The required contribution was determined as part of the March 31, 2011 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.

Three Year Trend Information:

Year Ending June 30,	Contribution Rate	City / TMA Cost (APC)	Contributed	Net Pension Obligation
2011	9.48%	\$ 29,648	100%	\$ -
2010	9.41%	28,360	100%	-
2009	10.02%	29,021	100%	-

Funding Status and Funding Progress: As of December 31, 2011, the most recent actuarial valuation date, the plan was 44.2 percent funded. The actuarial accrued liability for benefits was \$403,106, and the actuarial value of assets was \$178,184, resulting in an unfunded actuarial accrued liability (UAAL) of \$224,922. The covered payroll (total annualized rate of pay as of the valuation date based on actual pay for the preceding year) was \$280,367, and the ratio of the UAAL to the covered payroll was 80.2 percent. The City’s unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

***III.DETAILED NOTES ON ALL FUNDS – continued***

**F. Pension Plans – continued**

*Municipal Retirement Plan - continued*

The schedule of funding progress, presented as OSI following the notes to the financial statements, present trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*City Manager Retirement Plan*

The City has provided a defined contribution plan and trust known as the City of Tishomingo Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF) available only to the city manager. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OMRF and plan assets are supervised by OMRF. The city manager is required to contribute to the Plan 10% of compensation.

The City Council determines the City’s contribution rate each year. City contributions for the city manager begin vesting immediately. The authority to amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2011, employee contributions were \$5,812 and the employer contributions were \$7,096.

**G. Risk Management**

The City 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 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.

**City of Tishomingo, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. DETAILED NOTES ON ALL FUNDS – continued**

**G. Risk Management - continued**

*Worker's 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.

**H. Commitments and Contingencies**

*Grant Programs*

In the normal course of operations; the City participates in various federal and state grant programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

At June 30, 2011, the City had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

Project	Contract Amount	Remaining Balance 6/30/11	Fund
Splash Pad	\$ 48,410	\$ 48,410	Grant Fund

**I. Accounting Change**

The City implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. Beginning fund balances for the governmental funds have been restated to reflect the new classifications. As part of this implementation, certain funds have been reclassified to conform with GASB Statement 54.

***SUPPLEMENTARY  
INFORMATION***

**City of Tishomingo, Oklahoma**  
**Unaudited – Oklahoma Municipal Retirement Fund**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2011**

Actuarial Valuation Date	Actuarial	Actuarial	Unfunded AAL (UAAL)	Funded Ratio a/b	Covered Payroll c	UAAL as
	Value of Assets a	Liability (AAL) - Entry Age b				a
1/1/2005	17,746	331,568	313,822	5.4%	281,641	111.4%
1/1/2006	53,856	320,821	266,965	16.8%	334,427	79.8%
1/1/2007	82,743	322,943	240,200	25.6%	263,968	91.0%
1/1/2008	113,363	360,464	247,101	31.4%	302,993	81.6%
1/1/2009	128,520	354,837	226,317	36.2%	264,028	85.7%
1/1/2010	154,467	387,346	232,879	39.9%	291,045	80.0%
1/1/2011	178,184	403,106	224,922	44.2%	280,367	80.2%

The schedule of funding progress presented above presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**City of Tishomingo, Oklahoma**  
**Budgetary Information**  
**June 30, 2011**

The city manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city 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 City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year end, therefore, encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.

The following major funds had an excess of expenditures over appropriations as of June 30, 2011:

General Fund – Street Department	\$11,802
Grant Fund	3,901
ODOT Enhancement	3,874

**City of Tishomingo, Oklahoma**  
**Unaudited Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – General Fund – Modified Cash Basis**  
**For the Year Ended June 30, 2011**

	Budget Amounts		Actual Amounts	Variance
	Original	Final		With Final Budget
<b>REVENUE</b>				
Taxes	\$ 782,380	\$ 782,380	828,143	\$ 45,763
Intergovernmental	-	-	537	537
License	5,400	5,400	7,694	2,294
Charges for Service	15,200	15,200	13,832	(1,368)
Fines	35,250	35,250	5,578	(29,672)
Rent	11,400	11,400	12,846	1,446
Miscellaneous	28,007	53,007	50,945	(2,062)
Interest	100	100	51	(49)
Total Revenue	<u>877,737</u>	<u>902,737</u>	<u>919,626</u>	<u>16,889</u>
<b>EXPENDITURES</b>				
Current				
General Government	178,360	173,760	173,393	367
Public Safety	621,912	688,752	688,031	721
Streets	70,083	54,833	66,635	(11,802)
Culture and Recreation	18,500	18,500	18,106	394
Cemetery and Parks	103,882	93,132	80,800	12,332
Total Expenditures	<u>992,737</u>	<u>1,028,977</u>	<u>1,026,965</u>	<u>2,012</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(115,000)</u>	<u>(126,240)</u>	<u>(107,339)</u>	<u>18,901</u>
Other Financing Sources				
Transfers In	85,000	85,000	114,938	29,938
Transfers Out	-	-	-	-
Total Other Financing Sources	<u>85,000</u>	<u>85,000</u>	<u>114,938</u>	<u>29,938</u>
Net Change in Fund Balances	(30,000)	(41,240)	7,599	48,839
Fund Balances - Beginning	<u>30,000</u>	<u>41,240</u>	<u>56,083</u>	<u>14,843</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,682</u>	<u>\$ 63,682</u>

**City of Tishomingo, Oklahoma**  
**Combining Balance Sheet**  
**General Fund – Modified Cash Basis**  
**June 30, 2011**

	General	Street and Alley	Emergency	Police Vehicle	Street Loan	Animal Control	Total
<b>Assets</b>							
Cash and Cash Equivalent	\$ 86,516	\$ 4,347	\$ 40,302	\$ 50,304	\$ -	\$ 537	\$ 182,006
Total Assets	<u>\$ 86,516</u>	<u>\$ 4,347</u>	<u>\$ 40,302</u>	<u>\$ 50,304</u>	<u>\$ -</u>	<u>\$ 537</u>	<u>\$ 182,006</u>
<b>Liabilities</b>							
Due To Other Funds	\$ 406	\$ 2,498	\$ -	\$ -	\$ -	\$ -	\$ 2,904
Total Liabilities	<u>406</u>	<u>2,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,904</u>
<b>Fund Balances</b>							
Restricted	-	1,849	-	-	-	-	1,849
Assigned	-	-	40,302	50,304	-	537	91,143
Unassigned	86,110	-	-	-	-	-	86,110
Total Fund Balances	<u>86,110</u>	<u>1,849</u>	<u>40,302</u>	<u>50,304</u>	<u>-</u>	<u>537</u>	<u>179,102</u>
Total Liabilities and Fund Balances	<u>\$ 86,516</u>	<u>\$ 4,347</u>	<u>\$ 40,302</u>	<u>\$ 50,304</u>	<u>\$ -</u>	<u>\$ 537</u>	<u>\$ 182,006</u>

**City of Tishomingo, Oklahoma**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund – Modified Cash Basis**  
**For the Year Ended June 30, 2011**

	General	Street and Alley	Emergency	Police Vehicle	Street Loan	Animal Control	Total
<b>REVENUE</b>							
Taxes	\$ 828,143	\$ 30,060	\$ -	\$ -	\$ -	\$ -	\$ 858,203
Intergovernmental	537	-	-	-	-	-	537
License & Permits	7,695	-	-	-	-	-	7,695
Charges for Service	13,832	-	-	-	-	-	13,832
Fines & Forfeitures	142,915	-	-	-	-	-	142,915
Rent	12,846	-	-	-	-	-	12,846
Miscellaneous	51,593	-	1	-	-	432	52,026
Interest	62	3	46	21	-	-	132
Total Revenue	1,057,623	30,063	47	21	-	432	1,088,186
<b>EXPENDITURES</b>							
Current							
General Government	172,237	-	7,135	-	-	-	179,372
Public Safety	715,758	-	-	-	-	548	716,306
Streets	41,491	30,285	-	-	-	-	71,776
Culture and Recreation	18,106	-	-	-	-	-	18,106
Cemetery and Parks	78,804	-	-	-	-	-	78,804
Capital Outlay							
General Government	-	-	2,687	-	-	-	2,687
Public Safety	20,336	-	16,000	31,621	-	2,497	70,454
Streets	39,777	-	-	-	-	-	39,777
Cemetery and Parks	1,996	-	-	-	-	-	1,996
Water / Sewer	-	-	-	-	13,515	-	13,515
Debt Service	17,703	-	-	-	-	-	17,703
Total Expenditures	1,106,208	30,285	25,822	31,621	13,515	3,045	1,210,496
Excess (Deficiency) of Revenues Over (Under) Expenditures							
	(48,585)	(222)	(25,775)	(31,600)	(13,515)	(2,613)	(122,310)
Other Financing Sources							
Capital Lease Financing	35,352	-	-	-	13,515	-	48,867
Transfers In	47,102	-	18,456	21,798	-	-	87,356
Transfers Out	(16,585)	-	-	-	-	-	(16,585)
Total Other Financing Sources	65,869	-	18,456	21,798	13,515	-	119,638
Net Change in Fund Balances	17,284	(222)	(7,319)	(9,802)	-	(2,613)	(2,672)
Fund Balances - Beginning	68,826	2,071	47,621	60,106	-	3,150	181,774
Fund Balances - Ending	\$ 86,110	\$ 1,849	\$ 40,302	\$ 50,304	\$ -	\$ 537	\$ 179,102

**City of Tishomingo, Oklahoma**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Modified Cash Basis**  
**June 30, 2011**

	<u>Cemetery Care</u>	<u>Trails Project</u>	<u>Sales Tax Street</u>	<u>Uniform Building Code</u>	<u>Fire Service</u>	<u>Downtown Sidewalk</u>	<u>Total</u>
Assets							
Cash and Cash Equivalent	\$ 4,887	\$ 168	\$ 44,944	\$ 84	\$ 240	\$ 4,084	\$ 54,407
Total Assets	<u>\$ 4,887</u>	<u>\$ 168</u>	<u>\$ 44,944</u>	<u>\$ 84</u>	<u>\$ 240</u>	<u>\$ 4,084</u>	<u>\$ 54,407</u>
Liabilities							
Due To Other Funds	\$ -	\$ -	\$ (2,905)	\$ -	\$ -	\$ 8,494	\$ 5,589
Total Liabilities	<u>-</u>	<u>-</u>	<u>(2,905)</u>	<u>-</u>	<u>-</u>	<u>8,494</u>	<u>5,589</u>
Fund Balances							
Restricted	4,887	168	47,849	84	-	-	52,988
Committed	-	-	-	-	240	-	240
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,410)</u>	<u>(4,410)</u>
Total Fund Balances	<u>4,887</u>	<u>168</u>	<u>47,849</u>	<u>84</u>	<u>240</u>	<u>(4,410)</u>	<u>48,818</u>
Total Liabilities and Fund Balances	<u>\$ 4,887</u>	<u>\$ 168</u>	<u>\$ 44,944</u>	<u>\$ 84</u>	<u>\$ 240</u>	<u>\$ 4,084</u>	<u>\$ 54,407</u>

**City of Tishomingo, Oklahoma**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds – Modified Cash Basis**  
**For the Year Ended June 30, 2011**

	Cemetery Care	Trails Project	Sales Tax Street	Uniform Building Code	Fire Service	Downtown Sidewalk	Total
<b>REVENUE</b>							
Taxes	\$ -	\$ -	\$ 71,239	\$ -	\$ -	\$ -	\$ 71,239
Intergovernmental	-	-	-	-	-	3,810	3,810
Miscellaneous	631	-	(1)	260	-	-	890
Interest	<u>2</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>326</u>	<u>340</u>
Total Revenue	633	-	71,250	260	-	4,136	76,279
<b>EXPENDITURES</b>							
Current							
Public Safety	-	-	-	-	680	-	680
Streets	-	-	3,674	-	-	-	3,674
General Government	-	-	-	200	-	-	200
Capital Outlay							
Streets	-	-	10,629	-	-	-	10,629
Debt Service	<u>-</u>	<u>-</u>	<u>11,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,053</u>
Total Expenditures	-	-	25,356	200	680	-	26,236
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	633	-	45,894	60	(680)	4,136	50,043
Other Financing Sources							
Transfers In	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>(9,198)</u>	<u>-</u>	<u>-</u>	<u>(8,578)</u>	<u>(17,776)</u>
Total Other Financing Sources	-	-	(9,198)	-	-	(8,578)	(17,776)
Net Change in Fund Balances	633	-	36,696	60	(680)	(4,442)	32,267
Fund Balances - Beginning	<u>4,254</u>	<u>168</u>	<u>11,153</u>	<u>24</u>	<u>920</u>	<u>32</u>	<u>16,551</u>
Fund Balances - Ending	<u>\$ 4,887</u>	<u>\$ 168</u>	<u>\$ 47,849</u>	<u>\$ 84</u>	<u>\$ 240</u>	<u>\$ (4,410)</u>	<u>\$ 48,818</u>

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE ACCOMPANYING FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the City Council  
City of Tishomingo, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tishomingo, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 14, 2012. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 the City'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 the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: 11-1, 11-2, 11-3, 11-4, 11-5, 11-6. A *significant deficiency* is a deficiency, or 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.

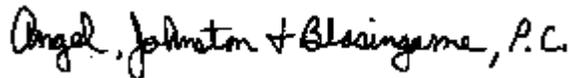
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items: 11-4, 11-5, 11-6.

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

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



Chickasha, Oklahoma  
March 14, 2012

**CITY OF TISHOMINGO, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**Deficiencies of Internal Control, Compliance and Other Matters**

- 11-1. Criteria – Municipal court fines receivable should be reconciled on a monthly basis to account for tickets issued, collections received and adjustments made.

Condition – Court fines receivable balance is not being reconciled on a monthly basis to ensure all tickets, collections and adjustments are properly accounted for within the court accounting system.

Cause – The adjustments to court fines are not tracked monthly.

Effect – Without sufficient reconciliation procedures in place, the risk significantly increases that errors and fraud related to court fines could occur and not be detected within a timely basis.

Recommendation – Management should implement procedures for staff to reconcile beginning and ending court fines receivable balance on a monthly basis by using tickets issued, collections received, and adjustments.

Management response – Management agrees.

- 11-2. Criteria – Utility accounts receivable should be reconciled on a monthly basis.

Condition – Utility accounts receivable balance is not being reconciled monthly to ensure all bills, collections, penalties, deposits applied and adjustments are properly accounted for within the utility accounting system.

Cause – Staff discontinued the procedure.

Effect – Without sufficient reconciliation procedures in place, the risk significantly increases that errors and fraud related to utility receivables could occur and not be detected within a timely basis.

Recommendation – Management should re-implement procedures for someone that is independent of the utility billing process to reconcile beginning and ending accounts receivable balance on a monthly basis by using monthly billing reports, daily collection records, penalties, deposits applied, and adjustment authorization forms.

Management response – Management agrees.

- 11-3. Criteria – Cash should be adequate to cover collected customer meter deposits.

Condition – There is not adequate cash or CD's in the bank to cover customer meter deposits.

Cause – The city is not reconciling meter deposits and comparing the liability to bank account balances.

Effect – Customer meter deposits collected exceeded the available cash balance (bank account and CD) by \$6,286. Without sufficient reconciliation procedures in place, the risk of errors and fraud significantly increases and may not be detected timely.

**CITY OF TISHOMINGO, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

Recommendation – Management should implement procedures for staff to reconcile beginning and ending meter deposits payable on a monthly basis by using monthly deposits collected, deposits applied, and refunds issued. This reconciled balance should be compared to the meter deposit bank balances to determine that adequate cash is available.

Management response – Management agrees.

- 11-4. Criteria – Oklahoma Statutes Title 11, Section 17:211A states, No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.”

Condition – The following funds’ expenditures exceeded their budget appropriations: General Fund-Street Department (11,802), Grant Fund (\$3,901, ODOT Enhancement Fund (\$3,874), Fire Services Fund (\$680), Downtown Sidewalk Assessment Fund (\$8,578), and Street Loan Fund (\$13,515).

Cause – The City is not monitoring the budget on a monthly basis to determine whether expenditures will exceed previous appropriations.

Effect – A lack of proper procedures and controls for monitoring the city’s budgets allows for expenditures to be spent in excess of approved budget appropriations.

Recommendation – We recommend that the City closely monitor each budget on a monthly basis and not approve any expenditure exceeding appropriation until additional amendments have been made and approved.

Management response – Management agrees.

- 11-5. Criteria – Oklahoma Statutes Title 11, Section 17:211A states, “No expenditure may be incurred or made by any officer or employee which exceeds the fund balance for any find.

Condition –The Downtown Sidewalk Assessment Fund incurred a fund balance deficit of \$4,410 for the year ended June 30, 2011. It appears to be a result of an interfund balance due of \$8,494

Cause – The City is not monitoring individual fund balances.

Effect – A lack of proper procedures and controls for monitoring individual fund balances allows for expenditures to be spent in excess of fund balance.

Recommendation – We recommend that the City closely monitor each individual fund balance. Expenditures should only be made and authorized so long as any expenditures does not exceed any fund balance.

Management response – Management agrees.

**CITY OF TISHOMINGO, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

11-6. Criteria – Capital lease agreements entered into by the City extending beyond June 30 of the fiscal year shall contain provisions for mutual ratification of renewal, otherwise the lease term should be restricted within the fiscal year.

Condition – The City entered into a new lease purchase agreement with Tishomingo Motor Sales that does not contain a mutual ratification of renewal clause.

Cause – Management oversight.

Effect – Violation of Oklahoma Statutes 62-430.

Recommendation – We recommend that the City have the capital lease in question amended to add a provision for mutual ratification of renewal.

Management response – Management agrees.

**City of Tishomingo, Oklahoma**  
**Summary Schedule of Prior Year Findings and Responses**  
**June 30, 2011**

10-1 Court fines receivable balance is not reconciled on a monthly basis to ensure all tickets, collections and adjustments are properly accounted for within the court accounting system.

*See current year finding 11-1.*

10-2 Certain utility accounts were not being charged the correct rates.

*Not a current year finding.*

10-3 There was not adequate cash of CD's in the bank to cover customer meter deposit liability.

*See current year finding 11-3.*

10-4 Davis-Bacon requirements were not monitored.

*Not a current year finding.*