



City of Tishomingo, Oklahoma
Annual Financial Report

For the Fiscal Year Ended
June 30, 2013

City of Tishomingo, Oklahoma
Annual Financial Report
For the Fiscal Year Ended June 30, 2013
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Tishomingo, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Tishomingo, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental 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 involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position 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, 2013, and the respective changes in modified cash basis financial position, and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting described in Note 1.B.

Basis of Accounting

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

Other Matters

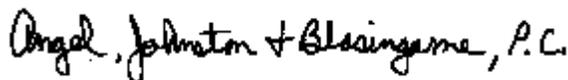
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Comanche, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements, the schedule of state awards and the schedule of expenditures of federal awards (as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*) are not a required part of the financial statements.

The combining fund financial statements, the schedule of state awards and the schedule of expenditures of federal awards are the responsibility of management, derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining fund financial statements and schedule of state awards and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, 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* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
September 22, 2014

City of Tishomingo, Oklahoma
Statement of Net Position – Modified Cash Basis
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalent	\$ 264,014	\$ 171,966	\$ 435,980
Restricted Cash and Cash Equivalent	-	173,645	173,645
Interfund Balances	(1,227)	1,227	-
Capital Assets Not Being Depreciated	203,000	1,221,530	1,424,530
Capital Assets, Net of Depreciation	<u>2,624,553</u>	<u>2,977,257</u>	<u>5,601,810</u>
Total Assets	<u>3,090,340</u>	<u>4,545,625</u>	<u>7,635,965</u>
Liabilities			
Refundable Meter Deposits	-	100,079	100,079
Due Within a Year	8,989	302,909	311,898
Long Term Liabilities	<u>8,480</u>	<u>2,710,051</u>	<u>2,718,531</u>
Total Liabilities	<u>17,469</u>	<u>3,113,039</u>	<u>3,130,508</u>
Net Assets			
Invested in Capital Assets	2,810,084	1,185,827	3,995,911
Restricted for Debt Service	-	62,055	62,055
Restricted for Other Purposes	133,158	-	133,158
Unrestricted	<u>129,629</u>	<u>184,704</u>	<u>314,333</u>
Total Net Assets	<u>\$ 3,072,871</u>	<u>\$ 1,432,586</u>	<u>\$ 4,505,457</u>

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

City of Tishomingo, Oklahoma
Statement of Revenues and Expenses and Changes in Net Position – Modified Cash Basis
For the Year Ended June 30, 2013

	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	\$ 427,053	\$ 36,810	\$ -	80,646	\$ (309,597)	\$ -	\$ (309,597)
Public Safety	836,567	98,350	-	41,371	(696,846)	-	(696,846)
Streets	261,272	-	-	92,388	(168,884)	-	(168,884)
Culture and Recreation	36,325	-	-	560,565	524,240	-	524,240
Cemetery and Parks	152,822	-	-	-	(152,822)	-	(152,822)
Total Governmental Activities	<u>1,714,039</u>	<u>135,160</u>	<u>-</u>	<u>774,970</u>	<u>(803,909)</u>	<u>-</u>	<u>(803,909)</u>
Business-Type Activities							
Garbage	252,451	322,403	-	-	-	69,952	69,952
Sewer	243,127	270,716	-	-	-	27,589	27,589
Water	583,264	770,100	-	-	-	186,836	186,836
Administrative	434,318	370,532	-	-	-	(63,786)	(63,786)
Total Business Type Activities	<u>1,513,160</u>	<u>1,733,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,591</u>	<u>220,591</u>
Total Primary Government	<u>\$ 3,227,199</u>	<u>\$ 1,868,911</u>	<u>\$ -</u>	<u>\$ 774,970</u>	<u>(803,909)</u>	<u>220,591</u>	<u>(583,318)</u>
General Revenues							
Taxes					1,183,763	-	1,183,763
Interest					42	115	157
Miscellaneous					47,210	-	47,210
Transfers					29,746	(29,746)	-
Total General Revenues and Transfers					<u>1,260,761</u>	<u>(29,631)</u>	<u>1,231,130</u>
Change in Net Assets					456,852	190,960	647,812
Net Assets - Beginning					<u>2,616,019</u>	<u>1,241,626</u>	<u>3,857,645</u>
Net Assets - Ending					<u>\$ 3,072,871</u>	<u>\$ 1,432,586</u>	<u>\$ 4,505,457</u>

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

City of Tishomingo, Oklahoma
Statement of Assets, Liabilities and Fund Balance – Governmental Funds – Modified Cash Basis
June 30, 2013

	General	Sales Tax Water	Other Governmental	Total
Assets				
Cash	\$ 134,162	\$ 4,245	\$ 125,607	\$ 264,014
Total Assets	\$ 134,162	\$ 4,245	\$ 125,607	\$ 264,014
Liabilities				
Due To Other Funds	\$ 2,904	\$ -	\$ (1,677)	\$ 1,227
Total Liabilities	2,904	-	(1,677)	1,227
Fund Balances				
Restricted	1,296	4,245	127,617	133,158
Assigned	89,544	-	-	89,544
Unassigned	40,418	-	(333)	40,085
Total Fund Balances	131,258	4,245	127,284	262,787
Total Liabilities and Fund Balances	\$ 134,162	\$ 4,245	\$ 125,607	

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	2,827,553
period and, therefore, are not reported in the funds.	(17,469)
Net assets of governmental activities.	\$ 3,072,871

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, 2013

	General	Sales Tax Water	Other Governmental	Total
REVENUE				
Taxes	\$ 878,252	\$ 229,133	\$ 76,378	\$ 1,183,763
Intergovernmental	-	-	774,970	774,970
License & Permits	6,743	-	-	6,743
Charges for Service	16,786	-	-	16,786
Fines & Forfeitures	98,350	-	-	98,350
Rent	13,281	-	-	13,281
Miscellaneous	43,498	2,208	1,504	47,210
Interest	35	3	4	42
Total Revenue	1,056,945	231,344	852,856	2,141,145
EXPENDITURES				
Current				
General Government	157,016	170,120	74,501	401,637
Public Safety	736,576	-	22,996	759,572
Streets	82,284	-	140,508	222,792
Culture and Recreation	17,338	-	-	17,338
Cemetery and Parks	130,007	-	-	130,007
Capital Outlay				
Public Safety	94,491	-	9,135	103,626
Streets	-	-	116,715	116,715
Culture and Recreation	-	-	600,656	600,656
Debt Service	-	5,652	-	5,652
Total Expenditures	1,217,712	175,772	964,511	2,357,995
Excess (Deficiency) of Revenues Over (Under) Expenditures	(160,767)	55,572	(111,655)	(216,850)
Other Financing Sources				
Transfers In	285,573	35	19,464	305,072
Transfers Out	(150,811)	(99,053)	(25,462)	(275,326)
Total Other Financing Sources	134,762	(99,018)	(5,998)	29,746
Net Change in Fund Balances	(26,005)	(43,446)	(117,653)	(187,104)
Fund Balances - Beginning	157,263	47,691	244,937	449,891
Fund Balances - Ending	\$ 131,258	\$ 4,245	\$ 127,284	\$ 262,787

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 Revenues, Expenses and
Changes in Net Position – Modified Cash Basis
For the Year Ended June 30, 2013

Amounts reported for governmental activities

in the statement of activities are different because:

Net change in assets - total governmental funds	\$ (187,104)
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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.	632,864
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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.	<u>11,092</u>
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Change in net assets of governmental activities.	<u><u>\$ 456,852</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Tishomingo, Oklahoma
Statement of Position – Proprietary Funds – Modified Cash Basis
June 30, 2013

	Tishomingo Municipal Authority
ASSETS	
Current Assets	
Cash	\$ 171,966
Restricted Cash	173,645
Due from Other Funds	1,227
Total Current Assets	346,838
Noncurrent Assets	
Land	6,750
Construction in Progress	1,214,780
Buildings	183,322
Vehicles	46,190
Computers and Electronics	52,362
Land Improvements	7,451
Water System	10,434,587
Sewer System	7,533,434
Equipment	474,998
Accumulated Depreciation	(15,755,087)
Total Noncurrent Assets	4,198,787
Total Assets	4,545,625
LIABILITIES	
Current Liabilities	
Refundable Meter Deposits	100,079
Notes Payable, Current	302,909
Total Current Liabilities	402,988
Noncurrent Liabilities	
Capital Leases / Notes Payable	2,710,051
Total Noncurrent Liabilities	2,710,051
Total Liabilities	3,113,039
NET ASSETS	
Invested in Capital Assets	1,185,827
Restricted for Debt Service	62,055
Unrestricted	184,704
Total Net Assets	\$ 1,432,586

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

City of Tishomingo, Oklahoma
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds – Modified Cash Basis
For the Year Ended June 30, 2013

	<u>Tishomingo Municipal Authority</u>
Operating Revenues:	
Garbage	\$ 322,403
Sewer	270,716
Water	770,100
Administrative	<u>370,532</u>
Total Operating Revenue	1,733,751
Operating Expenses:	
Garbage	252,451
Sewer	243,127
Water	459,416
Administrative	207,609
Depreciation and Amortization	<u>279,424</u>
Total Operating Expenses	<u>1,442,027</u>
Operating Income (Loss)	291,724
Nonoperating Revenues (Expenses):	
Interest Revenue	115
Interest Expense	<u>(71,133)</u>
Total Nonoperating Revenues (Expenses)	<u>(71,018)</u>
Income (Loss) before Transfers	220,706
Other Financing Sources (Uses):	
Transfers In	144,790
Transfers Out	<u>(174,536)</u>
Total Other Financing Sources	<u>(29,746)</u>
Net Change in Net Assets	190,960
Total Net Assets - Beginning	<u>1,241,626</u>
Total Net Assets - Ending	<u><u>\$ 1,432,586</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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Revenues Received	\$ 1,733,751
Vendors and Others Paid	<u>(1,162,603)</u>
Net Cash Provided by Operating Activities	<u>571,148</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers, Net	<u>(29,746)</u>
Net Cash Provided by Noncapital Financing Activities	<u>(29,746)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Payment of Debt	831,021
Purchase of Property, Plant and Equipment	<u>(1,374,860)</u>
Net Cash Used by Capital Financing Activities	<u>(543,839)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Expense	(71,133)
Interest Income	<u>115</u>
Net Cash Used by Investing Activities	<u>(71,018)</u>

Net Increase in Cash and Cash Equivalents (73,455)

Cash and Cash Equivalents, July 1, 2012 419,066

Cash and Cash Equivalents, June 30, 2013 \$ 345,611

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income	\$ <u>291,724</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization	<u>279,424</u>
	<u>279,424</u>
Net Cash Provided by Operating Activities	<u><u>\$ 571,148</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, 2013

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) operating and capital 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, 2013

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, 2013

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.

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

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 – funds used to account for the proceeds of specific revenue sources that are restricted by law of administrative action to expenditure for specific purposes other than debt service or capital projects.

Cemetery Care	Trails Project
Sales Tax Street	Uniform Building Code
Fire Service	Grant
ODOT Enhancement	HOME Grant
CDBG Street	Airport Layout
Downtown Sidewalk	

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

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, 2013

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, 2013

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 and related debt.
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, 2013

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.

E. Accounting Changes

Change in Accounting Principles – As the result of implementing GASB Statement No. 65, the City has restated the beginning net position in the proprietary and government-wide Statements of Net Position, effectively decreasing net position as of July 1, 2012 by \$32,113. The decrease results from no longer deferring and amortizing debt issuance costs.

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

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 \$2,810,084 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>17,469</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	
	\$ <u><u>(17,469)</u></u>

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

Land	\$ 203,000
Building	1,228,865
Equipment	595,767
Vehicles	615,633
Computers and Electronics	69,204
Land Improvements	1,557,431
Infrastructure	<u>2,055,898</u>
	6,325,798
Accumulated Depreciation	<u>(3,498,245)</u>
Capital Assets, Net	<u><u>\$ 2,827,553</u></u>

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

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 \$643,956 difference between *net changes in fund balances - total governmental funds* and *changes in net position 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	\$ 918,001
Depreciation Expense	<u>(285,137)</u>
Net adjustment to increase net change in <i>fund balance - total governmental funds</i> to arrive at changes in <i>net position -</i> <i>governmental activities</i>	<u>\$ 632,864</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	\$ <u>11,092</u>
Net adjustment to increase net change in <i>fund balance - total governmental funds</i> to arrive at changes in <i>net position -</i> <i>governmental activities</i>	<u>\$ 11,092</u>

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

III.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, 2013, the City's bank balances of \$663,032 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, 2013 consisted of \$62,055 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, 2013 consists of the Debt Service Funds in the amount of \$73,566, refundable meter deposits of \$100,079.

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 203,000	\$ -	\$ -	\$ 203,000
Total Capital Assets, not being depreciated	<u>203,000</u>	<u>-</u>	<u>-</u>	<u>203,000</u>
Capital Assets, being depreciated:				
Building	1,228,865	-	-	1,228,865
Equipment	586,454	9,313	-	595,767
Vehicles	545,739	69,894	-	615,633
Computers and Electronics	47,543	21,661	-	69,204
Land Improvements	1,557,431	-	-	1,557,431
Infrastructure	1,238,765	817,133	-	2,055,898
Total Capital Assets, being depreciated	5,204,797	918,001	-	6,122,798
Less Accumulated Depreciation	<u>3,213,108</u>	<u>285,137</u>	<u>-</u>	<u>3,498,245</u>
Total Capital Assets, being depreciated, net	<u>1,991,689</u>	<u>632,864</u>	<u>-</u>	<u>2,624,553</u>
Governmental Activities Capital Assets, net	<u>\$ 2,194,689</u>	<u>\$ 632,864</u>	<u>\$ -</u>	<u>\$ 2,827,553</u>
Business Type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 6,750	\$ -	\$ -	\$ 6,750
Construction in Progress	30,092	1,184,688	-	1,214,780
Total Capital Assets, not being depreciated	<u>36,842</u>	<u>1,184,688</u>	<u>-</u>	<u>1,221,530</u>
Capital Assets, being depreciated:				
Building	133,600	49,722	-	183,322
Equipment	339,560	135,438	-	474,998
Vehicles	42,340	3,850	-	46,190
Computers and Electronics	51,203	1,159	-	52,362
Land Improvements	7,451	-	-	7,451
Water System	10,434,587	-	-	10,434,587
Sewer Plant	7,533,434	-	-	7,533,434
Total Capital Assets, being depreciated	18,542,175	190,169	-	18,732,344
Less Accumulated Depreciation	<u>15,475,663</u>	<u>279,424</u>	<u>-</u>	<u>15,755,087</u>
Total Capital Assets, being depreciated, net	<u>3,066,512</u>	<u>(89,255)</u>	<u>-</u>	<u>2,977,257</u>
Business Type Activities Capital Assets, net	<u>\$ 3,103,354</u>	<u>\$ 1,095,433</u>	<u>\$ -</u>	<u>\$ 4,198,787</u>

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets - continued

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

<i>Governmental Activities:</i>	
General Government	\$ 25,749
Public Safety	81,805
Streets	131,914
Culture and Recreation	18,987
Cemetery and Parks	<u>26,682</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 285,137</u>
 <i>Business Type Activities:</i>	
Water	\$ 110,967
Sewer	<u>168,457</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 279,424</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Sales Tax Street	General Fund	\$ 2,905	Deposit Error
Tishomingo Municipal Authority	Downtown Sidewalk	\$ 1,227	Deposit Error

Interfund Transfers

<u>Transfers Out:</u>				
	<i>General</i>	<i>Enterprise</i>	<i>Other Governmental</i>	<i>Total</i>
<u>Transfers In:</u>				
General Fund	\$ 125,811	\$ 155,463	\$ 4,299	\$ 285,573
Other Governmental	-	19,073	426	19,499
Enterprise	<u>25,000</u>	<u>-</u>	<u>119,790</u>	<u>144,790</u>
	<u>\$ 150,811</u>	<u>\$ 174,536</u>	<u>\$ 124,515</u>	<u>\$ 449,862</u>

Reason / Purpose – all transfers are operating transfers.

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

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>
2014	\$ 52,450	\$ 726
2015	<u>13,650</u>	<u>53</u>
Total	<u>\$ 66,100</u>	<u>\$ 779</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, 2013, 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, 2013

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, 2013 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>
2014	\$ 84,778	\$ 5,238	\$ 2,847
2015	86,003	4,444	2,415
2016	87,231	3,649	1,983
2017	88,506	2,823	1,534
2018	89,784	1,994	1,084
2019-2021	<u>146,187</u>	<u>1,455</u>	<u>791</u>
Total	<u>\$ 582,489</u>	<u>\$ 19,603</u>	<u>\$ 10,654</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, 2013

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, 2013 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>
2014	\$ 49,123	\$ 22,057	\$ 4,242
2015	50,679	20,752	3,991
2016	52,222	19,458	3,742
2017	53,939	18,018	3,465
2018	55,648	16,585	3,189
2019-2023	305,776	59,830	11,506
2024-2027	<u>281,386</u>	<u>17,028</u>	<u>3,275</u>
Total	<u>\$ 848,773</u>	<u>\$ 173,728</u>	<u>\$ 33,410</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, 2013

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 \$209,607 and \$338,273, respectively.

Rural Development Association Notes Payable

During 2012-2013 The Tishomingo Municipal Authority entered in to notes payable with the United States Department of Agriculture Rural Development Association for water and sewer system improvements. The agreement consists of three notes payable.

Rural Development Loan 1

Dated March 27, 2013, interest rate fixed at 1.875%. Principal available on the loan is \$2,956,000. At June 30, 2013 total principal drawdowns were \$804,572. The loan principal and interest is payable in monthly installments of \$8,780 beginning April 2013 for 40 years.

Principal maturities for the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2014	\$ 82,923	\$ 22,437
2015	93,074	12,286
2016	94,835	10,525
2017	96,628	8,732
2018	98,456	6,904
2019-2023	<u>314,753</u>	<u>9,412</u>
Total	<u>\$ 780,669</u>	<u>\$ 70,296</u>

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS - continued

D. Long Term Debt - continued

Rural Development Loan 2

Dated March 27, 2013, interest rate fixed at 1.875%. Principal available on the loan is \$251,000. At June 30, 2013 all principal had been drawn. The loan principal and interest is payable in monthly installments of \$746 beginning April 2013 for 40 years. Principal maturities for the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2014	\$ 4,311	\$ 4,642
2015	4,392	4,560
2016	4,475	4,477
2017	4,560	4,392
2018	4,646	4,306
2019-2023	24,581	20,179
2024-2028	26,995	17,765
2029-2033	29,647	15,113
2034-2038	32,558	12,202
2039-2043	35,755	9,005
2044-2048	39,267	5,493
2049-2053	<u>38,329</u>	<u>1,657</u>
Total	<u>\$ 249,516</u>	<u>\$ 103,791</u>

Rural Development Loan 2

Dated March 27, 2013, interest rate fixed at 1.875%. Principal available on the loan is \$1,530,000. At June 30, 2013 total principal of \$496,889 had been drawn. The loan principal and interest is payable in monthly installments of \$4,545 beginning April 2013 for 40 years. Principal maturities for the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2014	\$ 28,878	\$ 25,662
2015	46,390	8,150
2016	47,268	7,272
2017	48,162	6,378
2018	49,072	5,468
2019-2023	259,639	13,061
2024-2028	<u>5,310</u>	<u>8</u>
Total	<u>\$ 484,719</u>	<u>\$ 65,999</u>

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

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 \$42,213 and \$229,133, 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>Governmental</i>	<i>Business-Type</i>
<i>Assets:</i>	<i>Activities</i>	<i>Activities</i>
Computers and Electronics	\$ 3,720	\$ 5,079
Equipment	35,352	-
	<u>39,072</u>	<u>5,079</u>
Less Accumulated		
Depreciation	(18,450)	(3,471)
	<u>\$ 20,622</u>	<u>\$ 1,608</u>

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

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, 2013 were as follows:

<i>Year Ending June 30,</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
2015	\$ 9,390	\$ 516
2016	<u>8,608</u>	<u>258</u>
Total minimum lease payments	17,998	774
Less amount representing interest	<u>(529)</u>	<u>(80)</u>
Present value of minimum lease payments	<u>\$ 17,469</u>	<u>\$ 694</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	\$ 13,084	Streets	\$ -
Sewer	<u>58,049</u>	Public Safety	<u>-</u>
	<u>\$ 71,133</u>		<u>\$ -</u>

Changes in Long-Term Liabilities

Long term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	\$ 28,561	\$ -	\$ 11,092	\$ 17,469	\$ 8,988
Total Long Term Liabilities	<u>\$ 28,561</u>	<u>\$ -</u>	<u>\$ 11,092</u>	<u>\$ 17,469</u>	<u>\$ 8,988</u>
Business Type Activities:					
OWRB Note Payable FAP-96-0030-L	\$ 114,650	\$ -	\$ 48,550	\$ 66,100	\$ 52,450
OWRB Note Payable ORF-97-0022-CW	648,580	-	66,091	582,489	84,778
OWRB Note Payable ORF-04-0003-CW	896,388	-	47,615	848,773	49,123
Rural Development - Sewer Loan	-	496,889	12,170	484,719	28,878
Rural Development - Water Loan	-	804,572	23,903	780,669	82,923
Rural Development - Water Loan	-	251,000	1,484	249,516	4,311
Notes Payable / Capital Leases	<u>522,321</u>	<u>-</u>	<u>521,627</u>	<u>694</u>	<u>446</u>
Total Long Term Liabilities	<u>\$ 2,181,939</u>	<u>\$ 1,552,461</u>	<u>\$ 721,440</u>	<u>\$ 3,012,960</u>	<u>\$ 302,909</u>

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

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	\$ 1,733,751
Less: Garbage Revenue	<u>(322,403)</u>
Total Operating Revenue	1,411,348
Operating Expenses	1,442,027
Less: Garbage Expense	(252,451)
Less: Administrative Expense	(38,615)
Less: Depreciation Expense	<u>(279,424)</u>
Total Operating Expenses	871,537
Interest Revenue	<u>115</u>
Net Revenue Available for Debt Service	<u><u>\$ 539,926</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>244%</u>
Coverage Requirement	<u>125%</u>

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – continued

E. Fund Equity

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$195,213 of restricted net assets, of which \$11,019 is restricted by enabling legislation.

Enabling Legislation:

Sales Tax - Street	\$	6,774
Sales Tax - Water		<u>4,245</u>
	\$	<u><u>11,019</u></u>

Deficit Fund Balance:

The Downtown Sidewalk Fund had a deficit fund balance of \$333 as of June 30, 2013.

Governmental Fund Balance Classifications

As of June 30, 2013, fund balances of the Governmental Funds were classified as follows:

	General	Sales Tax Water	Other Governmental	Total
Restricted				
Cemetery Capital Purchases	\$ -	\$ -	\$ 6,529	\$ 6,529
Grant Fund Expenditures	-	-	81,749	81,749
Capital Projects	-	4,245	6,774	11,019
Street and Alley	1,296	-	-	1,296
Special Assessments	-	-	104	104
Debt Service	-	-	32,461	32,461
Assigned				
Debt Service	100	-	-	100
Public Safety	89,444	-	-	89,444
Unassigned	40,418	-	(333)	40,085
	<u>\$ 131,258</u>	<u>\$ 4,245</u>	<u>\$ 127,284</u>	<u>\$ 262,787</u>

City of Tishomingo, Oklahoma
Notes to the Financial Statements
June 30, 2013

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, 2013. Participating members are required to contribute 8%.

Three Year Trend Information:

Year Ending June 30,	Covered Payroll	Total Pension Cost	City Share	Employee Share	On Behalf Payments
2013	\$ 70,545	\$ 14,811	\$ 9,169	\$ 5,642	-
2012	72,736	15,511	9,602	5,909	-
2011	81,359	17,085	10,577	6,508	-

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, 2013

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, 2013. Participating members are required to contribute 8%.

Three Year Trend Information:

Year Ending June 30,	Covered Payroll	Total Pension Cost	City Share	Employee Share	On Behalf Payments
2013	\$ 155,010	\$ 32,552	\$ 20,151	\$ 12,401	-
2012	152,441	32,013	19,818	12,195	-
2011	173,848	36,508	22,600	13,908	-

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 63rd 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, 2013

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, 2013 is 9.10 percent of covered payroll.

Annual Pension Cost: For 2012-2013, City of Tishomingo and Tishomingo Municipal Authority’s annual pension cost of \$31,183 equal to the required and actual contributions. The required contribution was determined as part of the March 31, 2013 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
2013	9.10%	\$ 31,183	100%	\$ -
2012	9.94%	31,994	100%	-
2011	9.48%	29,648	100%	-

Funding Status and Funding Progress: As of December 31, 2013, the most recent actuarial valuation date, the plan was 54.2 percent funded. The actuarial accrued liability for benefits was \$461,980, and the actuarial value of assets was \$250,295, resulting in an unfunded actuarial accrued liability (UAAL) of \$211,685. The covered payroll (total annualized rate of pay as of the valuation date based on actual pay for the preceding year) was \$340,727, and the ratio of the UAAL to the covered payroll was 62.1 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, 2013

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, 2013, employee contributions were \$7,029 and the employer contributions were \$5,757.

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, 2013

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, 2013, The City had pending construction contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

Project	Contract	
	Amount	Fund
Sewer Cleaner	\$ 388,000	TMA
Wastewater Treatment	1,767,776	TMA
Water Storage Tank	581,818	TMA
Water Distribution Improvement	1,445,976	TMA
Sewer Collection System Improvement	870,536	TMA

I. Restatement

The City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the fiscal year 2012 is as follows:

	As Previously		
	Reported	Restatement	As Restated
<i>Proprietary Fund - Tishomingo Municipal Authority</i>			
Fund Balance	1,273,742	(32,113)	1,241,629
Debt Issuance Costs	32,113	(32,113)	-
Net Change in Fund Balance	(36,070)	(32,113)	(68,183)
<i>Business Type Activities</i>			
Net Assets	1,273,742	(32,113)	1,241,629
Debt Issuance Costs	32,113	(32,113)	-
Net Change in Fund Balance	(65,670)	(32,113)	(97,783)

***SUPPLEMENTARY
INFORMATION***

City of Tishomingo, Oklahoma
Unaudited – Oklahoma Municipal Retirement Fund
Schedule of Funding Progress
For the Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Liability (AAL) - Entry Age b	Unfunded AAL (UAAL) b-a	Funded Ratio a/b	Covered Payroll c	UAAL as
						a Percentage of Covered Payroll (b-a)/c
1/1/2005	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%
1/1/2012	213,556	439,150	225,594	48.6%	330,413	68.3%
1/1/2013	250,295	461,980	211,685	54.2%	340,727	62.1%

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, 2013

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, 2013:

General Fund – General Government (transfers) \$6,658

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, 2013

	<u>Budget Amounts</u>		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		With Final Budget
REVENUE				
Taxes	\$ 808,116	\$ 868,116	\$ 855,842	\$ (12,274)
License	5,970	5,970	6,743	773
Charges for Service	11,600	11,600	16,785	5,185
Fines	5,400	5,400	6,993	1,593
Rent	12,400	12,400	13,281	881
Miscellaneous	17,450	29,050	41,413	12,363
Interest	<u>11</u>	<u>11</u>	<u>8</u>	<u>(3)</u>
Total Revenue	860,947	932,547	941,065	8,518
EXPENDITURES				
Current				
General Government	151,645	161,645	156,683	4,962
Public Safety	741,927	775,927	775,400	527
Streets	79,282	65,282	62,866	2,416
Culture and Recreation	16,850	18,950	17,338	1,612
Cemetery and Parks	<u>113,340</u>	<u>133,340</u>	<u>130,007</u>	<u>3,333</u>
Total Expenditures	1,103,044	1,155,144	1,142,294	12,850
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(242,097)</u>	<u>(222,597)</u>	<u>(201,229)</u>	<u>21,368</u>
Other Financing Sources				
Transfers In	186,980	214,980	274,090	59,110
Transfers Out	<u>-</u>	<u>(47,500)</u>	<u>(54,158)</u>	<u>(6,658)</u>
Total Other Financing Sources	<u>186,980</u>	<u>167,480</u>	<u>219,932</u>	<u>52,452</u>
Net Change in Fund Balances	(55,117)	(55,117)	18,703	73,820
Fund Balances - Beginning	<u>55,000</u>	<u>55,000</u>	<u>6,926</u>	<u>(48,074)</u>
Fund Balances - Ending	<u><u>\$ (117)</u></u>	<u><u>\$ (117)</u></u>	<u>25,629</u>	<u><u>\$ 25,746</u></u>

Reconciliation to Financial Statement Presentation

The Municipal Court and Juvenile Funds are consolidated with the General Fund for financial statement presentation, but not for budget purposes.

Fund Balances - Ending - Municipal Court Fund	12,174
Fund Balances - Ending -Juvenile Fund	<u>2,615</u>
	<u><u>\$ 40,418</u></u>

City of Tishomingo, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balance
General Fund – Modified Cash Basis
June 30, 2013

	General	Street and Alley	Emergency	Police Vehicle	Animal Control	Total
Assets						
Cash and Cash Equivalent	\$ 40,824	\$ 3,794	\$ 84,861	\$ 100	\$ 4,583	\$ 134,162
Total Assets	<u>\$ 40,824</u>	<u>\$ 3,794</u>	<u>\$ 84,861</u>	<u>\$ 100</u>	<u>\$ 4,583</u>	<u>\$ 134,162</u>
Liabilities						
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>2,904</u>
Fund Balances						
Restricted	-	1,296	-	-	-	1,296
Assigned	-	-	84,861	100	4,583	89,544
Unassigned	40,418	-	-	-	-	40,418
Total Fund Balances	<u>40,418</u>	<u>1,296</u>	<u>84,861</u>	<u>100</u>	<u>4,583</u>	<u>131,258</u>
Total Liabilities and Fund Balances	<u>\$ 40,824</u>	<u>\$ 3,794</u>	<u>\$ 84,861</u>	<u>\$ 100</u>	<u>\$ 4,583</u>	<u>\$ 134,162</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, 2013

	General	Street and Alley	Emergency	Police Vehicle	Animal Control	Total
EVENUE						
Taxes	\$ 855,840	\$ 22,412	\$ -	\$ -	\$ -	\$ 878,252
License & Permits	6,743	-	-	-	-	6,743
Charges for Service	16,786	-	-	-	-	16,786
Fines & Forfeitures	98,350	-	-	-	-	98,350
Rent	13,281	-	-	-	-	13,281
Miscellaneous	41,414	(1)	-	-	2,085	43,498
Interest	12	1	20	2	-	35
Total Revenue	<u>1,032,426</u>	<u>22,412</u>	<u>20</u>	<u>2</u>	<u>2,085</u>	<u>1,056,945</u>
EXPENDITURES						
Current						
General Government	156,683	-	333	-	-	157,016
Public Safety	736,576	-	-	-	-	736,576
Streets	53,466	28,818	-	-	-	82,284
Culture and Recreation	17,338	-	-	-	-	17,338
Cemetery and Parks	130,007	-	-	-	-	130,007
Capital Outlay						
Public Safety	86,089	-	-	8,402	-	94,491
Debt Service	-	-	-	-	-	-
Total Expenditures	<u>1,180,159</u>	<u>28,818</u>	<u>333</u>	<u>8,402</u>	<u>-</u>	<u>1,217,712</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(147,733)	(6,406)	(313)	(8,400)	2,085	(160,767)
Other Financing Sources						
Transfers In	220,106	-	46,717	18,750	-	285,573
Transfers Out	<u>(77,796)</u>	<u>-</u>	<u>(37,281)</u>	<u>(35,734)</u>	<u>-</u>	<u>(150,811)</u>
Total Other Financing Sources	142,310	-	9,436	(16,984)	-	134,762
Net Change in Fund Balances	(5,423)	(6,406)	9,123	(25,384)	2,085	(26,005)
Fund Balances - Beginning	<u>45,841</u>	<u>7,702</u>	<u>75,738</u>	<u>25,484</u>	<u>2,498</u>	<u>157,263</u>
Fund Balances - Ending	<u>\$ 40,418</u>	<u>\$ 1,296</u>	<u>\$ 84,861</u>	<u>\$ 100</u>	<u>\$ 4,583</u>	<u>\$ 131,258</u>

City of Tishomingo, Oklahoma
Combining Statement of Assets Liabilities and Fund Balance
Nonmajor Governmental Funds – Modified Cash Basis
June 30, 2013

	<u>Cemetery Care</u>	<u>Trails Project</u>	<u>Sales Tax Street</u>	<u>Uniform Building Code</u>	<u>Special Sales Tax</u>	<u>Grant</u>
Assets						
Cash	\$ 6,529	\$ 168	\$ 3,869	\$ 104	\$ 32,461	\$ 51,943
Total Assets	<u>\$ 6,529</u>	<u>\$ 168</u>	<u>\$ 3,869</u>	<u>\$ 104</u>	<u>\$ 32,461</u>	<u>\$ 51,943</u>
Liabilities						
Due To Other Funds	\$ -	\$ -	\$ (2,905)	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>(2,905)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted	6,529	168	6,774	104	32,461	51,943
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>6,529</u>	<u>168</u>	<u>6,774</u>	<u>104</u>	<u>32,461</u>	<u>51,943</u>
Total Liabilities and Fund Balances	<u>\$ 6,529</u>	<u>\$ 168</u>	<u>\$ 3,869</u>	<u>\$ 104</u>	<u>\$ 32,461</u>	<u>\$ 51,943</u>

City of Tishomingo, Oklahoma
Combining Statement of Assets Liabilities and Fund Balance
Nonmajor Governmental Funds – Modified Cash Basis
June 30, 2013

	<u>ODOT Enhancement</u>	<u>HOME Grant</u>	<u>CDBG Street</u>	<u>Airport Layout</u>	<u>Downtown Sidewalk</u>	<u>Total</u>
Assets						
Cash	\$ 24,100	\$ -	\$ -	\$ 5,538	\$ 895	\$ 125,607
Total Assets	<u>\$ 24,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,538</u>	<u>\$ 895</u>	<u>\$ 125,607</u>
Liabilities						
Due To Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 1,228	\$ (1,677)
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,228</u>	<u>(1,677)</u>
Fund Balances						
Restricted	24,100	-	-	5,538	-	127,617
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(333)</u>	<u>(333)</u>
Total Fund Balances	<u>24,100</u>	<u>-</u>	<u>-</u>	<u>5,538</u>	<u>(333)</u>	<u>127,284</u>
Total Liabilities and Fund Balances	<u>\$ 24,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,538</u>	<u>\$ 895</u>	<u>\$ 125,607</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, 2013

	Cemetery Care	Trails Project	Sales Tax Street	Uniform Building Code	Special Sales Tax	Grant
REVENUE						
Taxes	\$ -	\$ -	\$ 43,917	\$ -	\$ 32,461	\$ -
Intergovernmental	-	-	-	-	-	76,806
Miscellaneous	715	-	-	244	(1)	-
Interest	<u>1</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>1</u>	<u>-</u>
Total Revenue	716	-	43,919	244	32,461	76,806
EXPENDITURES						
Current						
Public Safety	-	-	-	-	-	22,996
Streets	-	-	117,940	-	-	22,568
General Government	-	-	-	244	-	-
Capital Outlay						
Public Safety	-	-	-	-	-	9,135
Streets	-	-	-	-	-	59,762
Culture and Recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	117,940	244	-	114,461
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	716	-	(74,021)	-	32,461	(37,655)
Other Financing Sources						
Transfers In	-	-	-	-	-	18,766
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,375)</u>
Total Other Financing Sources	-	-	-	-	-	391
Net Change in Fund Balances	716	-	(74,021)	-	32,461	(37,264)
Fund Balances - Beginning	<u>5,813</u>	<u>168</u>	<u>80,795</u>	<u>104</u>	<u>-</u>	<u>89,207</u>
Fund Balances - Ending	<u>\$ 6,529</u>	<u>\$ 168</u>	<u>\$ 6,774</u>	<u>\$ 104</u>	<u>\$ 32,461</u>	<u>\$ 51,943</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, 2013

	<u>ODOT</u>	<u>HOME</u>	<u>CDBG</u>	<u>Airport</u>	<u>Downtown</u>	<u>Total</u>
	<u>Enhancement</u>	<u>Grant</u>	<u>Street</u>	<u>Layout</u>	<u>Sidewalk</u>	
REVENUE						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,378
Intergovernmental	-	80,646	56,953	560,565	-	774,970
Miscellaneous	-	-	-	1	545	1,504
Interest	-	-	-	-	-	4
Total Revenue	-	80,646	56,953	560,566	545	852,856
EXPENDITURES						
Current						
Public Safety	-	-	-	-	-	22,996
Streets	-	-	-	-	-	140,508
General Government	-	74,257	-	-	-	74,501
Capital Outlay						
Public Safety	-	-	-	-	-	9,135
Streets	-	-	56,953	-	-	116,715
Culture and Recreation	-	-	-	600,656	-	600,656
Total Expenditures	-	74,257	56,953	600,656	-	964,511
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	6,389	-	(40,090)	545	(111,655)
Other Financing Sources						
Transfers In	-	698	-	-	-	19,464
Transfers Out	-	(7,087)	-	-	-	(25,462)
Total Other Financing Sources	-	(6,389)	-	-	-	(5,998)
Net Change in Fund Balances	-	-	-	(40,090)	545	(117,653)
Fund Balances - Beginning	<u>24,100</u>	<u>-</u>	<u>-</u>	<u>45,628</u>	<u>(878)</u>	<u>244,937</u>
Fund Balances - Ending	<u>\$ 24,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,538</u>	<u>\$ (333)</u>	<u>\$ 127,284</u>

City of Tishomingo, Oklahoma
Schedule of Expenditures of Federal Awards – Modified Cash Basis
For the Year Ended June 30, 2013

<u>Federal/State Grantor/Pass Through Agency Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Grant #</u>	<u>Award Amount</u>	<u>Awards Expended</u>
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Rural Development Water Improvement Loan	10.760	RDA Loan Funds	\$ 251,000	\$ 251,000
Rural Development Water Improvement Loan	10.760	RDA Loan Funds	1,530,000	496,889
Rural Development Water Improvement Loan - ARRA	10.781	RDA Loan Funds	2,956,000	804,572
Rural Development Water Improvement Grant Funds - ARRA	10.781	RDA Loan Funds	2,475,000	-
Total U.S. Department of Agriculture			<u>\$ 7,212,000</u>	<u>\$ 1,552,461</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed Through Oklahoma Department of Commerce:				
Community Development Block	14.228	14583 CDBG 10	\$ 80,838	\$ 56,953
Total U.S. Department of Housing and Urban Development			<u>\$ 80,838</u>	<u>\$ 56,953</u>
<u>FEDERAL AVIATION ADMINISTRATION:</u>				
Passed Through Oklahoma Department of Transportation:				
Airport Improvement	20.106	AIP-3-40-0096-002-2010	\$ 74,005	\$ 5,092
Airport Improvement	20.106	AIP-3-40-0096-003-2012	581,479	552,473
Total Federal Aviation Administration			<u>\$ 655,484</u>	<u>\$ 557,565</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed Through Oklahoma Housing Finance Authority:				
HOME Grant		10-1342	\$ 260,000	\$ 80,255
Total U.S. Department of Housing and Urban Development			<u>\$ 260,000</u>	<u>\$ 80,255</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed Through Oklahoma District Attorney Council:				
JAG Grant	16.738	209-DJBX-1134	\$ 9,135	\$ 9,135
Total U.S. Department of Housing and Urban Development			<u>\$ 9,135</u>	<u>\$ 9,135</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed Through Oklahoma Department of Transportation:				
Safe Route to School			\$ 183,500	\$ 9,240
Total U.S. Department of Housing and Transportation			<u>\$ 183,500</u>	<u>\$ 9,240</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>				
Fire Emergency Grant	97.044	EMW-2011-FV-02478	\$ 140,220	\$ -
Total U.S. Department of Justice			<u>\$ 140,220</u>	<u>\$ -</u>
TOTAL FEDERAL AWARDS			<u>\$ 8,541,177</u>	<u>\$ 2,265,609</u>

City of Tishomingo, Oklahoma
Schedule of Expenditures of Federal Awards – Modified Cash Basis
For the Year Ended June 30, 2013

Notes to the Schedule of Expenditures of Federal Awards for the Year ended June 30, 2013

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of the City of Tishomingo, Oklahoma, under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Tishomingo, Oklahoma, it is not intended to and does not present the financial position, Changes in net assets or cash flows of the City of Tishomingo, Oklahoma.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. The expenditures are recognized following the cost principles contained in OMB Circular A087, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowed or limited as to reimbursement.

**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 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 22, 2014. 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. The Management Discussion and Analysis is not presented as required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies, or material weaknesses and therefore, significant deficiencies, or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 13-1, 13-2, and 13-3.

Compliance and Other Matters

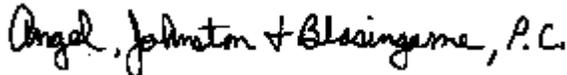
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 Standard* and which are described in the accompanying schedule of findings and questioned costs as item: 13-3.

City of Tishomingo's Response to Findings

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.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in compliance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.



Chickasha, Oklahoma
September 22, 2014

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the City Council
City of Tishomingo, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited City of Tishomingo's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the compliance for each major program. Our audit does not provide a legal determination of the City's compliance.

Opinion on Major Programs

In our opinion, the City of Tishomingo, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 13-1 to 13-3. Our opinion on each major federal program is not modified with respect to these matters.

City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-3.

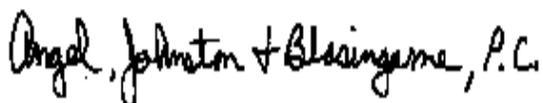
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Angel Johnston, & Blasingame, PC



Chickasha, Oklahoma
September 22, 2014

**CITY OF TISHOMINGO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Section 1

Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiency identified?	Yes
c. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major program:	
a. Material weaknesses identified?	No
b. Significant deficiency identified not considered to be material weaknesses?	Yes
2. Type of auditor's report issued on compliance for major program:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

4. Identification of major programs:

CFDA Number
10.760 & 10.781 (ARRA)

20.106

Name of Federal Program
Water & Waste Disposal System for
Rural Communities
Airport Improvement Program

Dollar threshold used to distinguish between Type A or Type B programs:	\$300,000
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5. Auditee qualified as low-risk auditee?	No
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CITY OF TISHOMINGO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section 2

Findings-Financial Statement Audit

SIGNIFICANT DEFICIENCY

- 13-1. Criteria – Monthly DEQ report require volumes produced. Also comparing water volumes produce to water volumes sold is a management tool to monitor distribution efficiency.

Condition – The DEQ report volume when compared with sales volumes indicates a very inefficient distribution system.

Cause – Management has not focused on the accuracy of these reports or investigated the reasons for distribution inefficiencies..

Effect – Reports sent to the DEQ may not be accurate or water loss is a significant issue for the City.

Recommendation – Investigate the information process and the actual distribution system to identify and correct the issue.

Management response – Management agrees with the finding and will implement controls to monitor reports filed with DEQ.

- 13-2. Criteria – A detailed meter deposit listing should be maintained in order to assure sufficiency of cash account to cover the outstanding meter deposit liability.

Condition – The City was unable to generate a report to verify sufficiency of cash deposits.

Cause – Computer software was either unable to produce report or more training is needed to produce adequate reports.

Effect – The sufficiency of cash deposits cannot be properly monitored by the City.

Recommendation – Resolve software utilization problems so proper monitoring can be established.

Management response – Management agrees and will continue to train personnel to reconcile and print monthly reports and reconcile with cash.

CITY OF TISHOMINGO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section 3

Findings and Question Costs-Major Federal Award Programs Audit

13-3. Criteria – Davis-Bacon Act requires the City to establish controls and monitor prevailing rate pay.

Condition – On the FAA grant only one employee was interviewed. Also on the FAA grant, our review of the contractors pay forms revealed the pay rate for a saw operator was \$12.00 instead of the required \$15.02 per hour.

Cause – Engineers are hired to monitor compliance. They did not sufficiently monitor prevailing wage rates. The contractors reported weekly there pay rates and work classifications. The rates are to be reviewed by the project engineer. On the saw operators the pay rate was not properly checked. The number of employees selected for interview was not clearly defined and so the number of interviews was not sufficient.

Effect – The saw operators were underpaid \$3.02 per hour for a total of \$120.80.

Recommendation – The City should clearly define the duties of the contracted engineers. Also the City should establish monitoring procedures to provide oversight to the engineers.

Management response – Management agrees and going forward will require grant administrators/engineers administering grants subject to Davis-Bacon Act test payrolls for contractor and subcontractors by job classification. They will also be required to provide timely documentation to the City.

CITY OF TISHOMINGO, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR FINDINGS AND DISPOSITIONS
Year Ended June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters

- 12-1. 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.

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.

Disposition – The process improved and no recommendations were made for 2012-13 year.

- 12-2. Criteria – According to state budgetary laws expenditures should be recorded in the year encumbered and/or expended.

Condition – We noted that two invoices for services or products received prior to yearend were recorded as expenditures in the subsequent year.

Recommendation – We recommend that the City monitor yearend expenditure activity to be sure all expenditures are recorded in the correct year.

Disposition – Management agrees.

- 12-3. Criteria – Water volumes produced and sold should be monitored to identify possible issues related to the efficiency of the water distribution system.

Condition – During the 2011-12 production information was not sent to the State as required on a monthly basis. When we received production numbers they did not make sense in relationship to the volume sold.

Recommendation – On a monthly basis monitor the ration of water produced to sold. When unexplained fluctuations occur then they should be investigated.

Disposition – This is still an issue. With new personnel they hope to be able to investigate this more fully.

- 12-4. Criteria – All assets of the City should be monitored for accountability.

Condition – During the year we noted the purchase of five laptop computers. However, only four could be accounted for. A department head signed for all five.

Recommendation – Proper invoice verification and assets control procedures need to be implemented.

Disposition – Monitoring fixed assets has improved and no discrepancies noted in current year.