

AUDIT REPORT
OF
MULTIPLE COMMUNITY SERVICES AUTHORITY
FLETCHER, OKLAHOMA

AS OF
JUNE 30, 2013

BY
JOHNSON, BADERTSCHER & MOORE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MULTIPLE COMMUNITY SERVICES AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Multiple Community Services Authority
Fletcher, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Multiple Community Services Authority, Fletcher, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Entity'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 accounting principles generally accepted in the United States of America; this includes the 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing 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 policies 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 audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Multiple Community Services Authority, Fletcher, Oklahoma, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-5 and 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of Multiple Community Services Authority, Fletcher, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Multiple Community Services Authority, Fletcher, Oklahoma's internal control over financial reporting and compliance.


JOHNSON, BADERTSCHER & MOORE, P.C.
Certified Public Accountants

Chickasha, Oklahoma
November 5, 2013

MULTIPLE COMMUNITY SERVICES AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion of Multiple Community Services Authority provides an overview of the Authority's financial activities for the year ended June 30, 2013.

USING THE AUDITED FINANCIAL STATEMENTS

The financial statements consist of a series of financial statements. The Statement of Net Position provides information about the activities of the Authority as a whole and presents a longer term view of the Authority's finances. The Authority is a business type operation and does not have any Governmental Funds. Therefore, there are no Fund Financial Statements for Governmental wide activities. The Authority's operations for the year are presented in the Statement of Revenues, Expenses and Changes in Net Position. The authority's cash activities are presented in the Statement of Cash Flows.

REPORTING ON THE AUTHORITY AS A WHOLE

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position report information about the Authority as a whole and about its activities in a way that helps answer the question, did the Authority's financial condition improve or deteriorate during the period in question. These statements include all assets and liabilities of the Authority and are prepared using the accrual basis of accounting. Revenues and expenses are recorded when earned or incurred rather than when received or paid. These financial statements represent a business type activity and the Authority does not have any governmental type activities. Therefore, there are no government wide statements.

FUND FINANCIAL STATEMENTS

The Multiple Community Services Authority is classified as an enterprise business type organization and does not utilize various funds that would require fund accounting.

FINANCIAL DATA

Selected financial data from the Authority's statements is as follows:

	<u>2013</u>	<u>2012</u>
Total non capital assets	\$ 316,549	\$ 262,926
Total capital assets	\$ 717,197	\$ 765,835
Total current liabilities	\$ 96,427	\$ 122,397
Total non current liabilities	-0-	\$ 26,358
Net position unrestricted	\$ 250,818	\$ 164,171
Investment in capital assets net of related debt	\$ 681,401	\$ 765,835
Revenues from customers	\$1,368,004	\$1,318,511
Investment revenues	\$ 6,300	\$ 5,872
Total revenues	\$1,374,304	\$1,324,383

MULTIPLE COMMUNITY SERVICES AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL DATA (CONTINUED)

<u>Expenses:</u>	<u>2013</u>	<u>2012</u>
Salaries and payroll tax	\$ 696,346	\$ 751,456
Landfill use	\$ 164,397	\$ 156,465
Legal and professional	\$ 11,039	\$ 10,495
Repairs	\$ 58,745	\$ 70,382
Insurance	\$ 154,329	\$ 165,344
Fuel, oil, supplies	\$ 123,421	\$ 143,826
Containers	\$ 10,852	\$ 6,465
Office	\$ 9,571	\$ 18,649
Utilities	\$ 9,113	\$ 6,590
Toll fees	\$ 3,250	\$ 3,750
Miscellaneous	\$ 27,289	\$ 29,942
Depreciation	\$ 53,639	\$ 55,767
Total expenses	\$1,321,991	\$1,419,131
Change in net position	\$ 52,313	(\$ 94,748)
Ending net position	\$ 932,319	\$ 880,006

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The overall financial condition of Multiple Community Services Authority is still very good. The Statement of Assets continues to maintain an excellent rate of liquidity with cash representing 19.7% of total assets. An inventory of fixed assets continues to be maintained. Overall, the Authority had a net profit of \$52,313 with depreciation of \$53,639. The Authority decreased its debt by \$46,711 and decreased total unrestricted cash by \$77,673.

For the year, there were no significant changes to the approved budget. There were no purchases or retirements of fixed assets.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Statement of Net Position
June 30, 2013

ASSETSCurrent Assets

Cash - unrestricted	\$ 202,980
Accounts receivable	112,366
Inventory	<u>1,203</u>
Total Current Assets	316,549

Noncurrent Assets

Net capital assets	<u>712,197</u>
Total Assets	<u>\$1,028,746</u>

Deferred outflows of resources	-0-
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LIABILITIESCurrent Liabilities

Accounts payable	\$ 44,067
Compensated absences	17,278
Accrued payroll tax	4,386
Current portion of notes payable	<u>30,696</u>
Total Current Liabilities	<u>96,427</u>

Noncurrent Liabilities

Notes payable	30,696
Less: current portion	<u>(30,696)</u>
Total Noncurrent Liabilities	<u>-0-</u>
Total Liabilities	<u>96,427</u>

Deferred inflows of resources	-0-
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Net Position

Invested in capital assets, net of related debt	681,501
Unrestricted	<u>250,818</u>
Total Net Position	<u>\$ 932,319</u>

The accompanying notes and opinion are an integral
part of this financial statement.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

Revenues

Charges for services	\$1,368,004
Investment and other	<u>6,300</u>
Total Revenues	<u>1,374,304</u>

Expenses

Current operations	
Salaries and payroll tax	696,346
Landfill use	164,397
Legal and professional	11,039
Repairs	58,745
Insurance	154,329
Fuel, oil, supplies	123,421
Containers	10,852
Office expense	9,571
Utilities	9,113
Toll fees	3,250
Miscellaneous & interest	27,289
Depreciation	<u>53,639</u>
Total Expenses	<u>1,321,991</u>
Excess revenues over expenses	52,313
Total net position beginning of year	<u>880,006</u>
Total net position end of year	<u>\$ 932,319</u>

The accompanying notes and opinion are an integral
part of this financial statement.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Statement of Cash Flows
For the Year Ended June 30, 2013

<u>Cash flows from operating activities</u>	
Cash received from customers	\$1,368,311
Cash payments for goods and services	(698,327)
Cash payments to employees	(575,266)
Net cash provided by operating activities	<u>94,718</u>
 <u>Cash flows from capital and related financing activities</u>	
Proceeds from loans	-0-
Principal paid on notes	(46,711)
Acquisition of assets	-0-
Net cash used by capital and related financing activities	<u>(46,711)</u>
 <u>Cash flows from investing activities</u>	
Purchase of investments	-0-
Sale of investments	-0-
Investment income	6,300
Net cash provided by investing activities	<u>6,300</u>
 <u>Net increase in cash and cash equivalents</u>	
Cash and cash equivalents at beginning of year	<u>148,673</u>
Cash and cash equivalents at end of year	<u>\$ 202,980</u>
 <u>Reconciliation of operating loss to cash provided by operating activities</u>	
Operating profit (loss)	\$ 52,313
Depreciation expense	53,639
Change in accounts receivable	1,025
Change in inventory	(341)
Change in accounts payable	(3,727)
Change in accrued compensated absences	(1,891)
Other accruals	<u>(6,300)</u>
Net cash provided by operating activities	<u>\$ 94,718</u>

The accompanying notes and opinion are an integral
part of this financial statement.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Notes to Financial Statements

(1) - Summary of Significant Accounting Policies

- (A) Description of Activities - The Authority is a public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, Section 176 to 180 for the use and benefit of the trust beneficiary municipalities: Apache, Cement, Cyril, Elgin, Fletcher, Medicine Park and Sterling. Effective April 1, 1993, the Authority ceased to operate as a landfill. It is still picking up trash, but delivers it to landfills operated by others. The Authority has built a transfer station on its property. The trash hauling trucks return their loads to the transfer station where they are unloaded into larger trucks for delivery to other landfills.
- (B) Basis of Accounting - Basis of accounting refers to the time when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made regardless of the measurement focus applied. The accrual basis of accounting is followed by the Authority. Under the accrual basis of accounting, revenues are recorded when susceptible to accrual and expenditures are recorded when the current liability is incurred.
- (C) Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.
- (D) Inventories - The Authority buys and resells dumpsters to customers. At June 30, 2013, three dumpsters were on hand at cost. The policy for capitalization of fixed assets is generally those acquired with a cost in excess of \$1,000.
- (E) Concentration of Credit Risk - The Authority grants credit to its customers in its financial operations that potentially subject the company to credit risks. The authority also at times maintains levels of cash in excess of the FDIC insured amount with its primary depository. Such funds are secured by the bank's pledged assets.
- (F) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounting estimates are used in estimating the valuation of depreciable assets (net of accumulated depreciation). While management utilizes all available information in formulating such estimates, it is reasonably possible that such estimates may change materially in the future.
- (G) "Cash" in the balance sheet consists of demand deposit accounts and short term savings.
- (H) Management has evaluated subsequent events through November 5, 2013, which is the date the report was issued.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Notes to Financial Statements (Continued)

- (2) Accounts Receivable - The Authority provides garbage services for seven municipalities and approximately one thousand rural customers. Because of the Authority's collection history, no reserve for bad debts is recorded. Accounts receivable at June 30, 2013, were:

Municipalities	\$ 70,026
Rural customers	<u>42,340</u>
Total	<u>\$112,366</u>

- (3) Investments - None

- (4) Capital Asset Activity

	Balance <u>6-30-12</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6-30-13</u>
Buildings	\$ 468,072			\$ 468,072
Equipment	1,217,749			1,217,749
Land	32,500			32,500
Accumulated depr.	<u>(952,486)</u>	<u>(\$53,639)</u>	<u> </u>	<u>(1,006,125)</u>
Book Value	<u>\$ 765,835</u>	<u>(\$53,639)</u>	<u>-0-</u>	<u>\$ 712,196</u>

Depreciation expensed was \$53,639

- (5) Litigation - The financial statements do not include accrual or provision for loss contingencies resulting from litigation. The Authority is not aware of any event that could give rise to any such claim.
- (6) Deposits, Investments and Collateral - Oklahoma State Law, Title 62, Section 348.1 allows for investment of funds in the following:
- (1) Direct obligations of the United States Government.
 - (2) Certificates of deposit of savings and loans, banks and trust companies.
 - (3) Savings accounts or savings certificates of savings and loan associations, banks and trust companies.

According to State Law, Title 62, Section 516.3, collateral to secure deposits of public funds must be:

- (1) U.S. Treasury bonds, notes or certificates.
- (2) State of Oklahoma bonds, notes or certificates.
- (3) Bonds issued by any county in Oklahoma.
- (4) Bonds issued by any school district or board of education.
- (5) Bonds issued by any city or town where an advalorem tax levy is pledged to the payment.
- (6) A surety bond.

The Authority's deposits are secured by U.S. Treasury obligations.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Notes to Financial Statements (Continued)

(7) Fair Value of Financial Instruments - Cash and investments are valued at book value. All receivables and payables are short term and are valued at book value.

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial assets</u>		
Cash	\$202,980	\$202,980
Accounts receivable	112,366	112,366
<u>Financial liabilities</u>		
Accounts payable	\$ 44,067	\$ 44,067
Compensated absences	17,278	17,278
Payroll taxes	4,386	4,386
Notes payable	30,696	30,696

(8) Note Payable - Original amount of \$149,988 amortizing at 4.3% with monthly payments of \$4,448.26 as follows:

<u>Fiscal Year Ending</u>	<u>TOTAL</u>
6-30-14	<u>\$30,696</u>
Total	<u>\$30,696</u>

Interest paid was \$2,220.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted	Actual	Variance
	<u>Amounts</u>	<u>Amounts</u>	Positive (Negative)
Operating income	\$1,360,024	\$1,368,004	\$ 7,980
Investment income	<u>-0-</u>	<u>6,300</u>	<u>6,300</u>
Total Income	<u>1,360,024</u>	<u>1,374,304</u>	<u>14,280</u>
Expenses:			
Salary and tax	624,501	696,346	(71,845)
Insurance	175,797	154,329	21,468
Professional fees	9,000	11,039	(2,039)
Miscellaneous	17,270	27,289	(10,019)
Office supplies	4,300	9,571	(5,271)
Utilities	13,864	9,113	4,751
Repairs and supplies	110,000	58,745	51,255
Fuel, oil, tires	144,000	123,421	20,579
Landfill expense	165,500	164,397	1,103
Pikepass expense	3,900	3,250	650
Dumpster expenses	<u>8,000</u>	<u>10,852</u>	<u>(2,852)</u>
Total Expense Before Depreciation	<u>1,276,132</u>	<u>1,268,352</u>	<u>7,780</u>
Change in net position before depreciation	83,892	105,952	22,060
Depreciation/Payment	<u>53,379</u>	<u>53,639</u>	<u>(260)</u>
Change in net position	<u>\$ 30,513</u>	52,313	<u>\$ 21,800</u>
 Beginning net position		<u>880,006</u>	
 Ending net position		<u>\$ 932,319</u>	

The accompanying notes and opinion are an integral
part of this financial statement.

JOHNSON, BADERTSCHER & MOORE, P .C.

Certified Public Accountants

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Report 2

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

To the Board of Trustees
Multiple Community Services Authority
Fletcher, Oklahoma

We have audited, in accordance with the 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 financial statements of the governmental activities and the business-type activities of Multiple Community Services Authority, Fletcher, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Multiple Community Services Authority, Fletcher, Oklahoma's basic financial statements, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Multiple Community Services Authority, Fletcher, Oklahoma'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 Multiple Community Services Authority, Fletcher, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Multiple Community Services Authority, Fletcher, Oklahoma'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was 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 material weaknesses or, significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Multiple Community Services Authority, Fletcher, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is 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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


JOHNSON, BADERTSCHER & MOORE, P.C.
Certified Public Accountants

Chickasha, Oklahoma
November 5, 2013