

Town of Muldrow, Oklahoma

Annual Financial Statements and Accompanying
Independent Auditor's Reports

June 30, 2013

Samuel S Alexander
Certified Public Accountant

Town of Muldrow, Oklahoma
June 30, 2013

BOARD OF TRUSTEES

Mayor

Catherine Jones

Vice Mayor

Darren Keith

Board Members

Jim Ross

Scott Sharp

Stephen Michael

Town of Muldrow, Oklahoma
June 30, 2013

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Town of Muldrow, Oklahoma
June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Trustees
Town of Muldrow, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Muldrow, Oklahoma (the Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion on the Governmental Funds

As discussed in Note A, the financial statements referred to above do not include the fixed assets for the governmental funds. Accounting principles generally accepted in the United States of America require the capitalization and recording of fixed assets, which would increase the assets and fund balance and change the revenues in the governmental funds. The amount that should be recorded for the Town's fixed assets has not been determined.

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Funds, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town of Muldrow, Oklahoma, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unqualified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Muldrow, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has elected to omit the Management's Discussion and Analysis. Accounting principles generally accepted in the United States of America require that a Management's Discussion and Analysis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Muldrow's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by the U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate 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. Except for the effects on the combining and individual statements and schedules of revenues, expenditures, and changes in fund balances, statements of revenues, expenses and changes in net assets, and statements of cash flows for management having not recorded capital assets and the related depreciation expense on those assets in the General Fund, the combining and individual nonmajor fund financial statements, budgetary schedules and the schedule of expenditures of federal and state awards, in my opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 5, 2014, on my consideration of the Town of Muldrow, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of my 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 the Town of Muldrow, Oklahoma's internal control over financial reporting and compliance.

Wagoner, Oklahoma
May 5, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MULDROW , OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 694,654	\$ 1,068,336	\$ 1,762,990
Investments	78,357	162,160	240,517
On deposit with OMAG	2	38,460	38,462
Accounts receivable	-	115,866	115,866
Taxes receivable	51,554	8,357	59,911
Capital assets			-
Land	-	754,738	754,738
Property, plant & equipment	-	1,483,543	1,483,543
Total Assets	<u>824,567</u>	<u>3,631,460</u>	<u>4,456,027</u>
<u>LIABILITIES</u>			
Accounts payable	23,368	12,230	35,598
Notes payable	695,900	204,249	900,149
Accrued Liabilities	4,120	-	4,120
Total Liabilities	<u>723,388</u>	<u>216,479</u>	<u>939,867</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt		2,132,543	2,132,543
Contributed capital		334,163	334,163
Restricted	52,502	98,511	151,013
Unrestricted	75,898	849,764	925,662
Total Net Assets	<u>\$ 128,400</u>	<u>\$ 3,414,981</u>	<u>\$ 3,543,381</u>

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

TOWN OF MULDROW, OKLAHOMA
 GOVERNMENT-WIDE STATEMENTS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	TOTALS
Primary Government:						
General Government	\$ (220,347) ↓	\$ 2,445 ✓	\$ 23,519 ✓	\$ (194,383)	-	\$ (194,383)
Public Safety	(744,805) ✓	361,550	8,067 ✓	(375,188)	-	(375,188)
Streets	(176,646) ↓		-	(176,646)		(176,646)
Parks & Recreation	(129,977) ✓	950 ✓	1,000 ✓	(128,027)		(128,027)
Capital Outlay	(55,420) ↓	-		(55,420)		(55,420)
Total governmental activities	(1,327,195)	364,945	32,586	(929,664)	-	(929,664)
Business - Type Activities:						
Water, Sewer, Gas & Trash	(887,595)	1,058,836	-		171,241	171,241
Sanitation	(188,458)	258,230			69,772	
Depreciation - unallocated	(145,209)	-	-		(145,209)	(145,209)
Total business - type activities	(1,221,262)	1,317,066	-		95,804	26,032
Totals	\$ (2,548,457)	\$ 1,682,011	\$ 32,586	(929,664)	95,804	(903,632)
General revenues						
Taxes:						
Sales tax				566,126 ✓		566,126
Use tax				61,878 ✓		61,878
Gas tax				9,183 (T)		9,183
Franchise tax				158,495 ✓		158,495
Alcoholic beverage tax				24,285 ✓		24,285
Commercial vehicle tax				24,442 (T)		24,442
Cigarette tax				9,310 ✓		9,310
Miscellaneous				16,760		16,760
Interest earnings				1,063	1,007	2,070 ✓
Transfers internal activities				40,071	(72,861)	(32,790)
Other deposits				23,186		23,186
Total general revenues				934,799	(71,854)	862,945
Changes in net assets				5,135	23,950	29,085
Net assets, beginning of period				96,044	3,391,031	3,487,075
Net assets, end of period				\$ 101,179	\$ 3,414,981	\$ 3,516,160

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

FUND FINANCIAL STATEMENTS

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND CASH FUND BALANCES
ALL GOVERNMENT FUNDS
JUNE 30,2013

	Governmental Fund Types		Total
	General Fund	Special Revenue Funds	
<u>ASSETS</u>			
Cash	\$ 417,680	\$ 276,974	\$ 694,654
Investments		78,357	78,357
On deposit with OMAG	2		2
Taxes receivable	41,123	10,431	51,554
Total Assets	\$ 458,805	\$ 365,762	824,567
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	16,597	6,771	23,368
Accrued liabilities	4,120	-	4,120
Debt	-	695,900	695,900
Total liabilities	20,717	702,671	723,388
Fund Balances-			
Restricted	2	52,500	52,502
Unrestricted	465,307	(389,409)	75,898
Total fund balance	465,309	(336,909)	128,400
Total Liabilities and Fund Balances	\$ 486,026	\$ 365,762	

Amounts reported for governmental activities in the statement of net assets is not different because the amount of capital assets is not known. Capital assets are expensed when acquired.

Net Assets of Governmental Activities \$ 101,179

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>June 30, 2013</u>
Revenues:			
Licenses and permits	2,445	-	2,445
Taxes	481,672	277,794	759,466
Grant proceeds	26,964	3,583	30,547
Fines and Forfeitures	308,076	-	308,076
Fire contracts and runs		11,275	11,275
Donations		5,484	5,484
Miscellaneous	11,153	5,607	16,760
911 fees	35,684		35,684
Reimbursements	19,740		19,740
Rentals		950	950
Police-miscellaneous	6,515		6,515
Interest earnings	226	837	1,063
Total revenues	<u>892,475</u>	<u>305,530</u>	<u>1,198,005</u>
Expenditures:			
General government	220,347	-	220,347
Police	677,243	-	677,243
Parks & recreation	-	101,269	101,269
Fire		67,562	67,562
Capital outlay	55,420	-	55,420
Interest	-	28,708	28,708
Streets	-	176,646	176,646
Total expenditures	<u>953,010</u>	<u>374,185</u>	<u>1,327,195</u>
Excess of revenues over (under) expenses	<u>(60,535)</u>	<u>(68,655)</u>	<u>(129,190)</u>
Other financing sources (uses):			
Operating transfers in	67,216	708,146	775,362
Operating transfers (out)	(27,221)	(613,816)	(641,037)
Total other financing sources (uses)	<u>39,995</u>	<u>94,330</u>	<u>134,325</u>
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	(20,540)	25,675	5,135
Fund balances, beginning of year	<u>458,628</u>	<u>(362,584)</u>	<u>96,044</u>
Fund balances, end of year	<u>438,088</u>	<u>(336,909)</u>	<u>101,179</u>

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2013

Public Works
Authority
Enterprise
Fund

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,068,336
On deposit with OMAG	38,460
Investments	162,160
Accounts receivable	115,866
Taxes receivable	8,357
Capital assets	
Land	754,738
Plant, property, and equipment (net)	1,483,543
Total assets	<u>3,631,460</u>

LIABILITIES

Current liabilities:

Accounts payable	12,230
Notes payable-current	98,511
Total current liabilities	<u>110,741</u>

Noncurrent liabilities:

Notes payable - non - current	105,738
Total non - current liabilities	<u>105,738</u>

Total Liabilities

216,479

NET ASSETS

Invested in capital assets, net of related debt	2,132,543
Restricted for debt service	98,511
Unrestricted	<u>1,183,927</u>

Total Net Assets

\$ 3,414,981

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works Authority Enterprise Fund</u>
Operating Revenues:	
Charges for services:	
Water and Sewer	1,058,836
Sanitation	<u>258,230</u>
Total revenues	<u>1,317,066</u>
Operating Expenses:	
Salaries	420,989
Maintenance and operation	466,606
Sanitation	188,458
Depreciation	118,234
Depreciation- Sanitation	<u>26,975</u>
Total expenditures	<u>1,221,262</u>
Operating Income (Loss)	95,804
Non-Operating Revenues (Expenses):	
Investment income	1,007
Transfers in	27,145
Transfers out	(57,210)
Sanitation transfers to general fund	<u>(42,796)</u>
Total non-operating revenues (expenses)	<u>(71,854)</u>
Change in net assets	23,950
Net assets - beginning of year	<u>3,391,031</u>
Total net assets - end of year	<u><u>3,414,981</u></u>

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Public Works Authority Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,302,091
Payments to employees	(420,989)
Payments to suppliers	(465,006)
Sanitation expenditures	(188,458)
Net Cash Provided By Operating Activities	<u>227,638</u>
 Cash Flows From Noncapital Financing Activities:	
Transfers to other funds	<u>(72,861)</u>
 Cash Flows From Capital And Related Financing Activities	
Purchases of capital assets	(37,747)
Principal paid on debt	(46,677)
Net Cash provided By (Used In) Capital And Related Financing Activities	<u>(84,424)</u>
 Cash Flows From Investing Activities	
Interest on investments	<u>1,007</u>
Net Increase (Decrease) In Cash And Cash Equivalents	71,360
 Balance - Beginning of year	<u>1,159,136</u>
 Balance - End of year	<u><u>\$ 1,230,496</u></u>
 Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ 95,804
Adjustments to reconcile operating income to net cash provided (used) operating activities	
Depreciation expenses	145,209
Increase in accounts payable	1,600
Increase in accounts receivable	(14,975)
Net cash provided by operating activities	<u><u>\$ 227,638</u></u>

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

TOWN OF MULDROW, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town's financial reporting entity includes the primary government (Town of Muldrow) and one component unit.

- The Town of Muldrow – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.
- The Town of Muldrow Public Works Authority – that operates the water and wastewater services of the Town.

The Town of Muldrow is an incorporated municipality. The Town is a “Statutory Town Government” under Title II of the Oklahoma Statutes.

The component unit (Authority) has the Town Council as their governing body (trustees) and the Town is able to impose its will on the Authority through required approval of all debt obligations issued by the entity. The Authority meets criteria of a blended component unit and is presented as such.

The Muldrow Public Works Authority is a public trust created the provisions of Title 60 Oklahoma Statutes, 2001, Section 176 to 180.03, for the use and benefit of the Town of Muldrow. The authority was created to finance, develop and operate the gas, water, sewer and solid waste activities of the Town. The Authority leases the water and sewer utility system from the Town. The lease rental each year is the revenue remaining after payments have been made to debt service accounts and all operating expenses of the Authority have been paid. The Authority is an enterprise fund.

In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the basis of accounting used, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The Statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or part by fees charged to external parties for goods or services.

C. Basis of Presentation – Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred.

The revenues susceptible to accrual are sales taxes, use tax, tobacco tax, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

E. Budgetary Control

In accordance with 68 O.S. 2001 § 2483, the Board of Trustees and the Muldrow Public Works Authority Board formally adopt annual budgets, which include the general fund, the fire department fund, Town Sales Tax Fund, Library Fund, Park Fund and the Enterprise Fund. These annual budgets are adopted on a basis consistent with guidelines established by the Oklahoma Municipal Code. (Section 17-201, Municipal budget Act). This basis differs from U.S. generally accepted accounting principles, since it does not recognize accrued revenue.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purpose and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual results for this comparison.

F. Fund Financial Statements

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Summary of Significant Accounting Policies (continued)

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following major governmental funds:

General Fund – the General fund in the main operating fund of the Town. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds – the special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purpose or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, all of which are recorded as a non-major fund:

Fire Department Fund - this fund accounts for sales tax and grants restricted for volunteer fire department operations.

Utility Sales Tax Fund – this fund accounts for sales tax and interest used for supplementing Town utility operations.

Town Sales Tax Fund – this fund accounts for sales tax and interest used for street department operations.

Library Fund - this fund accounts for interest earnings and grants used for library operations.

City Park Fund – this fund accounts for donations and rental income used for the operation of the Town's parks.

Proprietary Funds

Public Works Authority Fund

Public Works Authority Fund is used to account for the provision of water and sewer services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Summary of Significant Accounting Policies (continued)

Fiduciary Funds – are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Town programs. Fiduciary fund financial statements report similarly to proprietary funds.

Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less.

Investments consist of long-term certificates of deposits reported at cost, which approximates market, unless otherwise indicated.

In the Muldrow Public Works Authority, utility revenue and related accounts receivable are reported for utility services provided and billed prior to year end but not yet collected.

Any amounts due and payable between legal entities, resulting from budgetary basis transactions, are reported as Internal Balances and eliminated in the total column.

Capital Assets

Capital assets records are not maintained for governmental funds and therefore not presented for governmental activities in the government-wide financial statements.

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Net Assets Accounting Policies

Net assets are displayed in two components:

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

TOWN OF MULDROW, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Summary of Significant Accounting Policies (continued)

Total Columns on Combined Statements – Overview

Total columns on the Combined Statements – Overview are captioned “Memorandum only” to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Transactions Between Funds

Legally authorized transfers if any, are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

2. Capital Assets

A Summary of changes in general fixed assets for the year ended June 30, 2013, follows:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2013</u>
Business - Type activities:				
Capital assets, not being depreciated:				
Land	\$ 754,738	\$ -	\$ -	\$ 754,738
Total capital asset, not being depreciated	<u>754,738</u>	<u>-</u>	<u>-</u>	<u>754,738</u>
Capital assets being depreciated:				
Water Treatment Plant	2,325,284	-	-	2,325,284
Water System	1,017,467	-	-	1,017,467
Vehicles	100,827	18,429	-	119,256
Sanitation Truck	143,640	-	-	143,640
Office Equipment	27,631	-	-	27,631
Utility Structure	181,292	18,059	-	199,351
Equipment	238,769	1,258	-	240,027
Total capital assets being depreciated:	<u>4,034,910</u>	<u>37,746</u>	<u>-</u>	<u>4,072,656</u>
Less accumulated depreciation:	<u>(2,443,904)</u>	<u>(145,209)</u>	<u>-</u>	<u>(2,589,113)</u>
Total capital assets being depreciated, Net of depreciation	<u>1,591,006</u>	<u>(107,463)</u>	<u>-</u>	<u>1,483,543</u>
Total all business-type activities capital assets, net	<u>\$ 2,345,744</u>	<u>\$ (107,463)</u>	<u>\$ -</u>	<u>\$ 2,238,281</u>

TOWN OF MULDROW, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

3. Sales Tax

The Town is currently receiving sales tax on each dollar. One third (1/3) of all sales tax proceeds is deposited into the General Fund for the purpose of paying the operation and maintenance costs for the police department incurred by the Town, one third (1/3) is deposited into and then transferred from the Town's Utility Sales Tax Fund to the Muldrow Public Works Authority, one third (1/3), less \$30,000, is deposited into the Town Sales Tax Fund for the operation and maintenance of streets, and \$30,000 is deposited into the Fire Department Fund for the operation of the Volunteer fire department.

4. Long-Term Debt

Proprietary Fund Debt:

CDBG loan agreement for \$510,734 for infrastructure improvements, dated May 24, 1997, due in monthly payments of \$ 1,642, 0% interest, EDIF contract No. 6701, payable on demand.

Loan agreement for \$ 143,640 for a sanitation vehicle dated February \$2012, due in monthly payments of \$2,648, 3.99%.

CDBG Loan	\$	98,511
Sanitation Vehicle		105,738
 Total Proprietary Fund Debt	 \$	 <u>204,249</u>

The maturities for the next five years are as follows:

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
CDBG loan	\$ 19,702	19,702	19,702	19,702	19,703	98,511
Sanitation Vehicle	\$ 28,072	29,212	30,399	18,055		105,738
 Total	 <u>\$ 47,774</u>	 <u>48,914</u>	 <u>50,101</u>	 <u>37,757</u>	 <u>19,703</u>	 <u>\$ 204,249</u>

Due to the Town's Muldrow Public Works Authority undergoing bankruptcy during 2005-06, the CDBG loan has a demand feature and that debt is now presented as short-term.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. Lease Purchases – Governmental Fund

Governmental Fund Debt:

Lease Purchase agreement on a 1991 Beck Ottawa Pumper, dated October 20, 2009, in the amount of \$56,267, due in monthly payments of \$1,286, interest at 4.5% \$19,700

Lease purchase agreement on a 2011 Chevrolet Tahoe, dated April 22, 2011, in the amount of \$25,495, due in monthly payments of \$673, interest at 3.99%, No. 904095866 6,185

Total Governmental Fund Debt \$25,885

The maturities for the next five years are as follows:

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Total</u>
Lease Purchase	\$ 23,508	2,377	-	25,885
Total	<u>\$ 23,508</u>	<u>2,377</u>	-	<u>\$ 25,885</u>

6. Deposits and Investment Risk

At June 30, 2013, the reporting entity had the following deposits and investments:

<u>Type of Deposits and investments</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,762,990
Total Deposits	<u>\$ 1,762,990</u>
Investments:	
Certificate of deposit	\$ 240,517
Total Deposits and Investments	<u>\$ 2,003,507</u>

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Town’s name collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Town’s name.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Deposits and Investment Risk (continued)

The Town's policy, as it relates to custodial credit risk, is to comply with State law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma, surety bond, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(c), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As of June 30, 2013, the Town's bank balance was not exposed to custody credit risk.

Concentration of Investment Credit Risk – The Town has no investment policy that limits its investment choices other than the limitations of State law.

The Town's only marketable investments at June 30, 2013, consisted of \$240,517 in Certificates of Deposit.

Investment Interest Rate Risk – The Town 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. The Town's only investments are certificates of deposit.

Concentration of Investment Credit Risk- Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town places no limit on the amount it may invest in any one issuer. At June 30, 2013, the Town had no concentration of credit risk as defined above.

7. New Loan with Oklahoma Water Resources Board (OWRB)

On September 13, 2011; a loan to the Muldrow Public Works Authority for wastewater treatment plant improvements was approved by the OWRB. The loan amount ultimately will be \$3,705,000 when the improvements are concluded. The loan will bear interest at 2.89% with a final maturity date of March 15, 2041. Security for the loan is future water and sewer revenues and 1% sales tax.

Interest and principal payments are due semi-annually, with the 1st principal payment due September 15, 2013. Construction loan drawings have resulted in a loan balance of \$3,478,990 at June 30, 2013.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks. Settle claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town of Muldrow has available loss funds for both current and post plan year participation, held by the Oklahoma Municipal Assurance Group Workers' Compensation Plan, at June 30, 2013.

This amount is not shown as an asset of the financial statements in the Town of Muldrow. Recorded in cash is \$38,460 in funds held in escrow at OMAG. These are typically past refunds and or interest earnings left on deposit. These are to be disbursed upon instruction by the governing board of the town. The other amounts recorded as "On Deposit with OMAG" are to pay claims as they are filed.

9. Subsequent Events

Subsequent events have been evaluated through May 5, 2014, with no items noted for reporting.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MULDROW, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Sales tax	\$ 220,000	\$ 220,000	\$ 194,078	(25,922)
Use tax	60,000	60,000	61,878	1,878
Gas tax	6,000	6,000	9,183	3,183
Commercial vehicle tax	20,000	20,000	24,442	4,442
Franchise tax	160,000	160,000	158,495	(1,505)
Alcoholic beverage tax	21,000	21,000	24,285	3,285
Cigarette tax	9,100	9,100	9,310	210
Grant proceeds	4,000	4,000	26,964	22,964
Licenses, permits and burials	3,000	3,000	2,446	(554)
911 Fees	30,000	30,000	35,684	5,684
Fines and forfeitures	270,000	270,000	308,076	38,076
911 K.Sharp salary reimbursement	-	-	9,775	9,775
O-EPIC reimbursement	10,000	10,000	9,965	(35)
Miscellaneous	20,000	20,000	11,153	(8,847)
Police- other	10,000	10,000	6,515	(3,485)
Interest	400	400	226	(174)
Total Revenues	<u>843,500</u>	<u>843,500</u>	<u>892,475</u>	<u>48,975</u>
Expenditures				
General government	252,000	252,000	220,347	31,653
Police	650,000	650,000	677,243	(27,243)
Capital outlay	93,000	93,000	55,420	37,580
Total Expenditures	<u>995,000</u>	<u>995,000</u>	<u>953,010</u>	<u>41,990</u>
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	<u>\$ (151,500.00)</u>	<u>\$ (151,500.00)</u>	(60,535)	<u>\$ 90,965</u>
Other financing sources (uses):				
Operating transfers in/out			39,995	
Total other financing sources (uses)			<u>39,995</u>	
Excess of revenues over/(under) expenses			<u>\$ (20,540)</u>	

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MULDROW, OKLAHOMA
 COMBINED BALANCE SHEET
 SPECIAL REVENUE FUND
 JUNE 30, 2013

	<u>Fire Department</u>	<u>Utility Sales Tax</u>	<u>Town Sales Tax</u>	<u>Library</u>	<u>Parks & Recreation</u>	<u>Total</u>
ASSETS						
Cash	\$ 18,935	\$ 166,658	\$ 61,938	\$ 9,910	\$ 19,533	\$ 276,974
Investments		78,357				78,357
Taxes receivable	2,500		-		7,931	10,431
Total assets	<u>\$ 21,435</u>	<u>\$ 245,015</u>	<u>\$ 61,938</u>	<u>\$ 9,910</u>	<u>\$ 27,464</u>	<u>\$ 365,762</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,070	\$ -	\$ 5,243	\$ -	\$ 458	\$ 6,771
Current portion long-term debt					72,000	72,000
Total current liabilities	1,070	-	5,243	-	72,458	78,771
Long-term debt less current maturities						-
Total liabilities	<u>1,070</u>	<u>-</u>	<u>5,243</u>	<u>-</u>	<u>696,358</u>	<u>702,671</u>
Fund equity						
Fund balances	20,365	192,515	56,695	9,910	(668,894)	(389,409)
Reserved		52,500				52,500
Total fund equity	<u>20,365</u>	<u>245,015</u>	<u>56,695</u>	<u>9,910</u>	<u>(668,894)</u>	<u>(336,909)</u>
Total liabilities and fund equity	<u>\$ 21,435</u>	<u>\$ 245,015</u>	<u>\$ 61,938</u>	<u>\$ 9,910</u>	<u>\$ 27,464</u>	<u>\$ 365,762</u>

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

TOWN OF MULDROW, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Fire Department</u>	<u>Utility Sales Tax</u>	<u>Town Sales Tax</u>	<u>Library</u>	<u>Recreation</u>	<u>Total</u>
Revenues						
Sales Tax	\$ 30,000	\$ -	\$ 150,721	\$ -	\$ 97,073	\$ 277,794
Grants	3,583	-	-	-	-	3,583
Fire runs	-	-	-	-	-	-
Fire protection contracts	11,275	-	-	-	-	11,275
Swing set collections	-	-	-	-	-	-
Rentals	-	-	-	-	950	950
Interest	19	-	32	5	19	837
Other deposits	4,595	762	895	-	117	5,607
Donations	4,484	-	-	-	1,000	5,484
Total revenues	<u>53,956</u>	<u>762</u>	<u>151,648</u>	<u>5</u>	<u>99,159</u>	<u>305,530</u>
Expenditures						
Streets	-	-	-	-	-	-
Fire	67,562	-	176,646	-	-	176,646
Library	-	-	-	-	-	67,562
Parks & Recreation	-	-	-	-	101,269	101,269
Interest	-	-	-	-	28,708	28,708
Total expenditures	<u>67,562</u>	<u>-</u>	<u>176,646</u>	<u>-</u>	<u>129,977</u>	<u>374,185</u>
Excess of revenues over (under) expenditures	(13,606)	762	(24,998)	5	(30,818)	(68,655)
Other financing sources(uses)						
Operating transfers in	1	708,070	75	-	-	708,146
Operating transfers(out)	-	(613,816)	-	-	-	(613,816)
Excess revenues and other sources over/ (under) expenditures and other uses	(13,605)	95,016	(24,923)	5	(30,818)	25,675
Fund balances, beginning of year	33,970	149,999	81,618	9,905	(638,076)	(362,584)
Fund balances, end of year	<u>\$ 20,365</u>	<u>\$ 245,015</u>	<u>\$ 56,695</u>	<u>\$ 9,910</u>	<u>\$ (668,894)</u>	<u>\$ (336,909)</u>

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - METER DEPOSITS
JUNE 30,2013

ASSETS

Cash and demand deposits	\$ 61,764
Investments	46,538
Accounts receivable	<u>416</u>
Total assets	<u><u>\$ 108,718</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	
Meter deposit	\$ 82,695
Total liabilities	<u>82,695</u>
Fund equity	
Fund Balance - Restricted	<u>26,023</u>
Total Fund Equity	<u>26,023</u>
Total Liabilities and Fund Equity	<u><u>\$ 108,718</u></u>

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

TOWN OF MULDROW, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
 FIDUCIARY FUND - METER DEPOSITS
 FOR THE YEAR ENDED JUNE 30, 2013

<u>REVENUES</u>	
Interest income	\$ 162
Total revenues	<u>162</u>
<u>EXPENDITURES</u>	
Meter supplies	<u>161</u>
Total expenditures	<u>161</u>
Excess of revenue over/(under) expenses	1
Fund balance - beginning of year	<u>26,022</u>
Fund balance - end of year	<u><u>\$ 26,023</u></u>

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - OWRB
JUNE 30,2013

ASSETS

Cash and demand deposits	\$ 60
Construction in progress	<u>3,515,689</u>
 Total assets	 <u><u>\$ 3,515,749</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	
Accounts Payable	\$ 3,900
Construction Loan Payable	<u>3,478,990</u>
 Total liabilities	 <u>3,482,890</u>
 Fund equity	
Fund Balance - Restricted	<u>32,859</u>
 Total Fund Equity	 <u>32,859</u>
 Total Liabilities and Fund Equity	 <u><u>\$ 3,515,749</u></u>

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
FIDUCIARY FUND - OWRB
FOR THE YEAR ENDED JUNE 30, 2013

<u>REVENUES</u>	
Interest income	\$ 47
Total revenues	47
 <u>EXPENDITURES</u>	
Expenses	-
Total expenditures	-
Excess of revenue over/(under) expenses	47
Other financing sources (uses):	
Operating transfers in	32,789
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	32,836
Fund balance - beginning of year	23
Fund balance - end of year	\$ 32,859

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

SAMUEL S ALEXANDER

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMG CIRCULAR A-133

To the Board of Trustees
Town of Muldrow, Oklahoma

Compliance

I have audited the compliance of the Town of Muldrow, Oklahoma, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2014. The Town of Muldrow, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, and contracts applicable to each of its major federal programs is the responsibility of the Town of Muldrow, Oklahoma's management. My responsibility is to express an opinion of the Town of Muldrow, Oklahoma's compliance based on my audit.

I conducted my 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*. Those standards and OMB Circular -133 require that I 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 Town of Muldrow, Oklahoma's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Town of Muldrow, Oklahoma's compliance with those requirements.

In my opinion, the Town of Muldrow, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2013.

Internal Control Over Compliance

The management of the Town of Muldrow, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations

and contracts applicable to federal programs. In planning and performing my audit, I considered the Town of Muldrow, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town of Muldrow, Oklahoma's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be a material weaknesses as defined above.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wagoner, Oklahoma
May 5, 2014

TOWN OF MULDROW, OKLAHOMA
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Pass-through Grantor Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency:			
Cap Grants for State Revolving Fund Pass-through program from Oklahoma Water Resources Board	66.458	ORF-11-0007- CW	<u>\$1,856,085</u>
Total expenditures of federal awards			<u>\$1,865,085</u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF MULDROW, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Note A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal loan activity of the Town of Muldrow, Oklahoma and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF MULDROW, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a qualified and unqualified opinion on the financial statements of the Town of Muldrow, Oklahoma.
2. No significant deficiencies were disclosed during the audit of the financial statements of the Town of Muldrow, Oklahoma.
3. No instances of noncompliance material to the financial statements of the Town of Muldrow, Oklahoma were disclosed during the audit.
4. The auditor's report on compliance for the major federal loan program for the Town of Muldrow, Oklahoma expresses an unqualified opinion on all major federal programs.
5. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in the Schedule.
6. The programs tested as major programs included Cap Grants for State Revolving Fund CFDA Number 66.458.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Town of Muldrow was determined to be a high-risk auditee.

FINDINGS

SIGNIFICANT DEFICIENCY – None

MATERIAL WEAKNESS - None