

TOWN OF MOORELAND, OKLAHOMA

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2012

**TOWN OF MOORELAND, OKLAHOMA
TOWN OFFICIALS
JUNE 30, 2012**

Richard Burrow

Mayor

Darrel Loghry

Vice Mayor

Anne Prather

Trustee

Jeremy Eilers

Trustee

Gerry Hand

Trustee

Dottie Nesmith

Town Administrator

Karen Fox

Town Clerk/Treasurer

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INDEPENDENT AUDITOR'S REPORT

To the Town Trustees
Town of Mooreland, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mooreland, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Town did not have sufficient documentation to audit the accounts receivable for services, related allowance for losses, and the accrued compensated absences and their related revenue/expense account(s) for the governmental activities, business-type activities, general fund, and public works authority (utility fund).

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the

accounts receivable for services, related allowance for losses, and the accrued compensated absences and their related revenue/expense account(s) been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Mooreland, Oklahoma, at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the Town of Mooreland, Oklahoma, at June 30, 2012, 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.

In accordance with Government Auditing Standards, we have also issued a report dated October 31, 2013, on our consideration of the Town of Mooreland, Oklahoma, internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Town has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information on pages 32-33 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying financial

information presented in the Other Supplementary Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Mooreland, Oklahoma. The Other Supplementary Information section is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except as noted above for the general and utility funds, the information is fairly presented in all material respects in relation to the basic financial statements as a whole.

McCulley & McCulley

Weatherford, Oklahoma

October 31, 2013

TOWN OF MOORELAND, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	PRIMARY GOVERNMENT		
	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash on Hand	\$ 325	\$ 100	\$ 425
Cash in Bank, Including Time Deposits	1,042,777	1,231,056	2,273,833
Accounts Receivable, Net:			
Services	2,318	191,160	193,478
Taxes	71,532		71,532
Intergovernmental	105,068		105,068
Prepaid Assets	10,343		10,343
Restricted Assets:			
Cash in Bank, Including Time Deposits		65,436	65,436
Debt Service Funds		45,943	45,943
Capital Assets - Net of Accumulated Depreciation	1,552,001	1,776,405	3,328,406
TOTAL ASSETS	<u>2,784,364</u>	<u>3,310,100</u>	<u>6,094,464</u>
LIABILITIES			
Accounts Payable	131,217	90,042	221,259
Accrued Interest Payable	68	13,611	13,679
Accrued Compensated Absences	4,390	9,703	14,093
Customer Deposits		65,436	65,436
Long-term Liabilities:			
Due Within One Year	18,672	68,592	87,264
Due in More Than One Year	14,627	1,290,888	1,305,515
TOTAL LIABILITIES	<u>168,974</u>	<u>1,538,272</u>	<u>1,707,246</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	1,518,702	416,925	1,935,627
Restricted Net Assets - Cemetery Improvements	43,412		43,412
Debt Service		45,943	45,943
Unrestricted Net Assets	1,053,276	1,308,960	2,362,236
TOTAL NET ASSETS	<u>\$ 2,615,390</u>	<u>\$ 1,771,828</u>	<u>\$ 4,387,218</u>

The accompanying notes are an integral part of these statements.

TOWN OF MOORELAND, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CON- TRIBUTIONS	CAPITAL GRANTS AND CON- TRIBUTIONS	PRIMARY GOVERNMENT		TOTAL
					GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	
PRIMARY GOVERNMENT							
Governmental Activities:							
Municipal Court	\$ 10,252	\$	\$	\$	\$ (10,252)	\$	\$ (10,252)
General Government	39,156				(39,156)		(39,156)
Park	35,992	9,150			(26,842)		(26,842)
Police Department	150,691	28,992			(121,699)		(121,699)
Fire Department	38,527		4,413		(34,114)		(34,114)
Airport	18,668	7,219		31,590	20,141		20,141
Emergency Management	3,284				(3,284)		(3,284)
Street and Alley	34,165		10,351		(23,814)		(23,814)
Cemetery	12,933	7,575			(5,358)		(5,358)
Interest Payment	2,189				(2,189)		(2,189)
Depreciation Expense	133,219				(133,219)		(133,219)
Capital Outlay	0				0		0
TOTAL GOVERNMENTAL ACTIVITIES	479,076	52,936	14,764	31,590	(379,786)	0	(379,786)
Business-type Activities:							
Administration Department	57,140					(57,140)	(57,140)
Electric Department	854,387	946,815			92,428		92,428
Sewer Department	60,479	89,498			29,019		29,019
Trash Department	59,019	91,514			32,495		32,495
Water Department	230,106	250,814			20,708		20,708
Interest Expense	48,761				(48,761)		(48,761)
Bad Debt Expense	4,827				(4,827)		(4,827)
Former Nursing Home Related		2,494				2,494	2,494
TOTAL BUSINESS-TYPE ACTIVITIES	1,314,719	1,381,135	0	0	0	66,416	66,416
TOTAL PRIMARY GOVERNMENT	\$ 1,793,795	\$ 1,434,071	\$ 14,764	\$ 31,590	(379,786)	66,416	(313,370)
General Revenues							
Sales and Use Taxes					285,621		285,621
Cigarette Taxes					3,322		3,322
Intergovernmental Revenue					11,335		11,335
Franchise Taxes					13,550		13,550
License, Permits, and Inspections					3,129		3,129
Donations					7,993		7,993
Interest Income					1,281	2,590	3,871
Late Penalties						19,593	19,593
Property Sales and Dispositions					8,607		8,607
Other Income					1,595	11,914	13,509
Transfers, Net					80,000	(80,000)	0
Total General Revenues and Transfers					416,433	(45,903)	370,530
Change in Net Assets					36,647	20,513	57,160
NET ASSETS							
Beginning of Year					2,578,743	1,751,315	4,330,058
End of Year					<u>\$ 2,615,390</u>	<u>\$ 1,771,828</u>	<u>\$ 4,387,218</u>

The accompanying notes are an integral part of these statements.

**TOWN OF MOORELAND, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS -
MODIFIED ACCRUAL BASIS
JUNE 30, 2012**

	GENERAL FUND	FAA GRANT 3-40- 0061-002-2010 FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
ASSETS				
Cash on Hand	\$ 325	\$	\$	\$ 325
Cash in Bank, Including Time Deposits	875,401		167,376	1,042,777
Accounts Receivable, Net:				
Services	2,318			2,318
Taxes	71,532			71,532
Intergovernmental	2,710	76,332	26,026	105,068
Due from (to) Other Funds	1,216	4,018	(5,234)	0
Prepaid Assets	10,343			10,343
TOTAL ASSETS	\$ 963,845	\$ 80,350	\$ 188,168	\$ 1,232,363
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 30,046	\$ 80,350	\$ 20,821	\$ 131,217
Accrued Interest Payable			68	68
Accrued Compensated Absences	4,390			4,390
TOTAL LIABILITIES	34,436	80,350	20,889	135,675
FUND BALANCES				
Nonspendable	10,343		10,149	20,492
Restricted			43,412	43,412
Assigned			113,786	113,786
Unassigned	919,066		(68)	918,998
TOTAL FUND BALANCES	929,409	0	167,279	1,096,688
TOTAL LIABILITIES AND FUND BALANCES	\$ 963,845	\$ 80,350	\$ 188,168	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Governmental capital assets are expended in the funds. Accumulated capital assets are reported in the General Fixed Assets Account Group. This amount less accumulated depreciation is

1,552,001

Long-term capital lease obligations are reported in the General Long-term Debt Account Group and therefore are not reported in the funds.

(33,299)

Net Assets of Governmental Activities

\$ 2,615,390

The accompanying notes are an integral part of these statements.

TOWN OF MOORELAND, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED ACCRUAL
YEAR ENDED JUNE 30, 2012

	GENERAL FUND	FAA GRANT 3-40- 0061-002-2010 FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
REVENUES				
Sales and Use Tax	\$ 285,621	\$	\$	\$ 285,621
Cigarette Taxes	3,322			3,322
Intergovernmental Revenue	26,099	5,564	26,026	57,689
Franchise Tax	13,550			13,550
Licenses, Permits & Inspections	3,129			3,129
Fines	28,992			28,992
Swimming Pool	5,550			5,550
Short-term Rental of Facilities	3,600			3,600
Airport	7,219			7,219
Interest	1,110		171	1,281
Property Sales	8,607		675	9,282
Charges for Services			6,900	6,900
Donations	7,085		908	7,993
Other Income	1,595			1,595
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	395,479	5,564	34,680	435,723
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Municipal Court	10,252			10,252
General Government	39,156			39,156
Parks Department	35,992			35,992
Police Department	150,691			150,691
Fire Department	38,527			38,527
Airport	18,668			18,668
Emergency Management	3,284			3,284
Street and Alley	34,165			34,165
Cemetery			12,933	12,933
Capital Outlays	42,661	5,857	28,917	77,435
Principal Payment			17,766	17,766
Interest Payment			2,189	2,189
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	373,396	5,857	61,805	441,058
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	22,083	(293)	(27,125)	(5,335)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)				
Transfers In	80,112	293	47,883	128,288
Transfers (Out)	(48,176)		(112)	(48,288)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING	31,936	293	47,771	80,000
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	54,019	0	20,646	74,665
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE				
Beginning of Year	875,390		146,633	1,022,023
	<hr/>	<hr/>	<hr/>	<hr/>
End of Year	\$ 929,409	\$ 0	\$ 167,279	\$ 1,096,688
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these statements.

**TOWN OF MOORELAND, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	74,665
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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 as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		(55,784)
<p>Governmental funds report principal repayments on loans to governmental activities in the debt service fund as an expense. On the Statement of Activities, repayments decrease the liability.</p>		17,766
		17,766
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	36,647

The accompanying notes are an integral part of these statements.

**TOWN OF MOORELAND, OKLAHOMA
STATEMENT OF NET ASSETS
ALL PROPRIETARY FUND TYPES
MOORELAND PUBLIC WORKS AUTHORITY
JUNE 30, 2012**

	UTILITY FUND
ASSETS	
Current Assets:	
Cash on Hand	\$ 100
Cash in Bank	890,062
Certificate of Deposit	340,994
Accounts Receivable, Net	191,160
Restricted Assets:	
Cash in Bank	37,336
Certificate of Deposit	28,100
Debt Service Fund Investments	45,943
Total Current Assets	<u>1,533,695</u>
Noncurrent Assets:	
Capital Assets, Net	<u>1,776,405</u>
Total Noncurrent Assets	<u>1,776,405</u>
 TOTAL ASSETS	 <u>3,310,100</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	90,042
Accrued Compensated Absences	9,703
Accrued Interest Payable	13,611
Customer Meter Deposits	65,436
Notes and Bonds Payable, Including Capital Lease Obligations	68,592
Total Current Liabilities	<u>247,384</u>
Noncurrent Liabilities	
Notes and Bonds Payable, Including Capital Lease Obligations	<u>1,290,888</u>
Total Noncurrent Liabilities	<u>1,290,888</u>
 TOTAL LIABILITIES	 <u>1,538,272</u>
 NET ASSETS	
Investment in Capital Assets	
Net of Related Debt	416,925
Restricted for Debt Service	45,943
Unrestricted Net Assets	<u>1,308,960</u>
 TOTAL NET ASSETS	 <u>\$ 1,771,828</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MOORELAND, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - ALL PROPRIETARY FUNDS
MOORELAND PUBLIC WORKS AUTHORITY
YEAR ENDED JUNE 30, 2012**

	UTILITY FUND
OPERATING REVENUES	
Electricity Sales	\$ 946,815
Sewer	89,498
Trash Collection	91,514
Water Sales	250,814
Late Penalties	19,593
Collections on Former Nursing Home Receivables	2,494
Other Operating Revenue	11,914
TOTAL OPERATING REVENUES	1,412,642
OPERATING EXPENSES	
Administration Department	57,140
Electric Department	854,387
Sewer Department	60,479
Trash Department	59,019
Water Department	230,106
Bad Debt Expense	4,827
Other Expenses	
TOTAL OPERATING EXPENSES	1,265,958
INCOME FROM OPERATIONS	146,684
NONOPERATING REVENUE (EXPENSES)	
Interest Income	2,590
Interest Expense	(48,761)
TOTAL NONOPERATING REVENUE (EXPENSES)	(46,171)
INCOME BEFORE CONTRIBUTED CAPITAL AND TRANSFERS	100,513
CONTRIBUTED CAPITAL AND TRANSFERS	
Transfer (Out)	(80,000)
INCREASE IN NET ASSETS	20,513
NET ASSETS	
Beginning of Year	1,751,315
End of Year	\$ 1,771,828

The accompanying notes are an integral part of these financial statements.

**TOWN OF MOORELAND, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
MOORELAND PUBLIC WORKS AUTHORITY
YEAR ENDED JUNE 30, 2012**

	<u>UTILITY FUND</u>
Cash Flows from Operating Activities	
Cash Received from Customers or Others	\$ 1,431,891
Cash Paid for Goods and Services	(905,239)
Cash Paid to Employees	(252,921)
	273,731
Cash Flows from Noncapital Financing Activities	
Transfers (Out)	(80,000)
Net Cash (Used in)	
Noncapital Financing Activities	(80,000)
Cash Flows from Capital and Related Financing Activities	
Interest Paid on Notes Payable and Capital Leases	(48,046)
Principal Paid on Notes Payable and Capital Leases	(69,124)
Acquisition and Construction of Capital Assets	0
	(117,170)
Cash Flows from Investing Activities	
Interest Received on Cash and Cash Equivalents	2,590
	2,590
Increase in Cash and Cash Equivalents	79,151
Balance of Cash and Cash Equivalents	
Beginning of Year	1,263,384
End of Year	\$ 1,342,535

The accompanying notes are an integral part of these financial statements.

**TOWN OF MOORELAND, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
MOORELAND PUBLIC WORKS AUTHORITY
YEAR ENDED JUNE 30, 2012**

(Continued)

	<u>UTILITY FUND</u>
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities:	
Increase in Net Assets	\$ <u>20,513</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities	
Interest Income	(2,590)
Depreciation	94,982
Interest Expense	48,761
Operating Transfer Out	80,000
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	16,748
Increase in Allowance for Bad Debts	4,827
Decrease in Prepaid Assets	3,395
Increase in Accounts Payable	4,594
Increase in Customer Deposits	<u>2,501</u>
Total Adjustments	<u>253,218</u>
Net Cash Provided by Operating Activities	\$ <u><u>273,731</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies.

The accounting policies of the Town of Mooreland, Oklahoma, (the Town), conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies and changes.

A. Reporting Entity.

The Town of Mooreland, Oklahoma, is an incorporated Town under the provisions of the State of Oklahoma. It operates under the Statutory Town Board of Trustees form of government and provides the following services: public safety (fire & police), streets, sanitation, recreation, and general administrative services. Other services include utilities operations.

The Town, for financial purposes, includes all of the funds and account groups relevant to the operations of the Town of Mooreland. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Mooreland.

The financial statements of the Town include those of any separately administered organization that is controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board, and financial interdependency. Based on the foregoing criteria, the financial statements of the Mooreland Public Works Authority (the Authority) is included in the accompanying financial statements. The Mooreland Public Works Authority was established on September 15, 1966, under and pursuant to Title 60 of Oklahoma Statutes 1961 and the Oklahoma Trust Act. This trust indenture was amended in its entirety on December 16, 1991. On November 21, 2002, the trust indenture was amended to delete Article VIII, paragraph 36, in its entirety. This Article had previously restricted the Authority's borrowing authority. The purposes of the trust are to provide utility services and facilities and to promote, develop, and finance the development of commercial and industrial, agri-business, cultural and recreational, educational, medical and health care activities and facilities. The Town Trustees also serve as the trustees of the Authority. Operations of the Mooreland Public Works Authority are reported as a proprietary fund type. The Mooreland Public Works Authority

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

A. Reporting Entity (continued).

operates one enterprise fund - the PWA Utility Fund. The PWA Utility Fund provides electric, water, sewer, and trash collection services to the Town and its citizens. The Town of Mooreland is the beneficiary of the Mooreland Public Works Authority trust.

B. Basic Financial Statements.

Basic financial statements include a Statement of Net Assets and Statement of Activities for the government-wide and business-type activities. The government-wide financial statements report on the Town as a whole. 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. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustain ability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effects of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Town. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt are capital assets net of accumulated depreciation and reduced by the outstanding balances of any mortgages or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements (continued).

through debt covenants, grantors, or contributors), or laws or regulations of other governments, or 2) imposed by law through constitutional provision or enabling legislation. All net assets not otherwise classified as restricted are shown as unrestricted. Generally, the Town would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. 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 activity, 2) grant and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. General revenues normally support the net costs of the functions and programs not covered by program revenues.

Basic financial statements also include fund financial statements for the governmental and proprietary funds. The focus of the fund financial statements is on major funds. This reporting model sets forth minimum criteria for determination of major funds based upon a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined. It also gives governments the option of displaying other funds as major funds. Other nonmajor funds are combined in a single column on the fund financial statements.

The following are presented as major funds for the Town:

Governmental Funds.

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted in another fund.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements (continued).

FAA Grant 3-40-0061-002-2010 Fund - This fund is used to account for the Federal Aviation Administration grant for the airport improvement project.

Other Governmental Funds - This column is the summarization of all the nonmajor governmental funds. These were known as special revenue funds, debt service fund, and fiduciary fund under the previous reporting model. Special revenue funds were used to account for all proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The debt service fund was used to accumulate resources to make payments on general long-term debt. The cemetery perpetual care fund is presented as a permanent fund. Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Proprietary Fund Type.

The Town of Mooreland has one proprietary fund type and is operated under the name of the Mooreland Public Works Authority. The Mooreland Public Works Authority operates one enterprise fund - PWA Utility Fund, which is presented as a major fund.

Enterprise Funds - Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises (ie. where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

C. Measurement Focus and Basis of Accounting (continued).

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period (normally within 60 days). Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

D. Capital Assets.

All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair market value at the time of donation. On March 12, 2007, the Town Board of Trustees approved a capitalization policy of only capitalizing assets with a value of \$5,000 or greater for the governmental funds and the utility fund. Depreciation on capital assets are computed using the straight line method over the estimated useful life of the related asset.

Governmental capital assets are shown in the governmental funds as capital outlay expenditures and were previously shown in the pre-GASB 34 reporting model in the general fixed asset account group. Under this previous reporting model, they were not depreciated. Under GASB 34 reporting model, they are now depreciated and shown in the government-wide financial statements under governmental activities. Infrastructure assets (roads, sidewalks, bridges, etc) were previously not reported in the financial statements but now are reported and depreciated. According to GASB statement 34, retroactively reporting of infrastructure assets is not required by the Town. However, the Town has elected to include those infrastructure assets acquired since July 1, 1993, in these financial statements.

E. Allowance for Bad Debts.

Management periodically reviews its accounts receivables to determine if an account is collectible. An allowance for bad debts is established for those accounts where collection is deemed to be uncertain.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

F. Accrued Compensated Absences.

Full-time Town and Mooreland Public Works Authority Utility fund employees earn up to 160 hours of vacation time depending upon their length of service. No more than five days of vacation can be carried over to a subsequent year. Payment of unused vacation time will be paid upon termination of an employee. Sick leave can be accumulated up to 13 weeks or 520 hours. Compensation of accumulated sick leave will not be paid upon termination or retirement of an employee.

In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources as they are considered matured, ie. when an employee resigns or retires. The proprietary funds report the liability as it is incurred. Accrued compensated absences represents the accumulated vacation time at June 30, 2011, since the Town does not have the appropriate documentation to know what the accrual should be at June 30, 2012.

G. Policy Regarding use of Financial Accounting Standard Board (FASB) Pronouncements - Proprietary Funds.

The Town applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the pronouncements issued on or before November 30, 1989, by the FASB or predecessor Boards, unless those pronouncements conflict with or contradict GASB pronouncements.

H. Intergovernmental Revenue.

Intergovernmental revenue represents revenue received or earned from other governmental agencies. These include such items as alcoholic beverage taxes, motor vehicle taxes, gas excise taxes, and grant funds.

I. Operating Revenues and Expenses.

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the respective enterprise funds. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

J. Fund Balance Classifications.

The following fund balance classifications have been required by the Governmental Accounting Standards Board:

Nonspendable - Amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed - Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned - Amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned - residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Generally, the Town would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

2. Cash in Bank, Including Time Deposits and Cash Equivalents.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town has a policy of requiring collateral for amounts in excess of FDIC insurance levels. At June 30, 2012, the carrying amount of the Town's deposits and certificate of deposits was \$2,339,269 and the bank balance was \$2,430,263. Of the bank balance, \$743,826 was covered by Federal Depository Insurance, since the insurance coverage was increased to \$250,000. The Town had \$1,604,535 covered by collateral pledged to secure the deposits. This collateral is held by the respective bank (or their correspondent bank) in the Town's name. \$ 81,902 was uninsured and uncollateralized.

Authorized investments by state statute include certificate of deposits, obligations of the U. S. Treasury, and funds secured by obligations of the U. S. Treasury.

Restricted cash and other assets in the proprietary fund type consists of assets restricted for customer meter deposits and debt service requirements. The customer meter deposits are offset by a related liability payable.

Following is a schedule of restricted assets at June 30, 2012:

Assets Restricted for Customer Deposits:		
Cash in Bank	\$ 37,336	
Certificate of Deposit	28,100	
Account Receivable		
Total Customer Deposits	\$ 65,436	
Assets Restricted for Debt Service:		
Debt Service Funds - Investments for Oklahoma Water Resource Loans		45,943
Total Assets Restricted		\$111,379

Cash and cash equivalents for cash flow presentation purposes includes the entity's cash on hand, cash in bank, including time deposits and restricted assets. The debt reserve funds are investments which cost approximates market.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

3. Accounts Receivable, Net.

Accounts Receivable, Net, consists of the accounts receivable for the entity less its allowance for bad debts as follows:

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Charges for Services	\$ 6,004	\$219,262	\$ 225,266
Taxes	71,532		71,532
Intergovernmental	105,068		105,068
Less Allowance for Bad Debts	<u>(3,686)</u>	<u>(28,102)</u>	<u>(31,788)</u>
Total Accounts Receivable, Net	<u>\$178,918</u>	<u>\$191,160</u>	<u>\$ 370,078</u>

4. Capital Assets.

Capital asset activity for the year ending June 30, 2012 was as follows:

<u>CAPITAL ASSETS</u>	<u>Primary Government</u>			<u>Balance June 30, 2012</u>
	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>(Deletions)</u>	
Governmental Activities:				
Land*	\$ 64,000	\$	\$	\$ 64,000
Building	272,429		(3,500)	268,929
Equipment & Vehicles	648,186	20,005	(67,241)	600,950
Infrastructure	<u>1,632,832</u>	<u>57,430**</u>		<u>1,690,262</u>
Total Cost	<u>2,617,447</u>	<u>77,435</u>	<u>(70,741)</u>	<u>2,624,141</u>
Less Accumulated Depreciation:				
Building	(131,774)	(10,895)	3,500	(139,169)
Equipment & Vehicles	(545,700)	(33,870)	67,240	(512,330)
Infra- Structure	<u>(332,187)</u>	<u>(88,454)</u>		<u>(420,641)</u>
Total Accum- ulated Depr.	<u>(1,009,661)</u>	<u>(133,219)</u>	<u>70,740</u>	<u>(1,072,140)</u>
Net Govern- mental Activ- ities	<u>\$1,607,786</u>	<u>\$ (55,784)</u>	<u>\$ (1)</u>	<u>\$1,552,001</u>

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

4. Capital Assets (continued).

Gross amount of governmental activities capital assets recorded as equipment and vehicles under capital leases totaled \$180,278 with accumulated amortization of \$152,635. Amortization expense of \$15,081 and accumulated amortization is shown as depreciation expense and accumulated depreciation in these financial statements.

Depreciation expense is not allocated between functions/programs within the governmental activities/funds. Total depreciation expense for governmental activities/funds is \$133,219.

Some of the above governmental activities capital assets are used to secure indebtedness for capital lease obligation as more fully discussed in Note 5 below.

CAPITAL ASSETS	Primary Government			Balance June 30, 2012
	Balance June 30, 2011	Additions	(Deletions)	
Business-type Activities:				
Land*	\$ 4,730	\$	\$	\$ 4,730
Buildings	71,628			71,628
Water & Sewer System	2,194,842			2,194,842
Equipment & Vehicles	253,809			253,809
Total Costs	<u>2,525,009</u>			<u>2,525,009</u>
Less Accumulated Depreciation:				
Buildings	(67,618)	(1,931)		(69,549)
Water & Sewer System	(389,081)	(74,548)		(463,629)
Equipment & Vehicles	(196,923)	(18,503)		(215,426)
Total Accum. Depreciation	<u>(653,622)</u>	<u>(94,982)</u>		<u>(748,604)</u>
Net Business- type Activ- ities	<u>\$1,871,387</u>	<u>\$ (94,982)</u>	<u>\$</u>	<u>\$1,776,405</u>

* non-depreciable

** additions include \$28,917 non-depreciable construction in progress

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

4. Capital Assets (continued).

Total depreciation expense for business-type activities at June 30, 2012, is allocated to the departments as follows:

Utility Operations:	
Administration	\$ 2,433
Electric	9,957
Sewer	5,292
Water	<u>77,300</u>
 Total Depreciation Expense	 <u>\$ 94,982</u>

Gross amount of business-type activities capital assets recorded as equipment and vehicles under capital leases totaled \$40,359 with accumulated amortization of \$32,507. Amortization expense of \$8,072 and accumulated amortization is shown as depreciation expense and accumulated depreciation in these financial statements.

Depreciation for capital assets is computed using the straight line method over the estimated useful life of the related asset.

All of the above business-type capital assets are used to secure indebtedness as more fully discussed below.

5. Long-Term Liabilities.

Governmental Activities.

The Town of Mooreland entered into a lease-purchase agreement as more fully described below:

- a) On April 21, 2003, and approved by the Town on May 12, 2003, the Town had a lease purchase commitment for a fire truck. The Town began making payments on May 1, 2004. Noted the lessor had capitalized interest from the inception of the lease commitment and added the unpaid amount to the loan principal balance. The implicit

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

5. Long-term Liabilities (continued).

interest rate was initially 5% and may be adjusted every five years. Lease is for a 9 year term and calls for quarterly payments of \$4,998. Total original cost of the fire truck was \$150,810. \$ 33,299

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2012.

<u>Year Ending June 30</u>	<u>Town</u>	<u>Due Within One Year</u>
2013	\$ 19,992	Principal \$18,672
2014	<u>14,994</u>	
Net Minimum Lease Payments	34,986	
Less Amount Representing Interest	<u>(1,687)</u>	
Present Value of Net Minimum Lease Payments	<u>\$ 33,299</u>	

Business-type Activities.

The Mooreland Public Works Authority (PWA) entered into various agreements to finance improvements to its water system and purchase assets. Summarized below are the notes and bonds payable for the Mooreland Public Works Authority:

The Mooreland PWA have bonds payable to the Oklahoma Water Resources Board (OWRB) originated on December 9, 2002. These bonds are secured by a first mortgage(both presently owned and acquired in the future)on the water system, water well sites and equipment, water distribution lines, water rights, and pledge and assignment of the revenues and receipts derived from such system. The Authority

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

5. Long-term Liabilities (continued).

cannot incur additional debts on the secured property without written consent of the Water Board and it is subordinate debt. Original terms call for semi-annual payments at a variable rate of interest. On January 23, 2004, the Board of Trustees voted to exercise its option to convert this loan to a fixed interest rate. Interest rates change annually and range from 1.145% to 4.695%. Principal payments are per a set schedule. Maturity is September 15, 2022. The Authority has to fund a reserve account and make monthly payments to a trustee bank to accumulate the funds necessary to make the semi-annual bond payments. These are noted in these financial statements as the debt reserve funds.

Original bonds payable balance was \$205,000.
Outstanding balance at June 30, 2012, was \$ 125,000

The Mooreland PWA has a note payable to the Oklahoma Water Resources Board for water and sidewalk improvements. Original amount due was \$324,255 also known as the Series 2003 Small Community Drinking Water SRF Promissory Note. This loan will be subordinate to the \$205,000 bonds payable. Security for this note is the same as the \$205,000 note payable above. Terms are semi-annual payments of \$10,186 beginning 3/15/05 at 1.795% interest and .50% admin fee. Semi-annual payments prior to 3/15/05 were made according to the Oklahoma Water Resources Board calculations. Maturity is March 15, 2024. 212,220

The Mooreland PWA has another bond payable to the Oklahoma Water Resources Board for the construction of an Ion Exchange Plant to remove the nitrates from the water supply. Original amount due was \$1,150,000 also known as the Series 2009 Drinking Water SRF Promissory Note. This loan will be subordinate to the \$205,000 bonds payable and on parity with the \$324,255 note payable. Security for this note is the same as the \$205,000 note payable above. Terms are semi-annual payments

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

5. Long-term Liabilities (continued).

of principal, interest, and administrative fees beginning 3/15/10. Interest rate is 2.99% and 0.50% admin fee. Semi-annual payments of principal were \$28,750 up to March 15, 2011. After March 15, 2011, the Authority has to fund a reserve account and make monthly payments to a trustee bank to accumulate the funds necessary to make the semi-annual bond payments. These are noted in these financial statements as the debt reserve funds. Future bond semi-annual payments are \$39,436 per the amortization schedule received from the Oklahoma Resources Water Board. Maturity is September 15, 2029. 1,022,260

The Mooreland PWA entered into a capital lease obligation with a bank to purchase one pickup. Original note amount was for \$17,343. Terms call for monthly payments of \$515 for 36 months with interest at 4.35%. Outstanding balance at June 30, 2012 -0-

Total Mooreland PWA Long Term Liabilities \$1,359,480

As of June 30, 2012, accrued interest on the above notes payable for the Mooreland PWA was \$13,611.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

5. Long-term Liabilities (continued).

The following is a summary of the Mooreland PWA long-term liabilities transactions for the year ended June 30, 2012:

	Balance June 30, 2011	New Debt	(Repay- ments)	Balance June 30, 2012	Due Within One Year
Utility Fund:					
Oklahoma Water Resources	\$ 135,000	\$	\$(10,000)	\$ 125,000	\$10,000
Oklahoma Water Resources	227,370		(15,150)	212,220	15,519
Oklahoma Water Resources	1,063,750		(41,490)	1,022,260	43,073
Bank	2,484		(2,484)	-0-	
TOTAL	<u>\$1,428,604</u>	<u>\$</u>	<u>\$(69,124)</u>	<u>\$1,359,480</u>	<u>\$68,592</u>

Annual requirements to amortize all of the June 30, 2012, PWA long-term liabilities are as follows:

Year ending June 30	Principal	Interest	Total
2013	\$ 68,592	\$ 45,847	\$ 114,439
2014	70,494	43,583	114,077
2015	72,459	41,241	113,700
2016	74,395	38,912	113,307
2017	76,584	36,316	112,900
2018-2022	426,863	140,591	567,454
2023-2027	382,990	67,485	450,475
2028-2030	187,103	10,079	197,182
Total	<u>\$ 1,359,480</u>	<u>\$ 424,054</u>	<u>\$ 1,783,534</u>

Interest on these notes payable for disclosure purposes are assumed to be paid at the first of the month. The Oklahoma Water Resources bonds and notes interest include the admin fee as interest for each semi-annual payment. Consequently, actual interest paid may differ from the above table.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

6. Pension Plan - Volunteer Firefighters.

Plan Description. The Town participates in the Oklahoma Firefighters Pension and Retirement System (the Plan) pension plan for its volunteer firefighters. The Plan provides retirement, death and disability benefits to plan members and beneficiaries. The Plan is an agent multiple-employer (or municipality) contributory defined benefit pension plan. The authority to amend and establish the benefit provisions of the plan rests with the Board of Trustees of the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oklahoma Fire Pension and Retirement System, c/o Oklahoma State Fire Fighters Association, 4545 Lincoln Blvd., Oklahoma City, OK 73105-3414.

Funding Policy. Voluntary firemen do not contribute to the Plan. The Town contributes \$ 60 for each volunteer fireman as set by the Oklahoma Statutes. The State contributes 34% of the Insurance Premium Tax to the plan.

Annual Pension Cost. During the year ended June 30, 2012, the Town contributed \$1,200 to the Plan. The actuarial valuation report, dated July 1, 2012, does not give disclosure information by municipality or employer.

Actuarial Assumptions. The actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 7.5% and (b) a constant benefit level for voluntary fire fighters. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan's unfunded actuarial accrued liability is calculated using the entry age actuarial cost method. It is being amortized as a level percentage of the insurance premium tax allocation fund on a closed basis. The remaining amortization period at July 1, 2012, was 21 years.

Historical three and ten year trend information are not available.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

7. Pension Plan - Town and Authority Utility Fund Employees.

Plan Description. The Town and the Authority Utility Fund employees participate in the Town of Mooreland Plan and Trust (the Plan), a defined benefit pension plan. The Plan provides retirement benefits with no cost-of-living adjustments to plan members and beneficiaries. The Plan is affiliated with the Oklahoma Municipal Retirement Fund (the Fund), an agent multiple-employer pension plan administered by the Fund's Board of Trustees. The authority to establish and amend the benefit provisions of the plans that participate in the Fund at times is granted to the employer entities; for the Plan, that authority rests with the Town of Mooreland's Board of Trustees. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Plan.

That report may be obtained by writing to Oklahoma Municipal Retirement Fund, P.O. Box 25848, Oklahoma City, OK 73125, or by calling 1-800-395-2662 or 405-231-6313.

Funding Policy. The Town is required to contribute at an actuarially determined rate. The current actuarially determined rate is 18.31% of annual covered payroll, but the Town continued to fund the plan at the fiscal year 2011 rate of 20.25% (Town portion paid was 16.25%). For fiscal year 2013 this actuarially determined rate is 18.89%. Employees are required to contribute 4.0% of their annual covered salary (as set by the plan) and the Town is required to contribute the difference between the employee rate and the required contribution rate (14.31% for fiscal year 2012). The contribution requirements of plan members and the Town are established and may be amended by the Fund's Board of Trustees.

Annual Pension Cost. For the fiscal year ended June 30, 2012, the Town and Authority's annual pension cost of \$16,859 and \$25,3801, respectively, exceeded the Town and Authority Utility Fund's normal required contributions. The required contributions were determined as part of the December 31, 2011, actuarial valuation using the aggregate actuarial entry age cost method. The actuarial assumptions include: (a) a rate of return on the investment of present and future assets of 7.5%, (b) projected salary increases at predetermined rates per year based upon participants age, and (c) no cost-of-living adjustments. The actuarial value of the Plan assets was determined using techniques that smooth the effect of fluctuations in market value on plan funding requirements. Currently the plan is under funded

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

**7. Pension Plan - Town and Authority Utility Fund Employees
(continued).**

since its actuarial value of assets at December 31, 2011, is \$1,048,156 and its actuarial accrued liability is \$1,309,522, with the difference being \$261,366. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. It presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial report shows a accumulated benefit obligation (a measure of the benefits actually accrued under the plan to date) of \$1,108,466 and when compared to the market value of the plan assets of \$965,526, shows the plan being under funded by \$142,940.

8. Net Assets - Restricted.

Net Assets - Restricted are amounts restricted for cemetery improvements and debt service obligations.

9. Risk Management.

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town purchases commercial insurance to reduce their risk of loss. These insurance policies have a deductible ranging from zero to \$1,000, depending upon the particular type of coverage. There have not been any settlements that exceeded insurance coverage for each of the past three years.

10. Interfund Transfers, Receivables and Payables.

The Town periodically makes transfers to different funds to move funds from the other funds to increase their liquidity and ability to purchase goods and services. Interfund transfers for the year ending June 30, 2012, consisted of funds as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
Other Governmental	\$ 47,883	\$(112)
FAA Grant Fund	293	
General Fund	80,112	(48,176)
PWA		(80,000)
	<u>\$128,288</u>	<u>\$(128,288)</u>
Totals		

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

11. Contingencies and Commitments.

As of June 30, 2012, the Town has a \$107,650 grant application with the Federal Aviation Administration for airport improvements. This grant application was approved on July 13, 2012. Expenditures incurred prior to June 30, 2012, were paid or accrued at June 30, 2012, and the estimated grant reimbursement was booked as accounts receivable. The grant was completed in December, 2012.

The Town also had a REAP grant for street chipping approved for \$48,493 prior to June 30, 2012. No funds were paid or received as of June 30, 2012.

12. Fund Balance Classifications.

	<u>GENERAL FUND</u>	<u>FAA GRANT 3-40- 0061-002-2010 FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
FUND BALANCES:				
Nonexpendable:				
Prepaid Expenses	\$ 10,343	\$	\$	\$ 10,343
Permanent Fund Principal			10,149	10,149
Restricted for:				
Cemetery Improvements			43,412	43,412
Assigned to:				
Cemetery Improvements			3,579	3,579
Cemetery Maintenance			110,207	110,207
Unassigned:				
Total Fund Balances	<u>\$ 929,409</u>	<u>\$ 0</u>	<u>\$ (68)</u>	<u>\$ 1,096,688</u>

Restricted fund balances are special revenue funds with resources restricted by state statutes or federal guidelines.

Assigned fund balances are special revenue funds that have earned interest and represents the unexpended accumulated interest and transfers obtained from the readily available records since fiscal year 1997.

The Town of Mooreland has not established a formal policy on the order of spending. This report assumes that restricted resources will be expended first, then unrestricted (in this order - committed, assigned, and unassigned).

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF MOORELAND, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Sales and Use Tax	\$ 219,000	\$ 219,000	\$ 285,621	\$ 66,621
Cigarette Taxes	2,600	2,600	3,322	722
Franchise Taxes	15,250	15,250	13,550	(1,700)
Intergovernmental Revenue	21,250	21,250	26,099	4,849
Licenses & Permits	3,800	3,800	3,129	(671)
Fines	43,500	43,500	28,992	(14,508)
Swimming Pool	4,250	4,250	5,550	1,300
Rent	2,500	2,500	3,600	1,100
Airport	8,939	8,939	7,219	(1,720)
Fire Department	1,015	1,015	0	(1,015)
Interest	1,500	1,500	1,110	(390)
Property Sales	200	200	8,607	8,407
Donations			7,085	7,085
Other Miscellaneous	10,000	10,000	1,595	(8,405)
TOTAL REVENUES	<u>333,804</u>	<u>333,804</u>	<u>395,479</u>	<u>61,675</u>
EXPENDITURES				
Municipal Court	15,800	15,800	10,252	5,548
General Government	51,000	51,000	39,156	11,844
Park	66,066	66,066	35,992	30,074
Police Department	191,374	191,374	150,691	40,683
Fire Department	46,000	46,000	38,527	7,473
Airport	27,089	27,089	18,668	8,421
Emergency Management	7,569	7,569	3,284	4,285
Street & Alley	52,910	52,910	34,165	18,745
Capital Outlays	196,679	196,679	42,661	154,018
TOTAL EXPENDITURES	<u>654,487</u>	<u>654,487</u>	<u>373,396</u>	<u>281,091</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	<u>(320,683)</u>	<u>(320,683)</u>	<u>22,083</u>	<u>342,766</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	200,000	200,000	80,112	(119,888)
Transfers (Out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(48,176)</u>	<u>(23,176)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>175,000</u>	<u>175,000</u>	<u>31,936</u>	<u>(143,064)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES				
	<u>\$ (145,683)</u>	<u>\$ (145,683)</u>	<u>54,019</u>	<u>\$ 199,702</u>
FUND BALANCE				
Beginning of Year			<u>875,390</u>	
End of Year			<u>\$ 929,409</u>	

See the accompanying auditor's report and notes to required supplementary information.

**TOWN OF MOORELAND, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
FAA GRANT 3-40-0061-002-2010 FUND
YEAR ENDED JUNE 30, 2012**

	BUDGET		ACTUAL			VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	PRIOR YEAR	CURRENT YEAR	TOTAL	
REVENUES						
Intergovernmental Revenue	\$ 600,000	\$ 600,000	\$ 538,269	\$ 5,564	\$ 543,833	\$ (56,167)
Interest						0
TOTAL REVENUES	<u>600,000</u>	<u>600,000</u>	<u>538,269</u>	<u>5,564</u>	<u>543,833</u>	<u>(56,167)</u>
EXPENDITURES						
Personal Services						0
Materials & Supplies						0
Other Services & Charges						0
Capital Outlay	600,000	632,179	566,962	5,857	572,819	59,360
TOTAL EXPENDITURES	<u>600,000</u>	<u>632,179</u>	<u>566,962</u>	<u>5,857</u>	<u>572,819</u>	<u>59,360</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>(32,179)</u>	<u>(28,693)</u>	<u>(293)</u>	<u>(28,986)</u>	<u>3,193</u>
OTHER FINANCIAL SOURCES (USES)						
Operating Transfers In, Net		32,179	28,693	293	28,986	(3,193)
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>32,179</u>	<u>28,693</u>	<u>293</u>	<u>28,986</u>	<u>(3,193)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>
FUND BALANCE						
Beginning of Year						
End of Year					\$ 0	

See the accompanying auditor's report and notes to required supplementary information.

**Oklahoma Municipal Retirement Fund
Employee Retirement System of Mooreland, Oklahoma**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2003	638,293	Actuarial	587,160	EAN	(51,133)	108.7%	176,702	-28.9%
1/1/2004	664,486	Actuarial	634,720	EAN	(29,766)	104.7%	200,701	-14.8%
1/1/2005	701,889	Actuarial	681,526	EAN	(20,362)	103.0%	189,043	-10.8%
1/1/2006	746,310	Actuarial	750,330	EAN	4,020	99.5%	200,269	2.0%
1/1/2007	806,708	Actuarial	788,467	EAN	(18,241)	102.3%	208,887	-8.7%
1/1/2008	876,438	Actuarial	954,645	EAN	78,207	91.8%	195,772	39.9%
1/1/2009	854,705	Actuarial	1,088,993	EAN	234,288	78.5%	237,616	98.6%
1/1/2010	896,146	Actuarial	1,175,435	EAN	279,289	76.2%	247,717	112.7%
1/1/2011	972,902	Actuarial	1,202,574	EAN	229,672	80.9%	256,370	89.6%
1/1/2012	1,048,156	Actuarial	1,309,522	EAN	261,366	80.0%	266,265	98.2%

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

**TOWN OF MOORELAND, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDING JUNE 30, 2012**

The Budget and Actual statement reports the original budget as approved and the final budget as amended. The Town prepares budgets for almost all its funds in accordance with the State of Oklahoma's Municipal Budget Act. The Town's budget is adopted the month prior to the beginning of each fiscal year and published in the local or regional newspaper. Unused appropriations lapse at the end of the year. Amendments to the budgetary data can be made by a vote of the Board of Trustees. Total estimated revenues and expenditures (expenses) are budgeted for the next fiscal year.

Only the general fund and major special revenue funds budget to actual statements are required to be presented by generally accepted accounting principles. Accordingly, only the general fund and FAA grant 3-40-0061-002-2010 fund budget to actual comparisons are presented in these financial statements.

The pension plan funding schedule is a copy of the actuary's schedule from the actuarial report dated March, 2012.

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF MOORELAND, OKLAHOMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS - MODIFIED ACCRUAL BASIS
JUNE 30, 2012**

	SPECIAL REVENUE FUNDS						TOTAL
	GENERAL CEMETERY FUND	CEMETERY CARE FUND	FAA GRANT 3-40- 0061-003-2012 FUND	TOTAL SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	PERMANENT FUND	
ASSETS							
Cash in Bank	\$ 107,742	\$ 39,991	\$	\$ 147,733	\$	\$ 8,143	\$ 155,876
Certificate of Deposits		7,000		7,000		4,500	11,500
Accounts Receivable-Intergovernmental			26,026	26,026			26,026
TOTAL ASSETS	<u>\$ 107,742</u>	<u>\$ 46,991</u>	<u>\$ 26,026</u>	<u>\$ 180,759</u>	<u>\$ 0</u>	<u>\$ 12,643</u>	<u>\$ 193,402</u>
LIABILITIES							
Accounts Payable	\$ 29	\$	\$ 20,792	\$ 20,821	\$	\$	\$ 20,821
Due to Other Funds			5,234	5,234			5,234
Accrued Interest Payable				0	68		68
TOTAL LIABILITIES	<u>29</u>	<u>0</u>	<u>26,026</u>	<u>26,055</u>	<u>68</u>	<u>0</u>	<u>26,123</u>
FUND BALANCE							
Nonspendable				0		10,149	10,149
Restricted		43,412		43,412			43,412
Assigned	107,713	3,579		111,292		2,494	113,786
Unassigned				0	(68)		(68)
Total Fund Balance	<u>107,713</u>	<u>46,991</u>	<u>0</u>	<u>154,704</u>	<u>(68)</u>	<u>12,643</u>	<u>167,279</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 107,742</u>	<u>\$ 46,991</u>	<u>\$ 26,026</u>	<u>\$ 180,759</u>	<u>\$ 0</u>	<u>\$ 12,643</u>	<u>\$ 193,402</u>

See accompanying auditor's report.

**TOWN OF MOORELAND, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS - MODIFIED ACCRUAL BASIS
 YEAR ENDED JUNE 30, 2012**

	SPECIAL REVENUE FUNDS						TOTAL
	GENERAL CEMETERY FUND	CEMETERY CARE FUND	FAA GRANT 3-40- 0061-003-2012 FUND	TOTAL SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	PERMANENT FUND	
REVENUES							
Intergovernmental Revenue	\$	\$	\$ 26,026	\$ 26,026	\$	\$	\$ 26,026
Property Sales	84	591		675			675
Charges for Services	4,013	2,887		6,900			6,900
Donations		908		908			908
Interest	18	59		77		94	171
TOTAL REVENUES	<u>4,115</u>	<u>4,445</u>	<u>26,026</u>	<u>34,586</u>	<u>0</u>	<u>94</u>	<u>34,680</u>
EXPENDITURES							
Personal Services	2,666			2,666			2,666
Materials & Supplies				0			0
Other Services & Charges	10,267			10,267			10,267
Principal Payment				0	17,766		17,766
Interest Payment				0	2,189		2,189
Capital Outlay			28,917	28,917			28,917
TOTAL EXPENDITURES	<u>12,933</u>	<u>0</u>	<u>28,917</u>	<u>41,850</u>	<u>19,955</u>	<u>0</u>	<u>61,805</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,818)	4,445	(2,891)	(7,264)	(19,955)	94	(27,125)
OTHER FINANCING SOURCES (USES)							
Transfers In	25,000		2,891	27,891	19,992		47,883
Transfers (Out)		(18)		(18)		(94)	(112)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	16,182	4,427	0	20,609	37	0	20,646
FUND BALANCE							
Beginning of Year	91,531	42,564		134,095	(105)	12,643	146,633
End of Year	<u>\$ 107,713</u>	<u>\$ 46,991</u>	<u>\$ 0</u>	<u>\$ 154,704</u>	<u>\$ (68)</u>	<u>\$ 12,643</u>	<u>\$ 167,279</u>

See accompanying auditor's report.

**TOWN OF MOORELAND, OKLAHOMA
COMPARATIVE BALANCE SHEET
MOORELAND PUBLIC WORKS AUTHORITY
UTILITY FUND - ENTERPRISE FUND
JUNE 30, 2012 AND 2011**

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash on Hand	\$ 100	\$ 100
Cash in Bank	890,062	813,538
Certificate of Deposit	340,994	340,871
Accounts Receivable, Net	191,160	212,730
Prepaid Assets		3,395
Due from Other Funds		
Restricted Assets:		
Cash in Bank	37,336	34,830
Certificate of Deposit	28,100	28,100
Account Receivable		5
Debt Service Funds	45,943	45,945
Total Current Assets	<u>1,533,695</u>	<u>1,479,514</u>
Noncurrent Assets:		
Capital Assets, Net	1,776,405	1,871,387
Total Noncurrent Assets	<u>1,776,405</u>	<u>1,871,387</u>
TOTAL ASSETS	<u>\$ 3,310,100</u>	<u>\$ 3,350,901</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 90,042	\$ 85,448
Accrued Compensated Absences	9,703	9,703
Accrued Interest Payable	13,611	12,896
Customer Meter Deposits	65,436	62,935
Notes and Bonds Payable, Including Cap. Lease Obligations	68,592	69,129
Total Current Liabilities	<u>247,384</u>	<u>240,111</u>
Noncurrent Liabilities		
Notes and Bonds Payable, Including Cap. Lease Obligations	1,290,888	1,359,475
TOTAL LIABILITIES	<u>1,538,272</u>	<u>1,599,586</u>
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	416,925	442,783
Net Assets:		
Restricted	45,943	45,945
Unrestricted	1,308,960	1,262,587
TOTAL NET ASSETS	<u>1,771,828</u>	<u>1,751,315</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,310,100</u>	<u>\$ 3,350,901</u>

See accompanying auditor's report.

**TOWN OF MOORELAND, OKLAHOMA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - UTILITY FUND
MOORELAND PUBLIC WORKS AUTHORITY
YEAR ENDED JUNE 30, 2012 AND 2011**

OPERATING REVENUES	2012	2011
Electricity Sales	\$ 946,815	\$ 945,653
Sewer	89,498	77,576
Trash Collection	91,514	92,489
Water Sales	250,814	208,191
Late Penalties	19,593	20,331
Collections on Former Nursing Home Receivables	2,494	6,192
Donations		
Other Operating Revenue	11,914	21,264
TOTAL OPERATING REVENUES	<u>1,412,642</u>	<u>1,371,696</u>
OPERATING EXPENSES		
Administration Department	57,140	67,117
Electric Department	854,387	805,508
Sewer Department	60,479	61,427
Trash Department	59,019	55,411
Bad Debt Expense	4,827	5,825
Water Department	230,106	217,055
TOTAL OPERATING EXPENSES	<u>1,265,958</u>	<u>1,212,343</u>
INCOME FROM OPERATIONS	<u>146,684</u>	<u>159,353</u>
NONOPERATING REVENUE (EXPENSES)		
Interest Income	2,590	3,893
OWRB Grant Revenue		99,999
Contributed Capital		
(Loss) Gain on Disposition of Assets		(3,008)
Interest Expense	(48,761)	(46,061)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(46,171)</u>	<u>54,823</u>
INCOME BEFORE OPERATING TRANSFERS	100,513	214,176
OPERATING TRANSFERS (OUT), NET	<u>(80,000)</u>	<u>(154,925)</u>
INCREASE (DECREASE) IN NET ASSETS	20,513	59,251
NET ASSETS		
Beginning of Year	1,751,315	1,692,064
End of Year	<u>\$ 1,771,828</u>	<u>\$ 1,751,315</u>

See accompanying auditor's report.

**TOWN OF MOORELAND, OKLAHOMA
COMPARATIVE STATEMENT OF CASH FLOWS - UTILITY FUND
MOORELAND PUBLIC WORKS AUTHORITY
YEAR ENDED JUNE 30, 2012 AND 2011**

	2012	2011
Cash Flows from Operating Activities		
Cash Received from Customers Or Others	\$ 1,431,891	\$ 1,318,764
Cash Paid for Goods and Services	(905,239)	(849,014)
Cash Paid to Employees	(252,921)	(245,466)
	273,731	224,284
Cash Flows from Noncapital Financing Activities		
Operating Transfers (Out)	(80,000)	(154,925)
Net Cash (Used in) Noncapital Financing Activities	(80,000)	(154,925)
Cash Flows from Capital and Related Financing Activities		
Proceeds from OWRB Reap Grant Revenue		99,999
Interest Paid on Notes Payable and Capital Leases	(48,046)	(50,559)
Principal Paid on Notes Payable and Capital Leases	(69,124)	(93,653)
Acquisition and Construction of Fixed Assets		
	(117,170)	(44,213)
Cash Flows from Investing Activities		
Interest Received on Cash and Cash Equivalents	2,590	3,893
	2,590	3,893
Net Cash Provided by Investing Activities	2,590	3,893
Increase in Cash and Cash Equivalents	79,151	29,039
Balance of Cash and Cash Equivalents		
Beginning of Year	1,263,384	1,234,345
End of Year	\$ 1,342,535	\$ 1,263,384

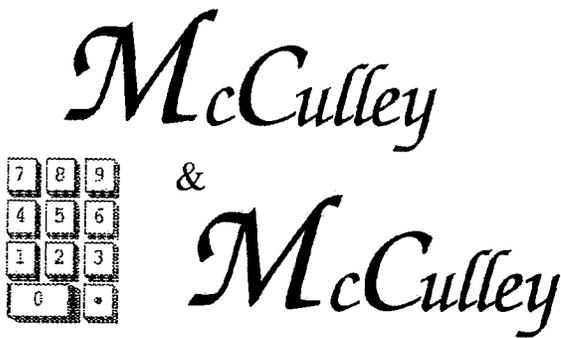
See accompanying auditor's report.

**TOWN OF MOORELAND, OKLAHOMA
COMPARATIVE STATEMENT OF CASH FLOWS - UTILITY FUND
MOORELAND PUBLIC WORKS AUTHORITY
YEAR ENDED JUNE 30, 2012 AND 2011**

(Continued)

	2012	2011
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities:		
Increase in Net Assets	\$ <u>20,513</u>	\$ <u>59,251</u>
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Interest Income	(2,590)	(3,893)
OWRB Reap Grant Revenue		(99,999)
(Gain) Loss on Disposition of Assets		3,008
Depreciation	94,982	103,109
Interest Expense	48,761	46,061
Operating Transfer Out	80,000	154,925
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable	16,748	(58,309)
Increase of Allowance for Loss on Receivables	4,827	5,826
(Increase) Decrease in Prepaid Assets	3,395	3,605
Increase in Accounts Payable	4,594	6,207
Increase (Decrease) in Accrued Compensated Absences		(884)
Increase in Customer Deposits Payable	<u>2,501</u>	<u>5,377</u>
Total Adjustments	<u>253,218</u>	<u>165,033</u>
Net Cash Provided by Operating Activities	\$ <u>273,731</u>	\$ <u>224,284</u>

See accompanying auditor's report.



Certified Public Accountants

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**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 Town Trustees
Town of Mooreland, Oklahoma

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mooreland, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town of Mooreland, Oklahoma's, basic financial statements and have issued our report dated October 31, 2013. Our opinion was qualified since the Town did not have sufficient documentation to audit the accounts receivable for services, related allowance for losses, and the accrued compensated absences and their related revenue/expense account(s) for the governmental activities, business-type activities, general fund, and public works authority (utility fund). The Town has elected to omit the management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Mooreland, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Mooreland, Oklahoma's, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an

opinion on the effectiveness of the Town of Mooreland, Oklahoma's, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily describe all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying statement of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies #1 and #2 described in the accompanying statement of finding and responses to be material weaknesses.

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. We consider the deficiencies #3 and #4 described in the accompanying statement of findings and responses to be significant deficiencies.

Compliance and Other Matters

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

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

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

McCulley & McCulley

Weatherford, Oklahoma

October 31, 2013

**TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2012**

1. Lack of Segregation of Duties.

CONDITION AND EFFECT - The Town and Authority do not have adequate segregation of duties for internal control over financial reporting purposes due to a limited amount of personnel. These entities have purchased surety bond insurance to reduce any risk of loss. These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

RECOMMENDATION - Recommend that duties be segregated to the extent possible should new employees be hired.

RESPONSE - The Town considers the cost of adequately segregating these duties as not being economically feasible. The Town also has a new administration and has outsourced its financial reporting.

2. Accounting Records for Accounts Receivable.

CONDITION AND EFFECT - The utility billing accounts receivable general ledger balance did not agree to the end of month aging report and/or utility billing register totals. Also was true for the prior fiscal year. In previous years, it was noted that some entries were posted after the end of the month but backdated to the previous month. These entries changed the general ledger balance and also the utility billing transaction journals. Since they were posted after the utility billing aging report was printed, it did not affect that report. A corrected accurate aging report cannot be printed after transactions are posted to the accounts subsequent to the effective date of the report. No reconciliations of the utility billing aging reports to the utility billing accounts receivable general ledger account was done in fiscal year 2012.

Other Town account receivable accounts did not have a detail listing of the outstanding receivables nor were any reconciliations to the general ledger balance done in fiscal year 2012.

These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

**TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2012**

2. Accounting Records for Accounts Receivable (continued).

RECOMMENDATION - Print the detail billing registers and an end of the month aging report and reconcile the ending balance with the general ledger account receivable balance each month. These reconciliations should be performed timely to ensure the billing and accounting systems are synchronized and performing properly. Explain all reconciling items and make adjustments, if necessary. All transactions should be posted and processed timely, preferably on the same day in both the accounting and billing systems. There should not be any transactions that are processed and backdated to a previous month/period.

For other Town accounts receivable accounts, if the computer system can not produce a detail ending accounts receivable balance report, then one should be prepared manually and reconciled to the general ledger balance. These should be done monthly shortly after the end of the month being reconciled. Explain all reconciling items and make adjustments, if necessary, when they are found. There should not be any transactions that are processed and backdated to a previous month/period.

RESPONSE - The Town will reconcile the utility and other accounts receivable accounts and correct any known errors in a timely manner. The Town also has a new administration and is contemplating changing systems.

3. Accounting Records for Account Payable Accounts.

CONDITION AND EFFECT - Several account payable accounts did not have the proper balance at year end. The Town did not review the general ledger accounts for proper balances and/or reconcile the general ledger to subsidiary accounts, if any. Account payable accounts include cleet payable and sales tax payable. The previous year audit of sales tax payable account revealed that the methodology used did not properly compute the amount of sales tax payable for the sales tax reports. Errors in the computation were found. These included computing sales taxes on accounts the Town did not bill sales taxes and vice versa, not including all the numbers needed to compute the amount, and arithmetic errors. Sometimes penalties were incurred that were posted as a debit to the payable account versus posted to an expense account. The effect of these deficiencies could result in inaccurate balances in the general ledger and inaccurate payment of liabilities to the respective vendor.

**TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2012**

3. Accounting Records for Account Payable Accounts (continued).

RECOMMENDATION - Payable general ledger accounts should be reviewed at least monthly to ensure all transactions are posted correctly and the ending balance is appropriate. A timely review of the general ledger activity and reconciliations also allow for more timely corrections (if any) to be posted to the accounting records. Cleet payable should be reviewed to make sure the amounts paid to the respective agencies agree to the supporting documentation and that any discount given to the Town is removed from the payable account and posted to income. Sales tax payable computations should be compared to the amounts billed on the billing journals. Technically, the amounts paid to the state should agree to the amounts billed for the month. Recommend the Town prepare a spreadsheet template to compute the sales tax payable and to ensure all the variables are inputted correctly. This template should also compare the computed amounts to the billed amounts to ensure accuracy and assist in preparing the proper general ledger entries. An alternative computation would be to compute the gross numbers from the amounts the billing journal computed as payable to the respective taxing authorities. Recommend the Town review its payable accounts and ensure the end of month balances are appropriate.

RESPONSE - The Town will review these accounts and implement these recommendations. The Town also has a new administration and has outsourced its financial reporting.

4. Customer Meter Deposits Liability.

CONDITION AND EFFECT - The customer meter deposits liability general ledger payable account balance did not agree to the end of month meter deposit report. Inquiry of the Town Treasurer revealed that these reports had not been reconciled at any time in the past fiscal year. The Town Administrator has stated that final bills and taking of meter deposits are not being done timely nor are the final amounts due being actively pursued for collection. The effect of not maintaining effective internal control over these accounts could result in uncollectible receivables and/or losing the opportunity to claim and use in its operations forfeited customer deposits.

RECOMMENDATION - Print an end of the month meter deposit list and reconcile the ending balance with the general ledger customer meter deposits liability payable account balance each month. These reconciliations should be performed timely to ensure the billing and accounting systems are synchronized and performing

**TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2012**

4. Customer Meter Deposits Liability (continued).

properly. Explain all reconciling items and make adjustments, if necessary. All transactions should be posted and processed timely, preferably on the same day in both the accounting and billing systems. There should not be any transactions that are processed and backdated to a previous month. Final bills should be calculated and the meter deposit used to pay the final bill. Any refund owed to the customer should be issued within 30 days following the termination of the utility service in accordance with state statutes (OK Statutes 11-35-107). This statute also contains the procedures to use to claim forfeited customer deposits.

RESPONSE - The Town will get these current and implement these recommendations. The Town also has a new administration and has outsourced its financial reporting.

**TOWN OF MOORELAND, OKLAHOMA
UPDATE ON PRIOR YEAR FINANCIAL STATEMENT AUDIT FINDINGS
JUNE 30, 2012**

1. Lack of Segregation of Duties.

CONDITION AND EFFECT - The Town and Authority do not have adequate segregation of duties for internal control over financial reporting purposes due to a limited amount of personnel. These entities have purchased surety bond insurance to reduce any risk of loss. These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

RECOMMENDATION - Recommend that duties be segregated to the extent possible should new employees be hired.

RESPONSE - The Town considers the cost of adequately segregating these duties as not being economically feasible.

UPDATED COMMENT - Condition is the same. Comment repeated.

2. Accounting Records for Accounts Receivable.

CONDITION AND EFFECT - The utility billing accounts receivable general ledger balance did not agree to the end of month aging report and/or utility billing register totals. Also was true for the prior fiscal year. In the prior year, it was noted that some entries were posted after the end of the month but backdated to the previous month. These entries changed the general ledger balance and also the utility billing transaction journals. Since they were posted after the utility billing aging report was printed, it did not affect that report. A corrected accurate aging report cannot be printed after transactions are posted to the accounts subsequent to the effective date of the report. No reconciliations of the utility billing aging reports to the utility billing accounts receivable general ledger account was done after July, 2010.

Other Town account receivable accounts did not have an accurate detail listing of the outstanding receivables nor did the attempted reconciliations to the general ledger balance correctly. Found one entry that was posted to the accounting records on 9/7/11, but backdated to 3/31/11.

These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

**TOWN OF MOORELAND, OKLAHOMA
UPDATE ON PRIOR YEAR FINANCIAL STATEMENT AUDIT FINDINGS
FOR THE YEAR ENDING JUNE 30, 2012**

2. Accounting Records for Accounts Receivable (continued).

RECOMMENDATION - Print the detail billing registers and an end of the month aging report and reconcile the ending balance with the general ledger account receivable balance each month. These reconciliations should be performed timely to ensure the billing and accounting systems are synchronized and performing properly. Explain all reconciling items and make adjustments, if necessary. All transactions should be posted and processed timely, preferably on the same day in both the accounting and billing systems. There should not be any transactions that are processed and backdated to a previous month.

For other Town accounts receivable accounts, if the computer system can not produce a detail ending accounts receivable balance report, then one should be prepared manually and reconciled to the general ledger balance. These should be done monthly shortly after the end of the month being reconciled. Explain all reconciling items and make adjustments, if necessary, when they are found. Errors found months after the fiscal year should not be backdated to the previous fiscal year. The entry should be made as of the date it was found.

RESPONSE - The Town will reconcile the utility and other accounts receivable accounts and correct any known errors in a timely manner.

UPDATED COMMENT - Reconciliations were still not being done by the Town for the billing accounts receivable. On the other accounts receivable accounts, the Town did not keep up with the accounts receivable balances and prepare reconciliations. Comment revised and included in the current year's audit.

3. Accounting Records for Account Payable Accounts.

CONDITION AND EFFECT - Several account payable accounts did not have the proper balance at year end. The Town did not review the general ledger accounts for proper balances and/or reconcile the general ledger to subsidiary accounts, if any. Account payable accounts include cleet payable and sales tax payable. The prior year audit of sales tax payable account revealed that the methodology used did not properly compute the amount of sales tax payable for the sales tax reports. Errors in the computation were found. These included computing sales taxes on accounts the Town did not bill sales taxes and vice versa, not including all the numbers needed to compute the amount, and arithmetic errors. Sometimes penalties were incurred that were posted as a debit to the payable account versus posted to an expense account. The

**TOWN OF MOORELAND, OKLAHOMA
UPDATE ON PRIOR YEAR FINANCIAL STATEMENT AUDIT FINDINGS
FOR THE YEAR ENDING JUNE 30, 2012**

3. Accounting Records for Account Payable Accounts (continued).

effect of these deficiencies could result in inaccurate balances in the general ledger and inaccurate payment of liabilities to the respective vendor.

RECOMMENDATION - Payable general ledger accounts should be reviewed at least monthly to ensure all transactions are posted correctly and the ending balance is appropriate. A timely review of the general ledger activity and reconciliations also allow for more timely corrections (if any) to be posted to the accounting records. Cleet payable should be reviewed to make sure the amounts paid to the respective agencies agree to the supporting documentation and that any discount given to the Town is removed from the payable account and posted to income. Sales tax payable computations should be compared to the amounts billed on the billing journals. Technically, the amounts paid to the state should agree to the amounts billed for the month. Recommend the Town prepare a spreadsheet template to compute the sales tax payable and to ensure all the variables are inputted correctly. This template should also compare the computed amounts to the billed amounts to ensure accuracy and assist in preparing the proper general ledger entries. An alternative computation would be to compute the gross numbers from the amounts the billing journal computed as payable to the respective taxing authorities. Recommend the Town review its payable accounts and ensure the end of month balances are appropriate.

RESPONSE - The Town will review these accounts and implement these recommendations.

UPDATED COMMENT - The Town did not implement these recommendations. Comment repeated for the current year.

4. Customer Meter Deposits Liability.

CONDITION AND EFFECT - The customer meter deposits liability general ledger payable account balance did not agree to the end of month meter deposit report. Inquiry of the Town Treasurer revealed that these reports had not been reconciled at any time in the past fiscal year. The Town Administrator has stated that final bills and taking of meter deposits are not being done timely nor are the final amounts due being actively pursued for collection. The effect of not maintaining effective internal control over these accounts could result in uncollectible receivables and/or losing the opportunity to claim and use in its operations forfeited customer deposits.

**TOWN OF MOORELAND, OKLAHOMA
UPDATE ON PRIOR YEAR FINANCIAL STATEMENT AUDIT FINDINGS
FOR THE YEAR ENDING JUNE 30, 2012**

4. Customer Meter Deposits Liability.

RECOMMENDATION - Print an end of the month meter deposit list and reconcile the ending balance with the general ledger customer meter deposits liability payable account balance each month. These reconciliations should be performed timely to ensure the billing and accounting systems are synchronized and performing properly. Explain all reconciling items and make adjustments, if necessary. All transactions should be posted and processed timely, preferably on the same day in both the accounting and billing systems. There should not be any transactions that are processed and backdated to a previous month. Final bills should be calculated and the meter deposit used to pay the final bill. Any refund owed to the customer should be issued within 30 days following the termination of the utility service in accordance with state statutes (OK Statutes 11-35-107). This statute also contains the procedures to use to claim forfeited customer deposits.

RESPONSE - The Town will get these current and implement these recommendations.

UPDATED COMMENT - The Town did not implement these recommendations. Comment repeated for the current year.

5. Court Records and Possible Misappropriation of Funds.

CONDITION AND EFFECT - During the process of going through court records by another employee, the Town found that the records were not current and that records were being found all over the desk and inside of magazines. The payment receipts had cash attached to them which had not been deposited. Although the employee had not made it through all the records, three receipts were found with cash attached that did not match the amounts the receipts stated were received. The receipts totaled \$430 and the cash totaled \$50, leaving an unknown difference of \$380. Inquiries about the missing cash were inconclusive. These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

RECOMMENDATION - The Town should establish internal controls to ensure the monetary funds are deposited to the bank daily in accordance with state laws. The receipts and other documentation should be retained and used to post to the accounting and court records. Concerning the missing funds, the Town should consider whether or not to pursue further investigation and/or prosecution and the cost/benefit of doing it.

**TOWN OF MOORELAND, OKLAHOMA
UPDATE ON PRIOR YEAR FINANCIAL STATEMENT AUDIT FINDINGS
FOR THE YEAR ENDING JUNE 30, 2012**

5. Court Records and Possible Misappropriation of Funds.

RESPONSE - The Town is still going through the records and is considering discussing its options with their attorney.

UPDATED COMMENT - The Town completed going through the records and did not find any other discrepancies. Did not pursue potential remedies. Town is reviewing its procedures and plan to make changes in court accountability programs. Comment removed for the current year.

6. Trustee Statements.

CONDITION AND EFFECT - Trustee statements for the OWRB Series 2009 bonds was not available at the beginning of the audit. Copies were obtained from the trustee. Payments to the trustee account were posted as debits to the loan balance, resulting in an inaccurate loan balance on the general ledger.

RECOMMENDATION - Trustee statements should be obtained and retained each month. Payments made to the trustee account should be posted on the books as a debit to a new trustee debt service fund account for these bonds on the books. The general ledger account should be reconciled to the trustee statements.

RESPONSE - The Town will implement this recommendation.

UPDATED COMMENT - The Town did implement these recommendations. Comment removed for the current year.