

**TOWN OF MOORELAND, OKLAHOMA
MOORELAND, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2013**

TOWN OF MOORELAND, OKLAHOMA
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TOWN OF MOORELAND, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Todd Finley, Mayor

Travis Case, Vice Mayor

Willie Wyrick, Trustee

Jeremy Eilers, Trustee

Richard Burrow, Trustee

TOWN ADMINISTRATOR

Dottie Nesmith

TOWN TREASURER AND TOWN CLERK

Karen Fox



INDEPENDENT AUDITOR'S REPORT

To the Town Council
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 Town of Mooreland, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The Town has not maintained sufficient documentation to audit the accounts receivable for services, related allowance for losses, accounts payable, meter deposit liability 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).

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental, business-type activities, and each major fund of the Town of Mooreland, Oklahoma as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to the Schedule of Findings and Responses on pages 35-37 which describes the findings and management's response to the findings that in the aggregate has had, and continues to have, a significant effect on the Town of Mooreland's financial position presentation and the risks associated with effective maintenance and operation of the financial reporting system. Our opinion is not qualified in respect of this matter except to the extent that the scope limitations were created as a result of these findings.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 31-32 financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issue our report dated August 11, 2014, on our consideration of the Town of Mooreland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mooreland's internal control over financial reporting and compliance.

FSW&B CPA'S - PLLC

FSW&B CPA's-PLLC

Woodward, Ok
August 11, 2014

Our discussion and analysis of the Town of Mooreland's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$4,519,376 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$4,387,218.
- Total liabilities of the Town decreased by \$204,325 from \$1,707,246 to \$1,502,769 during the fiscal year. This is attributable to the increased payment of normal payables and debt payments made during the year.
- Total net assets are comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$2,022,611 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets. This compares to \$1,935,627 in prior year.
 - 2) Unrestricted net position of \$2,263,549 represent the portion available to maintain the Town's continuing obligations to citizens and creditors compared to \$2,362,236, last year.
 - 3) Reserve for restricted purposes of \$233,216 is restricted for debt and other obligations.
- The Town's governmental funds reported total ending fund balance of \$1,095,433 this year. This compared to the prior year ending fund balance of \$1,096,688, showing a decrease of \$1,255 during the current year due to capital purchases.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Town's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other financial factors such as diversification of the taxpayer base or the condition of the Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services provided by the Town.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A Budgetary comparison statement is included in the basic financial statement for the General Fund. This statement demonstrates compliance with the Town's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as water and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the Town's programs. Fiduciary fund statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the Town's compliance with the approved and revised budget for the General Fund.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Changes in net position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position at fiscal yearend was \$4,519,376. This is a \$132,158

increase over last year's net assets of \$4,387,218. The following table provides a summary of the Town's net assets at June 30 after the adjustment to fund balance:

	Governmental Activities		Business-Type Activities		Totals		Change	
	2013	2012	2013	2012	2013	2012	\$	%
Current assets	\$ 1,095,433	\$ 1,232,363	\$ 1,538,387	\$ 1,533,695	\$ 2,633,820	\$ 2,766,058	\$ (132,238)	-5%
Capital assets, net	1,646,265	1,552,001	1,742,060	1,776,405	3,388,325	3,328,406	59,919	2%
Total assets	\$ 2,741,698	\$ 2,784,364	\$ 3,280,447	\$ 3,310,100	\$ 6,022,145	\$ 6,094,464	\$ (72,319)	-1%
Current liabilities	\$ 31,746	\$ 154,347	\$ 190,968	\$ 247,384	\$ 222,714	\$ 401,731	\$ (179,017)	-45%
Non-current liabilities	-	14,627	1,280,055	1,290,888	1,280,055	1,305,515	(25,460)	-2%
Total liabilities	31,746	168,974	1,471,023	1,538,272	1,502,769	1,707,246	(204,477)	-12%
Net position								
Invested in capital assets, net of related debt	1,646,265	1,518,702	376,346	416,925	2,022,611	1,935,627	86,984	4%
Restricted	116,368	43,412	116,848	45,943	233,216	89,355	143,861	100%
Unrestricted	947,319	1,053,276	1,316,230	1,308,960	2,263,549	2,362,236	(98,687)	-4%
Total net position	\$ 2,709,952	\$ 2,615,390	\$ 1,809,424	\$ 1,771,828	\$ 4,519,376	\$ 4,387,218	\$ 132,158	3%

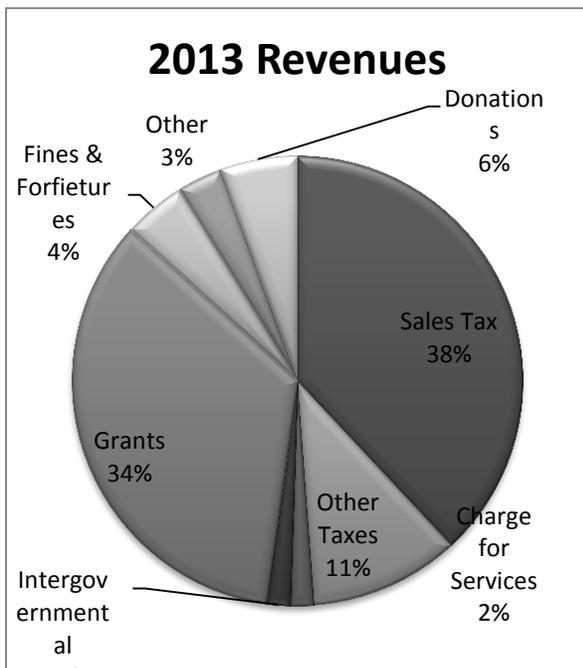
The Town reported positive balances in net assets for both governmental and business-type activities. Net position increased \$94,562 or 3% for governmental activities and \$37,596 or 2% for business-type activities. The Town's overall financial position improved 3% during fiscal year 2013.

	Governmental Activities		Business-type Activities		Totals		Change	
	2013	2012	2013	2012	2013	2012	\$	%
Revenues								
Program revenues	\$ 337,792	\$ 99,290	\$ 1,353,652	\$ 1,381,135	\$ 1,691,444	\$ 1,480,425	\$ 211,019	14%
Taxes and other general revenues	335,509	336,433	19,705	34,097	355,214	370,530	(15,316)	-4%
Total revenues	673,301	435,723	1,373,357	1,415,232	2,046,658	1,850,955	195,703	11%
Expenses								
General government	76,278	172,375	-	-	76,278	172,375	(96,097)	-56%
Public safety and judiciary	248,291	204,943	-	-	248,291	204,943	43,348	21%
Transportation	178,014	52,833	-	-	178,014	52,833	125,181	237%
Cultural, parks, and recreation	60,499	48,925	-	-	60,499	48,925	11,574	24%
Electric	-	-	875,185	854,387	875,185	854,387	20,798	2%
Water	-	-	280,084	230,106	280,084	230,106	49,978	22%
Sewer	-	-	51,884	60,479	51,884	60,479	(8,595)	-14%
Sanitation	-	-	70,395	59,019	70,395	59,019	11,376	19%
Customer service	-	-	58,213	110,728	58,213	110,728	(52,515)	-47%
Total expenses	563,082	479,076	1,335,761	1,314,719	1,898,843	1,793,795	105,048	6%
Excess (deficiency) before transfers	110,219	(43,353)	37,596	100,513	147,815	57,160	90,655	159%
Transfers	-	80,000	-	(80,000)	-	-	-	0%
Increase (decrease) in net assets	\$ 110,219	\$ 36,647	\$ 37,596	\$ 20,513	\$ 147,815	\$ 57,160	\$ 90,655	159%

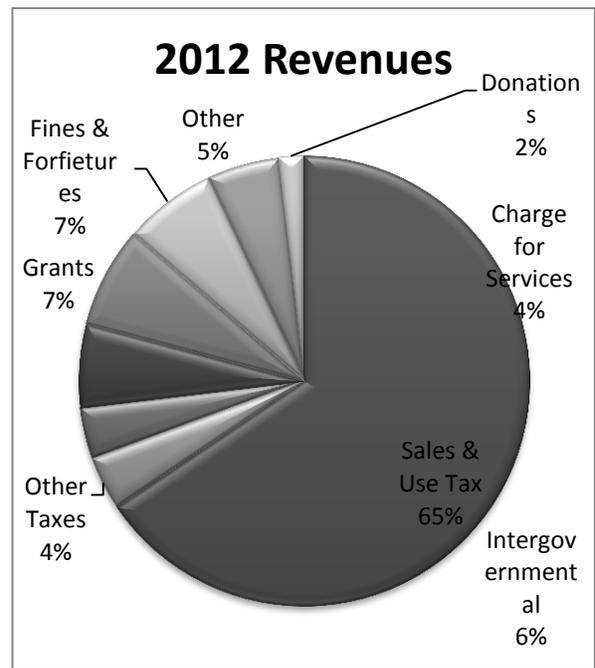
Revenues noted an increase of 11% year over year. The majority of this increase is attributable to grants received in the Governmental funds. Utility revenues remained fairly consistent between periods. Taxes and general revenues also remained fairly consistent when compared to prior year.

Operating expenses remained consistent with prior year, noting a 6% change.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2013.

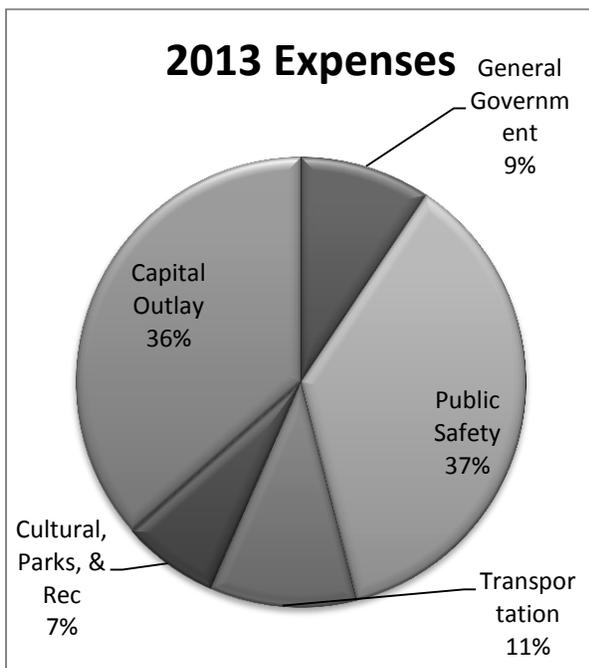


TOTAL - \$673,301

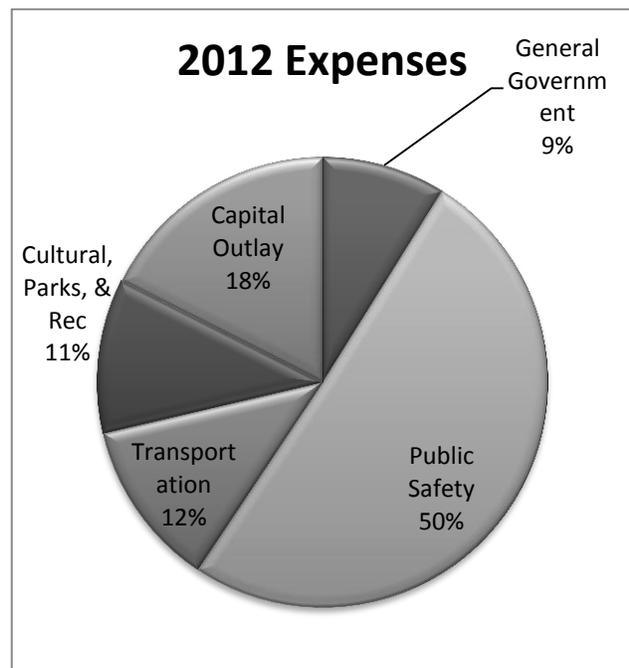


TOTAL - \$435,723

Sales tax provided for 38% of the Town's governmental revenues in fiscal year 2013 as compared to 65% in 2012. Grants noted an increase from \$31,590 in 2012 to \$268,338 in 2013.



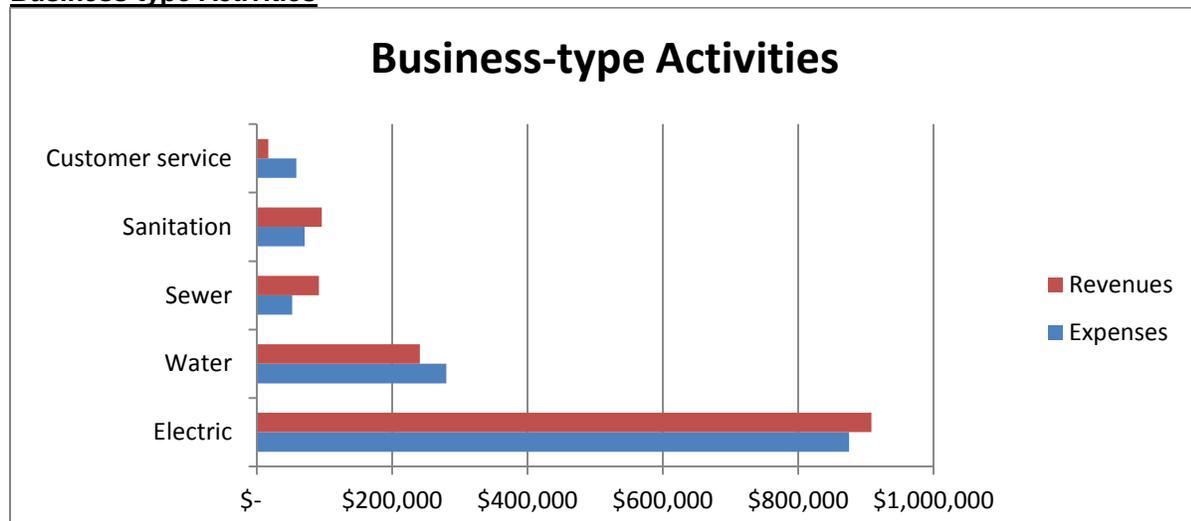
TOTAL - \$676,441



TOTAL - \$441,058

This graph shows the total governmental activities cost of \$676,441 for 2013. Of this amount, public safety at \$247,607, was the largest operating service cost, at 37% of total cost of services in 2013, followed closely by Capital Outlay at \$246,974 and 36%. These costs, as well as all governmental activities expense, were primarily funded by taxes and grant. It should be noted that governmental expenses were significantly adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, sewer, water, and electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

General Fund Budgetary Highlights

The adopted General Fund budget for fiscal year 2013 was <\$161,312> compared to <\$145,683> in fiscal year 2012, including transfers. The General Fund budget complied with financial policies approved by the Town, except in the General Government and Airport departments which had expenses exceeding approved budgets. The amounts exceeding budgets were primarily related to grant expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the Town had \$3,388,324 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 64,000	\$ 64,000	\$ 4,730	\$ 4,730	\$ 68,730	\$ 68,730
Construction in process	188,385	28,917	49,570	-	237,955.00	28,917
Buildings	118,861	129,760	1,717	2,079.00	120,578	131,839
Infrastructure	1,209,210	1,240,704	-	-	1,209,210	1,240,704
Machinery & equipment	65,810	88,620	25,358	38,383	91,168	127,003
Utility property & improvements	-	-	1,660,683	1,731,213	1,660,683	1,731,213
Totals	\$ 1,646,266	\$ 1,552,001	\$ 1,742,058	\$ 1,776,405	\$ 3,388,324	\$ 3,328,406

- In Governmental Activities, the most significant additions included storm sirens, street repairs, pool deck resurfacing and airport improvements.
- In Business-type Activities, capital additions (CIP) included remote read meters.

Long-Term Debt

At year-end, the Town had \$1,305,515 in long-term debt outstanding. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenue bonds	\$ -	\$ -	\$ 1,094,187	\$ 1,147,260	\$ 1,094,187	\$ 1,147,260
Notes payable	14,735	33,299	271,526	212,220	286,261	245,519
subtotal	14,735	33,299	1,365,713	1,359,480	1,380,448	1,392,779
less current portion	(14,735)	(18,672)	(85,659)	(68,592)	(100,394)	(87,264)
Totals	\$ -	\$ 14,627	\$ 1,280,054	\$ 1,290,888	\$ 1,280,054	\$ 1,305,515

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, the state's twelve-month gross receipts have reached an all time high, surpassing the previous record set in December 2008. State Treasurer, Ken Miller, Oklahoma has "regained and moved past the ground it lost during the Great Recession". Although the national economy has been sluggish, Oklahoma has shown significant improvement. The economic environment of the state sheds light on that local economy, as the Town has also seen improvement.

The Town of Mooreland has noted an increase in sales and other tax revenues when compared to prior year. Utility billing has remained strong. Continued improvement in the Town's economic position is cautiously projected.

Taxes

Sales tax collections have shown improvement over prior year; however, future increases are not guaranteed.

Operating and Capital Expenses

Operating expenses for the General Fund and MPWA are expected to increase in line with inflationary costs. The Council has approved several capital projects for fiscal year 2014. The total budgeted costs for these projects are \$105,800 in the General Fund and \$69,500 in MPWA. As management continues to navigate the fiscal changes of state and local economy, capital funding decisions will be made and approved by the Council.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's Office at PO Box 157, Mooreland, Oklahoma, 73852 or phone at (580) 994-5924.

Town of Mooreland, Oklahoma
Statement of Net Position
June 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 712,425	\$ 930,313	\$ 1,642,738
Investments, including time deposits	100,000	354,267	454,267
Accounts receivable, net	53,698	136,959	190,657
Total current assets	<u>866,123</u>	<u>1,421,539</u>	<u>2,287,662</u>
Restricted assets:			
Cash and cash equivalents	212,039	42,996	255,035
Investments, including time deposits	11,500	28,100	39,600
Debt Service Funds	-	45,752	45,752
Revenue receivable, net	5,771	-	5,771
Total restricted assets	<u>229,310</u>	<u>116,848</u>	<u>346,158</u>
Noncurrent Assets:			
Land and construction in progress	64,000	4,730	68,730
Other capital assets (net of accumulated depreciation)	1,582,265	1,737,330	3,319,595
Total noncurrent assets	<u>1,646,265</u>	<u>1,742,060</u>	<u>3,388,325</u>
Total assets	<u>\$ 2,741,698</u>	<u>\$ 3,280,447</u>	<u>\$ 6,022,145</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 6,196	\$ 12,940	\$ 19,136
Accrued expenses payable	10,815	14,455	25,270
Wages and benefits payable	-	10,367	10,367
Notes payable, current	14,735	15,165	29,900
Bonds payable, current	-	70,494	70,494
Total current liabilities	<u>31,746</u>	<u>123,421</u>	<u>155,167</u>
Liabilities payable from restricted assets:			
Customer deposits payable	-	67,547	67,547
Total liabilities payable from restricted assets	<u>-</u>	<u>67,547</u>	<u>67,547</u>
Noncurrent liabilities:			
Notes payable, non-current	-	59,660	59,660
Bonds payable, non-current	-	1,220,395	1,220,395
Total noncurrent liabilities	<u>-</u>	<u>1,280,055</u>	<u>1,280,055</u>
Total liabilities	<u>31,746</u>	<u>1,471,023</u>	<u>1,502,769</u>
NET POSITION			
Net investment in capital assets	1,646,265	376,346	2,022,611
Restricted	116,368	116,848	233,216
Unrestricted	947,319	1,316,230	2,263,549
Total net position	<u>\$ 2,709,952</u>	<u>\$ 1,809,424</u>	<u>\$ 4,519,376</u>

Town of Mooreland, Oklahoma
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 76,278	\$ 3,721	\$ -	\$ -	\$ (72,557)
Library	-	-	-	-	-
Total general government	76,278	3,721	-	-	(72,557)
Public safety and judiciary:					
Police	159,682	565	-	-	(159,117)
Fire	84,377	-	801	35,863	(47,713)
Municipal Court	360	29,562	-	-	29,202
Emergency Management	3,873	-	-	-	-
Total public safety and judiciary	248,291	30,127	801	35,863	(181,500)
Transportation:					
Street	108,380	-	11,489	48,493	(48,398)
Airport	69,634	7,302	-	183,982	121,650
Total transportation	178,014	7,302	11,489	232,475	73,252
Cultural, parks and recreation:					
Park	46,352	-	-	-	(46,352)
Cemetery	10,998	6,125	936	-	(3,937)
Community building	3,148	4,715	-	-	1,567
Swimming Pool	-	4,238	-	-	4,238
Total cultural, parks and recreation	60,499	15,078	936	-	(44,485)
Total governmental activities	563,082	56,228	13,226	268,338	(225,290)
Business-type activities:					
Utility services:					
Electric	875,185	908,145	-	-	32,960
Water	280,084	240,806	-	-	(39,278)
Sewer	51,884	91,684	-	-	39,800
Sanitation	70,395	96,048	-	-	25,653
Customer service	58,213	16,969	-	-	(41,244)
Total business-type activities	1,335,761	1,353,652	-	-	17,891
Total primary government	\$ 1,898,843	\$ 1,409,880	\$ 13,226	\$ 268,338	\$ (207,399)

Town of Mooreland, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2013

Changes in Net Position:	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (225,290)	\$ 17,891	\$ (207,399)
General revenues:			
Taxes:			
Sales taxes	256,256	-	256,256
Use taxes	44,216	-	44,216
Franchise taxes	13,998	-	13,998
Alcoholic beverage tax	11,307	-	11,307
Cigarette tax	3,338	-	3,338
Investment income	668	1,492	2,160
Gain on sale of assets	-	-	-
Miscellaneous	5,726	18,213	23,939
Transfers - Other governments, net	-	-	-
Transfers - Internal activity, net	-	-	-
Total general revenues and transfers	335,509	19,705	355,214
Change in net position	110,219	37,596	147,815
Net position - beginning	2,615,390	1,771,828	4,387,218
Prior period adjustment	(15,657)	-	(15,657)
Net position - ending	\$ 2,709,952	\$ 1,809,424	\$ 4,519,376

**Town of Mooreland, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2013**

	<u>General Fund</u>	<u>Court Fund</u>	<u>Cemetery Fund</u>	<u>Cemetery Care Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 712,425	\$ 57,156	\$ 103,713	\$ 51,170	\$ 924,464
Investments, including time deposits	100,000	-	-	11,500	111,500
Revenue receivable	53,698	5,771	-	-	59,469
Total assets	<u>\$ 866,123</u>	<u>\$ 62,927</u>	<u>\$ 103,713</u>	<u>\$ 62,670</u>	<u>\$ 1,095,433</u>
LIABILITIES					
Accounts payable	\$ 4,992	\$ 204	\$ 1,000	\$ -	\$ 6,196
Wages and benefits payable	10,815	-	-	-	10,815
Notes payable, current	14,735	-	-	-	14,735
Total liabilities	<u>30,542</u>	<u>204</u>	<u>1,000</u>	<u>-</u>	<u>31,746</u>
FUND BALANCES					
Nonspendable	53,698	-	-	-	53,698
Restricted	-	-	-	62,670	62,670
Committed	-	-	-	-	-
Assigned	15,807	204	102,713	-	118,724
Unassigned	766,076	62,519	-	-	828,595
Total fund balances	<u>835,581</u>	<u>62,723</u>	<u>102,713</u>	<u>62,670</u>	<u>1,063,687</u>
Total liabilities and fund balances	<u>\$ 866,123</u>	<u>\$ 62,927</u>	<u>\$ 103,713</u>	<u>\$ 62,670</u>	<u>\$ 1,095,433</u>
Total fund balance- total governmental funds					\$ 1,063,687
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.					
				\$ 2,871,114	
				(1,224,849)	1,646,265
Net position of governmental activities					<u>\$ 2,709,952</u>

Town of Mooreland, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

	General Fund	Court Fund	Cemetery Fund	Cemetery Care Fund	Total Governmental Funds
REVENUES					
Sales tax	\$ 256,256	\$ -	\$ -	\$ -	\$ 256,256
Use tax	44,216	-	-	-	44,216
Beverage tax	11,307	-	-	-	11,307
Franchise taxes	13,998	-	-	-	13,998
Cigarette tax	3,338	-	-	-	3,338
Licenses and permits	3,721	-	-	-	3,721
Fines and forfeitures	565	29,562	-	-	30,127
Investment income	608	20	-	40	668
Charges for services	4,790	-	4,066	2,060	10,916
Rental income	11,465	-	-	-	11,465
Intergovernmental	11,488	-	-	-	11,488
Grants	232,475	-	-	-	232,475
Donations	36,664	-	-	936	37,600
Miscellaneous	5,721	5	-	-	5,726
Total revenues	<u>636,612</u>	<u>29,587</u>	<u>4,066</u>	<u>3,036</u>	<u>673,301</u>
EXPENDITURES					
General government:					
General government	63,612	-	-	-	63,612
Library	-	-	-	-	-
Total general government	<u>63,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,612</u>
Public safety and judiciary:					
Police	158,176	-	-	-	158,176
Fire	85,343	-	-	-	85,343
Emergency management	3,728	-	-	-	3,728
Court	-	360	-	-	360
Total public safety and judiciary	<u>247,247</u>	<u>360</u>	<u>-</u>	<u>-</u>	<u>247,607</u>
Transportation:					
Street	63,346	-	-	-	63,346
Airport	8,157	-	-	-	8,157
Total transportation	<u>71,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,503</u>
Cultural, parks and recreation:					
Park	37,566	-	-	-	37,566
Cemetery	-	-	9,066	-	9,066
Community Building	113	-	-	-	113
Total cultural, parks and recreation	<u>37,679</u>	<u>-</u>	<u>9,066</u>	<u>-</u>	<u>46,745</u>
Capital outlay	246,974	-	-	-	246,974
Total expenditures	<u>667,015</u>	<u>360</u>	<u>9,066</u>	<u>-</u>	<u>676,441</u>
Excess (deficiency) of revenues over expenditures	<u>(30,403)</u>	<u>29,227</u>	<u>(5,000)</u>	<u>3,036</u>	<u>(3,140)</u>
Net change in fund balances	(30,403)	29,227	(5,000)	3,036	(3,140)
Fund balances - beginning	895,845	33,496	107,713	59,634	1,096,688
Prior Period Restatement	(29,861)	-	-	-	(29,861)
Fund balances - ending	<u>\$ 835,581</u>	<u>\$ 62,723</u>	<u>\$ 102,713</u>	<u>\$ 62,670</u>	<u>\$ 1,063,687</u>

Town of Mooreland, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

Reconciliation of the change in fund balances - total governmental funds
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds \$ (3,140)

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

Capital asset purchases capitalized	246,974
Depreciation expense	(152,179)

The proceeds of debt issuance provides current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statement of net position.
Repayment of debt principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net position.

Debt principal	<u>18,564</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 110,219</u></u>
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Town of Mooreland, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities	
	Public Works Authority	Total Enterprise Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 930,313	\$ 930,313
Investments	354,267	354,267
Due from other funds	-	-
Accounts receivable (net)	136,959	136,959
Supplies	-	-
Prepaid expenses and other current assets	-	-
Total current assets	<u>1,421,539</u>	<u>1,421,539</u>
Restricted assets:		
Cash and cash equivalents	42,996	42,996
Investments	28,100	28,100
Debt Service Fund	45,752	45,752
Total restricted assets	<u>116,848</u>	<u>116,848</u>
Noncurrent assets:		
Unamortized bond issue costs	-	-
Capital assets (net)	1,742,060	1,742,060
Total noncurrent assets	<u>1,742,060</u>	<u>1,742,060</u>
Total assets	<u>\$ 3,280,447</u>	<u>\$ 3,280,447</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 12,940	\$ 12,940
Accrued payables	14,455	14,455
Wages and benefits payable	10,367	10,367
Due to other funds	-	-
Notes payable, current	15,165	15,165
Bonds payable, current	70,494	70,494
Total current liabilities	<u>123,421</u>	<u>123,421</u>
Liabilities payable from restricted assets:		
Accrued interest payable	-	-
Customer deposits payable	67,547	67,547
Total liabilities payable from restricted assets	<u>67,547</u>	<u>67,547</u>
Noncurrent liabilities:		
Notes payable, non-current	59,660	59,660
Bonds payable, noncurrent	1,220,395	1,220,395
Total noncurrent liabilities	<u>1,280,055</u>	<u>1,280,055</u>
Total liabilities	<u>1,471,023</u>	<u>1,471,023</u>
NET POSITION		
Net investment in capital assets	376,346	376,346
Restricted	116,848	116,848
Unrestricted	<u>1,316,230</u>	<u>1,316,230</u>
Total net position	<u>\$ 1,809,424</u>	<u>\$ 1,809,424</u>

Town of Mooreland, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	<u>Business-type Activities</u>	
	<u>Public Works Authority</u>	<u>Total Enterprise Funds</u>
<u>Operating revenues:</u>		
Charges for services:		
Electric charges	\$ 908,145	\$ 908,145
Water charges	240,806	240,806
Sewer charges	91,684	91,684
Sanitation charges	96,048	96,048
Penalties	16,969	16,969
Total charges for services	1,353,652	1,353,652
Miscellaneous	18,213	18,213
Total operating revenues	<u>1,371,865</u>	<u>1,371,865</u>
<u>Operating expenses:</u>		
Cost of goods sold	692,913	692,913
Personal services	275,467	275,467
Materials and supplies	75,372	75,372
Other services and charges	161,466	161,466
Depreciation and amortization	83,916	83,916
Total operating expenses	<u>1,289,134</u>	<u>1,289,134</u>
Net operating income	\$ 82,731	\$ 82,731
<u>Nonoperating revenue (expense):</u>		
Investment income	1,492	1,492
Interest expense	(46,627)	(46,627)
Noncapital contributions	-	-
Total nonoperating revenue (expense)	<u>(45,135)</u>	<u>(45,135)</u>
Net Income before contributions and transfers	37,596	37,596
Transfers to other funds, net	-	-
Change in net position	37,596	37,596
Net position - beginning of year	1,771,828	1,771,828
Net position-end of year	<u><u>\$ 1,809,424</u></u>	<u><u>\$ 1,809,424</u></u>

Town of Mooreland, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities	
	Public Works Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 1,407,853	\$ 1,407,853
Payments to suppliers	(1,003,234)	(1,003,234)
Payments to employees	(275,467)	(275,467)
Other operating revenues	18,213	18,213
Net cash provided (used) by operating activities	147,365	147,365
<u>Cash flows from non-capital financing activities:</u>		
Noncapital contributions	-	-
Transfers to other funds	-	-
Net cash provided (used) by non-capital financing activities	-	-
<u>Cash flows from capital and related financing activities:</u>		
Proceeds from debt issuance	79,780	79,780
Purchase of capital assets	(49,570)	(49,570)
Principal paid on capital debt	(73,547)	(73,547)
Interest paid on capital debt	(46,627)	(46,627)
Net cash provided (used) by capital and related financing activities	(89,964)	(89,964)
<u>Cash flows from investing activities:</u>		
Proceeds from sale of investments	-	-
Investment income	1,492	1,492
Net cash provided (used) by investing activities	1,492	1,492
Net increase (decrease) in cash and cash equivalents	58,893	58,893
Cash and cash equivalents, July 1, 2012	1,342,535	1,342,535
Cash & cash equivalents, June 30, 2013	\$ 1,401,428	\$ 1,401,428
Cash, including time deposits	\$ 1,284,580	\$ 1,284,580
Restricted cash, including time deposits	116,848	116,848
Total cash and cash equivalents, end of year	\$ 1,401,428	\$ 1,401,428
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>		
Operating income (loss)	\$ 82,731	\$ 82,731
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	83,916	83,916
Non-operating revenue (expense)		
<i>Changes in assets and liabilities:</i>		
(Increase) decrease in accounts receivable	54,201	54,201
(Increase) decrease in supplies	-	-
(Increase) decrease in due from other funds	-	-
Increase (decrease) in accounts payable	(77,102)	(77,102)
Increase (decrease) in accrued expenses	1,508	1,508
Increase (decrease) in deposits subject to refund	2,111	2,111
Total adjustments	64,634	64,634
Net cash provided (used) by operating activities	\$ 147,365	\$ 147,365

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The Town of Mooreland, Oklahoma (the "Town") is incorporated under the provisions of the State of Oklahoma. The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, sewer, and electric), culture, recreation, public improvements, municipal cemetery, and general administrative services.

The Reporting Entity

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Mooreland. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. 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.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

Mooreland Public Works Authority (the "Authority") – was created on September 15, 1966 under and pursuant to Title 60 of the Oklahoma Statutes by a Declaration of the Trust. The 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 Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides electric, water, sewer, and trash services to the citizens of Mooreland. Accounts of the Authority are recorded in business-type activities.

Discretely Presented Component Unit:

No Discretely Presented Component Units exist for the Town.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the Town as a whole. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements

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

Measurement Focus and Basis of Accounting

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Date of Management's Review

Subsequent events were evaluated through August 11, 2014, which is the date the financial statements were available to be issued.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
Court Fund	Accounts for the operations of the Town's municipal court system.
Cemetery	Accounts for the operations of the cemetery

Cemetery Care

Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.

Major Proprietary Funds

<u>FUND</u>	<u>BRIEF DESCRIPTION</u>
<u>Mooreland Public Works Authority</u>	Accounts for the activities of the Authority in providing electric, water, sewer, and solid waste services to the public.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The Town Clerk submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Clerk and must be approved by the board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Board of Trustees review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, materials and supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Within these control levels, management may transfer appropriations without Board approval.

Budget Basis of Accounting

The combined statements of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. The Town has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|------------------------------------|-------------|
| • Buildings | 25-50 years |
| • Other improvements | 2-50 years |
| • Machinery, furniture & equipment | 5-20 years |
| • Infrastructure | 25-50 years |

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Equity Classifications

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Prior Period Adjustments

A prior period adjustment of \$15,657 is recorded in accumulated depreciation of governmental funds of the Town due to a change in the assets and estimated useful life of assets held by the Town.

A prior period adjustment of \$29,861 is recorded in fixed assets of governmental funds of the Town to match prior years actual assets.

F. Revenues, Expenditures and Expenses

Sales Tax

The Town levied a 3% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the general fund.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the Town and its component unit are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over town resources follows:

A. Deficit Fund Net Assets/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town reported no deficit fund net positions or fund balances for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2013, the Town materially overspent in the Airport department due to grant funds received and the related grant expenditures. Additionally, the Town overspent in the General Government department primarily due to the reallocation of personal service expenses.

C. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
Gasoline Excise/Commercial Vehicle Tax Cemetery Revenue (12.5%)	Street and Alley Purposes Cemetery Capital Improvements

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance

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

Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The Town invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Governmental Activities				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 111,500	\$ 111,500	N/A	138
Total investments	111,500	111,500		
Total governmental investments	\$ 111,500	\$ 111,500		

RECONCILIATION TO STATEMENT OF NET POSITION

Investments, unrestricted	\$ 100,000
Investments, restricted	11,500
Total governmental investments	\$ 111,500

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 382,367	\$ 382,367	N/A	85
Total investments	382,367	382,367		
Total business-type investments	\$ 382,367	\$ 382,367		

RECONCILIATION TO STATEMENT OF NET POSITION

Investments, unrestricted	\$ 354,267
Investments, restricted	28,100
Total business-type investments	\$ 382,367

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

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

Restricted assets consist of the following:

	Cash and cash equivalents	Investments	Total
Governmental Activities:			
Cemetery	\$ 103,713	\$ 7,000	\$ 110,713
Cemetery Care	51,170	4,500	55,670
Court	57,156		57,156
	<u>\$ 212,039</u>	<u>\$ 11,500</u>	<u>\$ 223,539</u>
Business-type Activities:			
Debt service	\$ 45,752	-	45,752
Meter deposits	42,996	28,100	71,096
	<u>\$ 88,748</u>	<u>\$ 28,100</u>	<u>\$ 116,848</u>

PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2013 follows:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Land	\$ 64,000	\$ -	\$ -	\$ 64,000
Construction in process	-	188,384	-	188,384
Buildings & structures	268,929	-	-	268,929
Machinery, furniture, & equipment	600,950	9,731	-	610,681
Improvements other than land	1,690,262	48,858	-	1,739,120
	<u>2,624,141</u>	<u>246,973</u>	<u>-</u>	<u>2,871,114</u>
Less accumulated depreciation	1,072,140	152,709	-	1,224,849
	<u>\$ 1,552,001</u>	<u>\$ 94,264</u>	<u>\$ -</u>	<u>\$ 1,646,265</u>

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2013 follows:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Land	\$ 4,730	\$ -	\$ -	\$ 4,730
Construction in process	-	49,570	-	49,570
Buildings & structures	71,628	-	-	71,628
Machinery, furniture, & equipment	253,809	-	-	253,809
Improvements other than land	2,194,842	-	-	2,194,842
	<u>2,525,009</u>	<u>49,570</u>	<u>-</u>	<u>2,574,579</u>
Less accumulated depreciation	748,604	83,916	-	832,520
	<u>\$ 1,776,405</u>	<u>\$ (34,346)</u>	<u>\$ -</u>	<u>\$ 1,742,059</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

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

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ 12,666
Public safety & judiciary	19,249
Transportation	106,511
Cultural, parks & recreation	13,753
Total governmental activities depreciation expense	\$ 152,179

Depreciation expense charges to business-type activities:

Electric	\$ 6,169
Water	71,859
Customer service	596
Sewer	5,292
Total business-type activities depreciation expense	\$ 83,916

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2013:

NOTE PAYABLE

Governmental Activities:

Lease purchase agreement with Citizens National Bank, original amount of \$150,810 for the purchase of a fire truck. Lease is paid quarterly at an initial interest rate of 5% and may be adjusted every 5 years. Loan matures January 2014.	14,735
	\$ 14,735

Business-Type Activities:

Bond payable dated 12/9/2002 to the Oklahoma Water Resources Board in the amount of \$205,000 at a fixed interest rate ranging from 1.145% to 4.695%, maturing September 15, 2022. Proceeds were used for water system improvements.	115,000
Note payable to the Oklahoma Water Resources Board for water and sidewalk improvements. The original amount due was \$324,255. Note is paid semi-annually in the amount of \$10,186 beginning 3/15/05 at an interest rate of 1.795% plus a 0.5% administrative fee. Maturity is March 15, 2024.	196,701
Bond payable to the Oklahoma Water Resources Board in the amount of \$1,150,000 at an interest rate of 2.99% and a 0.5% administrative fee, maturing September 15, 2029. Semi-annual payments are due in the amount of \$39,436 beginning on 3/15/10. Proceeds were used for the construction of an Ion Exchange Plant to remove the nitrates from the water supply.	979,187
Note payable to the Central National Bank. The original amount due was \$79,780. Note is paid monthly in the amount of \$1,434 beginning 3/15/13 at an interest rate of 3%. Maturity is February 15, 2018.	74,826
	\$ 1,365,714

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

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

<u>Type of Debt</u>	<u>Balance at July 1, 2012</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
Governmental activities:					
Fire Truck	\$ 33,299	\$ -	\$ 18,564	\$ 14,735	\$ 14,735
Total governmental activities	<u>\$ 33,299</u>	<u>\$ -</u>	<u>\$ 18,564</u>	<u>\$ 14,735</u>	<u>\$ 14,735</u>
Business-type activities:					
<i>Notes Payable</i>					
OWRB #2 note payable	\$ 212,220	\$ -	\$ 15,519	\$ 196,701	\$ 15,883
Central National Bank	-	79,780	4,954	74,826	15,165
Total notes payable	<u>212,220</u>	<u>79,780</u>	<u>20,473</u>	<u>271,527</u>	<u>31,048</u>
<i>Bonds Payable</i>					
OWRB #1	\$ 125,000	\$ -	\$ 10,000	\$ 115,000	\$ 10,000
2009 Series Bonds	<u>1,022,260</u>	<u>-</u>	<u>43,073</u>	<u>979,187</u>	<u>44,610</u>
Total business-type activities	<u>\$ 1,359,480</u>	<u>\$ 79,780</u>	<u>\$ 73,546</u>	<u>\$ 1,365,714</u>	<u>\$ 85,658</u>
Total primary government debt	<u>\$ 1,392,779</u>	<u>\$ 79,780</u>	<u>\$ 92,110</u>	<u>\$ 1,380,449</u>	<u>\$ 100,393</u>

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013 follow:

Year Ending June 30	Governmental Notes Payable		Business-Type Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	14,735	259	31,049	18,013	56,631	37,883
2015	-	-	31,602	5,842	58,560	35,850
2016	-	-	32,829	4,615	60,282	33,735
2017	-	-	33,708	3,737	62,066	31,545
2018	-	-	28,854	2,856	63,912	29,279
2019-2023	-	-	93,869	7,340	364,631	108,496
2024-2028	-	-	19,616	148	356,666	43,146
2029	-	-	-	-	71,439	864
Totals	<u>\$ 14,735</u>	<u>\$ 259</u>	<u>\$ 271,527</u>	<u>\$ 42,551</u>	<u>\$ 1,094,187</u>	<u>\$ 320,798</u>

(4) FUND NET POSITION AND FUND BALANCE

Prior Period Adjustment

Change in Estimate

The Town of Mooreland elected to change the estimated useful life of certain equipment held by the Town for more than 10 years which resulted in additional depreciation expense of \$15,657, which is recorded as a prior period adjustment for governmental activities on the Statement of Net Position.

(5) **RETIREMENT PLANS**

The Town participates in two employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the Town's full-time employees, except firefighters, participate in a defined benefit pension plan adopted by the Town and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. Membership in the plan is as follows:

	<u>As of January 1, 2013</u>
Retired participants and beneficiaries	<u>4</u>
Active participants	<u>7</u>
Total	<u><u>11</u></u>

The following is a summary of eligibility, contribution methods and benefits provisions:

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	All regular, full-time employees of the Town or Authority, except police, firefighters and other employees who are covered under another approved system.
b. Contributions Requirement	By Town Ordinance
- Authorization	Yes
- Actuarially Determined	14.89% of covered payroll for FY13
- Employer Rate	4% of covered payroll for FY13
- Employee Rate	
c. Period Required to Vest	10 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 10 years or more of vesting service. - Early Retirement after age 55 with 80 points and 10 years or more years of vesting service. Points are equal to age plus completed years of service. - Disability retirement upon total and permanent disability after 10 or more years of service. - Termination before retirement age - Before vesting = return of employee contributions with interest - Termination after vesting = accrued benefit at normal retirement age, or reduced benefit at early retirement age
e. Benefit Determination Base	Average compensation- Accrued benefit is 2.625% of final average compensation multiplied by the number of year of credited service
f. Benefit Determination Methods:	
- Normal Retirement	Accrued benefit payable immediately.
- Early Retirement	Accrued benefit payable starting at normal retirement age or accrued benefit reduced 5% per year for commencement prior to normal retirement age
- Disability Retirement	Accrued benefit payable upon disablement without reduction for early payment
- Death Benefit	50% of accrued benefit is payable to spouse until death or remarriage, non-married participants 50% of the accrued benefit is payable for 5 years
- Prior to 10 Years Service	Return of employee contributions with accrued interest.

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

g. Form of Benefit Payments

Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Other retirement benefits are available under actuarially equivalent optional forms

Funding Status and Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
01/01/13	1,109,630	1,293,766	184,135	85.8%	261,781	70.3%

a. Date of last Actuarial Valuation

July 1, 2013

b. Significant Actuarial Assumptions Used:

- | | |
|----------------------------------|-------------------------------|
| 1. Rate of Return on Investments | 7.5% per annum |
| 2. Projected Salary Increase | Rates by age |
| 3. Retirement Age | Rates by age |
| 4. Mortality Table | UP 1994 mortality (projected) |
| 5. Turnover | Rates by age and service |
| 6. Asset Value | Actuarial method |

c. Actuarial cost method

Entry age normal

d. Fiscal Year 2013 Contributions Made

Total Contributions	\$49,851
Employee Contributions	\$10,505
Employer Contributions	\$39,346

B. Oklahoma Firefighter's Pension and Retirement Systems

Plan Description

The Town participates in a statewide, cost-sharing, multiple-employer defined benefit plans on behalf of firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions. The Town of Mooreland is supported by a voluntary force of firefighters.

This system is administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	Oklahoma Firefighter's Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Plan member's contribution rate	0% of covered payroll
Town's contribution rate	\$60 per year, per firefighter (volunteer)
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	NA
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$6.96 per month per year of service, with a maximum of 30 years considered.
Disability Benefits	Paid in line with 20 years of service or actual years if greater than 20.
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.

Employer contribution rates are determined by Oklahoma State Statute and administered by agencies of the State.

The Town made required contributions of \$2,400 to the Oklahoma Firefighter Pension and Retirement System for the year ended June 30, 2013.

Copies of the actuarial reports may be obtained from the state retirement systems; Oklahoma Firefighter Pension and Retirement System at 4545 N. Lincoln Blvd. Suite 265, Oklahoma City, OK 73105.

(6) COMMITMENTS AND CONTINGENCIES

A. Litigation

The Town is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town.

B. Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Town of Mooreland, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2013

	<u>Approved Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES			
Sales tax	\$ 205,000	\$ 256,256	\$ 51,256
Use tax	25,000	44,216	19,216
Tobacco tax	2,600	3,338	738
Beverage tax	10,200	11,307	1,107
Gasoline excise tax	1,500	2,176	676
Motor vehicle tax	8,700	9,312	612
Franchise taxes	15,250	13,998	(1,252)
Licenses & permits	3,000	3,721	721
Grants	-	232,475	232,475
Charges for services:			
Police fines	25,000	565	(24,435)
Swimming pool fees	4,250	4,238	(12)
Rental fees	10,000	11,465	1,465
Fire donations	3,000	801	(2,199)
Other revenue	10,600	42,136	31,536
Interest	1,000	608	(392)
Total revenues	<u>325,100</u>	<u>636,612</u>	<u>311,512</u>
EXPENDITURES			
General government:			
General government			
Personal services	9,000	24,687	(15,687)
Materials & supplies	3,500	1,555	1,945
Other services & charges	35,000	37,370	(2,370)
Capital outlay	5,000	9,731	(4,731)
Total general government	<u>52,500</u>	<u>73,343</u>	<u>(20,843)</u>
Public safety and judiciary:			
Municipal Court			
Personal services	15,000	-	15,000
Materials & supplies	300	360	(60)
Police			
Personal services	167,340	128,145	39,195
Materials & supplies	18,640	17,173	1,467
Other services & charges	18,700	12,859	5,841
Capital outlay	4,800	-	4,800
Fire			
Materials & supplies	50,500	41,042	9,458
Other services & charges	32,500	24,417	8,083
Capital outlay	20,000	-	20,000
Debt service	-	19,884	(19,884)
Emergency Management			
Materials & supplies	4,000	287	3,713
Other services & charges	3,138	3,441	(303)
Total public safety and judiciary	<u>334,918</u>	<u>247,608</u>	<u>87,310</u>

Town of Mooreland, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2013

	<u>Approved Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Transportation:			
Street			
Personal services	35,000	10,531	24,469
Materials & supplies	10,000	2,738	7,262
Other services & charges	5,000	50,079	(45,079)
Capital outlay	75,000	45,108	29,892
Airport			
Personal services	6,000	15	5,985
Materials & supplies	4,000	125	3,875
Other services & charges	12,994	8,016	4,978
Capital outlay	15,000	188,384	(173,384)
Total transportation	<u>162,994</u>	<u>304,996</u>	<u>31,382</u>
Cultural, parks and recreation:			
Park			
Personal services	33,000	14,178	18,822
Materials & supplies	15,000	14,520	480
Other services & charges	8,000	8,868	(868)
Capital outlay	45,000	3,750	41,250
Community Center			
Materials & supplies	10,000	113	9,887
Total cultural, parks and recreation	<u>111,000</u>	<u>41,429</u>	<u>69,571</u>
Total expenditures	<u>661,412</u>	<u>667,377</u>	<u>136,038</u>
Revenue over (under) expenditures	(336,312)	(30,765)	447,550
OTHER FINANCING SOURCES (USES)			
Operating transfers in/(out)	175,000	-	(175,000)
Net other financing sources (uses)	<u>175,000</u>	<u>-</u>	<u>(175,000)</u>
Revenues and other financing sources over (under) expenditures and other uses	(161,312)	(30,765)	272,550
Fund balance at beginning of year (Non-GAAP budgetary basis)		<u>929,409</u>	<u>929,409</u>
Fund balance at end of year (Non-GAAP budgetary basis)		\$ 898,645	<u>\$ 1,201,959</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Revenue and transfer accruals		(29,513)	
Expenditure and transfer accruals		(3,690)	
Prior period adjustments		(29,861)	
Fund balance at end of year (GAAP basis)		<u>\$ 835,581</u>	



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 Council
Town of Mooreland, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mooreland, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively Town of Mooreland, Oklahoma's basic financial statements and have issued our report thereon dated August 11, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and responses to be material weaknesses: 2013-2, 2013-4 and 2013-5.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies: 2013-1 and 2013-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about Town of Mooreland, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items : 2013-4.

Town of Mooreland, Oklahoma's Response to Findings

Town of Mooreland, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Mooreland, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

FSW&B CPA'S-PLLC

FSW&B CPA's-PLLC

Woodward, OK
August 11, 2014

TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2013

FINDING 2013-1 Lack of Segregation of Duties

Condition: 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.

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect 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 or services outsourced.

Response: The Town has hired additional personnel within the utility department since year end. The Town also has a new administration and has outsourced its financial reporting, payroll procedures, and account reconciliations on a monthly basis to outside accounting consultants.

FINDING 2013-2 Adequate Record Keeping

Condition: Several account general ledger balances did not agree with their respective subsidiary ledger. The following accounts did not reconcile with subsidiary accounts at year end: accounts receivable, accounts payable, customer meter deposits, and municipal court revenue for both governmental and business-type activity funds.

Criteria: All transactions should be posted and processed timely, which includes the timely performance of reconciliations.

Cause: The lack of formal policies and procedures being performed and/or followed on a timely basis, which is a result of management override of controls.

Effect or Potential Effect The effect of not maintaining effective internal control over these accounts could result in material errors or fraud occurring and not be detected on a timely basis, uncollectible receivables, inaccurate payment of liabilities to the respective vendor, and/or losing the opportunity to claim and use in its operations forfeited customer deposits.

TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2013

FINDING 2013-2 Adequate Record Keeping (continued)

Recommendation: Reconcile accounts with applicable subsidiary ledgers, deposit lists, and/or detailed billing registers at the end of each month. The reconciliations should be performed timely to ensure the accounting systems are synchronized and performing properly. Explain all reconciling items and make adjustments, if necessary.

Response: The Town has a new administration and has outsourced its account reconciliations and financial reporting to outside accounting consultants. In addition to the use of accounting consultants, the Town has implemented a new accounting software and utility billing system.

FINDING 2013-3 Proper Authorization of Funds

Condition: Numerous checks cleared the bank with only one authorized signature and one check with no signature, also among checks with improper authorization were checks with duplicated check numbers from the same account.

Criteria: Each check from all accounts are required to have two authorized signatures, where one can be stamped but the other must be ink. Checks should also occur in a subsequent order with no duplications from the same account.

Cause: The lack of formal policies and procedures being followed, which is a result of management override of controls.

Effect or Potential Effect The effect of not maintaining effective internal control cash expenditures could result in material errors or fraud occurring and not be detected on a timely basis, or inaccurate payment of liabilities to the respective vendor.

Recommendation: Recommend following already established policies and procedures put in place. This should include two different authorized individuals responsible for the disbursement of funds.

Response: The Town has hired new administration after year end to further address compliance problems.

FINDING 2013-4 Negative Budget Variances

Condition: The Town had expenditures during the year ended June 30, 2013 in excess of appropriations in the departments and/or purposes of General Government (\$20,843), Emergency Management (\$303), Municipal Court (\$60), Street (\$45,079), Park (\$868) and Airport (\$173,384).

Criteria: Expenditures are budgeted by department and object class as follows: personal services, other services and charges, materials and supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level.

TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2013

FINDING 2013-4 Negative Budget Variances (continued)

Cause: The Town Council did not approve supplemental appropriations and/or transfers prior to expenditure.

Effect or Potential Effect: If all other appropriations had been fully expended, the Town would have created a negative fund balance.

Recommendation: The Town Council should confirm available appropriations prior to approving expenditures. When appropriations are insufficient for an identified need, a budget revision should be approved by the Council prior to approving additional encumbrances or expenditures.

Response: The Town has hired new administration and outside accounting consultants after year end to ensure accurate reporting of available appropriations are readily available prior to approving additional expenditures, encumbrances, or commitments.

FINDING 2013-5 Petty Cash and Possible Misappropriation of Funds

Condition: Actual petty cash account balances do not tie with general ledger detail. During our audit we discovered through inquiries and other procedures that there likely was a difference between the daily cash deposit and the amount that should have been deposited per source documents. The amount of the difference is undeterminable from records available, but our conclusion is that this amount was not material.

Criteria: Adequate receipts and documentation must be maintained to support all transactions made from the petty cash fund.

Cause: The lack of formal policies and procedures being followed, which is a result of management override of controls.

Effect or Potential Effect: The effect of not maintaining effective internal control cash could result in material errors or fraud occurring and not be detected on a timely basis.

Recommendation: Recommend following already established internal control policies and procedures put in place. The Town should also consider whether or not to pursue further investigation and/or prosecution and the cost/benefit of doing it.

Response: The Town is considering further investigation and has limited the handling of cash and deposits to newly hired administration and employees after year end. The Town also has installed additional locked file cabinets with limited access.

TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF PRIOR YEARS FINDINGS
FOR THE YEAR ENDING JUNE 30, 2013

1. Lack of Segregation of Duties.

Condition: 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.

Recommendation: Recommend that duties be segregated to the extent possible should new employees be hired.

Current Status: As of year-end this condition was still found and reported on the Schedule of Findings and Responses under Finding 2013-1. The Town has hired a new administration, utility billing employee and outside accounting consultant after year end in order to further segregate duties.

2. Accounting Records for Accounts Receivable

Condition: 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 2013.

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.

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 transaction should be posted and processed timely, preferable 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 cannot 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.

TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF PRIOR YEARS FINDINGS
FOR THE YEAR ENDING JUNE 30, 2013

2. Accounting Records for Accounts Receivable (continued)

Current Status: As of year-end this condition was still found and reported on the Schedule of Findings and Responses under Finding 2013-2. Since year end, the Town has a new administration and has outsourced its account reconciliations and financial reporting to outside accounting consultants. In addition to the use of accounting consultants, the Town has implemented a new accounting software and utility billing system.

3. Accounting Records for Account Payable Accounts

Condition: 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 need 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.

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.

Current Status: As of year-end this condition was still found and reported on the Schedule of Findings and Responses under Finding 2013-2. Since year end, the Town has a new administration and has outsourced its account reconciliations and financial reporting to outside accounting consultants. In addition to the use of accounting consultants, the Town has implemented a new accounting software and utility billing system.

TOWN OF MOORELAND, OKLAHOMA
SCHEDULE OF PRIOR YEARS FINDINGS
FOR THE YEAR ENDING JUNE 30, 2013

4. Customer Meter Deposits Liability.

Condition: 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.

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.

Current Status: As of year-end this condition was still found and reported on the Schedule of Findings and Responses under Finding 2013-2. Since year end, the Town has a new administration and has outsourced its account reconciliations and financial reporting to outside accounting consultants. In addition to the use of accounting consultants, the Town has implemented a new accounting software and utility billing system.