

**CITY OF MAUD  
Maud, Oklahoma**

**BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**AUDITED BY**

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.  
SHAWNEE, OKLAHOMA**

**CITY OF MAUD  
Maud, Oklahoma**

**CONTENTS**

	<u>Page No.</u>
Table of Contents	2
Independent Auditors' Report	3-4
<b>Basic Financial Statements:</b>	
Statement of Net Assets – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis	6
Balance Sheet – Modified Cash Basis - Governmental Funds	7
Reconciliation of the Governmental Funds Balance Sheets to the Government-wide Statements of Net Assets – Modified Cash Basis	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis – Governmental Funds	9
Reconciliation of the Government Funds Statements of Revenues, Expenditures And Changes in Fund Balance to the Government-wide Statements of Activities and Changes in Net Assets – Modified Cash Basis	10
Statement of Net Assets - Proprietary Funds – Modified Cash Basis	11
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds - Modified Cash Basis	12
Statement of Cash Flows – Modified Cash Basis - Proprietary Funds	13
<b>Notes to the Basic Financial Statements</b>	14-25
<b>Required Supplemental Information:</b>	
Combining Balance Sheet Non-Major Governmental Funds	26
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds	27
Independent Auditors' Report Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	28-29
Schedule of Findings and Reponses	30-32

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.**  
**Certified Public Accountants**

American Institute of Certified Public Accountants  
Members  
Oklahoma Society of Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

July 21, 2014

To the Board of Trustees  
Maud, Oklahoma

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain 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 error or fraud. 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. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis of Qualified Opinion**

The modified cash basis of accounting requires that items, having substantial support in generally accepted accounting principles in the United States of America, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The City has not maintained accurate capital asset records to support the historical cost of past capital assets purchased and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for our review. The amount by which this departure would affect the assets, net position, and expenses of Governmental and Business-Type activities is not readily determinable.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Maud, Oklahoma, as of June 30, 2014 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### **Other Matters**

The supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not required part of the basic statements of the City. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

### **Basis of Accounting**

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



Wilson, Dotson & Associates, P.L.L.C.  
Certified Public Accountants

**CITY OF MAUD  
Maud, Oklahoma**

**STATEMENT OF NET ASSETS-MODIFIED CASH BASIS  
JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>CURRENT ASSETS</b>			
Cash and investments			
Cash and cash equivalents	\$ 110,929	17,315	128,244
Due to/from other funds	10,447	(10,447)	-
<b>CAPITAL ASSETS</b>	<u>219,172</u>	<u>1,529,444</u>	<u>1,748,616</u>
<b>TOTAL ASSETS</b>	<u>\$ 340,548</u>	<u>1,536,312</u>	<u>1,876,860</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 15,393	7,467	22,860
Water deposits	-	10,063	10,063
Total current liabilities	<u>15,393</u>	<u>17,530</u>	<u>32,923</u>
<b>NONCURRENT LIABILITIES</b>			
Notes payable	65,159	51,563	116,722
Bonds payable	-	385,600	385,600
Total noncurrent liabilities	<u>65,159</u>	<u>437,163</u>	<u>502,322</u>
<b>TOTAL LIABILITIES</b>	<u>80,552</u>	<u>454,693</u>	<u>535,245</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	158,245	1,092,281	1,250,526
Restricted for debt service	-	1,045	1,045
Restricted	91,708	-	91,708
Unassigned	<u>10,043</u>	<u>(11,707)</u>	<u>(1,664)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 259,996</u>	<u>1,081,619</u>	<u>1,341,615</u>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF MAUD  
Maud, Oklahoma**

**STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
General government	\$ 237,496	67,984	2,500	-	(167,012)
Cemetery	-	800	-	-	800
Street & alley	95,153	-	-	-	(95,153)
Total Governmental Activities	<u>332,649</u>	<u>68,784</u>	<u>2,500</u>	<u>-</u>	<u>(261,365)</u>
Business-Type Activities:					
Municipal Authority	410,293	389,222	-	229,670	208,599
Total Business-Type Activities	<u>410,293</u>	<u>389,222</u>	<u>-</u>	<u>229,670</u>	<u>208,599</u>
Totals	\$ <u>742,942</u>	<u>458,006</u>	<u>2,500</u>	<u>229,670</u>	<u>(52,766)</u>

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Net (Expense)/Revenue	\$ (261,365)	208,599	(52,766)
General Revenues			
Taxes	232,647	-	232,647
Intergovernmental	6,915	-	6,915
Other revenue	30,705	57,266	87,971
Donations	390	-	390
Total general revenues and transfers	<u>270,657</u>	<u>57,266</u>	<u>327,923</u>
Change in Net Assets	9,292	265,865	275,157
Net Assets-beginning of year - Restated	<u>250,704</u>	<u>815,754</u>	<u>1,066,458</u>
Net Assets-end of year	\$ <u>259,996</u>	<u>1,081,619</u>	<u>1,341,615</u>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF MAUD**  
**Maud, Oklahoma**

**BALANCE SHEET - MODIFIED CASH GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	GENERAL FUND	STREET & ALLEY FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS</b>				
Cash and investments				
Cash & cash equivalents	\$ 32,098	49,821	29,010	110,929
Due from other funds	-	11,447	1,430	12,877
<b>TOTAL ASSETS</b>	<b>\$ 32,098</b>	<b>61,268</b>	<b>30,440</b>	<b>123,806</b>
<b>LIABILITIES</b>				
Due to other funds	\$ 2,430	-	-	2,430
Accounts payable	15,393	-	-	15,393
Total liabilities	17,823	-	-	17,823
<b>FUND EQUITY</b>				
Fund balances				
Restricted	-	61,268	30,440	91,708
Unassigned	14,275	-	-	14,275
Total Fund Equity	14,275	61,268	30,440	105,983
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 32,098</b>	<b>61,268</b>	<b>30,440</b>	<b>123,806</b>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF MAUD  
Maud, Oklahoma**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE  
GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2013**

Total Fund Balances - Total Governmental Funds	\$ 105,983
--	------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Depreciable buildings, property and equipment	219,172
---	---------

Long term debt used in governmental activities are not reported in the funds. These liabilities consist of:

Long term debt	<u>(65,159)</u>
----------------	-----------------

Net Assets of Governmental Activities	<u>\$ 259,996</u>
---------------------------------------	-------------------

**CITY OF MAUD  
Maud, Oklahoma**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN CHANGES IN NET ASSETS-MODIFIED CASH  
BASIS  
YEAR ENDED JUNE 30, 2013**

	GENERAL FUND	STREET & ALLEY FUND	SPECIAL REVENUE FUND	TOTAL
<b>REVENUES</b>				
Taxes	\$ 139,862	92,785	-	232,647
Intergovernmental	-	6,915	-	6,915
Fines and forfeitures	67,684	-	300	67,984
Other revenues	26,885	1,078	2,742	30,705
Grant and donations	150	-	2,740	2,890
Total Revenues	<u>234,581</u>	<u>100,778</u>	<u>5,782</u>	<u>341,141</u>
<b>EXPENDITURES</b>				
Personal services	115,250	52,872	-	168,122
Office supplies	15,955	-	-	15,955
Repairs and maintenance	4,807	3,798	1,234	9,839
Professional services	23,971	2,867	-	26,838
Insurance	13,585	9,091	-	22,676
Utilities	12,226	17,600	-	29,826
Automobile	30,066	4,268	-	34,334
Training expense	1,955	-	-	1,955
Other expenses	20,621	816	-	21,437
Debt service	3,723	5,826	-	9,549
Total Expenditures	<u>242,159</u>	<u>97,138</u>	<u>1,234</u>	<u>340,531</u>
Net changes in fund balance	(7,578)	3,640	4,548	610
Fund Balance - beginning of year - Restated	<u>21,853</u>	<u>57,628</u>	<u>25,892</u>	<u>105,373</u>
Fund Balance - end of year	<u>\$ 14,275</u>	<u>61,268</u>	<u>30,440</u>	<u>105,983</u>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF MAUD  
Maud, Oklahoma**

**RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES AND CHANGES  
IN NET ASSETS - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$ 610
Amount reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report Long-Term Debt in Government-Wide Statement of Assets. This is the amount of principal payments paid in the current period.	<u>8,682</u>
Change in Net Assets of Governmental Activities	<u>\$ 9,292</u>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF MAUD  
Maud, Oklahoma**

**STATEMENTS OF NET ASSETS - PROPRIETARY FUNDS-MODIFIED CASH BASIS  
JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS <u>MAUD MUNICIPAL AUTHORITY</u>
<b>ASSETS</b>	
Cash and investments	
Cash & cash equivalents	\$ <u>17,315</u>
Fixed Assets	<u>1,529,444</u>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>1,546,759</u></u></b>
<b>LIABILITIES</b>	
Current Liabilities	
Due to other funds	\$ 10,447
Accounts payable	7,467
Water deposits	10,063
Current portion of long term debt	<u>48,100</u>
Total Current Liabilities	<u>76,077</u>
Long- Term Debt	
Notes payable	51,563
Bonds payable	<u>337,500</u>
Total Long-Term Debt	<u>389,063</u>
<b>TOTAL LIABILITIES</b>	<b><u>465,140</u></b>
<b>NET ASSETS</b>	
Restricted for Debt Service	1,045
Invested in capital assets net of related debts	1,092,281
Unassigned	<u>(11,707)</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u><u>1,081,619</u></u></b>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF MAUD  
Maud, Oklahoma**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS-  
MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2013**

		BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
		<u>MAUD MUNICIPAL AUTHORITY</u>
<b>REVENUES</b>		
Garbage revenue	\$	87,171
Water revenue		197,517
Sewer revenue		95,752
Late charges		8,782
Other revenues		57,266
		<u>446,488</u>
<b>OPERATIONS EXPENSE</b>		
Personal costs		78,761
Office supplies		5,179
Repairs and maintenance		145,461
Professional services		92,153
Services and supplies		5,854
Insurance		11,344
Utilities		35,127
Automobile		8,002
Training expense		1,678
Other expenses		3,252
Total operations expense		<u>386,811</u>
<b>INCOME BEFORE NON-OPERATING REVENUES EXPENSES AND TRANSFERS</b>		<b>59,677</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>		
Grant		229,670
Interest expense		(23,482)
TOTAL OTHER FINANCING SOURCES AND (USES)		<u>206,188</u>
<b>NET INCOME</b>		<b>265,865</b>
<b>RETAINED EARNINGS, BEGINNING OF THE YEAR - RESTATED</b>		<u>815,754</u>
<b>RETAINED EARNINGS, END OF THE YEAR</b>	<b>\$</b>	<u><b>1,081,619</b></u>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF MAUD  
Maud, Oklahoma**

**STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2013**

BUSINESS-TYPE  
ACTIVITIES  
ENTERPRISE FUNDS  
MAUD MUNICIPAL AUTHORITY

Cash flows from operating activities:		
Cash received from customers & service users	\$	446,488
Cash payments for goods & services & employees		<u>(379,344)</u>
Net cash provided by operating activities		<u>67,144</u>
Cash flows from financing activities		
Purchases of capital assets		(249,443)
Grant		229,670
Increase (decrease) in interfund receivables/payables		13,527
Principal payments on debt		(51,255)
Interest paid on debt		<u>(23,482)</u>
Net cash provided by financing activities		<u>(80,983)</u>
Net increase (decrease) in cash & cash equivalents		(13,839)
Cash & cash equivalents - beginning of year		<u>31,154</u>
Cash & cash equivalents - end of year	\$	<u>17,315</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	59,677
Increase (decrease) in accounts payable		<u>7,467</u>
Net cash provided by operating activities	\$	<u>67,144</u>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Maud, Oklahoma, Maud, Oklahoma (the City), in the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciations in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**A. Reporting Entity**

The City of Maud, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning, and low income apartment rentals for the geographical area organized as the City of Maud, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

**Fund Accounting** – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Cemetery Care Fund – is the fund used for collecting and expending for cemetery operations.

Street & Alley – is the fund used for certain revenues and expenditures related to roadway management.

Police Department Equipment Reserve Fund – is the fund where a portion of fines are deposited for the purchase of police department equipment.

The following is the only proprietary fund:

Maud Municipal Authority – is the fund used for collecting and expending for water, wastewater and sanitation utility operations.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Oklahoma Statutes authorize the City to invest in certificates of deposits, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**C. Assets, Liabilities and Equity (Continued)**

**2. Fair Value of Financial Instruments**

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**3. Estimates**

The preparation of financial statements in conformity with modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**4. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

**5. Inventories**

Inventories in governmental funds and other funds normally consist of minimal amounts of expendable supplies held for consumption. The cost of such inventories are recorded as expenditures when purchased rather than when consumed.

**6. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**C. Assets, Liabilities and Equity (Continued)**

**6. Capital Assets (Continued)**

All reported capital assets are depreciated except construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	40 - 100 years	40 - 100 years
Furniture, Fixtures and Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

The City has not maintained accurate capital assets records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

The City did not keep records of fixed assets. The cost and acquisition date of items acquired before this date are not known; however, an aggregated total \$1,499,173 was carried over in the June 30, 2012 audit. Property, plant, and equipment acquired after July 1, 2013 with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements.

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**C. Assets, Liabilities and Equity (Continued)**

**7. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation time. Part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

**8. Long-term Obligations**

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

**9. Net Assets**

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e. fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and note receivables, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**C. Assets, Liabilities and Equity (Continued)**

**9. Net Assets (Continued)**

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted Fund Balance – The fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The fund balance should be reported as committed for amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned Fund Balance – The fund balance should be reported as assigned for amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purposes in accordance with the provisions of the standard.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Accounting and Control**

The Mayor 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 allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the City operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Accounting and Control (Continued)**

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

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. 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 paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end. The City approved a budget for the 2012-13 fiscal year but was not used.

**3. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school City s in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 2 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013 the City held deposits of approximately \$128,244 at financial institutions. The City's cash deposits, including interest-bearing accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name. Therefore, the City was not exposed to custodial credit risk as defined above.

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**3. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments (Continued)**

*Investment Credit Risk*

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. government, its agencies and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school City debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school City.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The City had no investment credit risk as of June 30, 2013, as defined above.

*Investment Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City had no investment interest rate risk as defined above.

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**3. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments (Continued)**

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City places no limit on the amount it may invest in any one issuer.

At June 30, 2013, the City had no concentration of credit risk as defined above.

**B. Long-Term Debt**

Maud Municipal Authority Utility System and Sales Tax Revenue Note due in monthly principal and interest installments of \$2,400 to \$5,300, final maturity June 30, 2020. The interest rate is 4.58%.

Maud Municipal Authority has an obligation outstanding as part of the Community Development Block Grant Program. The balance at June 30, 2012 was \$56,719, due in monthly installments of \$468.75 with zero interest, final maturity June 30, 2022.

The capital asset balances of the governmental activities have been restated due to omissions in the prior year.

Year Ended June 30,	Notes Payable		Total
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2014	\$ 53,725	16,685	70,410
2015	55,925	14,433	70,358
2016	58,125	12,078	70,203
2017	60,425	9,622	70,047
2018	62,725	7,067	69,792
2019-20	146,238	5,924	152,162
Total	<u>\$ 437,163</u>	<u>65,809</u>	<u>502,972</u>

Interest paid on general long-term debt during the current year totaled \$19,845.

General long-term debt consists of notes payable and a capital lease. The following is a summary of the changes in general long-term debt transactions of the Maud Municipal Authority for the fiscal year.

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**3. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Long-Term Debt (Continued)**

	Balance July 1, 2012	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2013
Notes	\$ 488,688	-	51,525	437,163

The City has a note payable for equipment, due in annual installments of \$4,232 with interest rate of 8.00%, final maturity June 30, 2014.

The City has a note payable for equipment, due in monthly installments of \$728.44 with interest rate of 3.5%, final maturity September 27, 2019.

The City has a lease/purchase agreement for a dog, due in monthly installments of \$286.42 with interest rate of 3.99%, final maturity June 30, 2016.

Year Ended June 30,	Notes Payable & Capital Leases		Total
	Principal	Interest	Requirements
2014	\$ 15,534	2,478	18,012
2015	11,773	1,753	13,526
2016	9,444	1,242	10,686
2017	8,741	812	9,553
2018	8,741	530	9,271
2019-22	10,926	251	11,177
Total	\$ 65,159	7,066	72,225

Interest paid on general long-term debt during the current year totaled \$2,042.

General long-term debt consists of notes payable and a capital lease. The following is a summary of the changes in general long-term debt transactions of the City for the fiscal year.

	Balance July 1, 2012	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2013
Notes	\$ 67,606	-	8,741	58,865
Leases	-	7,950	1,656	6,294
Total	\$ 67,606	7,950	10,397	65,159

**CITY OF MAUD  
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**4. CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

**5. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June, 2014, which is the date the financial statements were available to be issued.

**6. CONTINGENCIES**

On April 16, 2014 a lawsuit was filed against the City by a former employee. The outcome cannot be determined.

CITY OF MAUD  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	CEMETERY CARE FUND	PD EQUIPMENT RESERVE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 25,380	3,630	29,010
Due from other funds	290	1,140	1,430
Total Assets	\$ 25,670	4,770	30,440
<u>LIABILITIES AND FUND EQUITY</u>			
Fund Equity			
Fund balance:			
Unreserved			
Designated for specific fund purposes	\$ 25,670	4,770	30,440
Total fund equity	25,670	4,770	30,440
Total Liabilities and Fund Equity	\$ 25,670	4,770	30,440

CITY OF MAUD  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	CEMETERY FUND	PD EQUIPMENT ALLEY FUND	TOTALS NON-MAJOR GOVERNMENTAL FUNDS
Revenues			
Grants and donations	\$ 240	2,500	2,740
Grave openings	800	-	800
Other revenue	199	1,743	1,942
Police fines	-	300	300
Total revenues	<u>1,239</u>	<u>4,543</u>	<u>5,782</u>
Expenditures			
Maintenance & Operations	-	1,234	1,234
Excess of revenues over (under) expenditures	1,239	3,309	4,548
Fund balances, beginning of period	<u>24,431</u>	<u>1,461</u>	<u>25,892</u>
Fund balances, end of period	<u>\$ 25,670</u>	<u>4,770</u>	<u>30,440</u>

# **WILSON, DOTSON & ASSOCIATES, P.L.L.C.**

**Certified Public Accountants**

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

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

July 21, 2014

Honorable Mayor and  
Members of the City Council  
City of Maud  
Maud, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Maud, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the City of Maud, Oklahoma's basic financial statements and have issued our report thereon dated July 21, 2014 which was qualified for improper capital asset recordkeeping.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, however, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 related to financial reporting as items 13-01, 13-02, 13-03, 13-04, and 13-05.

### **Purpose of this Report**

The purpose of this report is solely to describe 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.



Wilson, Dotson & Associates, PLLC  
Certified Public Accountants

**CITY OF MAUD  
Maud, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSE  
For the Year Ended June 30, 2013**

Finding: Lack of Segregation of Duties

13-01 – The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees, were a larger number available, prevents a proper segregation of accounting functions which is necessary in order to assure adequate internal accounting controls.

Response:

City personnel have concluded that the cost to correct this condition would exceed the benefit.

Finding: Fixed Assets Records

13-02 – Fixed asset records have not been maintained for the City.

Response:

City personnel, as time becomes available, will be working on an accounting system for the City's fixed assets.

Finding: Court Fund

13-03 – During our audit we observed that the fines and forfeitures were not deposited into the Court Fund, as required. Instead, the fines and forfeitures were deposited directly into the General Fund.

Response:

We have since changed our procedure for the depositing of fines and forfeitures. Fines and forfeitures are currently deposited into the Court Fund and transfers are made to the General Fund, once the case has been completed.

Finding: Purchasing

13-04 - The City's policies require that a budget be used for internal controls for the purchasing process. During our audit we observed that the budget was never input in the accounting software, and was not used as a monitoring tool.

**CITY OF MAUD  
Maud, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSE  
For the Year Ended June 30, 2013**

Response:

The budget has since been entered into the accounting software and is currently being used as an internal control monitoring procedure for the purchasing process.

Finding: Meter Deposit Fund

13-05 – We observed during our audit that the Meter Deposit Fund was not fully funded at June 30, 2013.

Response:

We are aware of this situation and a transfer has been made to fully fund the Meter Deposit Fund.

**CITY OF MAUD  
Maud, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2013**

Finding: Fixed Asset Records

12-01 – The finding that fixed asset records were not maintained for the City continued in the current fiscal year.

Response:

City personnel, as time becomes available, will be working on an accounting system for the City's fixed assets.

Finding: Lack of Segregation of Duties

12-02 & 12-03 – The lack of segregation of duties continued during the current fiscal year.

Response:

City personnel have concluded that the cost to correct this condition would exceed the benefit.