

**CITY OF MAUD
Maud, Oklahoma**

**BASIC FINANCIAL STATEMENTS
June 30, 2015**

AUDITED BY

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

**CITY OF MAUD
Maud, Oklahoma**

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

American Institute of Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

December 10, 2015

Honorable Mayor and Members of the City Council
City of Maud
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, 2015, which collectively comprise the City's basic financial statements – modified cash basis, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. 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 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, 2015 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 – modified cash basis, 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 November 12, 2015, 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, 2015**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CURRENT ASSETS			
Cash and investments			
Cash and cash equivalents	\$ 107,261	67,733	174,994
CAPITAL ASSETS	<u>256,742</u>	<u>1,560,986</u>	<u>1,817,728</u>
TOTAL ASSETS	<u>\$ 364,003</u>	<u>1,628,719</u>	<u>1,992,722</u>
CURRENT LIABILITIES			
Water deposits	\$ -	14,633	14,633
Current portion of long term debt	-	58,125	58,125
Total current liabilities	<u>-</u>	<u>72,758</u>	<u>72,758</u>
NONCURRENT LIABILITIES			
Notes payable	37,853	34,678	72,531
Bonds payable	-	234,700	234,700
Total noncurrent liabilities	<u>37,853</u>	<u>269,378</u>	<u>307,231</u>
TOTAL LIABILITIES	<u>37,853</u>	<u>342,136</u>	<u>379,989</u>
NET ASSETS			
Invested in capital assets, net of related debt	218,889	1,175,348	1,394,237
Restricted for debt service	-	1,045	1,045
Restricted	-	-	-
Unassigned	<u>107,261</u>	<u>110,190</u>	<u>217,451</u>
TOTAL NET ASSETS	<u>\$ 326,150</u>	<u>1,286,583</u>	<u>1,612,733</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, 2015**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSES) REVENUE</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
Governmental Activities:					
General government	\$ 272,596	-	-	24,976	(247,620)
Total Governmental Activities	<u>272,596</u>	<u>-</u>	<u>-</u>	<u>24,976</u>	<u>(247,620)</u>
Business-Type Activities:					
Municipal Authority	348,174	423,083	-	25,000	99,909
Total Business-Type Activities	<u>348,174</u>	<u>423,083</u>	<u>-</u>	<u>25,000</u>	<u>99,909</u>
Totals	<u>\$ 620,770</u>	<u>423,083</u>	<u>-</u>	<u>49,976</u>	<u>(147,711)</u>

	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
	Net (Expense)/Revenue	\$ (247,620)	99,909
General Revenues			
Taxes	273,775	-	273,775
Fines and foreitures	10,681	-	10,681
Other revenue	14,281	-	14,281
Total general revenues and transfers	<u>298,737</u>	<u>-</u>	<u>298,737</u>
Change in Net Assets	51,117	99,909	151,026
Net Assets-beginning of year - Restated	<u>275,033</u>	<u>1,186,674</u>	<u>1,461,707</u>
Net Assets-end of year	<u>\$ 326,150</u>	<u>1,286,583</u>	<u>1,612,733</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, 2015**

	MAJOR FUNDS		NON-MAJOR	
	GENERAL FUND	STREET & ALLEY FUND	GOVERNMENTAL FUNDS	TOTAL
ASSETS				
Cash and investments				
Cash & cash equivalents	\$ 50,004	26,379	30,878	107,261
TOTAL ASSETS	\$ 50,004	26,379	30,878	107,261
FUND EQUITY				
Fund balances				
Restricted	-	26,379	30,878	57,257
Unassigned	50,004	-	-	50,004
Total Fund Equity	50,004	26,379	30,878	107,261
TOTAL LIABILITIES & FUND EQUITY	\$ 50,004	26,379	30,878	107,261

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**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, 2015**

Total Fund Balances - Total Governmental Funds	\$ 107,261
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	256,742
Long term debt used in governmental activities are not reported in the funds. These liabilities consist of:	
Long term debt	<u>(37,853)</u>
Net Assets of Governmental Activities	<u>\$ 326,150</u>

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

**CITY OF MAUD
Maud, Oklahoma**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN CHANGES IN NET ASSETS-MODIFIED CASH
BASIS
YEAR ENDED JUNE 30, 2015**

	<u>MAJOR FUNDS</u>		<u>NON-MAJOR</u>	<u>TOTAL</u>
	<u>GENERAL FUND</u>	<u>STREET & ALLEY FUND</u>	<u>GOVERNMENTAL FUNDS</u>	
REVENUES				
Taxes	\$ 173,733	100,042	-	273,775
Intergovernmental	-	-	-	-
Fines and forfeitures	10,681	-	-	10,681
Other revenues	10,542	30	3,709	14,281
Grant and donations	12,991	-	11,985	24,976
Total Revenues	<u>207,947</u>	<u>100,072</u>	<u>15,694</u>	<u>323,713</u>
EXPENDITURES				
Personal services	80,898	68,920	-	149,818
Office supplies	3,826	-	-	3,826
Services and supplies	3,228	-	1,419	4,647
Repairs and maintenance	2,026	396	-	2,422
Professional services	25,497	3,300	-	28,797
Insurance	10,231	1,345	-	11,576
Utilities	19,705	17,663	-	37,368
Automobile	12,664	1,723	-	14,387
Training expense	297	-	-	297
Other expenses	12,068	2,700	4,283	19,051
Debt service	3,437	8,741	-	12,178
Capital outlay	8,506	2,623	13,243	24,372
Total Expenditures	<u>182,383</u>	<u>107,411</u>	<u>18,945</u>	<u>308,739</u>
Net changes in fund balance	25,564	(7,339)	(3,251)	14,974
Fund Balance - beginning of year - Restated	<u>24,440</u>	<u>33,718</u>	<u>34,129</u>	<u>92,287</u>
Fund Balance - end of year	<u>\$ 50,004</u>	<u>26,379</u>	<u>30,878</u>	<u>107,261</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, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$ 14,974
Amount reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report Capital Assets as an expenditure	24,371
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>11,772</u>
Change in Net Assets of Governmental Activities	<u>\$ 51,117</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, 2015**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS <hr/> MAUD MUNICIPAL AUTHORITY
ASSETS	
Cash and investments	
Cash & cash equivalents	\$ <u>67,733</u>
Fixed Assets	<u>1,560,986</u>
TOTAL ASSETS	\$ <u><u>1,628,719</u></u>
LIABILITIES	
Current Liabilities	
Water deposits	\$ 14,633
Current portion of long term debt	<u>58,125</u>
Total Current Liabilities	<u>72,758</u>
Long- Term Debt	
Notes payable	34,678
Bonds payable	<u>234,700</u>
Total Long-Term Debt	<u>269,378</u>
TOTAL LIABILITIES	<u>342,136</u>
NET ASSETS	
Restricted for Debt Service	1,045
Invested in capital assets net of related debts	1,175,348
Unassigned	<u>110,190</u>
TOTAL NET ASSETS	\$ <u><u>1,286,583</u></u>

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, 2015**

		BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
		<u>MAUD MUNICIPAL AUTHORITY</u>
REVENUES		
Garbage revenue	\$	88,506
Water revenue		199,817
Sewer revenue		98,678
Late charges		9,948
Water taps		900
Sewer taps		600
Other revenues		24,634
		<u>423,083</u>
OPERATIONS EXPENSE		
Personal costs		100,896
Office supplies		4,909
Repairs and maintenance		26,711
Uniforms		4,383
Contract Garbage Collection		78,748
Professional services		19,220
Services and supplies		28,331
Insurance		5,004
Utilities		33,993
Automobile		12,500
Permits & Licenses		6,645
Training expense		1,197
Other expenses		11,413
Total operations expense		<u>333,950</u>
INCOME BEFORE NON-OPERATING REVENUES EXPENSES AND TRANSFERS		89,133
OTHER FINANCING SOURCES AND (USES)		
Grant		25,000
Interest expense		(14,224)
TOTAL OTHER FINANCING SOURCES AND (USES)		<u>10,776</u>
NET INCOME		99,909
RETAINED EARNINGS, BEGINNING OF THE YEAR - RESTATED		<u>1,186,674</u>
RETAINED EARNINGS, END OF THE YEAR	\$	<u><u>1,286,583</u></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, 2015**

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, 2015**

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, 2015**

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, 2015**

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, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets (Continued)

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.

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.

CITY OF MAUD
Maud, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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).

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.

**CITY OF MAUD
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

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.

**CITY OF MAUD
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015 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, 2015**

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, 2015, 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, 2015**

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, 2015, 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, 2014 was \$45,469, due in monthly installments of \$468.75 with zero interest, final maturity June 30, 2022.

Year Ended June 30,	Notes Payable		Total
	Principal	Interest	Requirements
2016	\$ 58,125	12,078	70,203
2017	60,425	9,622	70,047
2018	62,725	7,067	69,792
2019	67,026	4,412	71,438
2020	67,026	1,512	68,538
2021-22	12,186	-	12,186
Total	<u>\$ 327,513</u>	<u>34,691</u>	<u>362,204</u>

Interest paid on general long-term debt during the current year totaled \$14,433.

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, 2015**

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Long-Term Debt (Continued)

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Notes	\$ 383,438	-	55,925	327,513

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 Requirements
	Principal	Interest	
2016	\$ 9,444	1,242	10,686
2017	8,742	812	9,554
2018	8,741	530	9,271
2019	8,741	239	8,980
2020	2,185	13	2,198
Total	\$ 37,853	2,836	40,689

Interest paid on general long-term debt during the current year totaled \$1,753.

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, 2014	Additions	Retirements	Balance June 30, 2015
Notes	\$ 45,892	-	8,742	37,150
Leases	3,734	-	3,031	703
Total	\$ 49,626	-	11,773	37,853

**CITY OF MAUD
Maud, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 December 10, 2015, which is the date the financial statements were available to be issued.

CITY OF MAUD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET (MODIFIED CASH
BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Sales taxes	\$ 88,350	89,306	89,306	-
Use taxes	9,637	49,978	49,978	-
Cigar taxes	2,095	2,041	2,041	-
Alcohol beverage tax	4,000	4,136	4,136	-
Franchise fees	26,386	26,386	28,273	1,887
Fines and forfeitures	27,740	10,576	10,576	-
Permits and licenses	320	670	715	45
Grants and donations	4,660	13,176	12,991	(185)
Royalties	400	229	229	-
Project HEART	1,800	1,800	1,800	-
Plot sales	395	600	806	206
Grave openings	50	769	769	-
Interest	25	42	55	13
Incarceration fees	1,000	105	105	-
Miscellaneous	4,500	6,127	6,167	40
Total revenues	<u>171,358</u>	<u>205,941</u>	<u>207,947</u>	<u>2,006</u>
Expenditures:				
Current				
Salaries and payroll expenses	80,896	88,415	80,898	(7,517)
Dues and subscriptions	4,373	4,373	4,373	-
Office Expense	3,826	3,826	3,826	-
Repairs and maintenance	2,025	2,026	2,026	-
Uniforms	158	158	158	-
Professional services	25,497	25,497	25,497	-
Services and supplies	3,227	3,228	3,228	-
Insurance	10,231	10,231	10,231	-
Utilities	19,705	19,705	19,705	-
Automobile expenses	12,663	12,991	12,665	(326)
Training expenses	297	297	297	-
Advertising	229	229	229	-
Cleet/OSBI fees	115	1,115	1,115	-
Incarceration fees	780	780	780	-
Code enforcement	35	35	35	-
Animal Control	478	478	478	-
Other expenses	4,899	4,899	4,899	-
Debt service				-
Principal	3,253	3,253	3,253	-
Interest	184	184	184	-
Capital outlay	8,503	8,506	8,506	-
Total expenditures	<u>183,408</u>	<u>190,226</u>	<u>182,383</u>	<u>(7,843)</u>
Excess of revenues over (under) expenditures	(12,050)	15,715	25,564	9,849
Fund balance at beginning of year	<u>12,050</u>	<u>14,275</u>	<u>24,440</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>29,990</u>	<u>50,004</u>	<u>9,849</u>

CITY OF MAUD
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	CEMETERY CARE FUND	POLICE DEPT RESERVE FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 28,511	2,367	30,878
Due from other funds	-	-	-
Total Assets	\$ 28,511	2,367	30,878
<u>LIABILITIES AND FUND EQUITY</u>			
Fund Equity			
Fund balance:			
Unreserved			
Designated for specific fund purposes	\$ 28,511	2,367	30,878
Total fund equity	28,511	2,367	30,878
Total Liabilities and Fund Equity	\$ 28,511	2,367	30,878

CITY OF MAUD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	CEMETERY FUND	POLICE DEPT RESERVE FUNDS	TOTALS NON-MAJOR GOVERNMENTAL FUNDS
Revenues			
Grants and donations	\$ 185	11,800	11,985
Plot Sales	269	-	269
Grave openings	256	-	256
Interest	69	-	69
Police fines	-	492	492
Tech Fees	-	600	600
Other Revenue	-	2,023	2,023
Total revenues	<u>779</u>	<u>14,915</u>	<u>15,694</u>
Expenditures			
Uniforms	\$ -	1,765	1,765
Services & Supplies	-	1,419	1,419
Other Expenses	-	2,518	2,518
Capital Outlay	500	12,743	13,243
Total Expenditures	<u>500</u>	<u>18,445</u>	<u>18,945</u>
Excess of revenues over (under) expenditures	279	(3,530)	(3,251)
Fund balances, beginning of period	<u>28,232</u>	<u>5,897</u>	<u>34,129</u>
Fund balances, end of period	<u>\$ 28,511</u>	<u>2,367</u>	<u>30,878</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

December 10, 2015

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, 2015, 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 December 10, 2015 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 14-01 and 14-02.

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, 2015**

Finding: Lack of Segregation of Duties

15-01 – 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 benefit.

Finding: Fixed Assets Records

15-02 – 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.

**CITY OF MAUD
Maud, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015**

Finding: Lack of Segregation of Duties

14-01 – 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:

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