

# CITY OF MAYSVILLE

June 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

Members of the Town Board  
Town of Maysville, Oklahoma

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Maysville, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.C; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 Governmental 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 procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 opinion.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Maysville, Oklahoma, as of June 30, 2013, and the respective changes in financial position—modified cash basis, and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting described in Note 1.C.

### **Emphasis of Matters**

#### ***Basis of Accounting***

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

#### ***Change in Basis of Accounting***

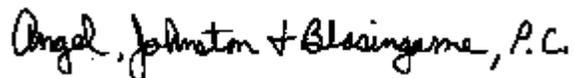
As discussed in Note 1.C. and Note 3.H. to the financial statements, in 2013 the City adopted a new modified cash basis of accounting. Beginning net position was restated due to the implementation of the new modified cash basis of accounting. Our opinions are not modified with respect to this matter.

### **Disclaimer of Opinion on Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maysville, Oklahoma basic financial statements. The Other Information as listed in the table of contents, which are the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
April 25, 2014

## **Basic Financial Statements**



**Government-Wide Financial Statements**

**Town of Maysville, Oklahoma**  
**Statement of Net Position-Modified Cash Basis**  
**June 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 420,417	100,960	\$ 521,377
Restricted Cash and Cash Equivalents	39,881	69,193	109,074
Investments	67,700	21,175	88,875
Restricted Investments		19,664	19,664
Due from Other Funds	4,041		4,041
<i>Total Current Assets</i>	<u>532,038</u>	<u>210,992</u>	<u>743,031</u>
<i>Total Assets</i>	<u>532,038</u>	<u>210,992</u>	<u>743,031</u>
<b><u>Liabilities</u></b>			
Due to Depositors	-	38,613	38,613
Due to General Fund	-	4,041	4,041
Due to Other Funds			-
<i>Total Liabilities</i>	<u>-</u>	<u>42,654</u>	<u>42,654</u>
<b><u>Net Position</u></b>			
Restricted for:			
Nonexpendable Permanent Fund Principal	63,248		63,248
Expendable:			
Capital Projects	28,632	52,024	80,656
Other Purposes	162,727		162,727
Unrestricted	<u>277,433</u>	<u>116,314</u>	<u>393,747</u>
<i>Total Net Position</i>	<u>\$ 532,040</u>	<u>\$ 168,338</u>	<u>\$ 700,378</u>

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

**Town of Maysville, Oklahoma**  
**Statement of Activities-Modified Cash Basis**  
**For the Year Ending June 30, 2013**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 204,570	70	15,000	\$ -	\$ (189,500)	\$ -	\$ (189,500)
Fire & Emergency Services	43,054	40,018	6,984	-	3,949	-	3,949
Police	106,439	120,966	-	-	14,527	-	14,527
Streets	39,933	-	1,733	-	(38,201)	-	(38,201)
Cemetery	7,149	10,297	-	-	3,148	-	3,148
Parks & Recreation	6,090	-	-	-	(6,090)	-	(6,090)
Library	38,338	1,380	2,574	-	(34,384)	-	(34,384)
<i>Total Governmental Activities</i>	<u>445,573</u>	<u>172,731</u>	<u>26,291</u>	<u>-</u>	<u>(246,551)</u>	<u>-</u>	<u>(246,551)</u>
Business-Type Activities:							
Water & Sewer	<u>495,333</u>	<u>557,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,915</u>	<u>61,915</u>
<i>Total Business-Type Activities</i>	<u>495,333</u>	<u>557,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,915</u>	<u>61,915</u>
<i>Total Primary Government</i>	<u>940,906</u>	<u>729,978</u>	<u>26,291</u>	<u>-</u>	<u>(246,551)</u>	<u>61,915</u>	<u>(184,636)</u>
General Revenues:							
Taxes:							
Sales Tax					370,040		370,040
Franchise Tax					42,226		42,226
Intergovernmental Revenue					23,791		23,791
Investment Income					1,188	220	1,408
Loan Proceeds						17,466	17,466
Miscellaneous					20,283		20,283
Royalties					5,557		5,557
Refunds/Rebates					2,779		2,779
Transfers - Internal Activity					(2,012)	2,012	0
<i>Total General Revenues and Transfers</i>					<u>463,852</u>	<u>19,698</u>	<u>483,550</u>
<i>Change in Net Assets</i>					217,301	81,613	298,914
<i>Net Position - Beginning -Restated</i>					<u>314,739</u>	<u>86,726</u>	<u>401,465</u>
<i>Net Position - Ending</i>					<u>\$ 532,040</u>	<u>\$ 168,339</u>	<u>\$ 700,379</u>

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



## **Fund Financial Statements**

**Town of Maysville, Oklahoma**  
**Statement of Assets, Liabilities and Fund Balance -Modified Cash Basis**  
**Governmental Funds**  
**June 30, 2013**

	<u>General</u>	<u>Cemetery</u>	<u>Street</u>	<u>Library</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 214,541	40,659	149,008	16,210	\$ 420,417
Restricted Cash and Cash Equivalents	39,881				39,881
Investments		67,700			67,700
Due from Other Funds	4,041		1,305		5,346
	<u>258,463</u>	<u>108,359</u>	<u>150,313</u>	<u>16,210</u>	<u>533,344</u>
<i>Total Assets</i>					
	<u>258,463</u>	<u>108,359</u>	<u>150,313</u>	<u>16,210</u>	<u>533,344</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts Payable					-
Payroll Withholdings					-
Due to Other Funds				1,305	1,305
				<u>1,305</u>	<u>1,305</u>
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,305</u>	<u>1,305</u>
Fund Balances:					
Non Spendable		63,248			63,248
Restricted		28,632	150,313	12,414	191,359
Committed					-
Assigned		16,479		2,491	18,970
Unassigned	258,463				258,463
	<u>258,463</u>	<u>108,359</u>	<u>150,313</u>	<u>14,905</u>	<u>532,039</u>
<i>Total Fund Balances</i>					
	<u>258,463</u>	<u>108,359</u>	<u>150,313</u>	<u>14,905</u>	<u>532,039</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 258,463</u>	<u>\$ 108,359</u>	<u>\$ 150,313</u>	<u>\$ 16,210</u>	<u>\$ 533,344</u>

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

**Town of Maysville, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances-Modified Cash Basis**  
**Governmental Funds**  
**For the Year Ending June 30, 2013**

	<u>General</u>	<u>Cemetery</u>	<u>Street</u>	<u>Library</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 319,874		57,745	34,647	\$ 412,267
Intergovernmental	13,757		10,033		23,791
Fines & Forfeitures	120,966				120,966
Charges for Services	40,382	10,297		1,380	52,059
Investment Income	178	542	158	310	1,188
Grant Revenue	19,484		1,733	2,574	23,791
Miscellaneous	26,358		-	4,466	30,824
<i>Total Revenues</i>	<u>540,998</u>	<u>10,839</u>	<u>69,670</u>	<u>43,377</u>	<u>664,885</u>
<b>Expenditures</b>					
Current:					
General Government	204,570				204,570
Fire	32,234				32,234
Police	96,361				96,361
Streets	31,625		8,309		39,934
Cemetery	-	7,149			7,149
Recreation	6,090				6,090
Library				38,338	38,338
Debt Service - Principal	20,412				20,412
Debt Service - Interest	486				486
Capital Outlay			-		-
<i>Total Expenditures</i>	<u>391,777</u>	<u>7,149</u>	<u>8,309</u>	<u>38,338</u>	<u>445,573</u>
Excess (Deficiency) of Revenues over Expenditures	<u>149,221</u>	<u>3,690</u>	<u>61,361</u>	<u>5,039</u>	<u>219,312</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In					-
Transfers Out	(2,012)				(2,012)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,012)</u>
Net Change in Fund Balances	147,209	3,690	61,361	5,039	217,300
Fund Balances - Beginning	<u>111,253</u>	<u>104,669</u>	<u>88,951</u>	<u>9,866</u>	<u>314,739</u>
Fund Balances - Ending	<u>\$ 258,462</u>	<u>\$ 108,359</u>	<u>\$ 150,312</u>	<u>\$ 14,905</u>	<u>\$ 532,038</u>

**Town of Maysville, Oklahoma**  
**Statement of Net Position-Modified Cash Basis**  
**Proprietary Funds**  
**June 30, 2013**

	<u><b>Maysville Municipal Authority</b></u>
<b><u>Assets</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 100,960
Restricted Cash and Cash Equivalents	69,193
Restricted Investments	19,664
Investments	21,175
<i>Total Current Assets</i>	<u>210,993</u>
<i>Total Assets</i>	<u>210,993</u>
<b><u>Liabilities</u></b>	
Current Liabilities:	
Accounts Payable	-
Due to Depositors	38,613
Due to General Fund	4,040
<i>Total Current Liabilities</i>	<u>42,654</u>
<i>Total Liabilities</i>	<u>42,654</u>
<b><u>Net Position</u></b>	
Restricted for Capital Projects	52,024
Unrestricted	116,314
<i>Total Net Position</i>	<u><u>\$ 168,338</u></u>

**Town of Maysville, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ending June 30, 2013**

	<u><b>Total Maysville Municipal Authority</b></u>
<b>Operating Revenues</b>	
Water	\$ 274,513
Sewer	100,639
Solid Waste	122,576
Miscellaneous Charges	59,519
<i>Total Operating Revenues</i>	<u>557,247</u>
<b>Operating Expenses</b>	
Personal Services	216,756
Maintenance & Operations	250,365
<i>Total Operating Expenses</i>	<u>467,121</u>
<i>Other expenses</i>	<u>-</u>
<i>Operating Income (Loss)</i>	<u>90,127</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Income & Other	220
Interest Expense	-
Debt Service Principal:	
Debt Service - Water/Sewer	(19,953)
Debt Service - Sanitation	(6,561)
Debt Service Interest:	
Debt Service - Water/Sewer	(1,455)
Debt Service - Sanitation	(244)
Loan Proceeds	17,466
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(10,527)</u>
<i>Net Income (Loss) Before Contributions and Transfers</i>	79,600
<b>Transfers</b>	
Contributed Income	-
Transfers In	2,012
Transfers Out	<u>-</u>
<i>Change in Net Position</i>	81,612
<i>Net Position - beginning</i>	<u>86,726</u>
<i>Net Position - ending</i>	<u>\$ 168,338</u>

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

**Town of Maysville, Oklahoma**  
**Statement of Cash Flows-Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ending June 30, 2013**

	<b>Maysville Municipal Authority</b>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 557,247
Payments to suppliers	(252,531)
Payments to employees	(216,756)
Customer meter deposit receipts/refunds	925
<i>Net Cash Provided by (Used in) Operating Activities</i>	88,885
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers, net	2,012
Contributed income General Fund	-
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	2,012
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchases of capital assets	-
Debt proceeds	17,466
Debt Service Principal	(26,515)
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	(9,049)
<b>Cash Flows from Investing Activities:</b>	
Interest Received	220
Debt Service Interest	(1,698)
Purchase of investments	(118)
<i>Net Cash Provided by (Used in) Investing Activities</i>	(1,597)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	80,252
<i>Cash and Cash Equivalents - Beginning of Year-</i>	89,901
<i>Cash and Cash Equivalents - End of Year</i>	170,153
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Operating income (loss)	90,127
Adjustments to reconcile operating income (loss):	
Change in accounts payable	(2,166)
Change in due to depositors	924
<i>Net Cash Provided by Operating Activities</i>	\$ 88,885

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

## **Notes to the Basic Financial Statements**

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The Town's financial reporting entity includes the primary government (Town of Maysville), and its blended component unit, the Maysville Municipal Authority. This report includes all activities for which the Town of Maysville's Town Council is fiscally responsible. In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", as amended by Statement 61 and includes all component units for which the Town is financially accountable.

The Town of Maysville, Oklahoma is incorporated under the laws of the state of Oklahoma. The Town operates under a form of government that comprises of an elected Town Council and Mayor. The Town provides its citizens with public safety, streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative activities.

**Blended Component Unit**

Blended component units are separate legal entities that meet the GASB 14, as amended by Statement 61, component unit criteria and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. These component units' funds are blended into the Town's by appropriate fund type to comprise part of the primary government presentation.

**Maysville Municipal Authority** - The Maysville Municipal Authority (MMA) is a public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1061 Section 176 to 180, for the use and benefit of the Town of Maysville, Oklahoma. The trust has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water or sewage types of public and municipal services within or without the corporate boundaries of the Town of Maysville, Oklahoma.

The MMA is empowered to lease, acquire or construct the properties necessary to provide and maintain these services. It is also empowered to obtain funds for these purposes and in so doing, to incur indebtedness whether unsecured or secured by all or any part of the Trust Estate and its revenues. The MMA is also permitted to transfer monies to the Town of Maysville for the use of the Town. The Town Council of the Town of Maysville acts as Trustees of the MMA.

**B. Basis of Presentation**

**Government-Wide Financial Statements** - The Statement of Net Position and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and license and fine revenue, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures/expenses are recognized and reported in the financial statements. This relates to the timing of the revenues, expenditures/expenses regardless of the measurement focus applied

Both governmental and business-type activities in the government-wide financial statements and the fund financial statements are presented using a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables, if any
- other cash basis receivables
- investments and other deposits
- utility deposit liabilities

This basis is a comprehensive basis of accounting other than accounting principals generally accepted in the United States of America. As a result of the use of the modified cash basis of accounting, certain assets, capital assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and long-term debt 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 Town used the basis of accounting required by generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting. Under the modified accrual basis of accounting, revenues would be recognized when susceptible to accrual (i.e. both measurable and available) and expenditures would be recorded when the current liability is incurred. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

The Town reports the following funds:

**Governmental Funds**

**Major Governmental Funds:**

- General Fund - is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds- used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Town's other funds governmental funds are Special Revenue Funds. Also the Town has elected to report them as major funds. They are as follows:

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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- Street & Alley Fund – accounts for revenues from state gasoline and vehicle taxes restricted for street projects. Also sales tax restricted for streets.
- Cemetery Fund – accounts for the maintenance and operations of the cemetery. Included in this fund is Cemetery Perpetual Care which accounts for 12.5% of cemetery revenues restricted for cemetery capital purposes and donations received for permanent fund principal.
- Library – accounts for the operations of the Public Library. Also sales tax restricted for library.

**Proprietary Funds**

*Enterprise Funds:*

**Major Enterprise Fund:**

- Maysville Municipal Authority – accounts for the operation of the water and wastewater systems.

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities, Fund Equity and Net Position**

Cash and Cash Equivalents - The Town considers all cash in hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents. Investments in open-ended mutual funds held in the trustee accounts are also considered cash equivalents.

Investments - Investments consist of certificate of deposits maturing beyond three months and direct obligations of the United States government and agencies. Investments are stated at cost, which approximates market value.

Inventories – The Town has chosen to record inventory items as expenditures/expenses at the time of purchase. Thus, an inventory amount has not been presented.

Capital Assets – The Town has chosen to record capital assets items as expenditures/expenses at the time of purchase. Thus, capital assets have not been presented.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits, permanent fund principal of the cemetery perpetual care fund, and trustee accounts restricted for debt service and construction purposes. However, the Town is not segregating the cemetery perpetual care funds from the cemetery operating.

Refundable Deposits - Represents the funds received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service.

Long-Term Obligations – Under the Town’s modified cash basis of accounting long-term debt related activity is shown as an expenditure or revenue.

Compensated Absences – The Town permits employees to accumulate earned but unused vacation and sick pay benefits and compensatory time in varying amounts according to policies and contracts. As a result of the use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end), are not reflected in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences has been reported as a commitment in Note 4.

Fund Balances and Net Position –

*Fund Statements:*

Governmental fund equity is classified as fund balance. The Town has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town council action or management decision when the Town council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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It is the Town's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Town's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund to be spent prior to restricted fund balance. In those funds, interest income is used first before other revenues.

*Net Positions:*

Net position are displayed in three components:

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

It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

## **E. Internal and Interfund Balances and Activities**

Interfund Activity – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination in the government-wide financial statements. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers are the flow of assets from one fund to another where repayment is not expected and is reported as transfers in and out. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

## **F. Sales Tax Revenue**

Sales Tax - The Town presently levies a four-cent sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. Three cents is for General Fund operations. The other one cent is required to be divided 62.5% for the streets and 37.5% for the library.

## **G. New Accounting Pronouncements**

The City has implemented the following accounting standards during the fiscal year ended June 30, 2013:

*Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements* – This had no impact on the City's financial report.

*Governmental Accounting Standards Board Statement No. 61- The Financial Reporting Entity: Omnibus* – This had no impact on the City's financial report.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

*Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – A few sentences were removed from “Section B – Proprietary Funds” note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

*Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – The only change required from the early implementation of this statement are changing the words “Net Assets” in the City’s financial report to “Net Position”.

*Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities* – This had no impact on the City’s financial report.

**H. Use of Estimates**

In preparing the Town of Maysville’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 – Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Annual budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year end. Actual expenditures within a fund may not legally exceed the adopted budget.

**Note 3 – Detailed Notes on all Funds**

**A. Deposits and Investments Risk**

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

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>
<b>Deposits:</b>	
Petty Cash	\$ 522
Demand deposits	520,856
<b>Total Deposits</b>	<u>521,378</u>
<b>Investments:</b>	
	<b><u>Maturities</u></b>
Certificates of Deposit	< 6 months
Certificates of Deposit	> 6 months
	<b><u>Credit Rating</u></b>
	88,875
	19,664
	<u>108,539</u>
<b>Total Deposits and Investments</b>	<u>\$ 629,917</u>

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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*Custodial Credit Risk - Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2013, the Town had no bank balances that were exposed to custodial credit risk.

*Investment Credit Risk* – The Town does not have a written investment policy that limits its investment choices other than the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the Town to invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgements, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture. As of June 30, 2013, the Town’s investments in certificates of deposit were all collateralized or federally insured.

*Investment Interest Rate Risk* – The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Credit Risk* – The Town places no limit on the amount it may invest in any one issuer.

**B. Restricted Assets**

The amounts reported as restricted assets consist of cash and investments held for the expenditure of capital improvements and amounts due to depositors related to utility deposits. The restricted assets as of June 30, 2013 were as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Current Investments</u>
Capital Improvements-MMA	\$ 52,024	\$ -
Customer Utility Deposits-MMA	17,169	19,664
OMAG Escrow-General Fund	<u>39,881</u>	<u>-</u>
Total Restricted Assets	<u>\$ 109,074</u>	<u>\$ 19,664</u>

**D. Interfund Transfers and Balances**

Transfers between funds of the primary government for the year ended June 30, 2013 were debt service transfers from the MMA to the General Fund in the amount of \$2,012.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

At June 30, 2013, the following interfund balances were owed between funds:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
MMA	General Fund	\$ 4,041	Emergency Service Revenue

**G. Net Position/Fund Equity**

**Net Position Restricted**

Street - Sales Tax (enabling legislation)	\$ 146,697
Street- State Statute	3,616
Cemetery – State Statute	28,632
Library – Sales tax (enabling legislation)	<u>12,414</u>
Total	<u>\$ 191,359</u>

One cent of the sale tax is restricted by the citizens 62.5% for streets and 37.5% for library.

**H. Prior Period Adjustments**

In current year the Town has elected to change their modified cash basis definition for financial statement purposes. The effect of these changes is as follows:

Government-wide Governmental Funds:	
Fund Balance originally prior year	\$845,775
Change Cash Basis model to expense debt and capital assets	(531,035)
Restated Net Position	<u>\$314,740</u>
Municipal Authority:	
Fund Balance originally prior year	\$1,572,681
Change Cash Basis model to expense debt and capital assets	<u>(1,485,955)</u>
Restated Net Position	<u>\$ 86,726</u>

**Note 4 – Other Notes**

**A. Employee Pension Plans**

**Oklahoma Firefighters Pension** - Pursuant to the requirements of Title 11, section 22-102, the Town of Maysville participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) on behalf of volunteer firefighters. The Town has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

The contribution rate for the Town is established by Statute. The Town is required to contribute \$60 per active volunteer fireman for the year ended June 30, 2013. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

**Schedule of Retirement Plan Contributions – OFPRS**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2009	\$900	\$900
2010	\$900	\$900
2011	\$960	\$960
2012	\$1,200	\$1,200
2013	\$1,980	\$1,980

**Municipal Retirement Plan** - The Town has provided a defined contribution plan and trust known as the Town of Maysville Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OMRF and plan assets are supervised by OMRF. The defined contribution plan is available to all full-time employees not participating in another plan. Each employee shall be required to contribute to the Plan 3% of his or her compensation. The Town Council determines the Town’s contribution rate each year. For the 2012-13 the employer rate was 3%. Town contributions for each employee begin vesting immediately. The authority to amend the provisions of the plan rests with the Town Council.

For the year ended June 30, 2013, employee contributions were \$6,769.33 and the employer contributions were \$6,769.33. The contribution met the plans funding requirements.

**B. Risk Management**

The Town and its public trusts are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The Town manages those various risks of loss as follows:

**General Liability, Fleet Coverage and Physical Property** - All general liability, physical property, and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group risk entity pool. Deductibles range from \$0-\$5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by OMAG.

**Workers’ Compensation** - Workers’ compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool. CompSource Oklahoma provides coverage in excess of the total Loss Fund balance.

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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**C. Commitments and Contingencies**

**Long Term Debt** - The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Governmental Activities** - State statutes prohibit the Town from incurring any indebtedness or obligations that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2013, the long-term debt payable from governmental fund resources consisted of the following:

Capital Debt Obligations:

\$28,000 capital debt obligation with First American Bank for two police cars, payable in monthly installments of \$840, final payment due July 2013.	<u>\$ 804</u>
Current portion	804
Non-current portion	<u>0</u>
Total Capital Debt Obligations	<u>\$ 804</u>

\$38,210 capital debt obligation with First American Bank for fire department radios, payable in monthly installments of \$840, final payment due February, 2013.	<u>\$ 0</u>
Current portion	0
Non-current portion	<u>-</u>
Total Capital Debt Obligations	<u>\$ 0</u>

**Business-Type Activities** – As of June 30, 2013, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable:

Lease purchase obligation in the amount of \$111,706 with Farmers & Merchants Bank for a 2007 Garbage Truck, dated September 2007, interest rate of 5.2%, 60 monthly payments of \$2,118 final payment September 2012.	<u>\$ 0</u>
Current portion	0
Non-current portion	<u>-</u>
Total Notes Payable	<u>\$ 0</u>

Notes Payable:

Note payable obligation in the amount of \$17,466 with First American Bank for a sewer repairs, dated October 2012, interest rate of 3.60%, 12 monthly payments of \$1,484.43 final payment October 2013.	<u>\$ 4,403</u>
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**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

Current portion	4,403
Non-current portion	<u>-</u>
Total Notes Payable	<u>\$ 4,403</u>

Notes Payable:

Lease purchase obligation in the amount of \$29,119 with Farmers & Merchants Bank for a 2012 Ford Pickup, dated February 2012, interest rate of 5.00%, 48 monthly payments of \$607.65, final payment February 2016. \$ 19,407

Current portion	7,238
Non-current portion	<u>12,169</u>
Total Notes Payable	<u>\$ 19,407</u>

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

	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/13</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital Debt Obligations	<u>\$ 21,215</u>	<u>\$ -</u>	<u>\$ 20,412</u>	<u>\$ 804</u>	<u>\$ 804</u>
<b>Business-Type Activities:</b>					
Notes Payable	<u>\$ 32,858</u>	<u>\$ 17,466</u>	<u>\$ 26,515</u>	<u>\$ 23,810</u>	<u>\$ 11,641</u>

The annual debt service requirements to maturity are as follows:

	<u>Capital Debt Obligations</u>	
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 804	\$ 3
2015		
2016	<u>-</u>	<u>-</u>
Total	<u>\$ 804</u>	<u>\$ 3</u>
<b>Business-Type Activities:</b>		
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	11,641	860
2015	7,609	439
2016	4,560	-
2017	<u>-</u>	<u>-</u>
Total	<u>\$ 23,810</u>	<u>\$ 2,599</u>

Interest expense was charged to functions as follows in the Statement of Activities:

<b>Governmental Activities:</b>	
Fire	\$ 192
Police	<u>294</u>
Total Governmental Activities	<u>\$ 486</u>

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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**Business-Type Activities:**

Water & Sanitation

\$ 1,698

**Grant Programs** - In the normal course of operations, the Town participates in various federal and state grant programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**Litigation** - The Town is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an advalorem tax over a three-year period by a Town Sinking Fund for the payment of any court-assessed judgement rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgement not covered by insurance would not have a material adverse effect on the financial condition of the Town.

**Compensated Absences** – As a result of the Town’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end) are not reflected in the financial statements. Governmental funds obligation for accrued compensated absences is \$2,340, while the General Fund unassigned fund balance is \$258,463 at June 30, 2013. Proprietary funds obligation for accrued compensated absences is \$8,000, while the MMA unreserved fund balance is \$18,338 at June 30, 2013.

**Commitments-Construction** – At June 30, 2013, the Town had no pending construction project contracts in progress.



## **Other Information**



**TOWN OF MAYSVILLE, OKLAHOMA**  
**Schedule of Federal and State Awards**  
**Modified Cash Basis**  
**For the Year Ending June 30, 2013**

<u>Grantor/Program Title</u>	<u>Award Amount</u>	<u>Current Year Revenues</u>	<u>Current Year Expenditures</u>
<b>Federal Awards:</b>			
	\$	\$ -	\$ -
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Federal Awards	\$ <u>          -          </u>	\$ <u>          -          </u>	\$ <u>          -          </u>
 <b>State Awards:</b>			
SODA REAP grant	\$ 15,000	\$ 15,000	\$ 15,000
Department of Agriculture - Fire	4,484	4,484	4,484
Library State Aid	2,574	2,574	1,238
State portion of 2010 FEMA match	1,733	1,733	
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total State Awards	\$ <u>          23,791          </u>	\$ <u>          23,791          </u>	\$ <u>          20,722          </u>



## **Internal Control and Compliance Report**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE ACCOMPANYING FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the City Council  
Town of Maysville, Oklahoma

We have audited 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, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Maysville, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 25, 2014. Our report included an emphasis of matter paragraph on the City's use of the modified cash basis of accounting.

**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 auditing 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies However, material weaknesses may exist that have not been identified. We did identify certain deficiencies described. 13-1, 13-2, 13-3, 13-4, 13-5, 13-6, 13-7, 13-8, 13-9, 13-10, 13-11, 13-12, 13-13, 13-14, 13-15, 13-16 and 13-17.

**Compliance and Other Matters**

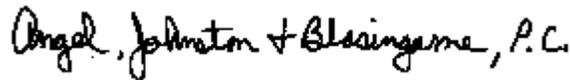
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 13-5, 13-6 and 13-8.

**Town of Maysville's Responses to Findings**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

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



Chickasha, Oklahoma  
April 25, 2014

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

**Deficiencies of Internal Control, Compliance and Other Matters**

- 13-1. Criteria – The Town’s management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Town’s annual financial statements in accordance with financial statements prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The preparation of financial statements on a modified cash basis of accounting requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management’s control activities or be a component of the internal controls over financial reporting

Condition – As is the case with many smaller entities, the Town has historically relied extensively on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the financial reporting process.

Cause and Effect – There is a lack of financial reporting system to produce required financial reports. As a result of this condition, without reliance on its external auditors, the government lacks the necessary internal controls over the preparation of financial statements in accordance with a modified cash basis of accounting.

Recommendation – The Town should consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary knowledge, expertise, and continuing education to prepare financial statements in accordance with modified cash basis of accounting without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified firm other than the external auditor.

Management response – Management has contacted a consult to assist with this in the future.

- 13-2. Criteria - A good system of internal control provides for a proper segregation of the accounting functions.

Condition - The Town has a small number of employees that perform the duties that would normally be divided among a large number of employees.

Cause and Effect – A lack of internal control surrounding the accounting functions could result in more than a low risk that errors or irregularities may occur and not be detected within a timely period.

Recommendation – It may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities. However management needs to closely monitor accounting records to mitigate the risk.

Management response – Management agrees.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

- 13-3. Criteria – Meter deposits payable should be reconciled on a monthly basis and any cash shortage in the meter deposits should be covered by the Town. In addition, the balance for meter deposits payable in the general ledger should agree with the meter deposit listing in the utility billing system.

Condition – Meter deposits are not being reconciled on a monthly basis to ensure all deposit collections and refunds are properly accounted for within the accounting system. The balance in the accounting system for meter deposits refundable does not agree with the balance in the utility billing deposit listing. The utility billing deposit report balance as of June 30, 2013 was \$31,855 while the general ledger balance was \$38,613. These balances should agree.

Cause and Effect – A lack of proper procedures and controls does not allow for a means to ensure all deposit collections and refunds are properly accounted for within the accounting system. Without sufficient reconciliation procedures in place, providing accurate reconciliations, the risk significantly increases that error and fraud related to meter deposits could occur and not be detected timely.

Recommendation – The Town should implement procedures for staff to reconcile beginning and ending meter deposits payable on a monthly basis by using monthly deposits collected and refunds issued.

Management response – Management agrees however staff is unsure they will be able to reconcile the general ledger and the meter deposit listing. The consultant has contacted to assist with the process.

- 13-4. Criteria – Utility accounts receivable should be reconciled on a monthly basis.

Condition – Our testing noted that utility accounts receivables are not being reconciled on a monthly basis to ensure all billings, collections and adjustments are properly accounted for within the utility billing accounting system.

Cause and Effect – A lack of proper procedures and controls does not allow for a means to ensure all billings, collections and adjustments are properly accounted for within the utility billing accounting system. It was noted there were differences between the general ledger balance and the utility billing system balance. Without sufficient reconciliation procedures in place, providing accurate reconciliations, the risk significantly increases that errors and fraud related to utility billing could occur and not be detected timely.

Recommendation – The Town should implement procedures for staff to reconcile beginning and ending utility accounts receivable on a monthly basis by using monthly billing reports, daily deposit records, penalties, deposits applied and adjustment authorization forms.

Management response – Management agrees however staff is unsure they will be able to reconcile the general ledger and the utility billing system. The consultant has been contacted to assist with the process.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

- 13-5. Criteria – There should be adequate cash or cash equivalents in the meter deposits accounts to cover all meter deposits.

Condition – While testing restricted cash in the meter deposit account it was noted there was not adequate cash to cover the recorded meter deposit liability in the general ledger. Meter deposit funds, in comparison with the liability account recorded in the general ledger, were short \$1,780.

Cause and Effect – Not reconciling meter deposits or having a correct meter deposit listing presents an issue with being able to correctly determine whether or not there is adequate cash to cover meter deposits. Not having adequate cash to cover meter deposits is a violation of Oklahoma Statutes. It is also noted there is a discrepancy between the general ledger balance and the utility billing system balance.

Recommendation – The Town should implement procedures for staff to reconcile meter deposits and ensure adequate funds are available to cover customer deposits.

Management response – Management will transfer cash necessary to cover the deposit liability or reconcile the difference.

- 13-6. Criteria – Oklahoma Statutes Title 11, Section 26-109 requires a Cemetery Care Fund to be established for deposits not less than twelve and one-half percent (12.5%) of all monies received from the sale of lots and interments. This fund can only be expended for purchasing lands for cemeteries and for making capital improvements to the municipally owned cemeteries. Oklahoma Statutes Title 11, Section 26-201 requires a Perpetual Care Fund to be established for deposits received from donations or bequests for the special care of specified lots. Only the interest derived from this fund shall be used in the care, maintenance and repair of the cemetery.

Condition – Although the Town has separate bank accounts for operations and perpetual care it does not have three individual funds to separately account for cemetery operations, cemetery care and cemetery perpetual care. In addition, in the revenue accounts, the donations are not being identified separately from lot sales. Therefore, we were unable to determine if 12.5% of lot sales are being deposited to the Cemetery Care Fund.

Cause and Effect – The lack of separate funds makes it difficult to identify if revenues, expenses and corresponding fund balances are in compliance with Oklahoma Statutes.

Recommendation – The Town should separate the bank accounts, investments and corresponding fund balances into three separate funds; Cemetery Operations, Cemetery Care and Cemetery Perpetual Care. The Town should deposit funds and make expenditures according to the Oklahoma Statutes.

Management response – Management agrees. The consultant will assist with compliance.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

- 13-7. Criteria – Set payroll accounts need to be established to provide meaningful financial reporting.
- Condition – Payroll items were not consistently coded into the financial statements.
- Cause and Effect – Lack of established accounting procedures. Also turnover in personnel and lack of training contributed to this problem
- Recommendation – Establish procedures and train personnel in these procedures.
- Management response – Management agrees.
- 13-8. Criteria – Oklahoma Statutes Title 11, Section 17:211A states “No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.”
- Condition – Expenditures exceeded appropriations in the General Fund, Street And Alley Fund and Public Library Fund. Total expenditures for the Cemetery Fund exceeded appropriations by \$1,072.
- Cause and Effect – A lack of proper procedures and controls for monitoring the Town’s expenditures in relations to their approved budget appropriations allowed non-compliance with Oklahoma Statutes.
- Recommendation – The Town should closely monitor each budget on a monthly basis and not approve any expenditure exceeding appropriation until additional amendments have been made and approved. The categories of each budgeted fund should be tracked in order to determine the remaining budget balance. The Town Council can approve all transfers of appropriations between budgeted categories for each fund; however, all supplemental appropriations require the approval of both the Town Council and the County Excise Board.
- Management response – Management agrees.
- 13-9. Criteria – Capital assets (land, building, improvements, utility property/improvements, machinery, equipment, vehicles, and infrastructure) should be properly identified for capitalization and recorded in a capital asset listing according to a board approved capitalization policy.
- Condition – No procedure has been established to track and record capital assets in the capital asset listing throughout the year.
- Cause and Effect – The Town does not have a written capitalization policy approved by the Board. This lack of procedures and controls for tracking capital assets allows for the potential overstatement of expenses and understatement of capital assets.
- Recommendation – The Town should prepare a written capitalization policy and have it approved by the Board. Throughout the year capital assets should be identified as defined in the policy and track when assets listed on the depreciation schedule are sold, obsolete or idle.
- Management response – Management agrees.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

- 13-10. Criteria – Gross payroll and taxes in each department in the general fund should agree with the payroll journal.

Condition – Payroll transactions are not departmentalized in the general ledger and do not agree with the payroll journal.

Cause and Effect – The setup of the accounting software is not allowing for correct posting of gross payroll, payroll taxes and liabilities to the appropriate account in the general ledger. The effect of is over/understated expenses and liabilities by department in the financial statements.

Recommendation – The Town should correctly set up its payroll allocations in the accounting software.

Management response – Management agrees.

- 13-11. Criteria – Water volumes sold and pumped should be monitored. Each month this should be compared to monitor possible water loss and reasonableness of billings.

Condition – There is not a comparison of water pumped and water sold. There were two months that the water sold on the billing reports were much higher than is reasonable.

Cause and Effect – Billing and/or water loss issues could occur and not be identified in a timely manner.

Recommendation – Monthly compare the pumped and sold volumes and investigate any issues that are identified.

Management response – Management agrees.

- 13-12. Criteria – Prior year adjustments agreed to by management need to be made on a timely basis.

Condition – The financial statements at June 30, 2013 still did not include the adjusting entries for 2011-12.

Cause and Effect – Current year financial statements were not accurate for internal use and additional audit work is required to present current year financial statements.

Recommendation – Have a consultant assist with audit adjustments and preparation of yearend financial statements.

Management response – Management agrees

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

- 13-13. Criteria – To present meaningful financial statements transactions need be consistently and appropriately.

Condition – Coding of expenses were not consistent. There were some expenses that were reported in the income section of the financial statements. There were grant expenditures recorded to miscellaneous income.

Cause and Effect – Some of the issues are related inappropriate setup of the accounting software and some are related to clerical coding errors.

Recommendation – The coding financial statement transactions need to be setup in a logical manner and followed consistently.

Management response – Management agrees.

- 13-14. Criteria – All bank reconciliation items need to be investigated as to their appropriate disposition.

Condition – There were reconciling items of recording errors to cash that we related to accounts payable. Also there was a deposit recording error do to inappropriate dating of the deposit. They were listed as outstanding items but were not resolved.

Cause and Effect – Reported cash balances were not accurate due to these errors.

Recommendation – Every reconciling item needs to be evaluated. If it is due to an error then the error needs to be corrected.

Management response – Management agrees

- 13-15. Criteria – Town employees should be paid from town funds and MMA employees from MMA funds.

Condition – Noted an employee that was in MMA was shifted to Street, Parks and Cemetery. However, his pay was still made from the MMA

Cause and Effect – There is not the proper matching of revenue and expenses.

Recommendation – Verify that all employees are paid from the appropriate e accounts.

Management response – Management agrees.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

13-16. Criteria – Employee pay rates should be documented and retained.

Condition – Pay rates are changed on the accounting software. But the documentation verifying the pay rates is not in the file.

Cause and Effect – If questions as to the appropriate pay arose then appropriately approve pay rate documentation needs to be on hand to verify their rate.

Recommendation – Each pay rate change should be documented with a signed pay authorization form.

Management response – Management agrees

13-17. Criteria – To verify hours worked per pay period time cards or sheets need to be signed by employees and supervisors and retained.

Condition – Time cards were not signed by a supervisor and about half of the ones selected for review were not signed by the employees.

Cause and Effect – Improper documentation could lead to pay disputes.

Recommendation – Require that every employee time card be signed by the employee and their supervisor.

Management response – Management agrees.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2013**

**Deficiencies of Internal Control, Compliance and Other Matters**

- 12-1. Criteria – The Town’s management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Town’s annual financial statements in accordance with financial statements prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The preparation of financial statements on a modified cash basis of accounting requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management’s control activities or be a component of the internal controls over financial reporting

Condition – As is the case with many smaller entities, the Town has historically relied extensively on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the financial reporting process.

Disposition – This is still a recommendation for 2012-13.

- 12-2. Criteria - A good system of internal control provides for a proper segregation of the accounting functions.

Condition - The Town has a small number of employees that perform the duties that would normally be divided among a large number of employees.

Disposition – This is still a recommendation for 2012-13.

- 12-3. Criteria – Meter deposits payable should be reconciled on a monthly basis and any cash shortage in the meter deposits should be covered by the Town. In addition, the balance for meter deposits payable in the general ledger should agree with the meter deposit listing in the utility billing system.

Condition – Meter deposits are not being reconciled on a monthly basis to ensure all deposit collections and refunds are properly accounted for within the accounting system. The balance in the accounting system for meter deposits refundable does not agree with the balance in the utility billing deposit listing. The utility billing deposit report balance as of June 30, 2011 was \$28,580 while the general ledger balance was \$35,979. These balances should agree.

Disposition – This is still a recommendation for 2012-13.

- 12-4. Criteria – Utility accounts receivable should be reconciled on a monthly basis.

Condition – Our testing noted that utility accounts receivables are not being reconciled on a monthly basis to ensure all billings, collections and adjustments are properly accounted for within the utility billing accounting system.

Disposition – This is still a recommendation for 2012-13.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2013**

- 12-5. Criteria – There should be adequate cash or cash equivalents in the meter deposits accounts to cover all meter deposits.

Condition – While testing restricted cash in the meter deposit account it was noted there was not adequate cash to cover the recorded meter deposit liability in the general ledger. Meter deposit funds, in comparison with the liability account recorded in the general ledger, were short \$1,796.

Disposition – This is still a recommendation for 2012-13.

- 12-6. Criteria – Oklahoma Statutes Title 11, Section 26-109 requires a Cemetery Care Fund to be established for deposits not less than twelve and one-half percent (12.5%) of all monies received from the sale of lots and interments. This fund can only be expended for purchasing lands for cemeteries and for making capital improvements to the municipally owned cemeteries. Oklahoma Statutes Title 11, Section 26-201 requires a Perpetual Care Fund to be established for deposits received from donations or bequests for the special care of specified lots. Only the interest derived from this fund shall be used in the care, maintenance and repair of the cemetery.

Condition – Although the Town has separate bank accounts for operations and perpetual care it does not have three individual funds to separately account for cemetery operations, cemetery care and cemetery perpetual care. In addition, in the revenue accounts, the donations are not being identified separately from lot sales. Therefore, we were unable to determine if 12.5% of lot sales are being deposited to the Cemetery Care Fund.

Disposition – This is still a recommendation for 2012-13.

- 12-7. Criteria – Set payroll accounts need to be established to provide meaningful financial reporting.

Condition – Payroll items were not consistently coded into the financial statements.

Disposition – This is still a recommendation for 2012-13.

- 12-8. Criteria – Oklahoma Statues Title 11, Section 17:211A states “No expenditure may be authorized or made by any officer or employee that exceeds the appropriation of any fund.”

Condition – Expenditures exceeded appropriations in the General Fund, Street And Alley Fund and Public Library Fund. Total expenditures for the General Fund exceeded appropriations by \$7,118, Street & Alley by \$51 and the Public Library Fund by \$57.

Disposition – This is still a recommendation for 2012-13.

- 12-9. Criteria – Oklahoma Statues require that all expenditures to be encumbered against the budget prior to purchasing the goods or services. The Purchase order is to be signed by the encumbrance clerk along with an official authorized to initiate purchases.

Condition – Certain purchase orders examined did not comply with state purchasing statutes. Several purchase orders examined were dated prior to the date of the purchase order. Also, the encumbrance clerk and/or authorized purchasing official did not sign on the purchase. Several expenses were coded to the wrong account such as a capital item being recorded as maintenance and operations.

Disposition – This is not a recommendation for 2012-13.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2013**

- 12-10. Criteria – Capital assets (land, building, improvements, utility property/improvements, machinery, equipment, vehicles, and infrastructure) should be properly identified for capitalization and recorded in a capital asset listing according to a board approved capitalization policy.

Condition – No procedure has been established to track and record capital assets in the capital asset listing throughout the year.

Disposition – This is still a recommendation for 2012-13.

- 12-11. Criteria – Gross payroll and taxes in each department in the general fund should agree with the payroll journal.

Condition – Payroll transactions are not departmentalized in the general ledger and do not agree with the payroll journal.

Disposition – This is still a recommendation for 2012-13.

- 12-12. Criteria – The Town participates in the OMRF defined contribution plan. Each month the plan is funded by the employees and the Town.

Condition – At yearend the Town was behind in making the monthly contributions.

Disposition – This is not a recommendation for 2012-13.